2018 REGISTRATION DOCUMENT

ALTAREIT

Pure player in property development

REGISTRATION DOCUMENT 2018

INCLUDING THE 2018 ANNUAL FINANCIAL REPORT

This Registration Document was filed with the Autorité des Marchés Financiers on 2 April 2019, in accordance with Article 212-13 of the AMF General Regulation. This document may be used in support of a financial transaction only if it is supplemented by an offering circular (note d'opération) approved by the Autorité des Marchés Financiers. This document has been drawn up by the issuer and is the responsibility of its signatories.

CONTENTS

THE ESSENTIAL 1

Pure player in property development

A unique platform of real estate skills

A 99.85% subsidiary of Altarea Cogedim, Altareit combines a unique know-how in Residential and Business Property development with Retail development in the mixed-use projects led by Altarea Cogedim Group.
In Residential (residential units and serviced residences), projects are developed for resale to third parties. In Business Property, the Group has also developed a role as medium-term investor to capture iconic development projects and create related value.

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

Large mixed-use projects

▶ #1 French developer

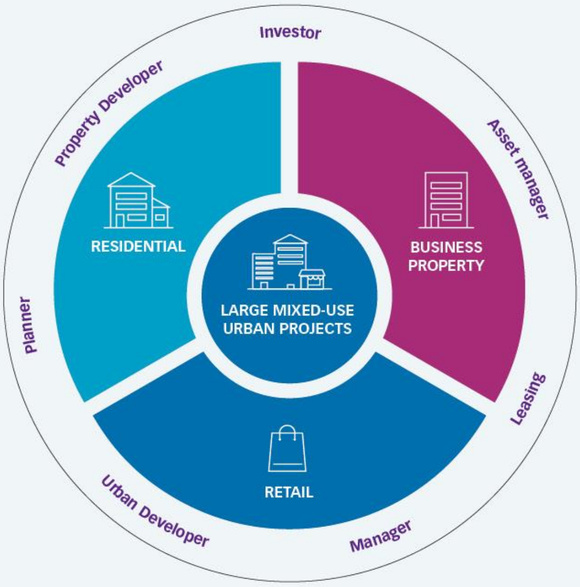
Altareit is rising to the challenge of the metropolitanisation of the regions by reconnecting city centres with the periphery, creating **new urban centres that can energise economic and social life.** These large-scale projects include all types of assets (housing, serviced residences, business property, retail, hotels, public facilities etc).

Residential

▶ Top 3 French developers

Altareit has a resolute focus on customer satisfaction and expectations. It imagines and realises innovative, customisable, convertible projects that are perfectly integrated into their environment. Renowned architects and landscapers work with the Group to reinvent a high-quality housing to suit today's multiple lifestyles.

2018 HIGHLIGHTS



Number 1
Developer of large mixed-use projects

€14.9 billion
Project pipeline in potential market value

1 direct job **= 35** jobs supported in the regions

€2.2 billion
Revenue
+27%

€178.4 million
Funds from operations (FFO)
+17%

€272.8 million
Net income, Group share **x3.4**

Business property

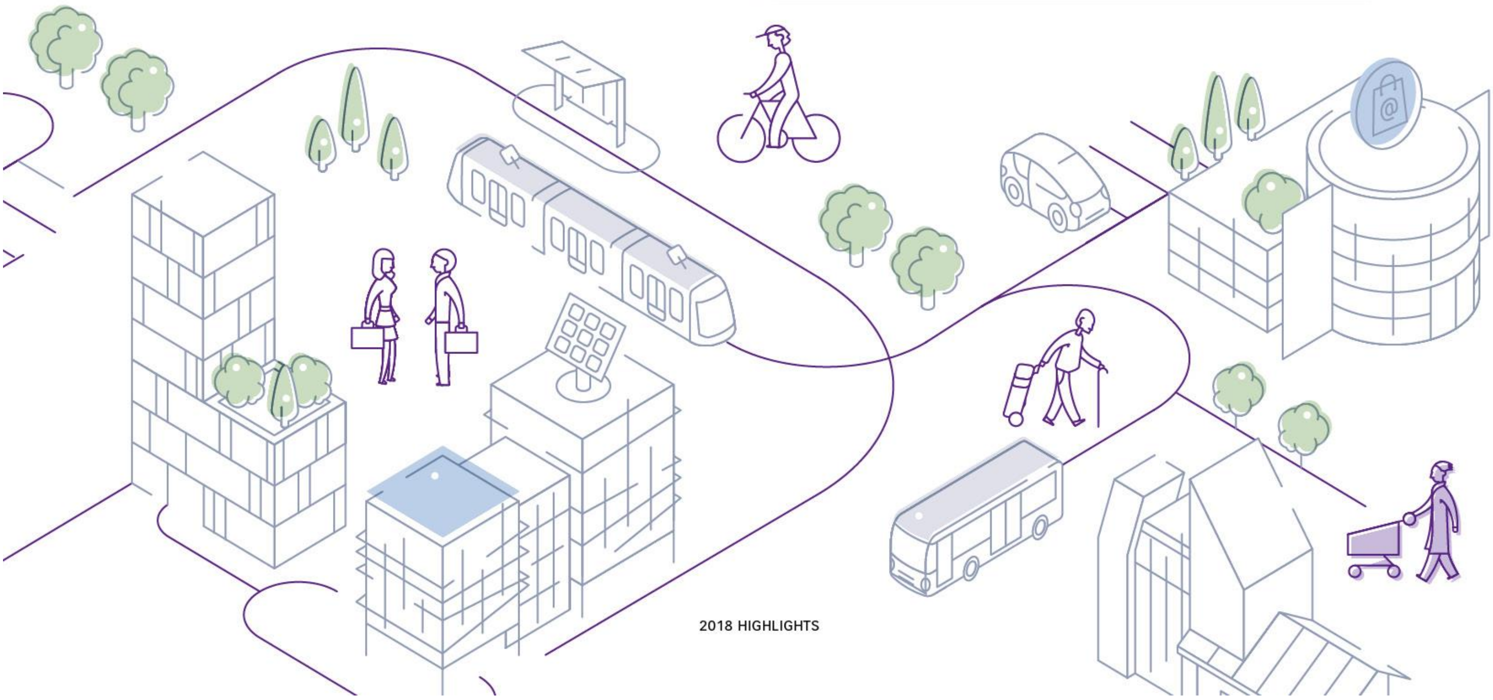
▸ #1 French developer

Altareit anticipates the expectations of companies and their employees and designs the future of **mixed-use offices which guarantee a high quality of working life.** Flexible, convertible, hyper-connected and open to the city, Business property supports the transformations of the global economy.

#1
In the GRESB 2018 ranking among listed companies in France (all sectors) and #2 in Retail worldwide

#1
voted "Customer service of the year" in 2018 and 2019, in the Property Development category

100%
of Residential projects certified NF Habitat, guarantee of quality, environmental performance and comfort



2018 HIGHLIGHTS

Large mixed-use projects

Altareit creates urban cores where housing, serviced residences, business property, shops, hotels and public facilities exist side by side. These large-scale projects combine the Group's know-how and services in a comprehensive approach. Their design puts people back in the core to create sustainable, liveable, dynamic and connected city neighbourhoods, where diversity and social connections go hand in hand.

#1
French developer

MARKET ANALYSIS

- **Concentration of population and jobs** in metropolises
- **Change and increasing complexity in lifestyles,** with barriers between personal and professional spheres gradually breaking down.
- **New balance between personal, professional and family life**
- **People want ease and proximity,** with acces to public transport
- Local authorities increasingly **rethinking the local urban fabric**
- **Expectation of integrated urban solutions** proposed by service providers with mixed-use expertise

STRATEGY

- **Maintain leadership:** Altareit is the only French real estate player operating in all segments of the property market
- **Identify and strengthen synergies** in the property sector, as a multi-business and multi-activity group
- **Support the mixed-used of programmes** - housing, business property, retail - by aggregating the offer so as better to reflect uses, the living environment and the social context
- **Favour proximity** with purpose-built applications, new services and neighbourhood retail stores

COMPETITIVE ADVANTAGES

- **Single partner** for local authorities across all dimensions of the project
- **Multi-skills** residential, business property, retail
- **Financial strength** of a stable, sustainable and recognised group
- Capacity to deliver **large-scale projects** in a single phase
- Anticipation and grasp of **new uses**
- **Local anchorage** that meets the needs expressed by cities and regions

ACHIEVEMENTS

Large projects (at 100%)	Total surface area (sq.m.)	Residential (units)	Serviced residences	Offices	Retail	Cinemas	Leisure/ Hotels	Publics facilities	Estimated delivery date
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
Cœur 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-Moulineaux)	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)	131,000	860	x	x	x	-	x	-	2024
Total (10 projects)	**865,000**	**8,790**							

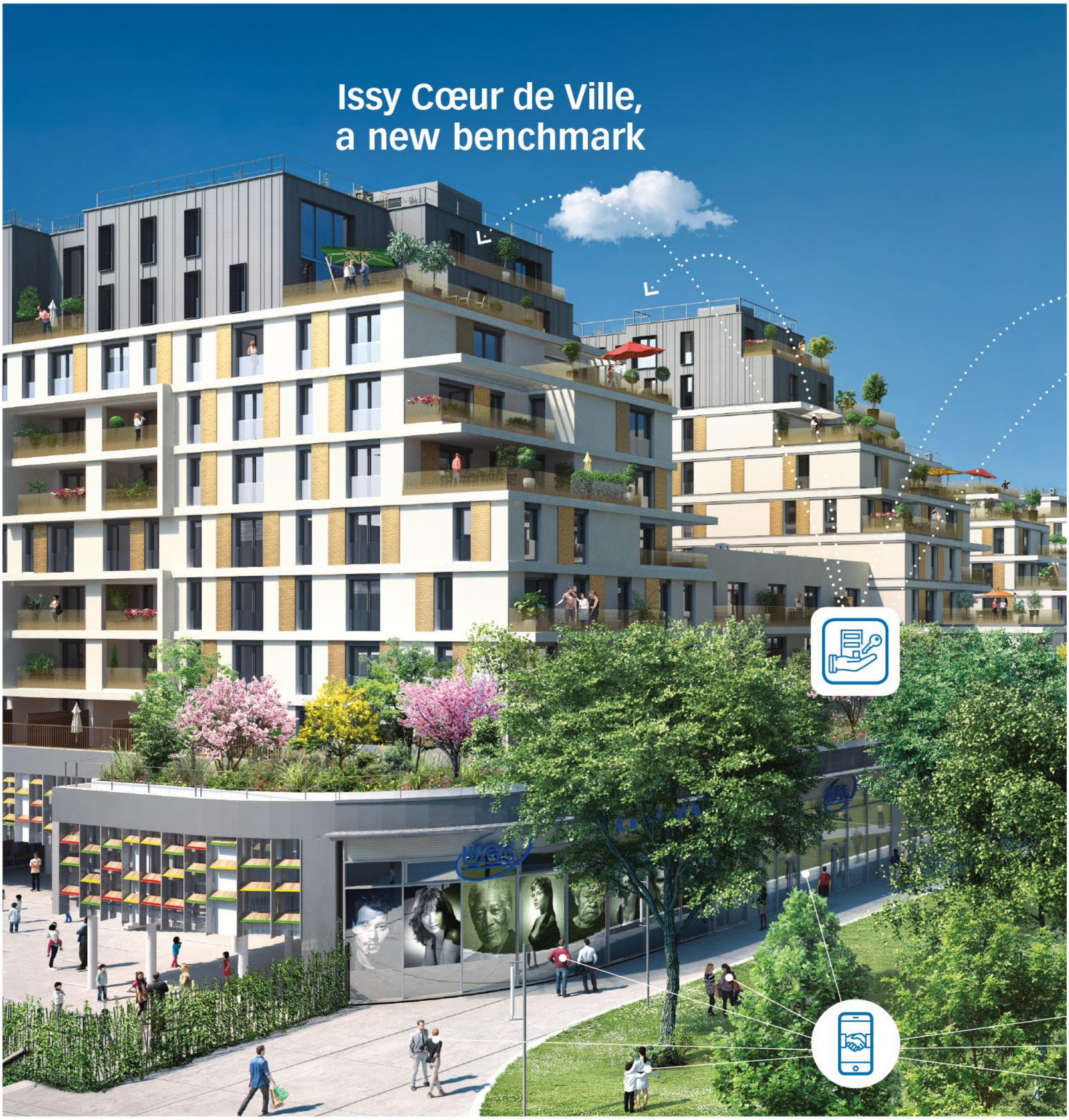
PERFORMANCE

- **Win of two new large projects:**
  – Quartier Joia Méridia, Nice, a 73,500 sq.m. project, of which 48,000 sq.m. for the Group, which is to create 630 residential units and 4,700 sq.m. of shops and local services;
  – A 130,000 sq.m. predominantly retail projet in the Gasset district of Marne-la-Vallée (Val d'Europe) in the immediate vicinity of Disneyland® Paris
- **Major progress on the four other large projects under development:**
  – Issy Cœur de Ville, in Issy-les-Moulineaux: marketing of residential units started in late 2018;
  – Aérospace-Place Centrale in Toulouse: start of the development of the mythical Aeropostale site;
  – Cœur de Ville, Bezons: start of building;
- **Confirmation of its leading position** with Issy Coeur de Ville, first pilot district in France WELL Community Standard

Over 860,000 sq.m.
And 8,790 residential units planned

€3.3 billion
in potential value

10
projects
under development



105,000 sq.m
of which 17,300 sq.m in shops

2022
Delivery expected
in the second quarter

More than 600
diversified housing units

2,500 sq.m
in photovoltaic roofs

3
positive energy office buildings

3,000
employees expected

Certification and labels
1st pilot project in France built to the WELL Community Standard.
District: BiodiverCity®, WELL Community, EcoDistrict/Housing: NF Habitat HQE™/ Offices: BEPOS Effinergie, NF HQE™ Tertiary Buildings approach, BREEAM®, WELL, BiodiverCity®/Retail: BREEAM®

2018 HIGHLIGHTS

A dynamic urban ensemble

Land once housing the Orange Telecommunications National Research Centre is to be the site for a new town centre of over 100,000 sq.m built around an urban park of some 13,000 sq.m. It will hold:

- About 40,000 sq.m of housing
- About 40,000 sq.m of offices
- Public facilities including a multipurpose space, a school and a crèche with 60 places
- 240 parking spaces
- Approximately 17,300 sq.m of shops, restaurants and services, including a UGC cinema complex with 7 screens and a creation and digital economy workshop
- A seniors' residence

A digital eco-district

Designed around an advanced environmental and social approach, the programme has its finger firmly on the pulse of digital technology, with connection thanks to the Easy Village app, a veritable digital town square.

"The Issy Cœur de Ville project represents the strength of our city: blending yesterday and tomorrow to give our population a better life today. That is the source of its singularity, its vibrancy and its appeal. This innovative and sustainable eco-district, adapted to current needs, able to reconcile all uses, fruit of a tremendous drive for participatory democracy, is a symbol of which we can all be proud."

André Santini, Mayor of Issy-les-Moulineaux

Residential

The face of our cities is changing, in the image of city dwellers. To meet the diversity of expectations of buyers and investors, Altareit imagines and creates innovative programmes that are customisable, scalable and seamlessly integrated into their environment. Renowned architects, landscapers and designers are helping the Group reinvent quality residential in step with an era where life paths can take us in many different directions. From students, first- and second-time buyers, families in all their forms and seniors, everyone finds the "home" that matches his needs.

Top 3

French developers

MARKET ANALYSIS

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

STRATEGY

- **Consistently increase the level of customer satisfaction:** quality of the commercial relationship, customisation of the offer
- **Integrate the customer into a tailor-made residential journey with a comprehensive offer:** from entry level to premium, first- and second-time buyers, serviced apartments, block-sale investments, etc.
- **Continue to diversify products** to suit all types of buyers, all needs, all moments of life
- **Pursue the geographical development strategy** aimed at building up strong positions in the most dynamic regional metropolises
- **Guarantee greater accessibility** by offering new and more affordable housing to meet the needs of lower-income households, which today represent 40% of the market

COMPETITIVE ADVANTAGES

- **Group's signature** associated with quality, innovation and environmental performance
- **Multifunctional, modular, adaptable** housing surfaces
- **A high-quality,** acknowledged and rewarded **customer support approach**
- **Digital tools** (mobile app, digital platform, augmented reality tours) in the service of an enriched customer experience

OUR PRODUCT LINES AND SERVICES

An expanded and diversified residential offer. The Group operates through its nationwide brand **Cogedim** backed up in France's biggest cities by **Pitch Promotion** and rounded out in terms of products by **Cogedim Club** and **Histoire & Patrimoine**

- **Entry and mid-range:** quality programmes designed to meet the housing needs of first-time buyers, individual investors and the challenges facing subsidised housing operators
- **High-end:** a selection of properties defined by demanding requirements in terms of location, architecture and quality
- **Cogedim Investissement:** programmes developed 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
- **Serviced residences:** products designed for specific types of customers (students, business tourism, seniors, etc.). For instance, the Cogedim Club® brand offers active seniors "à la carte" residences in city centres
- **Renovation of historical sites:** under the Histoire & Patrimoine brand, the Group has a range of products for heritage buildings, Malraux Law properties and the land deficit tax write-off scheme

PERFORMANCE

- **Programs for all residential pathways throughout the country:** opening of two new Cogedim Club® developments bringing to 12 the number of residences in operation, with two new projects launched
- **Strengthening of strategic positions:**
  – finalisation of the acquisition of Histoire & Patrimoine
  – in early 2019, the Group also finalised the acquisition of 85% of Severini, a developer, strengthening its presence in Nouvelle-Aquitaine
- **Improved service and customer experience:**
  – opening of Cogedim Stores in Lyon, Marseille and Bordeaux
  – accessibility programmes rolled out like the partnership with Sourdline
  – 3D visualisation for the presentation of residences being marketed
- **Recognition of know-how:**
  – voted Best Customer Service for the second year in a row in 2018, in the Property Development category – BVA Group survey
  – three prizes won at the Federation of Property Developers' Pyramides d'Or Awards
- **Redevelopment of historic downtown areas:** the Caserne Scharmm, transformed into the "Les Jardins d'Artois" apartment complex by Histoire & Patrimoine, obtained the Simi 2018 Grand Prix in the Service Property category

7.6%
market share in France, compared with 4.2% in 2014

€11.3 billion
in potential revenue in the pipeline (+23%), nearly 4 years of activity (44,800 units)

Nearly 100%
of the pipeline located in areas eligible under the Pinel law

100%
of housing certified NF Habitat or in the process of certification

About **19,800 sq.m**
in floor area

2023
Delivery expected
in the second quarter

135
family and flexible
residential units for
first-time buyers

23
programmatic,
architectural and
technical innovations
developed

Certification and labels
NF Habitat HQE™ "Excellent" ,
E+C-, BiodiverCity®, Biosourcé
level 3, City of Paris Climate Plan

Low-carbon innovations
The timber superstructure, bridge-mounted over 10 levels, helps reduce CO_2 emissions by 80% compared with a conventional project. The complex aims to obtain the best environmental labels and is fully in line with the objectives of the Paris Climate Plan.

Modular residential units
Altareit already has a foot in the future, and offers housing that can keep up with its occupants regardless of the path they take in life. Modular, service-based and customizable, they offer a new way of thinking about homebuying.

Shared cities
On top of housing, the programme includes services, shops and facilities: concierge service, food market for seasonal products, a training school in coding, a general medicine innovation hub and a virtual reality leisure offer. An unexpected meeting between health and digital technology!

"True to the spirit of Réinventer Paris, the call for innovative urban projects launched by the City of Paris, the U-Care development brings together multiple skills to address technical and innovative challenges. In all, 23 programmatic, architectural and technical innovations will allow the project to contribute to a city open to its surrounding area, its ecosystems and its inhabitants."

Jean-Louis Missika, Deputy Mayor of Paris, responsible for urban planning, architecture, the Greater Paris project, economic development and attractiveness

Business property

To settle in city centres, to provide employees a professional work environment conducive to well-being and personal fulfilment, with services and amenities nearby… These are the new requirements of companies. Altareit anticipates changes in work patterns and is creating the future of a multipurpose office. Flexible, scalable, connected and open to the city, business property mirrors transformations in the world of business.

#1
French developer

MARKET ANALYSIS

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

STRATEGY

- **Focus on central locations,** hyperconnected (to public transport) and open to cities or regions undergoing urban revitalisation
- **Design and develop tertiary programmes** that match new uses and employees' expectations in terms of quality of life at work, including the office component of mixed-use programmes
- **Promote corporate performance** through the personal development of employees in a human-friendly workspace
- **Break away from single-use buildings,** embrace modularity and multipurpose spaces
- **Raise quality per square metre of office space** through digital facilities
- Blend **long projects with shorter ones**

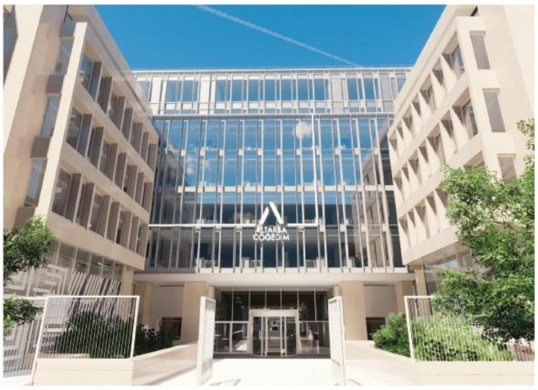
COMPETITIVE ADVANTAGES

- **Major player in redevelopment,** recognised for its creative projects
- **Comprehensive and integrated operator:** medium-term investor directly or *via* AltaFund, developer and provider (DPM)
- **Modern and user-centric offer:** collaborative and flexible spaces
- **Architectural, environmental and social quality** of new or renovated programmes
- **Prestigious locations** for all developments

OUR PRODUCT LINES AND SERVICES

Altareit has developed a unique model that enables it to operate very significantly in this market as:

- **developer** in the form of VEFA (off-plan sales), BEFA (off-plan leases) and CPI (real estate development contracts) contracts, with a particularly strong position in the turnkey market, and through MODs (delegated project management)
- **investor** directly or through AltaFund as part of an investment strategy in assets with high potential (prime location) in view of their medium-term sale once redeveloped. The Group is systematically the developer of projects in which it acts as co-investor and manager
- With the creation of a logistics investment fund at the end of 2017, operated by Pitch Promotion, the Group has replicated its "property developer-investor" model in a new product line: **logistics platforms**



PERFORMANCE

- **The symbol of the Group's ambitions:** Altareit created its new Paris headquarters by renovating and restructuring an iconic building on Rue Richelieu. The 32,000 sq.m programme aims to obtain the highest environmental labels and will showcase the Group's know-how. The building was sold off plan to CNP Assurances
- **Iconic building sites in the heart of the French capital:** Landscape and its 10 facades offering 360° vision, and Eria with its three-petal structure for unique modularity
- **Tender win** for the Convergence building in Rueil-Malmaison by Pitch Promotion. Convergence is slated to be the future headquarters of Danone, becoming its largest global headquarters (25,300 sq.m) in 2020
- **Completion of the creative restructuring** of Kosmo, head office of Parfums Christian Dior, at the Pont de Neuilly, facing La Défense
- **Legitimate green value:** Altareit received an award in the "Best Certified Performance New Office" category at the HQE™ Sustainable Building Awards for the construction of the Boehringer Ingelheim building in Lyon

60
projects under development

€3.6 billion
potential value

100%
of business property projects in Greater Paris are doubly certified at least HQE™ "Excellent" and BREEAM® "Very Good"

Bridge, the future headquarters of Orange

57,000 sq.m
including a shopping area of roughly 2,500 sq.m

2020
Delivery expected in the second quarter

3,000
employees

Over 7,000 sq.m
of balconies, terraces and gardens

Certification et labels
NF HQE™ Tertiary Buildings "Exceptional", BREEAM® "Excellent", BBC-Effinergie, WELL, WiredScore

Ultraconnected and ultraconvivial

Designed specifically for the Orange group, the Bridge project will boast the best in digital technology. This ultra-connected building will put innovation at the service of employees' well-being and social bonds in the company, to inspire cooperation and new ways of organising work.

Work environment reinvented

A glass-roofed hall reminiscent of Gustave Eiffel, a place for exchanges and meetings with shops and services, open spaces and multiple levels, a landscaped environment and breath-taking natural light… There is a change of dimension for employees at Orange's head office.

"Bridge is part of a co-construction process. It will be a wonderful place to work, with lots of collaborative spaces, vegetation and a remarkable design."

Stéphane Richard, Chairman and CEO of Orange

BUSINESS REVIEW 31 DECEMBER 2018

2

2.1 A pure player in property development in France

2.1.1 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[1].

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[2].

Business 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[3]),

• as a property developer[4] 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 the end of 2018, Altareit has secured a huge portfolio of projects in France, with 3.8 million m² under development and potential value of €14.9 billion.

Leadership in large mixed ude projects

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.

1 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.
2 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).
3 AltaFund is a discretionary investment fund, created in 2011, of which Altareit is one of the contributors alongside leading institutional investors.
4 This development activity does not present any commercial risk: Altareit carries only a measured amount of technical risk.

2.1.2 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[5];

• the acquisition, finalised in early 2019, of 85% of Severini[6], 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[7] 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[8] 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[9], 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[10], to Crédit Agricole Assurances.

Consequently, there is no contribution of Semmaris to the operating income (FFO[11]) for the second semester 2018.

[5] 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.
[6] 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).
[7] The "high-demand areas" correspond to areas A bis, A and B1.
[8] 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.
[9] AltaFund is a discretionary investment fund, created in 2011, of which Altareit is one of the contributors alongside leading institutional investors.
[10] 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)
[11] Funds From Operations or operating cash flow from operations.

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.

€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[12]

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"[13] 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.

[12] 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.
[13] 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.

2.2 Business

2.2.1 Residential

The market in 2018 and outlook

In 2018, the residential market in France amounted to 155,000[14;] 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.

[14] 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).

Against this backdrop, the Group is implementing a geographical development strategy with a view to holding strong positions in the most dynamic gateway cities[15], 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[16].

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[17] (Historical Monuments).

At the start of January 2019, the Group also finalised the acquisition of 85% of the developer Severini[18], strengthening its presence in Nouvelle Aquitaine.

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

• high-end[19]: 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[20]: 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[21] 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[22]: 11,782 units (+5%) for €2.9 billion (+11%)

New orders (€ millions)	2018	2017	*Change*
Individuals - Residential buyers	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 buyers	2,755 units	2,338 units	*+18%*
Individuals - Investment	4,227 units	4,354 units	*(3)%*
Block sales	4,800 units	4,497 units	*+7%*
Total in units	**11,782 units**	**11,189 units**	**+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.

[15] 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.

[16] 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.

[17] On 17 July 2018, the Group acquired the remaining capital of Histoire & Patrimoine, having already acquired 55% of its capital in June 2014.

[18] Created in 1984, Severini has 35 employees and generated revenue of €55 million in its financial year ended 31 March 2018.

[19] Programmes at over €5,000 per m² in the Paris Region and over €3,600 per m² in other regions.

[20] Programmes under €5,000 per m² in the Paris Region and under €3,600 per m² in other regions, as well as exclusive programmes.

[21] 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.

[22] 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.

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%**

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[23]

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[24]

€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[25] and future offering[26]: 47 months of pipeline

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 out(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.

[23] Sale agreements for land signed and valued as potential residential orders (incl. taxes).
[24] 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.
[25] Units available for sale (incl. taxes value, or number count).
[26] 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).

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:

• 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.

2.2.2 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[27] 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[28] as part of an investment strategy in assets with high potential (prime location) in view of their medium-term sale once redeveloped[29].

The Group is systematically the developer of projects in which it acts as co-investor and manager[30].

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[31], 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[32];

• sale of assets in the Investment business, at sale price including tax[33].

€ 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).

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

[31] Source: Immostat (economic interest group [GIE] made up of BNP Paribas Real Estate, CBRE, JLL and Cushman & Wakefield) - January 2019.
[32] New orders at 100%, with the exception of projects under joint control (equity-accounted) for which new orders are shown in Group share.
[33] 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

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.

2.2.2.1 DEVELOPMENT-INVESTMENT

Three 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.

2.2.2.3 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*
Logistics	*11*	*580,850*	*403*
DPM	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[34] (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.

[34] 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
Other Office projects (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
Other Office projects (23 transactions)	PDA/Off-plan sales	205,100		Secured
Logistics projects under construction (5 transactions)	PDA/Off-plan sales	27,000		Under construction
Logistics projects secured (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.

2.3 Consolidated results

2.3.1 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[35]: €103.2 m, +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 m, +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.

[35] *Funds From Operations or operating cash flow from operations = net income group share excluding changes in value, calculated expenses and transaction costs.*

2.3.2 Impacts of the application of IFRS 15 [36]

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 – former 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**

[36] *The Group has opted to apply the cumulative catch-up method to record IFRS 15.*

2.4 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**

CONSOLIDATED FINANCIAL STATEMENTS OF THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3

3.1 Financial statements

Consolidated income statement

€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**

Statement of consolidated 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)**
CONSOLIDATED 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 balance sheet

€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 cash flows statement

€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)

Changes in consolidated 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)**
Net gain/(loss) on disposal of investments	**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)**
Result 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.

3.2 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[41]);
- 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.

[41] *Funds From Operations.*

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.

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

	31/12/2018			Impact of IFRS 15			31/12/2018 – Former method		
€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	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	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 former 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 income statement 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

	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 property developer to issue a public bond in continental Europe.

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[42].

In July 2018, the Group sold to Crédit Agricole Assurances the control of the holding company Alta Rungis[43] (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).

Deployement of 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 130,000 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%[44] 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.

[42] *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.*

[43] *See press release of 27 July 2018 available on the Altarea Cogedim Group's website, of which Altareit is a 99.85% subsidiary.*

[44] *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.

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

€millions	31/12/2018	31/12/2017
Equity-accounting value of joint ventures	62.9	86.7
Equity-accounting value of affiliated companies	101.3	141.7
Value of stake in equity-method affiliates	**164.2**	**228.5**
Non-consolidated securities	**33.3**	**1.2**
Receivables from joint ventures	79.5	103.4
Receivables from affiliated companies	118.4	230.9
Receivables from equity-method subsidiaries and non-consolidated interests	**197.9**	**334.3**
Total securities and receivables in equity affiliates and unconsolidated interests	**395.3**	**564.0**

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

€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.

Actually, 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

€millions	Gross bond and bank debt 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 depreciated by €0.7 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

			Financial assets and liabilities carried at amortised			Financial assets and liabilities carried at fair value			
€millions	Total carrying amount	Non-financial assets	Loans Receivables	Liabilities at amortised cost	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. 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 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, and to the 31 December 2018 included.

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

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").

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.

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%**

3.3 Statutory Auditors' report on the consolidated financial statements

At the General Shareholders' Meeting of the Altareit company,

Opinion

In accordance with the mission assigned to us by your General Shareholders' Meeting, we have carried out the audit of the consolidated financial statements of the Altareit company relating to the financial year ended 31 December 2018, as attached to this report.

In our opinion, the consolidated financial statements give a true and fair view of the result of operations in the elapsed year, and of the financial position and assets, at the end of the financial year of the companies and entities included in the consolidated group in accordance with IFRS standards as adopted by the European Union.
The opinion set out below is consistent with the content of our report to the Audit Committee.

Basis of the Opinion

Audit guidelines

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

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

Independence

We performed our audit respecting the applicable rules on independence, over the period from 1st January 2018 to the date on which our report was published, and, in particular, we have not provided any services prohibited under Article 5, paragraph 1 of EU regulation No. 537/2014 or under the Code of Conduct governing the profession of Statutory Auditor.

Comment

Without callinginto question the opinion expressed-above, we wish to draw your attention to:

- note 2.5.1. to the consolidated financial statements which presents the change in accounting method which is a consequence of the application of IFRS 15 relating to revenue from contracts with customers;

- note 2.5.2 to the consolidated financial statements which presents the change in accounting method which is a consequence of the application of IFRS 9 relating to financial instruments.

Basis for our assessments - Key points of the audit

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

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

Measurement of goodwill and brands

Risk identified	Our response
As of 31 December 2018, goodwill and brands were recorded in the balance sheet in a net carrying amount of €279 million, of which €179 million in goodwill relating to the acquisitions of Cogedim, Pitch Promotion and Histoire & Patrimoine, and €101 million in goodwill relating to the Cogedim, Pitch Promotion and Histoire & Patrimoine brands. Goodwill and brands are systematically tested for impairment annually, or more frequently if internal or external events or circumstances indicate a loss of value. As indicated in Note 2.4.7 to the consolidated financial statements, an impairment loss is recognised 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. The recoverable amount is defined as the highest amount between the sale price net of the costs which might be incurred in order to conduct the sale and the value in use of the CGU or group of CGUs. The determination of the recoverable amounts of each group of assets tested is based on the discounted cash flow method, which requires the use of assumptions, estimates or assessments on the part of the Group Management supplemented by market comparables and transaction multiples. In view of the amounts and sensitivity of these assets to changes in the data and the assumptions upon which the estimates are based, in particular the cash flow projections and discount rates used, we considered the assessment of the recoverable amount of goodwill and brands as a key point in the audit.	We reviewed the process established by the Group for determining the recoverable amount of goodwill and brands, grouped into cash-generating units (CGU). The work also involved: ▶ assessing the principles and the methods for determining the recoverable amounts of the CGUs to which the goodwill and the brands are allocated, as well as the corresponding net asset values; ▶ comparing the net carrying amounts of the net assets attached to the CGUs tested with your Group's accounting data; ▶ assessing, including valuation experts in our audit team, the pertinence of the valuation models used as well as the long-term growth rates and discount rates applied in the said models; ▶ assessing, in consultation with management, the main assumptions on which the budget estimates underlying the cash flows used in the valuation models are based. As such, we also compared estimated cash flow projections from previous periods with actual results in order to assess the suitability and reliability of the forecasting process, and to corroborate the results of sensitivity analyses conducted by management by comparing them with our own; ▶ testing, on a sample basis, the arithmetical accuracy of the assessments used by your Group.

Valuing deferred tax assets relating to tax losses

Risk identified	Our response
As of 31 December 2018, deferred tax assets relating to tax loss carryforwards amounted to €85 million. As stated in Note 2.4.16 to the consolidated financial statements, deferred tax assets are recognised insofar as is likely that future taxable profits will allow their recovery based on a business plan for tax purposes prepared by management and derived from the Group's business plan drawn up for a reasonable period. We considered the measurement of the recoverable amount of deferred tax assets resulting from tax loss carryforwards as a key point in the audit due to the material nature of management's judgements in recognising these assets and the materiality of the amount in question.	We analysed the consistency of the methodology applied for the recognition of deferred taxes with the tax rules in force at the end of the reporting period, in particular with the tax rates adopted and the rules for limiting tax loss carryforwards, specific to each jurisdiction. Our approach involved examining the business plans prepared for tax purposes, focusing primarily on the earnings forecasts for the property development activity in the Altareit tax group in order to assess the Group's ability to generate future taxable profits allowing the use of tax loss carryforwards. We compared these business plans for tax purposes with the cash flow projections used where appropriate as part of the annual impairment testing of goodwill and brands, and reviewed the reasonable nature of the main data and assumptions on which these projections of tax results are based.

Valuation of inventories, revenue and net property income.

Risk identified	Our response
At 31 December 2018, the property inventories are recognised in the balance sheet for an amount of €973 million and net property income stands at €195 million for the financial year 2018. As indicated in Note 2.4.17 to the consolidated financial statements, revenue and costs (net property income) are recognised in the Group financial statements in accordance with the percentage-of-completion method. All property development/off-plan sales and property development contract transactions are concerned by this method. For these programmes, revenues from sales effected via notarised sales are recognised in accordance with IAS 15 "Income from ordinary activities" in proportion to the technical progress of the programmes measured by the total percentage of costs directly related to construction, including the cost of land, accumulated in comparison to the total forecast budget and to the progress of marketing, determined by the percentage of regulated sales related to total budgeted sales. As indicated in Note 2.4.8 to the consolidated financial statements, inventories are carried at cost less the portion of the cost price removed on a percentage-of-completion basis for off-plan sale or property development contract transactions. Impairment losses are recognised when the net realisable value of inventories and work in progress is less than the cost price. In view of the material nature of inventories and net property income in the Group's consolidated financial statements, we considered the measurement of these items as a key point in the audit.	Our approach involved examining the assumptions made by management in estimating the profit on property developments, and notably assumptions regarding selling prices, land acquisition costs, construction costs, service fees and internal expenses. We compared the technical completion rates of developments representing significant revenue and costs (net property income) with external confirmations conducted by the main contractors for construction costs and notarised deeds for land costs. Moreover, we compared the commercial completion rates with the notarised deeds by conducting sales-year-specific sales tests. Some of the members in the team have been included due to their expertise concerning information systems. They will be conducting reliability tests regarding application controls linked to the marketing process. We also examined the costs incurred and yet to be incurred on the most significant projects in order to identify loss-making contracts, and, where applicable, reconciled these costs with the loss on completion of the contracts in question. Lastly, we tested, on a sample basis, the arithmetical accuracy of revenue and the associated net property income generated during the year and recorded in the consolidated financial statements using income at completion and rates of commercial and technical completion.

The valuation of inventories related to projects not yet marketed, on the one hand, and projects delivered, on the other hand, has been the subject of particular attention on our part. For developments not yet available for sale, we examined the existence of prospective profits, based on interviews with management and analysis of operating budgets. For projects delivered, we analysed the estimated selling prices of the units in inventory with the selling prices of the units recorded.

Special verifications

We also carried out specific verification, as required by law, of information relating to the Group provided in the Management Board's management report, in accordance with professional standards applicable in France.
We have no comments to report with respect to the fairness of their presentation and consistency with the consolidated financial statements.
We confirm that the Consolidated Declaration on Extra-Financial Performance specified in Article L. 225-102-1 of the French Commercial Code appears in the information related to the Group set out in the management report it being specified that in accordance with the provisions of Article L. 823 10 of the Code, we have not verified the sincerity or consistency of the information contained in this Declaration with the consolidated financial statements and must be the subject of a report conducted by an independent third-party organisation.

Information arising under other legal and regulatory obligations

- **Appointment of statutory auditors**

We were appointed as Statutory Auditors of the Altareit company by your General Shareholders' Meeting on 2 June 2008.
At 31 December 2018, our firms were in the eleventh uninterrupted year of their contract.

Responsibilities of management and corporate governance officers on consolidated financial statements

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

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

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

These consolidated financial statements have been approved by Management.

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

Auditing objective and procedure

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

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

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

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

Report to the Audit Committee

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

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

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

Neuilly-sur-Seine and Paris-La Défense, 22 March 2019

The Statutory Auditors

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

ANNUAL FINANCIAL STATEMENTS OF THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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4.1 Financial statements

4.1.1 Income statement

Titles (€ thousands)	2018	2017
Sale of goods		
Sold production (goods and services)	589.7	471.8
NET REVENUE	**589.7**	**471.8**
Production held in inventory		
Production held in inventory		
Operating grants		
Reversals of provisions (and depreciation/amortisation), expense reclassifications		
Other income		
OPERATING INCOME	**589.7**	**471.8**
Purchase of goods		
Change in inventory (goods)		
Purchase of raw materials and other supplies		
Change in inventory (raw materials and other supplies)		
Other purchases and external costs	7,466.2	4,482.3
Taxes, duties and analogous payments	0.5	0.7
Salaries and wages		
Social security contributions		
OPERATING ALLOWANCES		
On non-current assets: depreciation and amortisation charges		
Non-current assets: impairment provisions		
Current assets: impairment provisions		
For risks and charges: allowances to provisions		
Other expenses	7.5	(0.7)
OPERATING EXPENSES	**7,474.2**	**4,482.3**
OPERATING INCOME/(LOSS)	**(6,884.5)**	**(4,010.5)**
JOINT TRANSACTIONS		
Profits or transferred losses		
Losses or transferred profits		
FINANCIAL INCOME		
Financial income from investments	34,583.6	2,595.6
Income from other marketable securities and receivables on non-current assets		
Other interest and similar income	53.2	3,585.7
Reversals of provisions, impairment and expense reclassifications		4,117.0
Foreign exchange gains		
Net gains on the disposal of marketable securities		
FINANCIAL INCOME	**34,636.8**	**10,298.3**
Allowances for amortisation, impairment and provisions	264.0	77.6
Interest and similar expenses	8,881.1	3,304.6
Foreign exchange losses		
Net losses from the disposal of marketable securities		
FINANCIAL EXPENSES	**9,145.2**	**3,382.3**
NET FINANCIAL INCOME/(EXPENSE)	**25,491.7**	**6,916.0**
PROFIT BEFORE TAX AND NON-RECURRING ITEMS	**18,607.2**	**2,905.6**

Income statement (continued)

Titles (€ thousands)	2018	2017
Exceptional income from non-capital transactions		
Exceptional income from capital transactions	31.9	8.4
Reversals of provisions, impairment and expense reclassifications		
EXCEPTIONAL INCOME	**31.9**	**8.4**
Exceptional expenses on non-capital transactions		
Exceptional expenses on capital transactions	0.8	1.9
Allowances for amortisation, impairment and provisions		
EXCEPTIONAL EXPENSES	**0.8**	**1.9**
NET EXCEPTIONAL INCOME/(EXPENSE)	**31.1**	**6.5**
Employee profit-sharing		
Income tax	(16,098.8)	(7,302.2)
TOTAL INCOME	**35,258.4**	**10,778.5**
TOTAL EXPENSES	**521.3**	**564.2**
PROFIT/(LOSS)	**34,737.1**	**10,214.3**

4.1.2 Balance sheet

Assets

Titles (€ thousands)	Gross	Amortisation Provisions	31/12/2018	31/12/2017
Uncalled subscribed capital				
INTANGIBLE ASSETS				
Start-up costs				
Research and development expenditures				
Concessions, patents, licences, trademarks, procedures, software, rights and similar items				
Goodwill				
Intangible assets in progress				
Advances and down payments				
PROPERTY, PLANT AND EQUIPMENT				
Land				
Buildings				
Technical installations, plant and industrial equipment				
Other				
Property, plant and equipment in progress				
Advances and down payments				
NON-CURRENT FINANCIAL ASSETS				
Investments	248,727.3	88,582.9	160,144.4	160,144.4
Investment-related receivables	618,523.6	24,637.1	593,886.5	489,762.0
Other long-term investments				
Loans				
Other non-current financial assets				
NON-CURRENT ASSETS	**867,250.9**	**113,220.0**	**754,030.9**	**649,906.4**
INVENTORIES AND PIPELINE PRODUCTS				
Raw materials and other supplies				
Production work in progress (goods and services)				
Intermediate and finished products				
Goods and merchandise				
Advances and down payments made on orders				
RECEIVABLES				
Trade receivables and related accounts				
Other	126,009.1		126,009.1	98,217.1
Called, unpaid subscribed capital				
TRANSFERABLE SECURITIES FOR INVESTMENT				
Marketable securities				
(of which treasury shares: 92,186.08)	92.2		92.2	5,059.8
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	101,655.8		101,655.8	95,151.0
ACCRUALS				
Prepaid expenses	99.0		99.0	662.7
CURRENT ASSETS	**227,856.0**		**227,856.0**	**199,090.6**
Deferred expenses				
Redemption premiums	2,388.5		2,388.5	
Translation differences – assets				
TOTAL	**1,097,495.3**	**113,220.0**	**984,275.4**	**848,997.0**

Liabilities

Titles (€ thousands)	2018	2017
Capital (incl. paid-in 2,626.7)	2,626.7	2,626.7
Discounts, merger premiums, contribution premiums	76,253.6	76,253.6
Revaluation differences	58.4	58.4
Legal reserve	262.6	262.6
Statutory and contractual reserves		
Regulated reserves	26.8	26.8
Other	4,778.6	4,778.6
Retained earnings	179,716.0	169,502.0
NET INCOME (LOSS) FOR THE YEAR	**34,737.1**	**10,214.3**
Investment grants		
Regulated provisions		
EQUITY	**298,459.9**	**263,723.0**
Provisions for contingencies		
Provisions for expenses		
PROVISIONS		
Proceeds from issue of equity securities		
Conditional advances		
OTHER EQUITY		
FINANCIAL LIABILITIES		
Convertible bond issues		
Other bond issues	355,087.2	
Borrowings from credit institutions	109,172.3	109,193.5
Other borrowings and financial liabilities	221,453.6	474,837.0
Advances and down payments made for orders in progress		
OPERATING PAYABLES		
Trade payables and related accounts	94.9	1,186.1
Tax and social security payables		
OTHER PAYABLES		
Amounts due on non-current assets and related accounts		
Other payables	7.5	57.5
ACCRUALS		
Prepaid income		
PAYABLES	**685,815.5**	**585,274.0**
Translation differences – liabilities		
TOTAL	**984,275.4**	**848,997.0**

4.2 Notes to the annual financial statements

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

Altareit is controlled by the Altarea company to 99.85% and comprises the promotion activities for third parties of the Altarea Cogedim Group and its diversification activities.

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

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

These notes are presented in thousands of euros. These annual financial statements were approved by Management at its meeting on 26 February 2019 following review by the Supervisory Board.

4.2.1 Major events during the financial year

In June 2018, the S&P Global rating agency assigned a BBB rating to Altareit. Following this rating, Altareit raised €350 million when it became the first French real estate developer to issue a public bond in Continental Europe, with a maturity of 7 years.

4.2.2 Accounting principles, rules and methods

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

The accounting principles and methods are identical to those applied when preparing the annual financial statements for the year ended 31 December 2017. No changes occurred with regard to the presentation of the financial statements.

The main methods used are described below.

Participating interests

Participating interests are recognised at cost or transfer value.

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

Receivables attached to investments

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

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

Receivables

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

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

Treasury shares

Treasury shares are recognised as either:

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

• marketable securities:

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

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

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

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

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

Other marketable securities

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

Financial instruments

The company uses interest swap contracts (swaps) or interest purchase options (caps) to hedge credit lines and borrowings. The corresponding interest income and expense are recognised in the income statement. The premiums or fees paid upon signing or cancelling an agreement are wholly recognised in profit or loss.

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

Loan arrangement costs

Loan arrangement costs are expensed. Bond redemption premiums are spread over the life of the bonds.

Provisions

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

4.2.3 Comments, figures and tables

4.2.3.1 NOTES TO THE BALANCE SHEET - ASSETS

Non-current financial assets

Gross non-current financial assets (€ thousands)

Non-current financial assets	31/12/2017	Increase	Decrease	31/12/2018
PARTICIPATING INTERESTS	**248,727.3**			**248,727.3**
Investment-related receivables	514,319.1	1,056,969.5	952,765.0	618,523.6
Loans and other fixed assets				
FINANCIAL RECEIVABLES	**514,319.1**	**1,056,969.5**	**952,765.0**	**618,523.6**
Total	**763,046.4**	**1,056,969.5**	**952,765.0**	**867,250.9**

The change in the "Investment-related receivables" is caused by the change in the Alta Faubourg receivable (+€176,722K) and the Cogedim receivable (+€280,846K).

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

Provisions for non-current financial assets (€ thousands)

Impairment	31/12/2017	Increase during the year	Decreases in the financial year		31/12/2018
		Allowance	Reversal of unused provisions	Provisions used in the period	
Impairment of equity securities	88,582.9				88,582.9
Impairment of other non-current financial assets	24,557.1	80.0			24,637.1
Other impairment					
Total	**113,140.0**	**80.0**			**113,220.0**

Receivables

Receivables by maturity date (€ thousands)

Receivables	Gross amount 2018	Provision	Net amount 2018	Net amount 2017
Trade receivables and related accounts				
Others receivables	**126,108.0**		**126,108.0**	**98,879.8**
Personnel and related accounts				
Advances and down payments				
Government, other authorities: value added tax	1,821.3		1,821.3	1,228.7
Government, other authorities: sundry receivables	4,262.1		4,262.1	425.1
Group and partners	119,925.5		119,925.5	96,563.3
Sundry debtors	0.1		0.1	
Prepaid expenses	99.0		99.0	662.7
Total	**126,108.0**		**126,108.0**	**98,879.8**

Breakdown of receivables by maturity date (€ thousands)

Receivables	Gross amount 2018	up to 1 year	1 to 5 years	More than 5 years
Trade receivables and related accounts				
Personnel and related accounts				
Advances and down payments				
Government, other authorities: value added tax	1,821.3	1,821.3		
Government, other authorities: sundry receivables	4,262.1	4,262.1		
Group and partners	119,925.5	119,925.5		
Sundry debtors	0.1	0.1		
Prepaid expenses	99.0	99.0		
Total	**126,108.0**	**126,108.0**		

Accrued income

None.

Marketable securities

Marketable securities are comprised of treasury shares for an amount of €92K.

Marketable securities (€ thousands)

Marketable securities	31/12/2017	Increase	Decrease	Provisions	31/12/2018
TRESO PLUS Term deposit	5,000	170,000	175,000		0
Treasury shares	60	157	125		92
Total	**5,060**	**170,157**	**175,125**		**92**
No. of Shares	208	383	397		194

At 31 December 2018, all treasury shares were held to make a market in the shares.

4.2.3.2 NOTES TO THE BALANCE SHEET - LIABILITIES AND EQUITY

Equity

Changes in equity (€ thousands)

Equity	31/12/2017	Appropriation	Capital reduction, issue costs	Capital incr. & contributions	2018 Results	31/12/2018
Share capital	2,626.7					2,626.7
Share premium/additional paid-in capital/Revaluation differences	76,312.0					76,312.0
Legal reserve	262.6					262.6
General reserve	4,805.4					4,805.4
Retained earnings	169,502.0	10,214.3				179,716.0
Net income for the year	10,214.3	(10,214.3)			34,737.1	34,737.1
Investment grants						
Regulated provisions						
Total	**263,723.0**				**34,737.1**	**298,459.9**

At 31 December 2018, share capital stood at €2,626.7K divided into 1,750,487 shares with a par value of €1.50 each and ten General Partner shares with a par value of €100 each.

Provisions

None.

Borrowings and other financial liabilities

Breakdown of payables by maturity date (€ thousands)

Borrowings and other financial liabilities	31/12/2018	up to 1 year	1 to 5 years	More than 5 years	31/12/2017
FINANCIAL LIABILITIES	**685,713.1**	**235,713.1**	**100,000.0**	**350,000.0**	**584,030.5**
Other bond issues	355,087.2	5,087.2		350,000.0	
Bank borrowings	109,172.3	9,172.3	100,000.0		109,193.5
Other borrowings and financial liabilities	212,090.8	212,090.8			468,992.2
Group and partners	9,362.8	9,362.8			5,844.8
Other payables					
ACCOUNTS PAYABLE AND OTHER LIABILITIES	**102.4**	**102.4**			**1,243.6**
Suppliers and related accounts	94.9	94.9			1,186.1
Employee-related and social security payables					
Tax payables					
Amounts due on non-current assets and related accounts					
Other payables	7.5	7.5			57.5
Prepaid income					
Total	**685,815.5**	**235,815.5**	**100,000.0**	**350,000.0**	**585,274.0**

Other borrowings and financial liabilities consist of treasury notes.

During the financial year, Altareit announced the issue of its €350 million inaugural public bond, with a maturity of 7 years and a fixed coupon of 2.875% for European investors.

Table of redemption premiums on borrowings (€ thousands)

Change in amortisation of the premium	31/12/2017	Increase	Decrease	31/12/2018
Redemption premiums on bonds		2,572.5	184.0	2,388.5
Total		**2,572.5**	**184.0**	**2,388.5**

The bonds were issued at a premium, which is amortised over the life of the borrowing (€184K in 2018).

At 31 December 2018, bank borrowings excluding accrued interest amounted to €109 million.

Accrued expenses (€ thousands)

Expenses included in the balance sheet line items	31/12/2018	31/12/2017
Borrowings and financial liabilities	5,259.4	193.5
Suppliers and related accounts	94.9	66.1
Amounts due on non-current assets and related accounts		
Taxes, duties and analogous payments		
Personnel costs		
Cash and cash equivalents, bank - expenses		
Miscellaneous	7.5	7.5
Total	**5,361.9**	**267.1**

4.2.3.3 NOTES ON THE INCOME STATEMENT

Revenue

The revenue is mainly constituted by management fees billed to its subsidiaries Cogedim and Alta Faubourg for €553K and €37K respectively.

Revenue breakdown (€ thousands)

	31/12/2018	31/12/2017
Services	589.7	471.8
Other		
Total	**589.7**	**471.8**

Operating expenses

Details of operating expenses (€ thousands)

	31/12/2018	31/12/2017
Current activity charges	6.3	10.1
Commissions and fees	3,485.3	2,522.6
Advertising and public relations	52.2	59.2
Banking services and similar accounts	3,924.5	1,890.4
Taxes and duties	0.5	0.7
Other expenses	7.5	(0.7)
Operating expenses	**7,474.2**	**4,482.3**

Commissions and fees mainly correspond to €628K in compensation paid to the management of Altafi 2 and €2,209K for services provided by the Altarea Management company, a service provider and wholly-owned subsidiary of Altarea.

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

The total amount of directors' fees paid to members of the Supervisory Board stands at €7.5K and is recognised in "Other expenses".

Financial income

Financial income table (€ thousands)

	31/12/2018	31/12/2017
Financial income		
- Dividend	31,640.0	
- Income from current accounts	2,943.6	2,595.6
- Other interest and similar income	53.2	3,585.7
- Reversals of provisions, impairment and expense reclassifications		4,117.0
- Foreign exchange gains		
- Net gains on the disposal of marketable securities		
Total	**34,636.8**	**10,298.3**
Financial expenses		
- Net allowances for depreciation, amortisation and impairment	264.0	77.6
- Interest and similar expenses	8,881.1	3,304.6
- Foreign exchange losses		
- Net expenses on disposals of marketable securities		
Total	**9,145.2**	**3,382.3**
Financial income	**25,491.7**	**6,916.0**

The financial income in 2018 mainly corresponded to dividends paid by Cogedim SAS for an amount of €31,640 and to income from current accounts amounting to €2,943K.

Financial expenses mainly correspond to interest on borrowing for an amount of €8,206K.

Financial allocations mainly correspond to loan impairment charges for the subsidiary Alta Penthièvre for €80 thousand and depreciation of the issue premium for an amount of €184K.

Exceptional Income

Financial income table (€ thousands)

	31/12/2018	31/12/2017
Exceptional income		
- Exceptional income from non-capital transactions		
- Exceptional income from capital transactions	31.9	8.4
- Reversals of provisions and expense reclassifications		
Total	**31.9**	**8.4**
Exceptional expenses		
- Exceptional expenses on non-capital transactions		
- Exceptional expenses on capital transactions	0.8	1.9
- Exceptional allowances for depreciation, amortisation and impairment		
Total	**0.8**	**1.9**
Exceptional income	**31.1**	**6.5**

4.2.3.4 OTHER INFORMATION

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

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

Tax position

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

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

The amount of the loss transferred to Altereit by its subsidiaries stood at €62,483K on 31 December 2018. Its individual loss was €79,814K on 31 December 2018.

Breakdown of tax expenses (€ thousands)

	Profit before tax	Tax	Profit after tax
Profit before tax and non-recurring items	18,607.2	(16,098.8)	34,706.0
Exceptional Income	31.1		31.1
Total	**18,638.3**	**(16,098.8)**	**34,737.1**

The tax income recognised on 31 December 2018 is a net amount of €16,099K, mainly constituted by the subsidiaries' contributions.

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

Changes in deferred tax liabilities

	31/12/2017	Change		31/12/2018
Reductions		+	-	
Organic				
Tax loss	(358,554.8)		39,095.2	(319,459.6)
Total base	(358,554.8)		39,095.2	(319,459.6)
Tax or tax savings (33.33%)	**(119,518.3)**		**13,031.7**	**(106,486.5)**

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

Identity of the parent company consolidating the accounts

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

Post-closing events

None.

Off-balance sheet commitments

Commitments received

Altarea SCA stood surety for borrowing entered into by Altareit, for a nominal amount of €109 million, fully drawn on 31 December 2018.

Commitments given

None.

Financial instruments

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

(€ thousands)	2018	2017	2016
Swap		0.0	100,000.0
Cap floor			
Collar			
Total fair value of financial instruments		0.0	100,000.0

Effect on the income statement

(€ thousands)	2018	2017
Interest income		3,543.0
Interest expense		
Other expenses related to financial instruments		
Total		**3,543.0**

4.2.3.5 SUBSIDIARIES AND ASSOCIATES

Companies	Capital	Equity other than share capital	Group share	Securities, gross	Securities, net	Loans and advances granted	Net value of loans and advances granted	Earnings in the financial year	Dividends received by the company	Revenues excl. tax
SUBSIDIARIES (+50%)										
ALTA FAUBOURG	15,000.0	249,186.4	100%	44,294.3	44,294.3	93,561.3	93,561.3	191,088.1		
COGEDIM SAS	30,000.0	123,484.9	100%	115,750.0	115,750.0	500,325.2	500,325.2	1,767.2	31,640.0	
ALTA PENTHIEVRE	2.0	(24,642.7)	100%	88,582.9		24,637.1		(82.4)		
ALTA PERCIER	1.0	86.6	100%	100.0	100.0			0.7		
AFFILIATES (10% to 50%)										
TOTAL				**248,727.3**	**160,144.4**	**618,523.6**	**593,886.5**			

4.3 Other information about the annual financial statements

4.3.1 Summary of the company's payment terms

Unsettled invoices issued and received at the closing date of the previous period (Articles D. 441-4 and A. 441-2 of the French Commercial Code)

	Invoices received awaiting settlement as at 31/12/2018 which are in arrears						Invoices issued awaiting settlement as at 31/12/2018 which are in arrears					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	over 91 days	Total 1 day and more	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	over 91 days	Total 1 day and more
(A) Overdue categories												
Number of invoices included	-					-	-					-
Total amount of the invoices included (incl. VAT)	-	-	-	-	-	-	-	-	-	-	-	-
% of total amount of purchases (incl. VAT) for the period	-	-	-	-	-	-						
% of total amount of revenue (incl.VAT) for the period							-	-	-	-	-	-
(B) Invoices excluded from (A) relating to overdue or unrecorded receivables and payables												
Number of invoices excluded	-						-					
Total amount of the invoices excluded (inclusive of VAT).	-						-					
(C) Benchmark payment terms used for to calculate overdue payments (contractual or legal terms)												
Legal benchmark payment	legal						legal					

4.3.2 Results of the last five financial years

TYPE OF INDICATIONS	2018	2017	2016	2015	2014
Duration of the period (months)	12	12	12	12	12
CAPITAL AT END OF THE YEAR					
Share capital	2,626,731	2,626,731	2,626,731	2,626,731	2,626,731
Number of shares	1,750,487	1,750,487	1,750,487	1,750,487	1,750,487
- ordinary					
- preferred shares					
Maximum number of shares to be created					
- by bond conversions					
- by subscription rights					
OPERATIONS AND RESULTS					
Revenue excl. tax	589,667	471,802	694,564	644,655	661,069
Income before tax, interest, depreciation and impairment	18,902,316	(1,127,280)	3,430,821	28,969,383	95,662,705
Income tax	-16,098,813	(7,302,191)	(12,121,240)	(18,459,103)	(5,890,178)
Employee participation					
Allowances Depreciation and impairment	264,026	(4,039,351)	2,206,654	26,388,709	88,483,971
Net income	34,737,104	10,214,263	13,345,408	21,049,215	13,068,612
Distributed income					
EARNINGS PER SHARE					
Income after tax, interest, before depreciation and impairment	20	3.5	8.9	27.1	58.0
Income after tax, interest, depreciation and impairment	19.84	5.8	7.6	12.0	7.5
Dividend per share (in €)					
EMPLOYEES					
Average employee workforce					
Payroll					
Amounts paid in benefits (social security, social welfare, etc.)					

4.4 Statutory Auditors' report on the annual financial statements

At the General Shareholders' Meeting of the Altareit company,

Opinion

In accordance with the mission assigned to us by your General Shareholders' Meeting, we have carried out the audit of the annual financial statements of the Altareit company relating to the financial year ended 31 December 2018, as attached to this report.

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

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

Basis of the Opinion

- **Audit guidelines**

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

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

- **Independence**

We performed our audit respecting the applicable rules on independence, over the period from 1 January 2018 to the date on which our report was published, and, in particular, we have not provided any services prohibited under Article 5, paragraph 1 of EU regulation No. 537/2014 or under the Code of Conduct governing the profession of Statutory Auditor.

Basis for our assessments - Key points of the audit

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

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

- **Evaluation of participating interests and investment-related receivables.**

Risk identified	Our response
The participating interests and investment-related receivables included on the balance sheet at 31 December 2018, a net total of €754 million, represent one of the biggest balance sheet items (77% of assets). The participating interests are stated on the balance sheet at the cost of purchase or transfer value and impaired on the basis of their value of use. Investment related receivables are recognised at their transfer value or at their nominal value in use. As stated in Note 4.3.2 to the annual financial statements "Accounting principles and methods", under the paragraphs "Participating interests" and "Investment-related receivables", the value in use of the participating interests is determined by the Management according to multiple criteria such as net asset value, profitability, profitability forecasts, long-term growth prospects and economic conditions. The market value of assets held by subsidiaries and sub-subsidiaries is taken into account. When there is evidence that the Company will not be able to collect all amounts due, an impairment loss is recorded taking into account in particular the nature of the advance, the subsidiary's capacity to repay and its development potential. Estimating the value of these assets requires Management to exercise its judgement in choosing the information to include depending on the investments in question, information which may be historic in nature (net reassessed position), or forecasts (long-term profitability or development outlook and economic conditions in the countries in question), as the case may be. Given the weight of participating interests on the balance sheet, the complexity of the models used and their sensitivity to data variations as well as assumptions on which estimates are based, we have considered the calculation of the value of use of participating interests and related receivables as a key point in our audit.	We have observed and noted the process used to determine the value in use of participating interests. Our work also involved: ► observing and noting the evaluation methods used and underlying assumptions in determining the value in use of participating interests; ► comparing the net assets included by the management in its valuations with the source data from the accounts of audited subsidiaries or those that have been subject to analytical procedures where relevant, and examining any adjustments made; ► using sampling to test the mathematical accuracy of the formulas used to calculate book values; ► using sampling to recalculate the impairments recorded by the company. Over and above ascertaining the value of use of participating interests, where relevant our work also consisted in: ► assessing the recoverability of investment-related receivables given the analysis performed on participating interests; ► reviewing the need to account for a provision for risk in the event that the company is committed to bearing the losses of a subsidiary in negative equity.

Special verifications.

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

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

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

We confirm the sincerity and consistency with the annual financial statements of the information related to the terms of payment referred to in Article D. 441 4 of the French Commercial Code.

Report on Corporate Governance

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

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

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

Other information

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

Information arising under other legal and regulatory obligations

Appointment of statutory auditors

We were appointed as Statutory Auditors of the Altareit company by your General Shareholders' Meeting on 2 June 2008.
At 31 December 2018, our firms were in the eleventh uninterrupted year of their contract.

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

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

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

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

These annual financial statements have been approved by Management.

Responsibilities of the statutory auditors in auditing the annual financial statements

Auditing objective and procedure

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

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

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

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

Report to the Audit Committee

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

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

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

Neuilly-sur-Seine and Paris-La Défense, 22 March 2019

The Statutory Auditors

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

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

At the General Shareholders' Meeting of the Altareit company,

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

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

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

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

Agreements and commitments submitted to the General Meeting for approval:

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

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

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

Paris and Paris-La Défense, 22 March 2019

The Statutory Auditors

GRANT THORNTON
French member of Grant Thornton International

ERNST & YOUNG Audit

Laurent Bouby

Audit Anne Herbein

CORPORATE SOCIAL RESPONSIBILITY (CSR)

5

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

2018 HIGHLIGHTS

Creating sustainable cities

Climate change, the structural rise in inequalities, changing lifestyles, incorporation of digital technology into daily and working life, etc. in a fast-changing environment, where the city is becoming the stage for complex regional, ecological, social and technological transitions.

The intense concentration of activities and populations in cities makes them major actors in sustainability on a global scale. Urban areas are now home to 80% of the French population and while they are impressive drivers of progress this figure covers a wide variety of circumstances, particularly when it comes to accessing high quality housing, shops and facilities and transport. Cities are heavily exposed to the effects of the climate (notably heat islands) and for many the question of resilience is becoming urgent.

Citizens and stakeholders are also increasingly well informed, vigilant and demanding. They have high expectations in terms of quality, but also in terms of ethics and commitment to tackling social and environmental issues.

In this context, the Group believes cities will be able to deliver solutions: the layering of different uses and functional diversity are strong drivers for dynamism in the economic and social fabric. There is an urgent need to rethink cities to build attractive spaces that are pleasant to live in, inclusive, resilient, connected and environmentally virtuous.

Altareit is developing a city that creates value for all its citizens and users. The Group seeks solutions that are fast, effective and sustainable in terms of environmental impact, offering comfort and mixed of uses to different generations and social groups, while incorporating progress from new technology. As an urban entrepreneur, Altareit contributes to reinventing the city's territorial, ecological, economic and social dynamics to guarantee a high quality of urban life.

The Group's CSR approach, " Tous engagés ! ('We are all Involved !') ", embodies this ambition and is based on three principles :

- working as a public interest partner for **cities**, to preserve and develop the local region;
- placing **customers** at the heart of our actions, working for customer satisfaction across all our business lines;
- capitalising on the excellence of our **talents**, the company's biggest asset, to support growth.

CITIES

The Group seeks to work as a public interest partner for cities. It develops high quality property solutions to create a denser city that is more diversified, convivial and connected, creates jobs and develops the economy with a low environmental footprint.

<u>2018 Highlights</u>

- the Group launched **SoCo, the first social solidarity retail REIT in France,** alongside Crédit Coopératif and Baluchon. It is intended to provide long-term support to social enterprises;
- **biodiversity**: in March 2018, the **Altarea Cogedim Group signed the BiodiverCity® charter committing it to preserve the biodiversity of cities** and incorporate the living environment into all urban projects;
- **adaptation to climate change**: having first defined carbon footprint reduction targets, the Group has set out a **roadmap for adaptation to climate change** in its Residential projects. It seeks to guarantee the comfort and safety of occupants and provide lasting property value;
- **low-carbon city**: the Group continues to develop projects that facilitate proximity and low energy consumption. The Group **encourages soft mobility** (more than 99% of Residential and Business property projects are less than 500 metres from transport links) and **rehabilitations,** *via* the dedicated subsidiary Histoire & Patrimoine, and a large share of its Business property activity.
- **inclusive city**: for 10 years, the Group has helped house disadvantaged citizens in partnership with Habitat and Humanisme. In 2018, the Group drew up a structured philantropy policy.

In 2018, Altarea Cogedim was world No. 2 and French leader in the GRESB *retail* segment as ranked by the global ESG ratings.

CUSTOMERS

Lifestyles, customs, aspirations… customers' expectations are changing. Altarea Cogedim nurtures a relationship of trust built up with each of its customers (users, tenants, investors, etc.) and partners. The Group has embarked on a dialogue and listening exercise covering all its activities, through surveys and studies, face-to-face or digital interactions, etc. Customer satisfaction is the Group's top priority. The Group pursues this by building quality of life and well-being into all its projects which, in turn, strengthens the projects' long-term economic value.

2018 Highlights

- **customer satisfaction**: Altarea Cogedim won "Best Customer Service" in the Property Development category for the 2nd year running;
- **quality of life and well-being of occupants**: Altareit continues to expand its actions, based on NF Habitat certification in Residential (100% of units) and **WELL** certification in Business property: 87 % of projects in the Paris Region have WELL certification. The Group developed the **1st neighbourhood pilot for the WELL Community Standard** at Issy Cœur de ville;
- **green value**: Altareit is maintaining its **ambitious certification programme** to guarantee the value of Group project: with 100% of Residential and Business property projects certified. To further strengthen the requirements for its projects, the Group has applied for the most recent labels wherever relevant. 87% of Paris Region projects have digital connectivity labels.

TALENTS

In order to support its growth and meet new urban challenges, in 2018 the Group reaffirmed its commitment to job creation and talent management.

2018 highlights

- **headcount**: the headcount increased by 22 % in 2018. The Group had 1,453 employees at 31 December 2018;
- The Group's work-study policy is being strengthened. Altarea Cogedim Group was awarded the **Happy Trainees** label in 2018. Information kits and dedicated integration seminars are now in place.
- **developing skills**: training courses available at the Academy have been expanded by nearly 80%.

TOUS ENGAGÉS !

Altarea Cogedim's CRS approach

OUR BELIEFS

CITIES	CUSTOMERS	TALENTS
Developing and preserving our regions	Customer satisfaction at the heart of our actions	Excellence as a driver for growth

OUR COMMITMENTS

CITIES	CUSTOMERS	TALENTS
To contribute to regional economic development To develop a resilient, low-carbon city To protect biodiversity	To listen to our customers and deliver customer satisfaction To develop a desirable and comfortable city To enhance green value by rolling out ambitious certifications To be a beacon of best practice in our business lines	To support skills development To foster well-being in the working environment

5.1 A CSR approach integrated with Group strategy

This chapter shows Altareit's extra-financial performance, which it publishes on a voluntary basis. Altarea Cogedim's Declaration of extra-financial performance (DPEF), published in its Registration Document, also covers the matters presented below.

Key indicators

Cities: working in the public interest

Scope	Commitments	2018 Results	Trend
Develop attractive urban projects and contributing to the local economy			
Group	**Focus on mixed-use projects incorporating business property, residential and retail space**	10 mixed-use projects in large mixed districts 81% of Business property projects are multi-use	↗
Group	**Improve the employment footprint for Group activities**	Over 50,500 jobs supported in France	↗
Residential	**Manage the proportion of local purchases**	77% of construction site purchases are locally sourced	↘
Residential	**Select new land near public transport**	99% of surface areas under development are located less than 500 metres from public transport	↗
Business property	**Select new land near public transport**	100% of surface areas under development are located less than 500 metres from public transport	=
Energy and climate: develop a low-carbon resilient city			
Business property	**Maintain a high level of energy performance**	100% of surface areas are at least 30% more efficient than thermal regulation requirements	=
Protect biodiversity and soil			
Neighbourhoods	**Have BiodiverCity® certification for all projects**	Certification is already pending for six of the Group's district projects.	NA
Encourage the circular economy			
Business property	**Favour rehabilitations to reduce resource consumption**	The proportion of rehabilitation is 66% in Paris Region	=

Customers: placing customers at the heart of our actions

Scope	Commitments	2018 Results	Trend
Dialogue in the service of customer and user relationships			
Group	**Working to satisfy customers across all our business lines**	6th place in HCG's ranking of customer hospitality	↗
Residential	**Commitment to customer satisfaction**	"Customer Service of the Year" award for the second year running [(a)]	=
Residential	**Guarantee quality through NF Habitat certification**	100% of projects NF Habitat certified for 3 years[(b)]	=
Quality of life and well-being in projects			
Neighbourhoods	**Develop pleasant living spaces**	1st neighbourhood pilot of WELL Community Standard (Issy Coeur de Ville)	NA
Business property	**WELL certification for 100% of projects in Paris Region**	87% of projects in Paris region on course for WELL certification	↗
Labels and certifications, creators of green value			
Residential	**100 % of new projects certified NF Habitat[(b)]**	100% of surface areas certified	=
Business property	**100% of new projects in the Paris Region certified at least HQE "Excellent" and BREEAM® "Very Good"**	100% of surface areas certified	=
Business property	**Deploy digital connectivity labels**	87% of projects in the Paris Region are working towards a digital connectivity label	↗

(a) Property Development category – BVA Group research and consulting firm – Viseo CI – May to July 2017 – More information at escda.fr
(b) Excluding co-development, rehabilitations and managed residences.

Talent: helping our talent to achieve operational excellence

Scope	Commitments	2018 Results	Trend
TALENT AND SKILLS MANAGEMENT			
Group	**Support Group growth**	Headcount of 1,453 employees	↗
Group	**Roll out the strategic training plan**	3,692 days of training	↗
DIVERSITY AND EQUAL OPPORTUNITIES			
Group	**Promote youth employment**	201 young people on work-study contracts	↗

5.1.1 The Group's CSR approach

CSR Materiality matrix

The Group's CSR approach is based on analysis of its CSR materiality matrix, which was updated in 2016 based on:

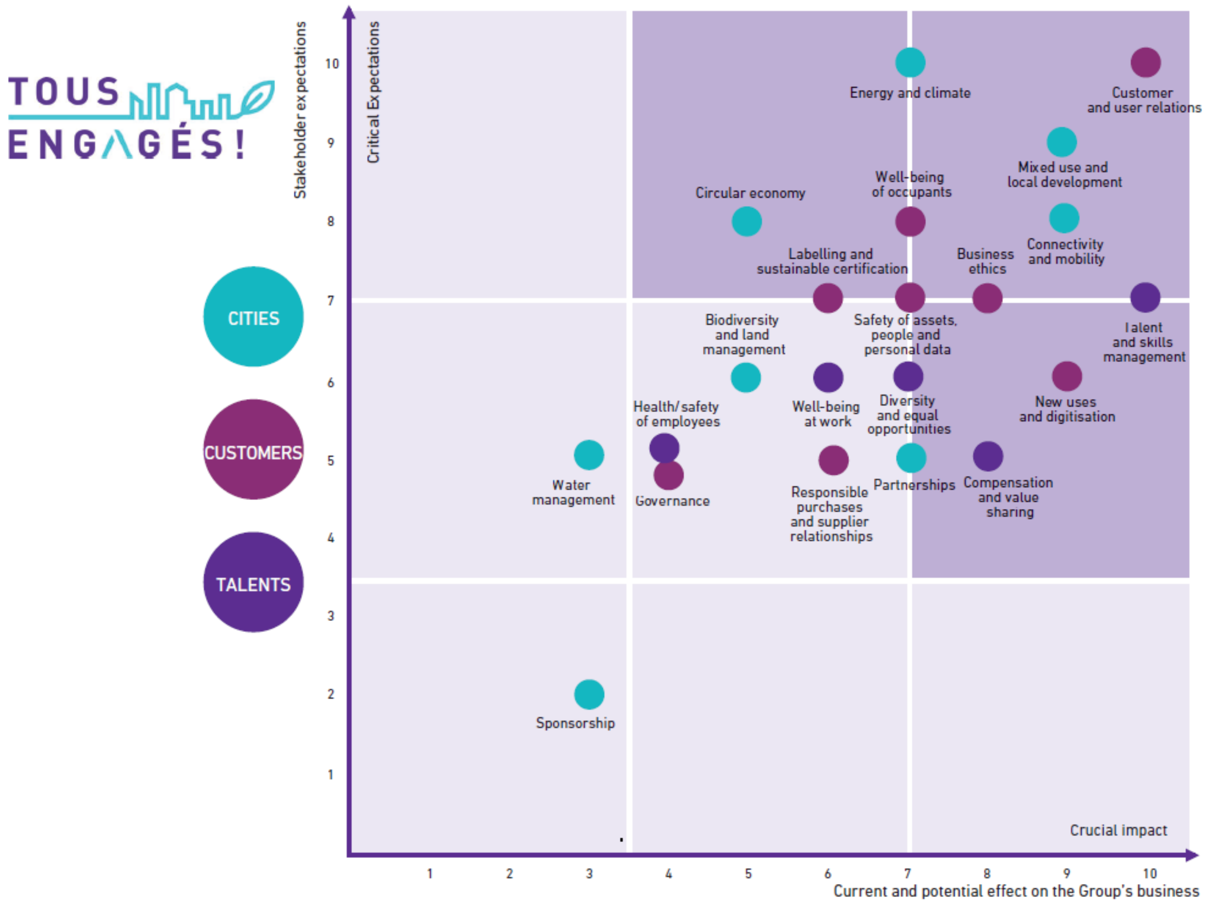
- a detailed analysis of the regulatory environment and trends;
- interviews of a panel of thirteen external stakeholders: investors, clients, retail brands, local authorities, etc.;
- Internal consultation with the CSR Committee (see 5.1.3);
- and approved by management at end-2016.

The matrix identifies 21 CSR issues, grouped into two areas:

- current and potential effect on the Group's business model;
- level of expectation of internal and external stakeholders.

Of the original 21 material issues, 14 have been identified for priority action by the Group.

Materiality matrix



Our approach " Tous engagés ! "

Altareit is convinced there is no growth without Corporate Social Responsibility and launched its CSR approach in 2009. It was subsequently updated in 2017 with the materiality matrix and formalisation of the "Tous engagés!" programme. It is based around three key areas:

- working as a public interest partner for cities, to preserve and develop local regions;
- placing customers at the heart of our actions, working for customer satisfaction across all our business lines;
- capitalising on the excellence of our talents, the company's biggest asset, to support growth.

The CSR approach

5.1.2 Governance and implementation of CSR

Organisation

Altarea Cogedim's CSR Department is part of the Institutional Relations, Communication and CSR Department. It is made up of five employees and reports to an executive committee member. The management process in place to progress and disseminate the approach is as follows:

- the CSR department advises management and the Executive Committee on defining the CSR approach and actions to take;
- the CSR department is supported by the CSR Committee, which meets quarterly to put the actions into effect. The network of 16 coordinators covers all Group activities (Residential, Business property) and cross-group functions (HR, innovation, finance, internal control, etc.);
- Ad hoc working groups are formed to focus on targeted and operational topics with special coordinators and other participants. In 2018, working groups were set up to address topics such as adaptation to climate change and relations between the company and actors in the social economy.

CSR team contact:
developpementdurable@altareacogedim.com

Participation in industry organisations

Altarea Cogedim plays an active role in external bodies, notably to anticipate changes in regulations on sustainability and to discuss best practice. All of these activities directly impact Altareit.

The Group belongs to the following organisations:

- FSIF (*Fédération des Sociétés Immobilières et Foncières*), the French property company association;
- FPI (*Fédération des Promoteurs Immobiliers*), the French federation of real estate developers;
- C3D (*Collège des Directeurs du Développement Durable*), the French Sustainable Development Officers' group;
- HQE®-GBC Alliance France, the professional alliance for a sustainable built environment;
- *Charte tertiaire du Plan Bâtiment Durable* (sustainable building plan charter for office buildings);
- Association BBCA (*Bâtiment Bas Carbone*, or Association for Low-Carbon Construction).
- CIBI, the International Biodiversity & Property Council ;
- OID (*Observatoire de l'Immobilier Durable*), the sustainable property observatory, which seeks to promote sustainability in construction. The Group is a founder member.

Finally, the Group signed a diversity charter in December 2013.

Partnerships, study groups and think tanks

The Group participates in working groups to help share best practice across the sector.

Altarea Cogedim is a founding member of the Fondation Palladio. Fondation Palladio was the result of an initiative by real estate firms in 2008 to address the issue of building the city of tomorrow and its living spaces. The working method used is that of contrasting perspectives and challenges between managers, experts, students, etc.

The Group is committed to supporting cities and local regions and leads an in-depth and quantified assessment of its local impact and added value. Since 2016 it has been part of a think tank on the cross-pollinating company, with Utopies and around ten partners. This working group produced a report in 2017 and a conference on companies' local roots. It expanded on this in 2018 with specific case studies in selected local areas. Altareit is continuing to reflect on and research ways to support the local business fabric (see 5.2.1).

Relations with start-up incubators

Altareit is implementing a process of open innovation and has partnered with incubators (see 5.3.4):

- Paris & Co, a real estate innovation specialist;
- Real Estate Disruptive Lab, a specialist of disruption in real estate;
- the French postal service's digital hub (Hub Numérique) which focuses on French start-ups in the connected objects sector.

External commitments

The Group works with the City of Paris on its Energy Climate Plan. It has been signed up to the Paris Climate Action Charter since 2015. As part of this commitment Altarea Cogedim has set quantified targets for reducing greenhouse gas emissions and energy consumption that directly affect Altareit. By 2020, it is committed to improve the energy efficiency of its new Paris projects to 10% better than the regulatory minimum for new housing and 40% for new and renovated commercial property.

In 2018, the Group continued to take part in City of Paris working groups on the climate. It will renew this commitment in 2019 with the update of the Paris Climate Action Charter.

Contribution to sustainable development goals

Altareit decides its actions in light of the United Nations' Sustainable Development Goals (SDGs).

In particular, the Group is committed to Goal 11, "Sustainable cities and communities: make cities inclusive, safe, resilient and sustainable." Altareit believes that urban development, if done in a lean and inclusive way, can be part of the solution to environmental, development, employment and other issues facing our cities.

SUSTAINABLE DEVELOPMENT GOALS

11 SUSTAINABLE CITIES AND COMMUNITIES

A few examples of the Group's contributions:

- *ensuring access to housing for all and adequate, secure basic services at an affordable cost:* the Group is one of the founding partners of Habitat et Humanisme, which works to promote housing and social integration and to re-establish social bonds (see 5.2.6). The solidarity REIT launched by the Group will help cities develop businesses that are more affordable, socially useful and create sustainable jobs (see 5.2.1);
- *reducing the negative environmental impact of cities per head of population, with a particular focus on air quality and waste management:* the Group is developing showcase projects from an environmental perspective (see 5.2.2, 5.2.3 and 5.2.4);
- *ensuring access for all to green spaces and safe public spaces, particularly women and children, older people and people with disabilities:* the design of pleasant, comfortable, safe and green spaces is one of the Group's priorities (see 5.3.2).

5.2 Working as a public interest partner for cities

5.2.1 Develop attractive urban projects and contribute to the local economy

Scope	Objectives / Commitments	2018 Results	Comments
Group	Focus on mixed-use projects incorporating business property, residential and retail space	**10 mixed-use projects in large mixed districts** **81% of Business property projects are multi-use**	The Group offers mixed-use options across all of its major projects to promote proximity and bring cities to life.
Group	Measure and improve the employment footprint for all of the Group's activities	**Over 50,500 jobs supported in France**	The Group supports an increasingly extensive ecosystem of suppliers, service providers and services and makes a significant contribution to employment nationwide
Residential	Measure share of local purchases	**77% of construction site purchases are locally sourced**	Altareit monitors this indicator to strengthen its contribution to the local economy
Residential	Select new land near public transport	**100% of surface areas under development are located less than 500 metres from public transport**	Proximity to transport has remained stable since 2016 in Residential and Retail and has improved in Business property. This demonstrates the Group's commitment to projects with good transport links, which offer convenience and low-carbon mobility.
Business property	Select new land near public transport	**100% of surface areas under development are located less than 500 metres from public transport**	

Altareit is a leading player in regional development. Today, as an urban developer, the Group shapes the living environment for millions of users. This vocation entails a great responsibility for the future of the regions where it operates. In a field that plans decades ahead, while at the same time undergoing fast and profound transformations, Altareit's role is both complex and critical. The Group considers new challenges and opportunities:

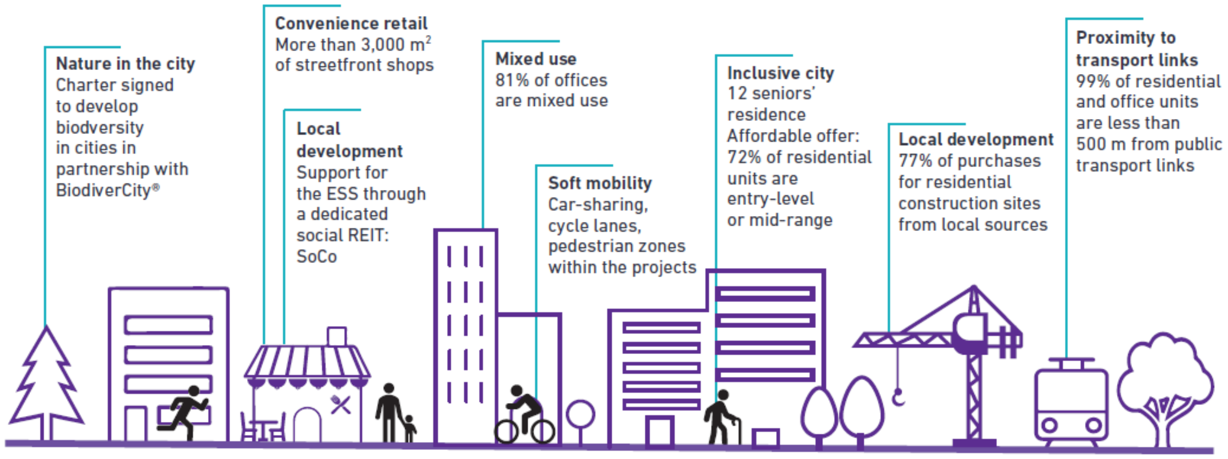
- regions want to encourage and anchor wealth creation locally. City centres are being reinvented to inject fresh dynamism. Retail hubs and services are being created. The local authority expects their city to generate jobs and businesses. Altareit's urban projects must underpin this economic development;
- the rise of new technologies, expansion of networks and aspirations of the new generation are transforming the way people use the city. Today's citizen wants a voice in decisions about the place they live. The Group must listen to residents to foster a better appropriation of the city; and
- after years of post-industrial blight and widening inequalities, regions want to develop diversity, collaboration and solidarity. This is a key issue to guarantee their resilience and coherence. In an increasingly uncertain world, the social economy and the development of a local economy are effective ways to build a rich social fabric with a convivial city that works and is at ease with itself.

Understanding these changes and responding to them is a vital issue for Altareit. Today, communities want to hear proposals that address these transformations and make a positive contribution to the region. How the Group responds to these new challenges will determine its commercial success.

Altareit is determined to be a public interest partner for cities. Developing attractive urban projects means listening to users (see 5.3.1). The Group also structures its approach around three key areas of action:

- the development of mixed-use neighbourhoods: Altareit believes that sustainable cities take the form of diverse neighbourhoods offering a mix of residential units, commercial activities (retail, offices, services, etc.) and leisure spaces. This proximity creates conviviality and sustainability, reduces travel and gives the city a more people-centred focus;
- contributing to local development: Altareit wants to contribute to local economic development through its projects: support for entrepreneurs, social enterprises and local start-ups, support for reducing food miles, buying locally, etc.;
- be a force for employment in France: Altareit's activities have a significant impact on jobs and wealth creation in France, thanks in large part to the significant amounts of its purchases.

Developing desirable urban projects



5.2.1.1 OUR PRINCIPLES FOR THE CITIES

A dense mixed-use city

The Group puts mixed-use at the heart of its offers. Altareit combines all its know-how to design and build innovative, large mixed-use projects which combine retail space, housing, offices, leisure facilities, hotels, etc. These projects are carried out in collaboration with local authorities, planners, private sector operators, investors and local people. They enable the Group to engage on issues around complex urban redevelopment and regional development.

The Group is involved with nine mixed projects across France. All are large-scale, bold projects, the forerunners of the urban living environments of tomorrow.

The Quartier Guillaumet project

The plan is to revamp the former Toulouse test-flight centre (*Centre d'Essais Aéronautiques de Toulouse*, CEAT). Its key figures are as follows:
- 13 hectares in surface area, half to be used for mixed-use green space (childrens' playground, urban farming, orchards, etc.)
- 78,000 m² of housing, including a *Habitat et Humanisme* intergenerational residence
- 13,300 m² of commercial, services and office space, 10,000 m² of facilities (third locations, cultural / leisure facilities, sports facilities) 17,200 m² of outdoor sports areas (stadium, tennis courts)
- 1 third location (the Halle aux cheminées) comprising a city farm, social bistrot, consumer co-op, community composting and DIY workshop, all designed to reduce waste and create strong bonds between generations
- 20,000 m² of road built using materials derived from recycled concrete
- 5 certificates are being targeted: HQE Aménagement, BiodiverCity®, Ecojardin for the whole project, HQE Bâtiment Durable and BEPOS for offices.

Altareit's other large mixed-use projects under way are presented in the business review (see Chapter 1 of the Registration Document - Business review 2018).

Aside from these large-scale district projects, Altareit introduces mixed-use as early as possible in its projects:

- 81% of Business property projects are multi-use;
- the Group has developed a specific business dedicated to convenience stores, which currently has some fifteen projects covering more than 90,000 m². The aim is to breathe life into residential developments by linking them with street front retail outlets and creating a real urban fabric. The Group's integrated marketing guarantees a mix of complementary retailers to suit neighbourhood life and which are also sustainable as a result of an economic model developed upstream.

Overall, Altareit designs places for all times of life, in private, collective and professional spaces. To facilitate the social and intergenerational mix, the Group proposes solutions for a wide variety of circumstances: housing for all budgets and family types, student residences, the Cogedim Club® for seniors, the living spaces which correspond to the needs of their users.

Faced with the issues of neighbourhood development, particularly urban revival through housing, Altareit created an urban development department in May 2018. Its mission is to bolster property synergies within the Group and offer local authorities redevelopment projects which create urban value and well-being for local regions.

Proximity to transport

In property development, location and good connections to the transport network are key issues and are becoming more important with the mass growth of sustainable mobility and questions around the town planning of the future and the place of personal vehicles.

For Altareit, the main areas of work related to mobility are the movements of the occupants of the residential and office buildings sold. The means of transport used to reach Altareit's buildings are the Group's principal source of indirect greenhouse gas emissions.

For its new projects, in all business lines (Residential, Business property), Altareit has been committed for several years to ensuring the proximity of local public transport networks and to providing sustainable, practical and economic mobility solutions. The Group believes that modern buildings must provide alternative solutions to increase the use of public transport and parking spaces: car sharing, shared parking, etc.

Residential and Business property

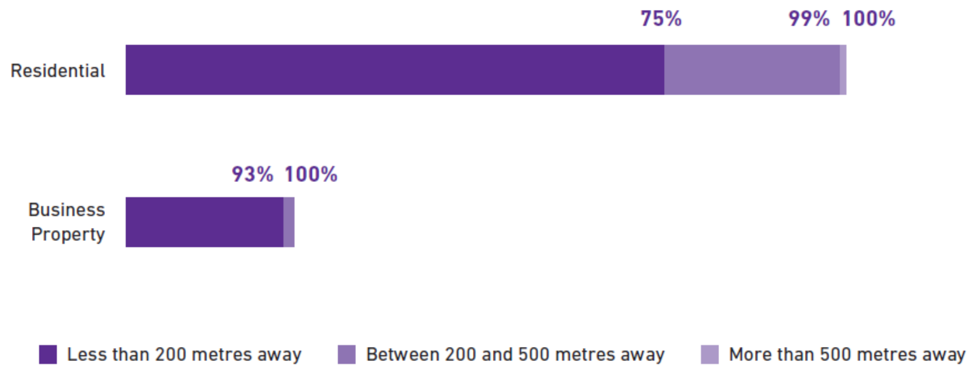
Since 2014, the Group has set itself the goal of always developing its new projects less than 500 metres from a public transport network.

The Group has chosen to be transparent regarding the proximity of transport networks for all of its projects under development. In 2018, 99% of surface areas under development are located less than 500 metres on foot from public transport.

To report this commitment, the Group analyses the distance by foot from each project to the closest public transport stop and the type of transport available.

These numbers are stable compared to 2017.

Proximity of projects to public transport



5.2.1.2 CONTRIBUTE TO LOCAL ECONOMIC DEVELOPMENT

Contribution to local economic development

Altareit intends to play a role in the economic development of the areas where it is established. Altareit is convinced that the best way for a project to get involved in a region is to engage with local resources.

The survey of local economic development activities in 2017 showed that most subsidiaries were developing partnerships with local institutions, for instance by contributing to local employment, mobilising local know-how, working with local innovators and developing convenience stores. Altareit subsequently created a structure to promote local roots and continued this work in 2018.

In parallel, the Group quantified its local purchases for its Residential division. In 2018, 77% of purchases for construction sites in the department were from local sources[45]. This 12-point fall from 2017 was due to the heavy activity in the Paris, Lyons and Bordeaux regions which led to pressure on attracting local businesses. The Group will now conduct more in-depth analyses, region by region, and make any appropriate improvements to give its projects strong local roots.

To expand this approach, Altareit has been taking part in a working group on cross-pollinating companies since the end of 2016. The aim is to develop the local economy and build in partnership with local regions. The first work cycle looked at ways to cross-pollinate the regions and how such an approach could benefit local companies. The second will focus on local experimentation.

Contribution to the social economy

The Social Economy (l'Économie Sociale et Solidaire – ESS) refers to all businesses, associations and charities seeking to combine an economic activity with a strong social or environmental mission. The management of the organisations are increasingly strategic players that contribute to the resilience and the social economy of local life since they create jobs, close the gap between producers and consumers, stimulate the environmental transition and re-establish social ties.

The players of the social economy are naturally partners of retail projects: bringing life to streetfronts, new shopping centres and the creation of new neighbourhoods. As a regional developer, Altareit is giving increasing importance to the social economy as they make an active contribution to the creation of pleasant, resilient, independent regions.

In order to establish this link between the Group's activities and the social economy, Altareit:

- organised an internal event combining learning and inspiration, presenting a number of entities from the social economy. These events helped to build relationships and give tangible information about partnerships already established within the Group;
- designed and circulated guides to the social economy to make it easier for employees to start using them. These guides gave general information on the social economy and lists of potential partners. Since social economy has a strong local presence and credibility, the guide was adapted for all fi fteen regions where the Group is located.

SOCO: a social reit in the public interest

In collaboration with Crédit Coopératif and Baluchon, Altarea Cogedim launched the first social retail REIT aimed at offering social enterprises long-term support both in the start-up and operational phases. Currently, rental pressure inhibits their development in the start-up phase and threatens their long-term viability. The scheme is based on the purchase of commercial space by the REIT, for setting up projects with a social impact requirement only over a period of at least 15 years. Thus, in exchange for a commitment to remaining a social enterprise, the REIT benefits from more favourable trading conditions than those usually seen in high-demand areas.

The first, called "Bouillon Club" will open in 2021 in 230 m² on the ground floor of the "Nudge" project in the 13th district of Paris. Under the terms of the tender won by Altarea Cogedim and Ogic, this space will play host to a platform showcasing food, social and community innovations. This sustainable food workshop in the Paris Region (teaching kitchen, interactive workshops, Rock canteen, cultural events etc.) was designed with Baluchon, the regional economic cooperation cluster (pôle territorial de coopération économique – PTCE) Resto-passerelle, the social enterprise Petit Bain and the local community group Tela 13.

[45] *For projects in the Paris Region, companies located in the same region are also counted.*

5.2.1.3 BE A FORCE FOR EMPLOYMENT IN FRANCE

For a number of years Altareit has been quantifying its indirect economic contribution in terms of employment and local development. The figures include the activities of Pitch Promotion and Histoire & Patrimoine and are now available for each gateway city where the Group operates.

The Group's activities generate a significant volume of purchases and subcontracting, particularly in property development (construction, surveying and maintenance) which have a very substantial multiplier effect. Each direct job at Altareit supports 35 additional jobs in the French economy.

For 1 job at Altareit

35 additional jobs are supported in the French economy

In total, over 50,500 jobs are directly supported by the Group's activities (purchases, wages, taxation etc.).

50,500 jobs supported in France

Data obtained using Utopies' *Local Footprint®* methodology. This robust methodology is based on the macro-economic concept of input-output tables which can be used to peform economic modelling based on national accounts. Based on actual purchases (by location and sector) and payroll data, the methodology can be used to simulate the socio-economic impact of a business in France and in cities where the Group is present.

The indicators monitored as part of the study are as follows:

- **over 26,000 indirect jobs**: jobs directly related to purchases of goods and services by the different Group entities;
- **over 23,000 induced jobs**: jobs created by the consumption of direct and indirect employees in France.

The study identified the three main sectors supported: buildings and public works (22% of jobs), health, education and social care (15% of jobs), and intellectual services (consulting, experts: 14% of jobs).

For its activities that create many indirect jobs, the Group is studying the possibility of applying, in the medium term, clauses that encourage economic development and job creation by forming partnerships with local authorities and the multiple employment and social integration players.

5.2.2 Energy and climate: develop a low-carbon resilient city

Scope	Objectives/Commitments	2018 Results	Comments
Business Property	Maintain a high level of energetic performance	**100 % of surfaces outperforming the thermal regulation requirements by at least 30%**	For a number of years, 100% of Business Property surface area has been outperforming thermal regulation requirements by at least 30%

The climate emergency demands radical change in the way cities work, to evolve towards a leaner urban model that adapts itself to the new climate challenges.

Buildings and other construction are some of the most energy intensive sectors and highest producers of greenhouse gas emissions in France, which means a special responsibility. Also, the consequences of climate change are becoming ever clearer in France, with an intensification of weather events like storms and heatwaves, made worse in cities that act as heat islands. These weather events affect buildings and user comfort. They can impact the built environment, networks, construction sites and the quality of city life.

Today, Altareit has measured the scale of these changes and is helping to meet the challenge of adapting cities to a new low-carbon model through a number of commitments: the Group has performed fundamental work that was jointly developed internally and set new targets in 2017 for Scopes 1, 2 and 3.

Following its research into indirect impacts, Altareit now offers responses that are proportionate to the emissions from each source and are adapted to each activity.

In 2018, adaptation was the object of special attention. The Group has assessed the vulnerability of its business lines to climate change. This has led to a Residential action plan to be deployed in 2019.

5.2.2.1 ALTAREIT'S APPROACH TO COMBATING CLIMATE CHANGE

The Group's carbon footprint

Altareit measures its carbon footprint using the Greenhouse Gas Protocol (GHG Protocol), compatible with the Bilan Carbone® certificate and the ISO 14064 standard.

The Group has a total carbon footprint of 4,928 ktCO_2 in scopes 2 and 3. Given the Group's property development activity, the share of direct emissions is under 1%.

More than 99% of emissions in the carbon footprint consist of "upstream" and "downstream" items which the Group emits indirectly via its value chain. For example, they consist of emissions related to the purchase of construction materials for buildings made by service provider companies or emissions created by visitors travelling to shopping centres.

To design appropriate and effective action plans the Group chose to take a broad view of indirect emissions: including those linked to energy consumption and transportation of the occupants of residential and office buildings sold by the Group. The Group can be a source of "avoided emissions" by where it chooses to locate its projects (close to public transport) or by choosing high energy-efficiency designs.

This strategy for the global reduction of greenhouse gas emissions is consistent with a vision of the low-carbon city: by developing a city based around proximity and designed upstream to be sustainable and energy efficient, the Group reduces its indirect contribution to climate change. Actions also include close collaboration with customers and users.

Consolidated at Group level, the three sources of the most emissions are travel by the occupants of residential and office buildings sold by the Group, their energy consumption and purchases of materials used on the construction sites.

Measure and reduce scope 3 emissions

In scope 3, the "shared responsibility" scope, Altareit undertakes to contribute to the low-carbon city and to be a source of avoided emissions by designing projects that make it easy for stakeholders to cut emissions.

Reduce the biggest source of emissions: facilitate low-carbon mobility

Altareit develops projects that can cut the use of high-carbon mobilities:

- choosing the right land is the first step: the Group's development strategy is to select sites with good links to the public transport network (see indicators in 5.2.1), which can reduce the carbon footprint of occupants;
- the programme can be enhanced by Altareit's offer of sustainable mobility solutions. In Business property, for instance, Altareit is developing around a hundred parking spaces fitted with charging stations for electric vehicles in the Paris Region and always takes forward looking measures so they can be installed later, during the building's operational phase. Similarly, throughout France, the Group's projects offer the best mobility solutions for local regions. A few examples: the Lyons Pur' 7ème project includes a 300 m² bicycle park with shared cycle repair equipment. The Vitrolles Nouvelle Rive project includes a carpooling system in cooperation with the city. The Bobigny Cœur de ville district will be pedestrianised and include a mobility hub.

Within the Group, travel generates more than half the emissions from Group head offices. The main line of action is to cut emissions from the vehicle fleet and introduce a company travel plan.

Reduce the second biggest source of emissions: greenhouse gas emissions from materials

Ways to cut emissions from this source include:

- replacing materials that emit CO_2 (notably concrete) with less carbon intensive alternatives (wood, bio-sourced materials, low-carbon concrete, etc.);
- reusing existing materials; rehabilitation uses less materials, the circular economy reuses or repurposes materials, etc.;
- most importantly, reflecting on a new concept for buildings which will increase their life (reversibility, anticipating future uses, etc.) and the intensity of their uses.

Substitute materials

The Group has run pilot projects using wood as the main material. The projects at 5 Impasse Marie-Blanche and U-Care (both in Paris 13th Arrondissement) have wooden structures. In the regions, the Group uses modular wood for houses, such as in the Domaine de Guillemont (Canéjan). This method involves the prefabrication of wooden panels in a workshop. They can then be swiftly erected on the construction site, thereby reducing its impact.

"Serie flex": innovative low-carbon construction process

Pitch Promotion, working with the industrial group Hoche, has developed Serie Flex, an innovative and ecological construction process: pre-fabricated metal-framed wooden units which can be assembled and connected to form building units. Buildings built off-site using the Serie Flex concept have a low-carbon impact for the same architectural, thermal and acoustic performance as a traditional solution. It also reduces the end-of-life impact of materials as the buildings can be reconfigured and moved.

This process won the Grand Prix for industrial innovation at the Pyramides d'Or, an annual competition sponsored by the Fédération de Promoteurs Immobiliers.

Rethinking the design of buildings and the city

The Group explores many ways to optimise the use of buildings and extend their useful life:

- a review is under way on how to increase the usage intensity of buildings, particularly Business property projects, to make better use of shared spaces (restaurants, auditoriums, etc.) throughout the day. Building design incorporates flexibilities to allow for changes in use, privatisation or conversion of some areas to open air at certain times of year, for instance. Serviced residences for seniors are also open to business travellers, maximising the use of surface area;
- the Group is working hard to make spaces reversible, anticipating potential changes of use for the building in the future. This involves planning for potential changes in a building's purpose - an office may be turned into housing, housing into a hotel, etc. - by considering the partitions, ceiling height or positioning of doors and windows. This work started by designing convertible housing, which could be converted into two or three rooms, and apartments that could be split up into multiple units to suit the needs of future buyers. Altareit, for instance, is offering 5-room homes that can be split into two apartments, each with its own external door, two electrical panels and a load-bearing wall down the middle to provide acoustic insulation for users if the apartment is eventually split;
- finally, the Group is working on making buildings more sustainable by predicting the future technologies to which buildings will have to adapt. In Business property, the Group is looking into labels such as Ready2services which certify the building's adaptability to future digital uses.

Reduce the third biggest source of emissions: managing energy to cut greenhouse gas emissions

Emissions linked to the consumption by future occupants of offices and housing sold by Altareit make up the 3rd biggest item in scope 3. They use low-carbon electricity in France but are a key area for action and a big source of avoided impacts for the Group:

- building design is the first area of action, enabling good energy efficiency throughout the lifetime of the building and so lowering energy bills for occupants. The Group uses all available methods (bio-climatic design, working on the envelope and insulation, high-performance equipment and consumption monitoring tools, etc.): a high level of energy efficiency is a pre-requisite for projects developed by Altareit. All energy measures occasioned by each business line are detailed in 5.2.2.3;
- to enhance this process, Altareit is working on raising awareness among its building occupants as the way the buildings are occupied and operated has a major impact on their energy efficiency and climate impact. Altareit therefore works with Residential buyers and Business property users to engage them in the drive to reduce energy consumption. Residential teams have expanded the Green Tips manual given to buyers as part of NF Habitat certification. The Group is also developing soft incentives or "nudges" and game-based tools, which it sees as major areas of action.

Operation "Nudge" encourages citizens to make ecological gestures

The Paris 13th Nudge project uses an ethnographic study to understand the real obstacles to adopting virtuous behaviours in daily life and proposes simple adaptations of the built environment to encourage ecological behaviour. The Nudge project encourages people to adopt behaviours that are good for them, the community and the planet by making small but decisive changes to their lives.

It manifests itself in buildings as a series of small discreet facilities, which can be graphic, informational or architectural, and whose impact on human behaviour is extremely significant. Nudges are "small things that change everything" that incite people to act in one way rather than another: sort waste, talk to their neighbours, reduce energy consumption.

5.2.2.2 ADAPTATION TO THE IMPACTS OF CLIMATE CHANGE

In 2018, Altareit ran in-depth analyses of risks arising from climate change impacts on its activities, with a special focus on the intensification of weather events (heatwaves, flood, drought, violent winds, etc.) and their repercussions for lifestyles and the built environment. Action plans by business line are nearing completion and will be implemented as from the first half of 2019.

In 2018, for each of the regions where it operates, Altareit conducted a forward-looking study of local climate changes and the physical impacts of weather events on buildings, construction sites, lifestyles and the comfort of occupants.

The results enabled us to set the main lines for an Adaptation action plan to reinforce the comfort and value of Altareit developments. The main areas addressed are actions to enhance comfort in summer, cost reduction, health and safety and property value. Deployment of this action plan is a strategic priority for the development teams in 2019.

5.2.2.3 MANAGING ENERGY IN THE GROUP'S ACTIVITIES

If we are to reduce greenhouse gas emissions, the design and operation of high energy efficiency buildings is essential for environmental and economic reasons.

A high energy efficiency level is a prerequisite for the projects developed by Altareit. Since 1 January 2013, the Group's production is subject to the 2012 Thermal Regulations (RT 2012). The regulations are among the most ambitious in Europe and are intended to make Low Energy Building (Bâtiment Basse Consommation – BBC) more common. In France, Environmental Regulation 2020 (ER 2020) will eventually replace thermal regulation RT 2012, moving from a thermal approach to a more comprehensive environmental approach.

The Group prepares for and anticipates future constraints, notably by holding training and awareness-raising sessions for teams. In 2018, several projects were enlisted in the "E+C-" government run trials aiming to define future regulatory thresholds for energy and carbon. Feedback from these trials will help further enhance the skills of technical teams.

Finally, in addition to its overall national goals, Altareit sets goals for each region. The Group is working more closely with the City of Paris to help achieve the targets in its Energy Climate Plan.

Residential

The Group aims to have all its projects under development certified for energy efficiency alone or as an addition to a general certification (NF Habitat, HQE™, Habitat & Environnement, etc.), such as Effinergie or "RT 2012-10%" and "RT 2012-20%" levels as part of NF Habitat certification.

In 2018, Residential projects under development with an energy label represented 22% (in number of units) of projects under development vs. 24% in 2017. This generally stable figure is evidence of the Group's ambitions for energy performance. Some projects even exceed the Group's ambitions. In Grenoble several projects beat their RT 2012 requirements by more than 30%.

Business property

For all projects under development, the Group seeks to achieve a level of energy consumption that outperforms the applicable thermal regulations. In 2018, 100% of business property projects achieved this objective.

For projects under its Cogedim brand, the Group set the target of beating regulatory requirements on energy use by at least 30%. In 2018, this target was exceeded by an average of 44% (by surface area).

100% of Business property projects exceed thermal regulation requirements by more than 30%

In 2018, all hotel projects exceeded their thermal regulatory thresholds by an average 23% (by surface area, Cogedim and Pitch Promotion).

These numbers were stable compared to 2017.

The Group launches test operations for new labels to anticipate future regulations. In the Issy Cœur de Ville project at Issy-Les-Moulineaux the Group is taking part in the "E+C-" trial. Under a government label, this trial seeks to determine the regulatory thresholds that will replace RT 2012. The three Business property buildings are also applying for the BEPOS Effinergie 2013 label, designed to promote buildings that produce as much energy as they consume for heating, cooling, ventilation and lighting.

In addition, a commissioning process was made standard for 100% of Business property projects under development as of 2014, to ensure the proper functioning of technical equipment, notably systems responsible for heating/cooling production and output.

Development of renewable energy

In order to strengthen its contribution to the fight against climate change, the Group uses renewable energies whenever possible.

In the design phase, the Group examines the possibilities of connecting to existing heat networks and carrying out feasibility studies for the supply of energy to major commercial projects. These studies make it possible to compare various possible energy solutions to cover a building's needs and thus identify the possibility of supplying renewable energy. This is the case with the Kosmo, Bridge and Boréal projects. Boréal is certified BEPOS Effinergie 2013, and in the Issy Cœur de Ville project at Issy-Les-Moulineaux, the three Business property buildings are also applying for BEPOS Effinergie 2013, designed to promote buildings that produce as much energy as they consume for heating, cooling, ventilation and lighting. Such solutions can also be applied to Residential projects. For example, the heating needs of the Nouvel Horizon project in Annecy are 100% covered by renewable energies thanks to the installation of a wood pellet boiler.

Summary: the Group's climate solutions

Drivers	Description of the solutions and principal results
Low-carbon mobility	In design: select sites that have good links to public transport networks to reduce occupants' carbon footprint ➔ *99% of residential units and 100% of offices are within 500 metres of public transport* Offer additional sustainable mobility solutions in regions ➔ *e.g.: the Vitrolles Nouvelle Rive project includes a carpooling scheme in collaboration with the city*
Reduction in emissions from materials	Rehabilitation of existing buildings rather than new build, where the context permits ➔ *66% of Business property projects in the Paris Region are rehabilitations* ➔ *e.g.: Cogedim Club®opened a seniors residence in Arras's former Schramm barracks, a historic site renovated by the Group's subsidiary Histoire & Patrimoine* Rethink design to extend the life of buildings (modularity, reversibility) and intensity of use ➔ *81% of Business property projects are multi-use* Prioritise low-carbon materials for projects. ➔ *Pitch Promotion has developed Serie Flex, an ecological construction process based on pre-fabricated wooden units which can be assembled to form building units* ➔ *e.g.: in Domain Harmony, demolition materials were reused to build the subgrade.*
Low energy consumption	Design buildings with high energy performance ➔ *100% of Business property projects exceed thermal regulation requirements by more than 30%* Raise occupants' awareness to reduce emissions from operations ➔ *e.g.: in the Nudge building (Paris 13th Arrondissement), the Group is encouraging ecologically friendly behaviours*

5.2.3 Protect biodiversity and soil

Scope	Objectives/Commitments	2018 Results	Comments
Districts	Have BiodiverCity® certification for all projects	**Certification is already pending for 6 of the Group's district projects.**	The Group made this commitment in 2018 when it signed the charter to preserve cities' biodiversity and incorporate the living environment into all urban projects

Combating urban sprawl and the artificialisation of the soil and protecting biodiversity, including in the urban environment, are big issues for the region. Against a background of extinctions of species and deteriorating natural environments, local and national regulatory pressure is rising, as are public expectations.

Altareit is convinced that proximity of services and activities and mixed-use provide a better quality of life to city-dwellers. For this reason, most projects are sited on land that is already artificialised or undergoing urban renewal

The challenge is to reintroduce nature for the well-being and comfort of its customers.

The Group keeps a step ahead of regulations thanks to its excellent knowledge of possible issues and actions in relation to biodiversity, via diagnostics, internal training and pilot projects. In-house, an awareness-raising programme has been running since 2017, with the creation of operational guides for all teams (design, property development, operations, etc.), presenting technical solutions and best practice in biodiversity.

Finally, the Altarea Cogedim Group signed the BiodiverCity® charter in 2018 with CIBI, the International Biodiversity & Property Council, committing itself to preserve biodiversity in the cities and incorporate the living environment into all urban projects. This same obligation applies to Altareit.

Land management

The Group is mainly active in cities and prioritises denser cities and urban redevelopment over urban sprawl and the artificialisation of soil. This is shown by the number of rehabilitation or repurposing projects and revamped districts in redevelopment zones across all its activities. Its subsidiary Histoire & Patrimoine has specialised for more than 15 years in restoring old buildings throughout France. In 2018, 66% of Business property projects in France were rehabilitations. Urban redevelopment also helps bring nature back into the city by restoring green spaces or improving their integration with the local natural environment. For instance, as part of the "En vert gure" project to redevelop a former examination centre in Lognes as a residential building, Pitch Promotion replanted a third of the project's surface area.

Protecting biodiversity, tools used

The Group pays particular attention to maintaining or enhancing the fauna and flora present. Biodiversity is always considered in the Group's ambitious certification strategy across all its activities.

For significant projects, already closely regulated, the Group always exceeds requirements with in-depth studies and action plans. An independent environmental specialist is consulted for all projects subject to BREEAM® certification. This makes it possible to identify, for each project, the best management approach and the right species to improve biodiversity or restore a habitat on the site. Recommendations are included in the project management specifications for preserving the ecology of the site.

In addition to the BiodiverCity® label, some projects also apply for environmental certifications such as HQE or BREEAM®. They impose more demanding requirements for biodiversity in a property development. This certification is sought for several Business property projects in the Paris Region and for all district projects. The Group is also trialling the pilot version of BiodiverCity® district in its Issy Cœur de Ville project.

Nature in the city and well-being

Aside from the importance of limiting waterproofed surfaces and creating spaces that welcome biodiversity, the presence of nature in the city is an important factor for the well-being of citizens and users. The Group is working on a bio-friendly approach to designing its projects (see 5.3.2).

The balance between buildings and green spaces allows natural light to come through and offers nice views, enhancing the comfort felt by users. Choice of materials and relaxation spaces (play and picnic areas, etc.) also help. Encouraging the presence of small animals, birds in trees and amphibians in ponds further enhances the educational and leisure attributes of the district.

Also, planting a project's ground level soil, facade or roof helps combat urban heat islands (see 5.2.2) by reducing the temperature on hot days.

Preserving biodiversity in Toulouse

Special importance is given to nature in the project at the former test fight centre in Toulouse (CEAT). The water-proofing of the site will be reduced by 17% and half the surface area of the district will be ground-planted green space. Small animal habitats and corridors will be installed to protect local fauna.

Their needs are also considered during construction work. The works schedule was adapted, and replacement habitats installed.

5.2.4 Encourage the circular economy

Scope	Objectives/Commitments	Indicator	2018 Results	Change	Comments
Business property	Favour rehabilitations to reduce resource consumption and greenhouse gas emissions	Share of rehabilitations in the Paris Region by surface area	**66%**	**+29%** Since 2016	The Group always considers the possibility of rehabilitation, with equal performance and comfort, rather than a complete demolition-reconstruction

The construction industry (buildings and civil engineering projects) generates 70% of all waste in France.[46] In light of this, the Group launched a long-term reflection on how best to manage and use natural resources, re-use or reduce waste, and how to put eco-design principles into practice (use of alternative sources, extending building life, intensifying usage, etc.).

The circular economy, which is the opposite of the linear economy (produce, consume, destroy), is a virtuous way to make the most of resources and reduce the environmental impacts of property throughout the life cycle of a building;

- design: the most important phase as the aim is to find a solution that balances the environmental impact of resources used (rehabilitation, recycling, reuse, etc.) and a building's capacity to avoid early obsolescence (energy performance, evolving and reversible architecture, ease of deconstruction etc.);
- construction: reducing waste generated at construction sites, sorting, reusing and favouring recycled or local materials;
- operation: reducing consumption and waste generation in the operational phase, sorting and reusing residual waste, extending the building's useful life while intensifying and diversifying its uses to sustain its economic value;
- end-of-life: increase the life of the building by allowing for changes of use. Where conversion to new use is impossible, a diagnostic is conducted to decide whether the best solution is rehabilitation or demolition.

Altareit is committed to building high-performance buildings and adopting the principles and best practice of the circular economy at every stage of its projects.

Due to its presence in urban areas, Altareit confronts the issues of density and age of the urban fabric. First, the Group always considers the possibility of rehabilitation, which is less costly in materials and produces less waste than a full demolition and reconstruction.

The Group then incorporates, from the design stage, a certification process which encourages such best practices as clean construction site charters, which limit nuisance (noise, vibration, etc.) and sets the conditions for sorting and reuse of waste.

Moreover, the Group's multi-business model means it is able to offer mixed projects at neighbourhood level but also at the level ofeach building, making them flexible and scalable over time and thus reducing the risk of obsolescence.

It also puts in place actions specific to each activity (Residential, Business property) at each stage of the project and throughout the life cycle of the building.

Residential

Rehabilitation

One of the Group's brands, Histoire & Patrimoine has specialised for more than 15 years in the rehabilitation and restoration of old buildings throughout France.

Recycled or local materials

Whenever a building cannot be rehabilitated, the Group carries out a demolition and reconstruction looking to reuse the waste from demolition. Waste is reused on the same site wherever possible or made available on materials exchange platforms. In the Domaine Harmony project in Anthony, Pitch Promotion reused nearly 14,000 m^3 of substructure from the destruction of the existing building to create the subgrade.

Use of recycled and / or local materials also helps reduce a project's environmental impact. In 2018, 70% of purchases for construction sites were from local sources (see 5.2.1).

Low-waste construction sites

The Group is steadily extending clean site charters to cover all its Residential projects. These charters notably impose measures to limit the production of waste at source, identify waste on-site, ensure tracking until final destination and conduct effective and efficient recovery of waste. In 2018, 83% of Residential projects (by number of units) have a clean site charter. Some sites also ask suppliers to limit product packaging to reduce site waste.

Intensification of use and reversibility

During the operational phase of a project, the Group seeks to intensify its use to avoid underuse of spaces. Cogedim Club® residences, for instance, aimed at a senior citizens, regularly take in business travellers to fill vacant apartments.

[46] *"Waste, key figures" published April 2018 - Agence de l'environnement et de la maîtrise de l'énergie (ADEME). France generated 324.5 million tonnes of waste in 2015.*

Business property

Rehabilitation

The Group has developed unique expertise which means its rehabilitated buildings achieve energy and comfort performance levels equal to those of its new buildings. 66% of Business property projects in the Paris Region are rehabilitations (by surface area), a 29% rise since 2016.

66% of Business property projects in the Paris Region are rehabilitations

Low-waste construction sites

In the construction phase, the Group is aiming to hit the target set by the energy transition law of recycling 70% of construction waste by 2020. In 2018, Business property projects had an average of over 70% site waste recovery.

Intensification of use and reversibility

Thanks to the Group's multi-activity know-how, 81% of Business property projects are multi-use; For instance, part of the streetfront space in the Kosmo project in Neuilly sur Seine can be transformed into commercial units. By developing adaptable and convertible spaces, the Group reduces building obsolescence.

81% of Business property projects are multi-use

Summary: circular economy issues in the property sector

Stage	Description of the issues and key results
Design	The most important phase: reducing the environmental impact of resources used (rehabilitation, recycling, reuse, etc.) and designing a building to avoid early obsolescence (energy efficiency, flexible and reversible architecture, ease of deconstruction etc.); ➔ *Kosmo, rehabilitation of an office building with performance to match newbuild*
Buildings	On-site: reducing waste generated, sorting, reusing and favouring recycled or local materials ➔ *Target of reusing 80% of construction site waste on Bridge* After demolition: reuse materials, favour reuse on-site or via materials exchange platforms ➔ *e.g.: in Domain Harmony, demolition materials were reused to build the subgrade*
IN OPERATION	Intensify building use (diversification of uses, convertibility etc.) ➔ *81% of Business property projects are multi-use*
End of life	Extend the life of the building or allow its use to evolve Where further conversion is impossible, a diagnostic is conducted to decide whether the best solution is rehabilitation or demolition. ➔ *66% of Business property projects in the Paris Region are rehabilitations*

5.2.5 Other environmental and health issues

Details can be found in the chapter on Risk management (Chapter 6 of the Registration Document), under Risk factors and Risk control systems.

5.2.6 Philanthropy and partnership

Introduction of a Group philanthropy policy

In 2018, Altarea Cogedim Group formalised its ambitions for sponsorship and partnership in a structured policy. To prepare this, it carried out a comprehensive survey of actions taken in France and interviewed managers and their representatives in the local regions.

Altarea Cogedim's philanthropy policy, which also applies to Altareit, matches its "Urban entrepreneur" vision and is built around the three principles that bind the Group to each region where it operates:

- contributing to economic development of the regions by strengthening links to the local social fabric (associations, social enterprises etc.) to enhance the positive impacts of its activities on the local economy, particularly jobs;
- social action: using the Group's skills to help the disadvantaged by, for instance, helping with access to housing and supporting local organisations that help build local social bonds; and
- support for culture and artistic creativity, bringing art to a wider public, anchoring the Group's property projects in their cultural context.

A guide for operating departments and subsidiaries which sets out the key priorities of the approach with inspirational examples of local initiatives, and which structures the process, conditions, and validation stages necessary to partner or sponsor an action.

Contribute to local economic development

In 2018, the Group also launched SoCo, the first social solidarity retail REIT in France, in partnership with Baluchon (social enterprise organisation) and the Crédit Coopératif, two key actors in the social economy.

The aim of the REIT is to offer long-term support to companies with a social purpose through the start-up and operational phases so they can grow their projects. The first initiative will be installed in the ground floor of the Nudge building in Paris's 13th Arrondissement. Covering 300 m², the Bouillon Club, an innovative platform for ethical and responsible food, will offer hands-on workshops, cooking lessons, cultural events, etc. SoCo will thus help "turn square metres into actions with a social impact" and will start to play its part in new regions where the company operates and in the Group's urban redevelopment projects.

Social initiatives

The Group has been the major sponsor of Habitat et Humanisme since 2007, working together over the long-term to help house disadvantaged people. The Group contributes in a number of ways:

- participation in the funding of 14 social residences, family boarding houses and intergenerational houses, of which 11 were up and running at end-2018.
- For the last 7 years, funding 3 management posts in Habitat et Humanisme in the Paris Region, combined with sponsorship of skills to help extend their field of action;
- involvement of Altareit employees with the partner. In 2018 this meant:
  - the first "Solidarity hour": sporting events at the head office and in the regions which were sponsored by the Group (per km run, for instance);
  - presentation of the association by volunteers to Group employees at the Paris head office during a day-long event on 29 October 2018;
  - participation in a support project on the association's crowdfunding platform. Once it was over, the Group matched every donation raised for "*Escales Solidaires*", a string of Habitat et Humanisme projects rooted in the districts of greater Lyons which offer residents and locals activities to counter isolation and precarity, using meals as an occasion to promote social integration.

In total, over the last 10-plus years, this has contributed directly to the creation of 300 housing units with a capacity for nearly 450 people.

Supporting culture and culture for all

The Group is always keen to promote young talent in various art forms (sculpture, painting, music), through a number of initiatives, such as:

- long-term sponsorship of the Matheus ensemble which has become one of the most recognisable musical groups in the world thanks to its daring artistic approach open to all;
- sponsoring the Aix Festival since 2015, an unmissable event for lovers of opera and classical music. The Aix Festival is a celebration of excellence in music which is internationally renowned and respected. It is also a place where young artists can break through and where an ever wider audience can experience opera. The Group In 2018, Altarea Cogedim redoubled its commitment to the region, becoming a partner of the Aix-en-Provence Economic Meetings held by the "*Cercle des Economistes*".

The Group also seeks to build links between its projects, their region and local cultural life at Group or local level, by, for instance:

- Cogedim Atlantique's sponsorship in the Portes de Nantes, supporting the "Transfert" transitional urban planning project by Pick Up Production, winner of the Émergence Arts et Urbanisme award. This project creates an art and cultural space on the site of Rezé's former abattoir, currently under redevelopment. It is a lively space for exchanges and reflection on the city of tomorrow. Specifically, it is a staged development of part of the site, favouring eco-construction, use of raw materials, green spaces, recovery and hands-on workshops.

5.3 Putting the customer at the centre of our actions

5.3.1 Dialogue in the service of customer and user relationships

Scope	Objectives/Commitments	2018 Results	Comments
Group	Working to satisfy customers across all our business lines	**6th place in HCG's ranking of customer hospitality**	In 2018, the Group is continuing to make customer satisfaction a priority: speed and quality of responses given to customers and gradual roll-out of new Cogedim stores at national level
Residential	Commitment to customer satisfaction	**Chosen Customer Service of the Year** (a)	In 2018 and in 2019, the Group received this award, which recognises the Group's efforts on behalf of customers over several years
Residential	A quality guarantee: 100% of projects certified NF Habitat (b)	**100% of projects certified NF Habitat**	The Group has been 100% NF Habitat certified for two years, reflecting its continuous efforts to strive for quality
Serviced residences	Establish a formal dialogue with residents to improve services	**At least one monthly meeting with residents in each of the ten residences**	More regular meetings took place in 2018, up to once a month

(a) Property Development category – BVA Group research and consulting firm – Viséo CI – May to July 2017 – More information at escda.fr.
(b) Excluding co-development, rehabilitations and managed residences.

Changing the structure of households, new forms of work and mobility, development of the collaborative economy... societal and technological changes are transforming lifestyles and customer usage. They are looking for custom solutions and desire a special relationship with their contact throughout the buying experience.

Altareit is committed to changing its offers so that they continue to meet customer needs and expectations. To do so, the Group is strengthening its relationships with its customers. In each of its activities, mechanisms for dialogue and for assessing satisfaction have been formalised: surveys and studies, real or digital interaction... Customer satisfaction is Altareit's primary goal, as it values excellence and creativity in serving its customers.

2018 : All part of customer relationships

Customer satisfaction guides the Group's action. In 2018, the Group deployed a wide ranging training programme for its employees in the Residential sector. The goal was to promote awareness and emphasise that everyone has a role in customer satisfaction.
From development to after-sales service, nearly 700 people participated in learning modules with fact sheets at each stage of the customer experience. Based on its success, the programme will be deployed in the Group's other business lines: Business property, in-house resources, etc.

Residential

Customer Service takes care of customer satisfaction at each step of the buying experience. In-house procedures are dedicated to dialogue and monitoring satisfaction at each step.

Dialogue with clients

The customer experience is based on a human and personal relationship at each step of the project. The customer is supported by a single point of contact, the customer relations manager, from signing at the notary's office to delivery. When the keys are handed over, a single after-sales service manager takes over and ensure continuity in support of the customer.

This support is also digital. A personalised on-line space is provided to the buyer from the time housing has been booked. It allows the customer to obtain information on the different steps of the buying experience and to obtain answers to questions *through* forums or FAQs (for example: modifications to works, progress on the work site, visits…).

What's more, for the customer experience, Altareit also offers its customers 'live' immersion and help in the personalisation of their home at a unique dedicated location: the Cogedim Store. (see box opposite)

The Cogedim Store Network

The Cogedim Store is an innovative space that goes beyond a traditional sales space. It allows buyers and visitors to discover apartments reproduced at actual size, a room to choose materials and fixtures, personalisation packs and immersive digital experiences… It makes it easy for customers to see themselves in their future dwelling.
Since 2016, several Cogedim Stores have opened in Paris, Bordeaux, Toulouse, Marseilles, Lyons and Nantes. Other openings are expected soon.

In 2018, the Group joined with Sourdline, a premier call centre dedicated for the deaf and hearing-impaired. The customer may thus interact with each contact along the customer path thanks to the presence of an interpreter, *via* webcam, chat or in-person.

Measuring and monitoring Customer Satisfaction

Each year, the Group conducts a study to measure customer satisfaction at two key moments in the buying experience: at the signing of the deed of purchase and 4 months after delivery of housing. The goal is to better understand the expectations of customers and any possible shortcomings encountered during the buying experience. Questions range across a large spectrum of subjects from customer trust at the time of purchase to the endorsement rate at the end of the experience.

The endorsement rate is considered as the indicator that best sums up the customer experience since it measures his or her attachment to the brand by rating the likelihood of recommending Cogedim. The Group has set as a goal to reach a 70% recommendation rate for each of its regional offices. In 2018, the approach bore fruit with the endorsement rate up ten points on 2015.

What's more, mystery shopping is also carried out across the territory, with tests at both physical sites and in sales offices, but also in exchanges by email or *via* social media.

Efforts rewarded

For the second consecutive year, the Group was presented with the "Customer Service of the Year 2019" award[47] for the Cogedim brand, in the category of Property Development. This award assesses the quality of customer relations with mystery shoppers (telephone, email or questionnaire, internet sites, social media and chats).
In January 2019, the Group moved up 2 places ranking 6th in HCG's customer welcome rankings for 2019. This ranking pits the customer services of the 200 biggest companies in France against each other by testing all of their channels: telephone, letter, email, website and social media.

Cogedim Club® residences

Altareit develops and manages Cogedim Club® residences designed to meet the specific needs of seniors. To best adapt to their expectations, the Group used several means that combine market research, satisfaction surveys and field analysis.

Each year, the Group publishes a barometer dedicated to looking at the changes in senior lifestyles. This study is conducted by interviewing a national sample of nearly 1,000 people representing the senior population. It analyses the lifestyle of seniors in terms of an annual theme. In 2018, the study specifically addressed the well-being of seniors: fulfilment, morale, leisure activities, etc.

Furthermore, each of the residences has a team dedicated to listening to the needs of residents in their daily routine. Once a month, a plenary meeting is organised between resident tenants in each of the residences in order to listen to their needs and expectations. The following subjects are addressed: life in the apartments and common areas, services and overall satisfaction.

Short-term residents are also questioned through satisfaction surveys.

These *in situ* measures make it possible to understand the level of residents' satisfaction and their level of facility use as well as identify desired changes. A half-yearly meeting is organised with the management of Cogedim Club® and allows for a discussion about areas for improvement or necessary changes with the agreement of occupants of the residences. The information gathered also serves to modify specifications for future Cogedim Club® projects.

Business property

In a context of rapidly changing work patterns and employee expectations in terms of their working environment, the Group listens to its partners and users.

Altareit designs offices that promote team productivity and the comfort and well-being of employees.

In 2017, Altareit conducted 18 interviews with the property departments of major companies in order to assess their needs and expectations. The subjects addressed included the expectations of corporate accounts and their perception of landlord-tenant relations. It made it possible to categorise a building by best integrating their needs. The results of this survey may result in changes to the Group's products.

[47] *Property Development category – BVA Group research and consulting firm – Viséo CI – May to July 2017 – More information at escda.fr.*

5.3.2 Quality of life and well-being in operations

Scope	Objectives/Commitments	2018 Results	Comments
Mixed-use projects	Develop pleasant living spaces	**First neighbourhood pilot of WELL Community Standard developed at Issy Coeur de Ville**	As a result of this neighbourhood pilot, the Group plans to build up its expertise when it comes to quality of life in neighbourhoods
Residential	Certify 100% of projects NF Habitat.[(a)]	**100% of projects certified or in the process of certification**	The Group has been committed since 2016 to NF Habitat certification, a guarantee of quality and environmental performance and comfort
Business property	WELL certification for 100% of projects in Paris Region	**87% of projects in the Paris Region WELL certified or in the process of certification**	The Group created this indicator in 2017 and set itself this new target to realise its well-being ambition

(a) Excluding co-development, rehabilitations and managed residences.

A project's quality of life and well-being are factors that create both social bonds for users and appeal for communities that have roots in sustainable urban development. The latter issue hinges on the search for balance in the diversity of projects (at the level of the neighbourhood and the building) in terms of housing, places of work, retail, services, culture and leisure with respect for the environment in which it is located.

The interior layout of buildings is also key with the increased importance of notions of comfort, security, health and well-being in terms of temperature, acoustics, air quality, lighting, usage, aesthetics…

Finally, each activity has its own challenges:

- in Housing, the ease of use and quality of equipment helps ensure the heritage value of the property over the long-term for investors;
- in Business property, the comfort and well-being of employees is a strong attraction for business.

In all its real estate transactions, Altareit accords particular attention to the quality of city life by going beyond applicable regulations in proposing added value to the user. It therefore deploys means to improve the customer experience with regard to well-being by drawing on external certifications (for example, WELL) and internal requirements.

The Group focuses on three components of comfort and well-being in each activity and for each project:

- quality of the location: the Group opts for density and proximity. Its projects are located at less than 500 meters from public transportation to promote user access and mobility;
- intrinsic quality of the building: air quality, acoustics, lighting, aesthetics… but also quality of use of the building and flexibility, so that it is adaptable to current as well as future uses;
- additional services provided by the project to complement those already offered locally. Altareit uses its skills and multi-product know-how to develop, for example, child care, quality food stores, leisure activities… The Group also pays particular attention to nature's place in the city, recognised as a source of well-being for users, by developing green spaces for relaxing.

Large mixed-use projects

Thanks to its unique multi-activities positioning, the Group combines all of its skills and services to design large scale mixed-use urban projects combining housing, retail, offices… By working with communities, planners and other private stakeholders, the Group develops balanced neighbourhoods adapted to the needs of residents and users. The Group makes sure it offers a range of services, both diversified in the scale of the project and complementary to the offerings already present nearby.

Working on the scale of a neighbourhood also allows the Group to offer quality public spaces, mixing green spaces and recreation areas. The Group pays particular attention to the place of nature in the city (see 5.2.3).

Issy Coeur de Ville: WELL pilot neighbourhood

The Issy Coeur de Ville project consists of the redevelopment of a site of about three hectares in the heart of downtown Issy-les-Moulineaux as a new mixed-use neighbourhood.

Entirely pedestrian and built around a grand vegetated public space, this neighbourhood has big ambitions in terms of quality of life for the city and its users. The neighbourhood will be endowed with a total of 1.3 hectares of landscaped spaces in patios and suspended gardens, in flower boxes and nature areas, shared and private.

It is the first pilot project in France with the WELL Community label, the benchmark standard in health and comfort on the scale of a neighbourhood.

Residential

The Group is developing healthy and comfortable residential buildings that favour social bonding and conviviality. It relies on the NF Habitat and HQE™ certification process and its team of interior designers. The Group also pays particular attention to interior air quality.

NF Habitat and user comfort

The NF Habitat standard exceeds the regulatory requirements in matters of health and safety, and focuses particularly on making pleasant, practical and comfortable places to live, with requirements regarding acoustic quality, visual comfort, proximity to services and public transportation… (see 5.3.3). In 2018, 100% of Residential projects were certified or in the process of being certified NF Habitat.

Moreover, plans for apartments are checked by the Group's team of interior designers to guarantee their practicality: easy circulation, "practical" amenities thanks to the appropriate position of electrical outlets, sufficient space for furniture…

Interior air quality

The issue of air quality is key in residential property. Altareit approaches the problem in a global manner: by imposing health criteria in the choice of materials and the installation of equipment and by supporting buyers in a healthy and responsible occupying process. 100% of products and materials are labelled A at the minimum.

As an example, Altareit is using the "IntAIRieur" label on the Cours des Arts project in Mougins. This new measure commits all businesses working on the site to respect the guidelines in order to preserve the interior air quality of residential units under construction. Once the project is finalised, two manuals are provided to users: one to the occupants and one to the manager. These documents guide them in the building's daily use and during maintenance operations.

Social bonding and Cogedim Club® residences

In the context of its Cogedim Club® residences for seniors, the Group adapted its offer to their specific needs by especially favouring the quality of social bonding, one of the principal selection criteria for future residents.

The range of residences combines adapted residential units, a programme of varied entertainment and a location in the city centre close to transportation, shops, health services and cultural programmes.

As for quality, the fixtures and furniture in residential units are carefully selected with suppliers to adapt to the constraints of ageing (floorings, level of foundations and bedding, sanitary facilities). They comply with ergonomic recommendations.

Challenges to promote residents' physical activity

In 2018, the Group developed a partnership with *Prévention Retraite en Ile-De-France* (PRIF) and the start-up Kiplin, specialised in connected experience solutions to combat sedentariness. Workshops were organised in several residences: introduction to new technologies, challenges to promote physical activity for residents.

Finally, the Group gradually rolled out the VISEHA label in its residences. This label attests to the quality of services offered in residences for seniors (see 5.3.3).

Business property

The quality of life in offices being a major factor of attractiveness to employees and large tenants/investors, Altareit develops very high quality work spaces. The topic of well-being has thus been integrated for numerous years, notably through BREEAM® and HQE certifications.

New ways of working

To respond to the new uses of Business property, the Group is developing interior spaces that are less isolated, more flexible, leaving more room for natural light and vegetation. Each stage of the Bridge project, the future head office of Orange in Issy les Moulineaux, is thus endowed with planted balconies and green rooftop terraces accessible for meetings and moments to relax.

To support the digitsation of activities and communications, the Group offers optimal conditions for digital connectivity by referring to the most demanding benchmarks, such as WiredScore and Ready2Services (cf.5.3.4).

WELL certification

This standard places the user and health at the centre of building projects by encouraging the implementation of comfortable and quality amenities around seven themes that contribute to well-being (air, water, light, comfort, fitness, food, state-of-mind).

The Group has the goal of certifying all of its Business property projects in the Paris Region WELL Core&Shell silver level at the minimum. In 2018, over 87% of projects achieved this objective.

87% of Business property projects in the Paris Region are WELL certified.

Biophilic design

The biophilic concept consists of integrating elements from nature into the building. Recent studies prove that a design imitating nature has a positive impact on health, creativity and in reducing stress.

The Group is exploring this approach in the context of the Richlieu and Bridge projects by reviewing the integration of biophilic design into the building (especially the visual and auditory connection with nature, lighting that respects the circadian rhythm, the presence of water, designs and motifs inspired by nature, the presence of "cocoon" spaces for quiet time alone…).

5.3.3 Labels and certifications, creators of green value

Scope	Objectives/Commitments	Indicator	2018 Results	Comments
Residential	100% of new projects certified NF Habitat[(a)]	The share of new projects certified	**100%**	The objectives are achieved. The strategy of ambitious certification is complemented by the most recent or innovative certifications in order to guarantee the building's green value
Business property	100% of new projects in the Paris region HQE "Excellent" and BREEAM® "Very Good" at the minimum	The share of new projects certified	**100%**	

(a) Excluding co-development, rehabilitations and managed residences.

The increasing importance of customer demands with regard to comfort and use as well as the tightening of environmental regulations have pushed the notion of green values to the forefront in the real estate sector. It represents the ability of a building to avoid regulatory obsolescence, or of use, and is thus a guarantee of its sustainability over time. To maintain or advance a building's green values, certifications and labels have gradually become the market norms.

Altareit is committed to a strategy of ambitious, innovative and sustainable certification, specific to each of its activities. Labels and certifications are thus chosen depending on:

- the relevance of the applicable standards and assessment method;
- stakeholder expectations for each project type, while seeking to outperform market standards;
- the strong willingness to offer the most recent, ambitious and innovative labels and certifications on broader matters than environmental performance (WELL, BiodiverCity®, WiredScore...) in order to stay ahead in all of its activities.

Residential

NF Habitat Certification and its HQE approach

Since 2016, the Group has been committed to NF Habitat certification and its HQE approach.

All of the Group's newly built housing (Cogedim and Pitch Promotion brands) is certified NF Habitat. The NF Habitat certification is a benchmark for the essential qualities of housing and the common areas of the building. It is reflected in concrete daily benefits: a healthy interior, safe and pleasant for living, controlled expenses, but also a respect for the environment.

Regarding environmental or energy performance, the Group goes even further by seeking for nearly half of its production an additional certification: NF Habitat HQE™ (which goes beyond NF Habitat in environmental terms) for quality, habitat & environment, and even an additional energy label, such as Effinergie+. In 2018, 49% of the Group's Residential projects were covered by an additional environmental certification or energy label (by number of units).

100% of NF Habitat Residential projects, a guarantee of quality, environmental performance and comfort

49% go even further with an additional certification or energy label

Certain projects may benefit from supplemental certification efforts. The Coeur de Ville project in Bobigny, already committed to Ecoquartier labelling, at the community's initiative, is a pilot project of the new HQE Performance standard. The Group is thus participating in defining new standards of reference in terms of sustainable urban development.

VISEHA Label and Résidences Cogedim Club®

To improve the clarity in terms of the quality of services offered in serviced residences for senior citizens, professionals in the industry, including the Group, created the VISEHA label, Vie Seniors & Habitat (Senior Life & Housing). It is based on 13 criteria concerning property features and services offered by the residences, as well as prerequisites relating to the financial health and feasibility of the operator in order to ensure the sustainability of the residences.

At the end of 2018, the Group obtained one of the first labels bestowed by the professional unions, SNRA and SYNERPA, in the Afnor Certification competition for its Cogedim Club®Terre de Seine residence located in Suresnes. The label will be gradually rolled out to other Group's senior residences that meet the criteria.

Business property

All the Cogedim Business Property projects benefit from a systematic certification process, HQE and/or BREEAM®, respectively the French standard and the European standard with regard to the environmental performance of buildings. In 2018, 100% of Cogedim Business Property projects were certified HQE and/or BREEAM®.

In the Paris Region, which represents 90% of national production, the goal is more ambitious with a systematic double certification of high-level performance. In 2018:

- 100% of Cogedim Business property projects in the Paris region have double certification, HQE and BREEAM®;
- 100% of Cogedim Business property projects in the Paris region with HQE certification were designated "Excellent" or superior, of which 76% were designated "Exceptional";
- 100% of Cogedim Business property projects in the Paris region being developed with BREEAM® certification, were designated "Very Good" or superior, of which 66% were designated "Excellent."

100% of Cogedim Business property in the Paris Region have at least double certification: HQE "Excellent" and BREEAM® 'Very Good"

Furthermore, in 2018, 92% of Pitch Promotion's Business property projects and 80% of the hotel business projects are based on HQE and/or BREEAM® certification (by surface area). HQE "Excellent" certification is expected for the Hilton Hotel located at Place du Grand Ouest in Massy. Finally, 100% of Logistics projects under development in 2018 sought BREEAM® certification.

These numbers were stable compared to 2017.

Certain projects also benefit from thematic certifications and labels like BiodiverCity®(biodiversity) for the Issy Cœur de Ville project and the WELL (well-being) label for the Bridge project (see 5.2.3 and 5.3.2).

5.3.4 New uses and innovation

Scope	Objectives/Commitments	2018 Results	Comments
Business property	Strengthening the digital connectivity of projects.	**87% of projects in the Paris region are working towards a digital connectivity label**	The Group continues to offer long-term performance to its customers with regard to technology

Real estate produces assets that impact the city permanently. Yet, practices and expectations of city inhabitants and users have greatly changed and continue to evolve rapidly. Altareit, therefore, must adapt its offerings to changing family structures, new ways of working, stakeholders in the digital, new consumption patterns… The challenge is to guarantee investors and users that the buildings or neighbourhoods being built will be able to adapt to new uses and preserve their value over the long-term.

Altareit has a digitisation and innovation department whose goal is to support the transformation of its offers (in its methods and in its products) and to promote creativity and the spirit of innovation by its teams, the Group's key assets.

Development of new offers, construction with an open innovation approach and promoting standards in terms of digitisation, allowing Altareit to make the city of tomorrow today.

Strengthening the culture of innovation

The Innovation team, comprised of seven people, is both an oversight unit that identifies promising innovations and the Group's support mechanism for the roll-out of innovations. It organises events that introduce specific innovations for property, makes digital tools available and connects employees with innovative external structures.

Its roadmap is based on 4 themes:

- strengthening the Group's culture of innovation;
- identifying and breaking down the new economic models influencing the property industry;
- developing and coordinating open innovation at the Group;
- implementing innovative solutions and tools for projects and/or internal procedures, to accelerate business growth.

In 2018, it organised five thematic events: presentation of innovations from the Consumer Electronics Show (CES), modular construction, an encounter with start-ups and two workshops on artificial intelligence.

Furthermore, the Group put in place a Youth Comity, bringing together some fifteen young talents from business whose goal is to think about the Group's new challenges in order to challenge the orientation of the Executive Committee.

Developing new offers of property products and services

Altareit is constantly innovating for the benefit of its customers and users. In Residential, for example, teams developed a digital tool that allows buyers to project themselves in their future apartment by means of a 3D visit, where they can test the different materials on offer. This configurator is available in Cogedim Stores, one-stop shops for future buyers.

To respond to new ways of living and working, the Group has worked on new proposals: co-living residential units and business centres that are flexible and attractive, intended for one-off professional use (conference rooms, special professional events, etc.).

To guarantee long-term technological performance in its buildings, the Group was one of the first to take an interest in the WiredScore and Ready2Services (R2S) labels. WiredScore assesses the quality of internet connectivity, infrastructure and the building's potential connectivity. R2S has a complementary approach which aims to make buildings compatible with future technologies and uses.

Label Ready2Services (R2S)

The R2S label has as its goal to support the digital revolution in buildings, to make them more adaptive, pleasant for living, serviceable and interoperable. It offers innovative thinking based on upgradability and the openness of systems to combat obsolescence, optimise operation and make services accessible to the occupants. Its standard requires that the building must be able to connect to any exterior network and accommodate future innovations by using communication protocols that communicate with each other.

Altareit is developing a pilot project in Richelieu (Paris 2nd Arrondissement) for this innovative standard.

The Group's future "Richelieu" head office in Paris is aiming for the WiredScore label and is part of eleven R2S pilot projects. In 2018, 87% of Business property projects under development (by surface area) targeted a digital connectivity label such as WiredScore or R2S.

87% of Business property projects in the Paris Region sought a digital connectivity label

The Group has also signed the French Ministry for Territorial Cohesion's charter to promote "smart, people-centred, community-focussed buildings" and to share good practice and trials with other stakeholders in the local real estate sector.

Finally, to guarantee the value over time of its buildings, the Group is working on the increased intensity of building usage and the design of adaptable spaces (see 5.2.2.).

Suggesting innovative projects thanks to an open innovation approach

Altareit is integrating its approach to innovation into the business and enriching it with external partnerships. The Innovation team identifies and selects potential partners to integrate into the Group's activities.

In 2018, several fruitful partnerships with *start-ups* were conducted on projects as well as for employees:

- the Kiplin start-up and the Cogedim Club® residences for seniors encouraged physical activity for seniors (see 5.3.2);
- the Cogedim Vente marketing teams and the Citizya start-up, which offers a platform destined to help the future buyer of a residential unit to identify his or her ideal city and neighbourhood;
- partnerships with the Post Office's Digital Hub, Kelfoncier and MyColisBox.

Mycolisbox: innovating to facilitate the life of customers

Altareit collaborated with MyColisBox to roll out connected parcel boxes in the halls of buildings within Cogedim residential units. Codes sent by text make it possible to open or close a mailbox as needed by inhabitants of the building, for both external deliveries and for lending between neighbours. The first locations were set up in 2018.

The Group has also partnered with incubators that make it possible to keep track of new trends and add innovative value to its projects:

- Paris & Co, a real estate innovation specialist;
- Real Estate Disruptive Lab, a specialist of disruption in real estate;
- the French postal service's (Hub Numérique) digital hub which focuses on French start-ups in the connected objects sector.

Moreover, the Group is a member of the Smart Building Alliance, which promotes the development of smart buildings thanks to a multidisciplinary exchange between members of the real estate industry.

Easy village, bringing cities to life

To facilitate the integration and adaptation of residents of its large mixed-use projects, the Group developed a neighbourhood digital app, which integrates connected urban services for greater practicality, comfort and interaction among and for the benefit of residents. Developed in partnership with the Post Office's Hub Numérique (digital hub), the "Easy Village" application was launched during the inauguration of the Massy Place du Grand Ouest (Dept. 91) neighbourhood. It incorporates access to the residential concierge service, a local social network, shops and the ability to manage each resident's connected objects.

Implementing innovations and tools to accelerate business growth

the Innovation team is creating opportunity files that evaluate the technical, financial and legal consequences of identified innovative projects and products. The goal is to both select the most adaptable innovations and the simplest to implement, to clear potential roadblocks and facilitate their deployment.

To facilitate linking operational development teams with innovative projects outside the business, the Innovation unit launched Altawiki, a platform that identifies several hundred start-ups and structures in the social economy that are helping to shape the city of tomorrow. This platform makes it possible to easily motivate them to respond to tenders or involve them in projects under development.

Partnership with kelfoncier: optimising internal processes

In 2018, Altareit's property development teams worked with the start-up Kelfoncier, whose mapping tool makes it possible to identify and configure available land according to specific criteria (applicable Local Urbanism Plan, land register, VAT regime, improvement tax, public transit networks…). The development teams have thus significantly reduced the time for selecting property.

Finally, 100% of Cogedim's Business property projects are developed with the Building Information Modelling method or BIM. This method involves virtual modelling of the physical and functional characteristics of a building. The digital model makes it possible to better control construction costs and to facilitate operation of the building.

5.3.5 Responsible supply chain and supplier relationships

The Group is a significant contributor with more than €1.5 billion in annual purchases. These purchases have a huge societal impact, due to their volume and the variety of economic sectors concerned.

The vast majority of the Group's purchases are related to construction, including more than one-third in structural work, the rest divided across all of the building's line items (electricity, heating/ventilation/air conditioning, plumbing, etc.).

The rest is comprised mainly of the Group's overhead costs.

Since 2014, Altareit has undertaken responsible purchasing across all of its business lines, especially including contractual clauses and assessment work for the initial selection of suppliers by Ecovadis in 2017.

In 2018, Altareit launched a process for structuring and optimising purchases, led by the Performance Department and the CSR Department. This process encompasses all of the Group's companies and covers all purchases (direct purchases related to construction and the Group's overhead costs). Its aim is to simplify and optimise purchases, while systematically guaranteeing the integration of a CSR approach adapted to each type of product or service.

The project began with a detailed mapping of the Group's purchases and an initial macroeconomic analysis of CSR risks.

A detailed action plan was set in place for 2019, identifying the first line item purchases concerned. The process anticipates widespread action (CSR clauses in tenders and contracts, creation of a Group charter), and specific requirements for types of purchases identified as the most risky (specific clauses, supplier evaluation, audits…).

A certain number of actions are already in place and will be reinforced at the Group level (roll-out of the anti-corruption clause in all contracts) or in each activity (particularly in the context of NF Habitat, HQE and BREEAM® certifications). These actions concern the fight against illegal and undeclared work, respect for the health and safety of employees and respect for the environment.

In the marketing phase, the Residential and Business property activities benefit from standard contracts (architectural, multi-disciplinary engineering and project management), which contractualise a project's sustainability goals.

Since 2015, for 100% of new Residential operations, Altareit uses an external service provider to collect, archive and manage all regulatory certifications from companies necessary for the signing of the contracts and authorisation of the various subcontractors.

At the same time, a low nuisance construction site charter is appended to all works contracts. Under this charter, all service providers, working on the project are required to meet commitments relating to:

- reducing nuisance (noise, dust) caused to residents;
- reducing risks of water and soil pollution from the construction site;
- sorting and reducing construction site waste that goes to landfill;
- protecting nature and biodiversity;
- managing water and energy resources;
- the social and organisational aspects of the work site.

In order to ensure that the requirements are applied during the construction phase, various actors, such as the “clean construction site” contact person, and the Health and Safety (H&S) coordinator, are called upon. 6 national framework agreements have been signed with technical monitoring companies specialising in H&S and Environment Works Management to harmonise monitoring tasks in all Residential projects and to ensure safety and the proper application of the low nuisance construction site charter. At the end of the operation, contractors are evaluated according to qualitative and/or environmental criteria to assess whether labour and environmental clauses have been fully applied.

Evaluation and continual improvement of suppliers

In 2017, Altareit launched an evaluation process of its suppliers *via* the Ecovadis platform, to measure the level of progress with regard to CSR.

The first phase of the evaluation relates to suppliers of fixtures and fittings for Cogedim residential properties. Following the initial evaluation, the Group asked certain suppliers to make improvements in the areas of social and environmental issues in order to reduce risk.

5.3.6 Professional ethics

Scope	Objectives/Commitments	2018 Results
Group	**Strengthening the programme to fight corruption**	Mapping of corruption risks
Group	**Train and raise awareness of employees identified as most at risk of corruption and fraud**	8 days of induction for new employees during which the quiz on "rights and obligations" is used Fraud awareness-raising exercise two to three times a year at Group level

Values and ethics

All of Altareit's employees and corporate officers must comply with the principles established in the Ethics Charter, which are also integrated into the internal rules. Any failure to respect its provisions may therefore constitute professional misconduct punishable by disciplinary actions. This Ethics Charter, which is available on the Group’s intranet site and systematically appended to the employment contracts of new hires, covers all aspects of the relations between Altareit and its stakeholders, employees, customers/tenants, service providers/suppliers, as well as best practices for internal ways of working:

- protection of privacy;
- rules a publicly listed company must respect concerning the use of inside information;
- duty of loyalty and conflicts of interest;
- respect for the law and applicable regulations;
- respect for the environment and the principal of integrity;
- ban on forbidden practices and corruption.

Since 2017, in order to ensure new employees adhere to the Group's rules, values and principles and that they have a thorough understanding of how they must be applied, systematic training in the form *of* a quiz was implemented on induction days. It addresses topics related to Rules of Procedure, the I.T. Charter, the Ethics Charter and aspects of health and safety.

Any employee who has trouble discerning how to behave in a particular situation can refer their situation to their Manager or, if need be, to the Ethics Director appointed by Management. The consultation with the Ethics Director and their advice are confidential under the Ethics Charter.

Provisions relating to IT security and protection of data are described in Section 6.2.2 of the Registration Document.

Fight against money laundering, fraud and corruption

The Group’s anti-corruption policy is restated in its Ethics Charter. The policy aims primarily to set out the values and rules of conduct to be observed, and to guide employees in their daily activities regarding any ethical questions or conflicts of interest they may be confronted with. For example, the Group prohibits individuals from commissioning work for their own benefit from companies or service providers who maintain a business relationship with the Group, unless such work is authorised by the Ethics Director. It also prohibits payments in cash, even within the limits authorised by applicable regulations.

These principles must also be mutually enforced in relations with authorities and customers: any act that is likely to be construed as an attempt to corrupt is prohibited and is to be reported. Any payment or acceptance of illicit funds is strictly forbidden in the conduct of Group operations. Where there is doubt as to the legality of a payment, the Ethics Director must be consulted immediately for their opinion.

As part of its activities, Altareit uses the services of many external companies. Their selection is governed by formal provisions and generally established in tenders. At the Group's most recent update to its risk mapping in 2016 the risk of fraud, though limited given the Group's activities and structure, was assessed as being slightly greater. This was due to increased media coverage of fraud cases and by the increase in "fake president" scams which the Group was a target of. To ensure that these attempts at fraud do not succeed, awareness-raising messages are now circulated to the most at-risk groups at *least twice a* year prior to periods of leave when such incidents are most likely to occur.

In order to support the proper and full deployment of the Group's approach to business ethics, an awareness campaign on violations that concern neglecting the duty of probity was conducted in 2017 for the most exposed employees and will be repeated in 2019. Also, with the help of a specialist law firm, courses were held on different sorts of corruption, conflicts of interest, the peddling of influence, favouritism and the criminal repercussions associated therewith, particularly in relations with the public sector. This awareness campaign continues on a regular basis by means of messages issued to employees by senior executives at events such as seminars, committee meetings as well as at induction days for new arrivals.

Moreover, the Property Legal Department ensures that clauses specific to anti-corruption legislation are included in business introducer contracts or contracts with third parties. These clauses were updated in 2018 to take into account the French anti-corruption law.

In the context of the Sapin 2 law, a mapping of corruption risks is being finalised. In accordance with what is provided for in the law and in order to display greater transparency in the relationships and interests between business and public officials, the Group registered with the digital register of the Haute Autorité pour la Transparence de la Vie Publique (HATVP) on April 20, 2018. The Group thus has until March 31, 2019, to file its annual statement of activities by lobbyists.

The Group continues to constantly strengthen its compliance programme in order to meet the requirements of anti-corruption and anti-money laundering laws.

5.3.7 Safety of assets, people and personal data

Items related to the safety of assets, people and personal data can be found in the chapter on risk management (Chapter 5 of the Registration Document), paragraphs Risk factors and risk control systems.

5.4 Talents at the service of Altareit's growth

Altareit had 1,453 employees at the end of 2018, or 124 more employees than a year before. This significant increase in staff (+22.4%) goes along with the company's strong growth.

Altareit's changing size over recent years, coupled with a sustained operational dynamic, reinforces the strategic character of managing talents, in terms of recruitment, integration, dissemination of an original culture, and career management.

Under the responsibility of the Group HR Director, the Group's Human Resource Department is organised around operational human resource managers dedicated to each function and the 3 specialty units (Human Capital, Employment Law & Company Innovation and Corporate Management).

5.4.1 Headcount and organisation

5.4.1.1 CHANGES IN WORKFORCE

To ensure growth of the business, the level of recruitment remains high. The workforce at the end of 2018 increased significantly: + 22.4% as compared to the previous year. This growth is organic and boosted by external growth (acquisition of Histoire & Patrimoine).

At 31 December 2018, women represented 55% of the workforce. 1,403 employees have an open-ended contract and 50 have a fixed-term contract.

5.4.1.1.1 Distribution by age and seniority

With an average age of 40 (with no change as compared to 2017), 58% of employees below this average age and nearly 40% of thirty-year-olds, our age pyramid is dynamic and balanced. This will allow us to address future challenges

Nearly 570 employees are between the ages of 30 and 39. It is within this pool that we will find future managers. Offering them suitable career paths, innovative learning experiences and an attractive salary package are the challenges in terms of human resources.

The thirty year olds are also a part of strategic thinking in the Youth Comity, established 2 years ago.

Average length of service is slightly above 5 years, as in 2017. Nevertheless, nearly 55% of employees have less than 3 years service.

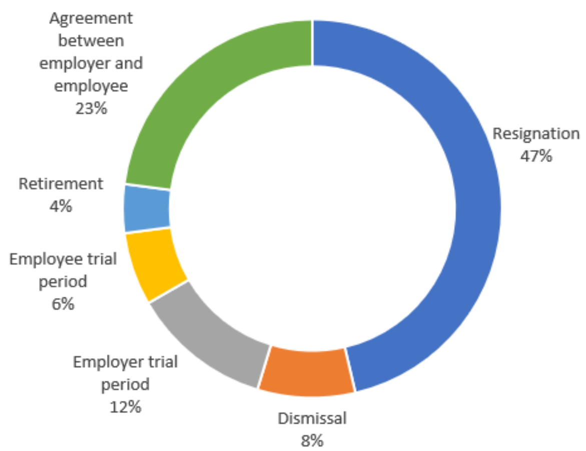
The high levels of recruitment over the last 3 years as well as the integration of companies has enriched Altareit with methods and skills from many backgrounds. The goal is to preserve the original DNA: entrepreneurial spirit, creativity, innovation and diversity. With this in mind, initiatives concerning integration (crescendo seminar), promotion of the employer brand (obtaining the Happy Trainees label) and apprenticeships (implementation of new ways of learning like urban expeditions) are crucial in unifying all these new Talents around common concerns.

The intergenerational aspect is an essential subject for Executive Management and the Human Resource Department in a Group that welcomes employees from 18 to more than 70 years old, or with more than 20 years of seniority. This means letting everyone find his or her place, having access to all levels of responsibility based on ability and talent. The most experienced transmit their knowledge by becoming in-house trainers for the Training Academy or facilitators in induction workshops dedicated to new hires or tutors for work-study students. Altareit takes an active part in the training of future employees by always welcoming work-study students. Work-study is growing each year; in 2018, we welcomed 201 work-study students.

5.4.1.1.2 Headcount changes

The Group recruited 308 employees on open-ended contracts, confirming its strong appeal and advantages in a very competitive market. At the end of 2018, 96.6% of Altareit employees were on open-ended contracts. Thus, the challenges of attracting and retaining Talents mostly concerns employees on open-ended contracts.

In 2018, despite high tensions in the real estate profession, the departure rate of employees on openn-ended contracts was comparable to 2017 (14.1%), reassuring for an HR policy that is resolutely focused on the retention of Talents.



The main cause for departure of employees on open-ended contracts is resignation.

5.4.1.1.3 Distribution by geographical zone

In 2018, Altareit was only present in France.

5.4.1.3 ORGANISATIONAL CHANGE

Change in Altareit's structure

The full acquisition of Histoire & Patrimoine was completed in 2018. Little by little, these employees will be integrated into various Altareit structures.

Evolution of central support functions

The Group is working to structure and pool its support systems in order to support all operational business areas with optimal efficiency.

In this context, in 2018, numerous initiatives were taken. IT accounting systems were unified, a Group Director of IT Systems was named, Altareit's IT teams were merged, new IT systems were developed, particularly a modern HR-IT Group, which was put into operation.

All these efforts to modernise provide more effective support on a daily basis to operational staff. To do this, Altareit relies on the contributions of digitisation, and on a comprehensive programme to steer "Performance," which is on-going, strengthening the efficiency of the organisation, its methods and its processes.

5.4.1.4 STRUCTURATION OF ALTAREIT'S SOCIAL FABRIC

Toward a common social platform

Women and Men are Altareit's Nº. 1 asset. They are diverse, complementary and enthusiastic. Altareit is structured with common policies where it makes sense, while maintaining the strong identity of its brands, its flexibility and its entrepreneurial spirit.

In 2018, a common social platform, which stipulates and defines all of the shared social rules, was endorsed by the unions. It is one of the unifying elements lending a sense of social belonging to Altareit and it significantly improves the efficacy of employees' professional mobility between different subsidiaries.

The common platform will gradually be rolled out across all subsidiaries while taking into account the peculiarities of each.

Towards a single new head office in 2019

2019 will be marked by a major project: moving into our new Paris head office, "Richelieu." The future head office will have a prestigious address between the stock market and the opera house.

All subsidiaries of Altareit will be gathered under the same roof while maintaining each brand's identity. Centralised support systems, information systems in alignment. The building's amenities will enable the emergence of new ways of working in line with the evolving expectations of employees and the quality of life in the workplace.

5.4.2 Recruiting talent, diversity and equal opportunity

Altareit promotes integration and diversity in its recruitment policy and the management of its employees' careers through attentiveness to all potential factors of discrimination (gender, age, disability). Quality social dialogue and respect for the fundamental conventions of the International Labour Organisation supplement this policy of diversity and equal opportunities.

5.4.2.1 RECRUITMENT POLICY

The “Human Capital” expert unit of the Group's Human Resources Department pursues a recruitment policy that is inspired by the Group's values of creativity, functional diversity and entrepreneurship and emphasises non-discrimination, integrity, ethics, objectivity, diversity and intergenerational cooperation.

In December 2013, Altareit signed the Diversity Charter and all new employees are made aware of this commitment through a welcome booklet and integration seminar. A Diversity adviser was named in September 2018 to guide and facilitate Altareit's policy in various areas: gender equality, initiatives aimed at youth and seniors, inclusion of disabilities, socio-professional diversity.

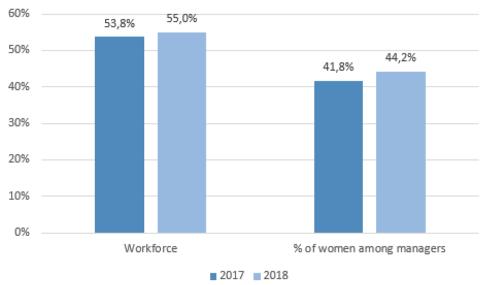
The recruitment process is strictly based on the skills and qualifications of the candidates. Compensation for new employees is determined according to objective criteria based on qualifications, professional experience and market practices. The Human Resources Department ensures that the principle of non-discrimination is strictly complied with in every way for all external recruitment and all moves within the Group. In order to combat stereotyping, the Group's HR Department ensures that the wording of job offers, including those from temporary employment agencies, recruitment agencies and the "Careers" website, is objective and non-discriminatory, reflects the characteristics of the position in terms of the skills and experience required and makes sure every job offer includes the term (F/M). Candidates are all received by Human Resources Department employees who have been specially trained in issues related to discrimination.

The Recruitment, School Relations and Internal Mobility Department develops relations with schools by partnering with existing employment partners in the Grandes Écoles and universities. Altareit makes these institutions aware of its non-discrimination principles in order to instil best practice. The "Schools" policy also involves communication about Altareit's business lines through articles in the student press or through its presence at numerous forums. In 2018, Altareit was present at the HEC Forum as well as the ESTP Forum with operational staff from each entity and teams from the Group's Human Resources. As every year, Altareit participated in the real estate business forum, the Forum des Métiers de l'Immobilier. Finally, groups of students from the EDHEC (business school) and from Sciences Po were involved in strategic projects.

5.4.2.2 PROMOTION OF GENDER EQUALITY

Gender equality is an essential value for Altareit. Each entity has thus implemented professional equality action plans (action plans of 21 and 23 March 2017), the scope of which has been broadened and formalised and based on concrete themes: compensation, access to training, career development, working conditions, and the work / life balance.

Representation of women at Altareit



The % of women among managers is in redress with an increase of nearly 2.6 points.

5.4.2.3 ACCESS TO EMPLOYMENT BY YOUNG PEOPLE AND OLDER PEOPLE

As a responsible company, Altareit sees access to employment for young people and older people as a priority. Its objectives are to facilitate the long-term employment of young people under the age of 27 via permanent contracts, to promote the hiring and long-term employment of employees at least 55 years old and to ensure the transmission of know-how and skills.

At 31 December 2018, Altareit's employees of over 50 years old and less than 30 years old represented respectively 16% and 19% of the overall workforce. 23 employees over the age of 50 were hired on open-ended employment contracts in 2018.

Altareit's work-study policy is being further strengthened this year. During 2018, Altareit welcomed 201 work-study students. In addition to its information kits, Altareit implemented an induction workshop totally dedicated to interns and work-study students. The goal being to pass on to them all the keys for success on the job. 29 interns or work-study students were offered fixed term contracts following their training, and 11 an open-ended contract. Altareit hopes to play a societal role by training these young employees in both skills and behaviour in a corporate setting to facilitate their transition into professional life. For this reason, work-study students are not included in the operating budgets.

Altareit is a partner of Engagement Jeunes, a platform for sharing the profiles of young people among companies (large groups and small to medium-sized businesses).

In 2018, Altareit signed a partnership with NOS QUARTIERS ONT DES TALENTS (Our Neighbourhoods Have Talent), an association committed to equal opportunity by supporting the employment of interns and young graduates from modest neighbourhoods.

All of these initiatives contributed to obtaining the Happy Trainees label in the first year of participation. Altareit thus figures among the best companies in which to do an internship or work-study.

5.4.2.4 DISABILITY POLICY

At 31 December 2018, 10 employees were declared disabled workers.

In addition, ESATs (Établissement et service d'aide par le travail, organisation working for insertion of the disabled into the workforce) are used to provide a range of services (purchase of supplies).

An in-house communication campaign was implemented on the occasion of the European Week for the Employment of the Disabled (posters, quizzes on Smartportail…). In order to change how we look at disabilities and (re)discover Altareit's commitment, a conference on "Art and the Disabled," hosted by an art historian, was organised for all employees.

5.4.2.5 DIALOGUE WITH EMPLOYEE REPRESENTATIVES

The quality of social dialogue is at the centre of Altareit's social policy priorities. Beyond the regular exchanges with employee representatives, particularly during monthly meetings of the Works Council (WC) and quarterly meetings of the Health, Safety and Working Conditions Committee (CHSCT) (more than 30 meetings in 2018), in 2018, Management launched a concerted effort with employee representatives in the context of aligning the Articles of Association.

Staff representatives (WC and Health, Safety and Working Conditions Committee (CHSCT)) were thus fully involved in the conversations on implementing a common social platform. More than 10 meetings took place on the subject and a large number of remarks from elected representatives were taken into account by Management in writing this document.

These discussions, thus resulted in a favourable opinion by elected representatives on the common social platform project, a unanimous vote by elected rep's of UES Cogedim. The common social platform was implemented on 19 June 2018.

Moreover, employee representatives were regularly informed and consulted on plans to set up new organisations and new projects.

In 2018, action plans regarding professional equality were also implemented in May 2018, after consultation with the WCs.

5.4.3 Compensation and value sharing

The compensation policy remains aggressive and targeted with an increased budget allocating €3 million for base salaries. It also compensates individual and collective performances by extending the level of performance bonuses for 2017 and reinforcing the "Tous En Actions" ('shares for all') scheme for creative and desirable employee shareholders.

In order to reinforce the work / life balance and continue to reward commitment through a motivational compensation policy, the monetisation of days off in lieu (RTTs) was extended and the way in which it functions was simplified for employees.

5.4.3.1 WAGE POLICY

The 2019 salary campaign was marked by the pursuit of an aggressive wage policy to reward employees after an intense 2018, and to retain talent. An overall increase package of +3% of total payroll (exceeding the practices of French companies over the same period of +2%), was distributed. The campaign was aimed at several different populations. One budget was dedicated to basic salaries below a certain amount to compensate for cost of living increases. Thirty year olds with less than 5 years of service received special attention. As in previous years, a package dedicated to gender equality was a central focus in order to rectify as needed any one-off imbalances. Finally, the largest part of the budget increase was devoted to deserving, dynamic employees, and to promotions.

At the end of 2018, Altareit announced the implementation of a capped special bonus, exempt from taxes and social contributions as part of the provisions announced by President Macron in December 2018 with regard to purchasing power.

5.4.3.2 A BONUS POLICY ACKNOWLEDGING SUCCESS

The awarding of bonuses is a managerial act that acknowledges actual performance and reflects the achievement of individual objectives. While taking into account contractual commitments and the change in headcount, the average volume of performance bonuses that will be awarded in 2019 (for the year 2018) was maintained in comparison to 2017.

5.4.3.3 A POLICY OF CREATIVE AND AMBITIOUS EMPLOYEE SHAREHOLDING

In early 2016, the Management Council introduced a three-year bonus share plan which distributes more than €20 million in shares each year.

The "Tous en Actions!" mechanism made it possible for each Permanent contract employee to be part of Altareit's growth and results.

This mechanism was replicated at the end of 2018, while being adapted to meet the challenges of the coming years. This replication highlights the acknowledgement of the contributions made by each employee to Altareit's success.

Each employee of UES Cogedim with RTT days, can monetise the totality of these days in 2019 with an associated uplift of 25%, or place them in the PERCOG (the Group's collective retirement savings plan). It will require the mobilisation and presence of everyone to address the challenges of 2019. This monetisation is encouraged. For more flexibility for employees, its implementation will be simplified in 2019. 91% of employees monetised their RTTs in 2018. The evolution in this number will be monitored in 2019 in order to evaluate the effects of the new procedure.

During 2019, other announcements will be made to allow employees to continue to build a portfolio over the long term thanks to the employee shareholders programme.

5.4.4 Talent and skills management

5.4.4.1 STRATEGIC TRAINING PLAN FOR 2017-2017

At the end of 2016, Altareit had identified training as one of the major areas of its HR policy to support rapid development and put in place a new training plan for 2 years.

Its mission is to support employees in developing their collective and individual skills and to ensure their employability in line with the company's strategy.

Its goal is to promote the real estate business lines of tomorrow thanks to a strategic training plan initiated upstream with Altareit's Managers and based on the business challenges of each line.

The plan is structured around three types of training:

- "core business," the solid platform of employee skills;
- "professional development", with a focus on management, including, in addition to technical skills, the Group's cross-functional challenges and synergies;
- "new uses" centred on the digitisation of working methods, (collaborative tools).

Learning opportunities are varied and if face-to-face training is selected, content and practices will evolve along with the integration of digital activities via LMS platforms (e-learning) and co-construction and co-development workshops.

All training initiatives are now to be found in a catalogue "L'offre de formation de L'Académie" (the Academy's training offers), available in the HR IT system with follow-up of requests being 100% digitised.

5.4.4.2 A SECOND YEAR OF IMPACTFUL IMPLEMENTATION

More than 3,692 training days were bestowed in 2018, or an increase of nearly 80% as compared to the previous year. On average, 16 training sessions were organised per day. Nearly 85% of the Group's employees took at least one of the 3,362 training activities organised in 2018. This rate continues to grow every year; it was 83% in 2017. We will continue to keep an eye on this indicator as we aim for 100%.

The training given to employees and managers covered the technical, managerial and digital growth of their business lines.

In keeping with 2017, internal business training programmes were strengthened (with employees being trained as trainers where appropriate), and managerial programmes revamped to address our transformational challenges. A vast awareness campaign, "All Together for Customer Satisfaction," was conducted between January and July for more than 500 employees in the Residential sector. This effort will continue in 2019 for all of the Group's business lines.

As is the case every year, a majority of employees (60%) took advantage of "core business" training. That said, the "professional development" and the "new uses" training courses took on more importance this year.

The investment in training for 2018 represented 3.41% (Excluding Pitch Promotion and Histoire & Patrimoine) of total payroll (compared to 2.87% in 2017). The budget increase can be explained particularly by funding of the scope and depth of training: managerial career paths, training with formal qualifications, and even support for young people in work-study contracts.

5.4.4.3 THE ACADEMY - A DEVELOPER OF TALENTS

The training plan is an integral part of “The Academy”, a “learning & development” programme desgined to accelerate and develop individual and collective performance, build up the skills capital of business lines, strengthen the employer brand and thus attract the right candidates and create a space for sharing experiences.

From the time of his or her integration the employee is immersed in the knowledge of a Group of multiple professions through a seminar named Crescendo. This seminar involves many leaders from inside the Group as well as the members of Co-Management and the Executive Committee, who all come to explain and share their vision of the business. In order to "re-embed" employees with the most seniority in the Group, a seminar was devoted specifically to them in October 2018, a first highly successful edition that will be repeated in 2019.

In 2018, the Academy enriched its offer: conference, urban expeditions, career paths… More than 100 thematic topics listed in a catalogue and available since last May in the HR IT training module.

5.4.4.4 MOBILITY AND PROMOTIONS

Mirroring the training initiatives, internal mobility and promotion was significant. The inherent diversity of jobs in the real estate industry naturally fosters employee mobility.

In 2018, carrying on from the previous year, the growth of internal mobility (professional or geographic) was supported by the smooth running of the business, the consolidation of newly created functions or organisations, as well as the establishment of a Careers site and the publication of an internal mobility charter. An inter-functional National Mobility Committee was established to enable Executive Committee members to discuss this strategic theme.

As of 31 December 2018, 220 Altareit employees had been redeployed (a mobility rate of 15%) and 99 had been promoted (a promotion rate of 7%).

The aspirations of the company’s employees were gathered during career interviews to serve as a basis for reflection on a formal talent review.

Thus, in 2018, digitisation of the annual performance appraisal campaign resulted in a 98% rate of return. Beyond the advantages of digitisation (no more paper, a secure personal space…), this first campaign met three goals: quick collection of preferences for training and mobility, accelerated deployment of training plans and easy access in real time for managers to follow up on employee requests.

5.4.5 Well-being at work

Quality of life and well-being at work are major preoccupations for the Group. These issues concern retention of the best Talents as much as making the Group attractive to new employees.

5.4.5.1 WORK / LIFE BALANCE

5.4.5.1.1 A new brand that consolidates our initiatives

The Altawellness offer consolidates major initiatives in terms of well-being at work. Two initiatives were initiated in 2018.

In September 2018, Yoopies (a platform dedicated to serving the individual - childcare, academic support, housekeeping…) was inaugurated. A few weeks later, 269 employees were registered on the platform and 194 employees had already booked services.

In October 2018, it was Yuco's turn (Platform dedicated to sports, culture and well-being activities on the site) to complete the offer of Altawellness. A month after the launch, 386 employees were registered, and more than 200 employees had participated in activities at more than 15 of the Group's sites.

More than €55K has been devoted to these partnerships (Yuco and Yoopies), whose purpose is employee well-being. We will continue to monitor these offerings in 2019, and constantly make changes to them in order to satisfy the needs of employees.

5.4.5.1.2 Teleworking Charter

At the crossing point where efficiency meets the work / life balance and the approach to CSR, a charter on teleworking was signed in 2018 as part of the common social platform. It grants one day of teleworking per week under certain conditions. This first step made it possible to initiate the programme. The results will be compiled in 2019 so we can understand the uses and decide whether we should change our practices. With this charter, but also on the occasion of moving Paris teams into a new head office, we know that our professional practices will continue to evolve in order to be in step with the expectations of employees and managers and always be more efficient.

5.4.5.2 A NEW PARIS HEAD OFFICE: THE RICHELIEU PROJECT

End of 2019, Richelieu will be Altareit's new Paris head office. It's a major project that's much more than a simple move. It represents the realisation of profound changes that began over 3 years. The on-going alignment of HR rules as well as the sharing of support functions will be given preference in the consolidation of all Altareit entities. The transformation of management methods initiated by teams of the Academy will be facilitated by spatial organisation and open offices. Innovative amenities will favour quality of life in the workplace.

Throughout the year, measures in support of change will be carried out for teams and management. 210 managers have already been invited to debriefing sessions on the history of the layout of the workplaces of yesterday and today. Pragmatic support measures grounded in sociology and ethnology will be implemented to allow everyone to project themselves into a renewed work environment.

5.4.5.3 OTHER ACTIONS

Workshops, facilitated by the head office nurse, are regularly organised on multiple topics. We can cite, for example, first aid, nutrition, postural gymnastics, sophrology and an anti-smoking campaign. More than 140 employees have participated in them. These activities will be expanded in 2019, thanks especially to our new premises.

The policy of exceptional leave time related to events in private life was reviewed as part of the common social platform. Rules more favourable than those of the collective agreement are thus accorded to employees during important life events.

Parenting is also an important topic for Altareit. Measures for improvement were agreed to. In fact, beyond numerous existing actions (voluntary part-time working, birth or adoption-related leave, family-related leave, parental leave for childcare, leave to care for a sick child…), the conditions for maternity and paternity leave were improved. Henceforth, maintaining gross employee salary is ensured without any condition of length of service for maternity leave and after one year for paternity leave.

Finally, measures for the controlled management of information technologies and communication tools at the disposal of employees have been reaffirmed. Especially with respect to personal life. In this respect, employees have the right to log off outside the business hours of the establishment in which they normally do their work. Respect for minimum daily and weekly time off (provided by law), excluding exceptional circumstances, is an absolute obligation. It is therefore specified that employees are not obliged, outside normal working hours, to answer emails or telephone calls addressed to them. Even here, these measures will be further emphasised and monitored in the context of the Richelieu project, which should make the most modern communication tools available to employees.

5.4.6 Health/safety of employees

5.4.6.1 SAFETY, HEALTH AND WELL-BEING OF EMPLOYEES

As Altareit's activities present no elevated risk with respect to health and personal safety, no collective agreement was signed in 2018 covering this area. No occupational illness was recorded.

Ongoing initiatives to promote a safe working environment and ensure the health and well-being of employees include updating the single document on occupational risk assessment and raising awareness of precautionary measures and personal protective equipment for employees working on construction sites.

The HR Department has also put in place, at Group level, recommendations concerning posture and work spaces in consultation with the occupational doctor and the Health, Safety and Working Conditions Committee (CHSCT) concerned.

Employees at the head office also have an infirmary, with a nurse present, who provides nursing care for minor ailments. The Group's employees also have the possibility of accessing other specialists (psychologists, ergonomists, prevention specialists…) from inter-business health services, upon recommendation of the occupational doctor.

Employees and their beneficiaries enjoy complete and quality supplementary healthcare and disability coverage.

In late 2018, a flu vaccination campaign was conducted at the head office for employees. More than 50 employees were vaccinated free-of-charge by the company.

5.4.6.2 ABSENTEEISM

Absenteeism is the subject of an exhaustive and detailed review each year, with an analysis of each reason by entity.

The absenteeism rate remained below 3% and was stable compared to previous years.

The frequency of work-related accidents is stable at 4.14. We noted 8 work-related accidents in 2018 for 129 days of work stoppage, compared to 204 days in 2017 and 6 accidents.

5.5 CSR performance: ratings and indicators

5.5.1 CSR ratings

The Altarea Cogedim Group's CSR performance is assessed regularly by extra-financial rating agencies. These assessments are carried out at the Group level and include Altareit activities, which represent a significant part of the Group's business and, therefore, the CSR approach.

The analysis of results obtained helps to continuously improve performance.

Global Real Estate Sustainability Benchmark (GRESB)

Since 2011, the Group has been voluntarily participating in the GRESB (Global Real Estate Sustainability Benchmark), the reference in the real estate sector for sustainable development, with 903 companies and funds assessed around the world in 2018.

In 2018, the Group confirmed its Green Star status and maintained its position as the leader among listed companies in France. The Group obtained an overall score of 92/100, which was recognition of the company's CSR strategy. This ranking attests to its long-term performance. The Group also obtained an A rating in transparency, which is a pledge of the quality of institutional publications, and the reliability and exhaustive nature of CSR reporting.

ISS-Oekom

ISS-Oekom is one of the world's leading extra-financial rating agencies. In 2018, it awarded the Group its Prime status again.

Gaïa – Ethifinance index

The Gaïa index is made up of 70 companies offering outstanding guarantees in terms of their management of ESG risks. The Group was first listed on this index in 2017 and kept its position in 2018.

5.5.2 Social indicators

REPRESENTATION, DIVERSITY, SOCIAL DIALOGUE

RECRUIT AND MANAGE

THEME	Indicator	Unit	2017	2018	Change
Total workforce*	Number of employees	Nb.	1,187	1,453	22%
Breakdown by type of contract	Number of employees on open-ended contracts	Nb.	1,157	1,403	21%
	Number of employees on fixed-term contracts	Nb.	30	50	67%
Breakdown by gender	Percentage of female employees	%	53.8%	55.0%	2%
	Percentage of male employees	%	46.3%	45.0%	-3%
Breakdown by age group	Percentage of employees younger than 30	%	18.9%	18.9%	0%
	Percentage of employees between 30 and 50	%	64.5%	64.5%	0%
	Percentage of employees older than 50	%	16.6%	16.7%	0%
Breakdown by country	Percentage of employees in France	%	100.0%	100,0%	0%
Breakdown by status	Percentage of employees in management positions	%	73.2%	72.3%	-1%
	Percentage of employees in non-management positions	%	26.8%	27.7%	3%
Recruitment	New hires (permanent contract) during the period	Nb.	312	308	-1%
	New hires (fixed-term contract) during the period	Nb.	69	92	33%
	Percentage of new hires in management positions	%	62.5%	60.0%	-4%
	Percentage of new hires in non-management positions	%	37.5%	40.0%	7%
Departures	Number of dismissals	Nb.	12	16	33%
	Departure rate: Number of departures during the period / average headcount	%	19.9%	17.6%	-11%
	Manager departure rate	%	14.8%	14.1%	-5%
	Non-manager departure rate	%	33.1%	26.7%	-19%
Reasons for departure	Departure during trial period	%	7.6%	14.2%	87%
	Expiry of fixed-term contract	%	35.4%	19.5%	-45%
	End of contract (miscellaneous)	%	0.5%	0.0%	-100%
	Early termination of fixed-term contract (employee and company decisions)	%	0.5%	2.1%	368%
	Resignation	%	30.5%	36.2%	19%
	Dismissal	%	5.4%	6.5%	21%
	Retirement or pre-retirement	%	4.0%	3.2%	-21%
	Termination of fixed-term contract by mutual agreement	%	0.9%	0.4%	-54%
	Agreement between employer and employee	%	14.4%	17.9%	25%
Organisation of working hours	FTE (Full-Time Equivalent) headcount (permanent + fixed-term contract)	Nb.	1,120.8	1,395.5	25%
	Age average	years	38.7	39.0	1%
	Average length of service within the Group	years	5.1	5.2	1%
	Percentage of full-time employees	%	97.3%	96.6%	-1%
	Percentage of full-time employees on open-ended contracts	%	97.7%	96.9%	-1%
	Percentage of full-time employees on fixed-term contracts	%	2.3%	3.1%	34%
	Percentage of part-time employees	%	2.7%	3.4%	25%
	Percentage of part-time employees on open-ended contracts	%	90.6%	89.8%	-1%
	Percentage of part-time employees on fixed-term contracts	%	9.4%	10.2%	9%
	Number of hours theoretically worked	Hour	1,403,207	1,932,487	38%
	Number of hours worked by temporary employees	Hour	NA	NA	
	Number of overtime hours worked	Hour	NA	NA	

**2017 datas excluding Histoire & Patrimoine*

RESPECTING DIVERSITY

THEME	Indicator	Unit	2017	2018	Change
Gender equality	Percentage of women in the total headcount	%	53.8%	55.0%	2%
	Percentage of women among management-level employees	%	41.8%	44.2%	6%
	Percentage of women among management-level employees	%	56.9%	58.2%	2%
	Percentage of female non-managers	%	43.1%	41.8%	-3%
	Percentage of female members of the extended Management Committee *	%	20.0%	18.8%	-6%
	Percentage of women departed	%	61.9%	57.7%	-7%
Disabilities	Number of employees having reported a disability	Nb.	NA	NA	
Anti-discrimination measures	Number of interns during the period	Nb.	46	48	4%
	Number of work-study contracts during the period	Nb.	133	196	47%

** In the case of an extended EXCOM at Group level, Altareit data are not relevant*

DIALOGUE WITH EMPLOYEE REPRESENTATIVES

THEME	Indicator	Unit	2017	2018	Change
Organisation of employee-management dialogue	Number of employee representatives (steering committee + works council)	Nb.	NA	NA	
Collective bargaining agreements	Percentage of employees covered by a collective agreement (%)	%	96.5%	97.0%	1%

COMPENSATION AND SKILLS DEVELOPMENT

GIVING EMPLOYEES A STAKE IN THE RESULTS					
THEME	**Indicator**	**Unit**	**2017**	**2018**	**Change**
Fixed compensation*	Average gross annual employee compensation – excluding variable compensation and employer contributions	€	NA	52 763	
	Average gross annual non-management compensation - excluding variable compensation and employer contributions	€	NA	30 643	
	Average gross annual management compensation – excluding variable compensation and employer contributions	€	NA	61 223	

** Cogedim management board excluded.*

DEVELOPING SKILLS					
THEME	**Indicator**	**Unit**	**2017**	**2018**	**Change**
Budget	Total training expenditure	€ thousand	*NA*	*NA*	
	Average training expenditure per employee trained	€ thousand	*NA*	*NA*	
	Investment rate for training	%	*NA*	*NA*	
Hours of training	Average number of hours per employee participating in at least one training course	Nb.	*16.3*	*NA*	
	Average number of hours for managers	Nb.	*18.4*	*NA*	
	Average number of hours for non-managers	Nb.	*10.7*	*NA*	
Type of training*	Percentage of hours spent in IT and office skills courses	%	*0.0%*	*NA*	
	Percentage of hours spent in management and support courses	%	*0.0%*	*NA*	
	Percentage of hours spent in language courses	%	*0.0%*	*NA*	
	Percentage of hours spent in health and safety courses	%	*0.0%*	*NA*	
	Percentage of hours spent in "core business" courses	%	*74.7%*	*NA*	
	Percentage of hours spent in support courses	%	*1.3%*	*NA*	
	Percentage of hours spent in professional development courses	%	*15.3%*	*NA*	
	Percentage of hours spent in "New uses"	%	*8.8%*	*NA*	
Promotions	Number of employees who were promoted during the period	Nb.	*NA*	*99*	
	Percentage of employees who were promoted during the period	%	*NA*	*6.8%*	
Mobility	Number of employees who benefited from one or more types of mobility during the period (geographic and/or professional and/or inter-departmental/inter-group)	Nb.	*NA*	*220*	
	Percentage of employees who benefited from one or more types of mobility during the period	%	*NA*	*15.1%*	

**Training categories were reviewed in 2017*

EMPLOYEE HEALTH AND SAFETY

ENSURING EMPLOYEE HEALTH AND SAFETY					
THEME	**Indicator**	**Unit**	**2017**	**2018**	**Change**
Absenteeism	Total absentee rate	%	*4.6%*	*4.7%*	*+2.6%*
	Management absentee rate	%	*3.7%*	*4.0%*	*+8.6%*
	Non-management absentee rate	%	*7.6%*	*6.8%*	*-11.5%*
	Total absentee rate excluding maternity/paternity leave/other causes	%	*2.2%*	*2.6%*	*+15.7%*
Reasons	Absence due to workplace accident	%	*2.2%*	*0.1%*	*-95%*
	Absence due to occupational illness	%	*0*	*0*	*0*
Health, Safety and Working Conditions Committee (CHSCT)	Number of CHSCT meetings (employee representatives + works council)	Nb.	*ND*	*ND*	
	Workplace health and safety agreements signed	Nb.	*ND*	*ND*	
Workplace accidents	Frequency rate of workplace accidents	%	*4,5*	*4,1*	*-7.6%*
	Severity rate of workplace accidents	%	*0.2%*	*0.1%*	*-53.3%*
	Number of occupational illnesses declared (and recognised) during the year	Nb.	*0*	*0*	
	Frequency of subcontractor workplace accidents	%	*0*	*0*	
	Severity of subcontractor workplace accidents	%	*0*	*0*	

5.6 Methodology and cross-reference tables

5.6.1 Preparation of this document

In 2018, Altarea Cogedim published it first Declaration on Extra-Financial Performance (DPEF). Altareit voluntarily published a CSR performance report, as it is not under the obligation to do so.

5.6.2 The CSR management system

Deployment of the CSR approach: General Management System (GMS)

In order to disseminate best practices across all of its activities, Altareit has implemented management systems suited to each business line which, overall, constitute the Group's General Management System (GMS). The implementation of this GMS facilitates access to the requirements of qualitative and environmental certification guidelines while developing employee skills.

Group General Management System

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

Environmental Management System (EMS) for Residential certifications

The Group has integrated a certification approach, "the Guide to Best Practices for Residential property", into its development and construction process. As of 2016, all residential property developed is NF Habitat certified.[48] Some of the Group's buildings even exceed the NF Habitat requirements and it has committed to the higher-level HQE environmental approach, providing additional benefits to residents such as greater comfort, brighter spaces and even better thermal performance.

Environmental Management System (EMS) for Office certifications

In 2010, the Group started to implement tertiary project EMS to provide each developer and operational employee with a tool to meet all requirements for HQE, BREEAM® (Building Research Establishment Environmental Assessment Method) or LEED® (Leadership in Energy and Environmental Design) certifications at every stage of the project, to assist them in the development and construction of the Group's commercial operations (Corporate Property).

Tools to complement EMS

Training and awareness-raising actions

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

At the end of 2016, the government announced the end of the 2012 Thermal Regulations by 2020. They will be replaced by the 2020 Environmental Regulations which will increase the level of energy efficiency and impose a carbon threshold. In 2017, the Group's technical teams underwent training in the issues raised by the future regulations. The training programme continued in 2018 improving the skills of all technical teams by:

- distributing practical guides on the certifications and labels to better adapt the teams' choices to the market needs and goals of the "*Tous engagés!*" ('shares for all') approach;
- inviting employees to take part in the MOOC "All you need to know about the 'E+C' trial" provided on the platform specifically for testing.

Awareness-raising is also organised during internal committees or seminars.

On the occasion of Sustainable Development Week, the CSR Department organises conferences and workshops on a theme every year. In 2018, an information morning dedicated to the social economy was therefore organised to present the Group's projects in this area as well as the several social economy organisations whose solutions are likely to be included in the Group's operations. Lastly, the Group's intranet site was used to raise employees' awareness over the week of topics as diverse as climate change, the circular economy, the most important certifications, comfort and well-being in buildings, biodiversity, and even the social footprint, to deepen their knowledge and come up with ways to take actions in their jobs and on a daily basis. Entertaining workshops on the topic of plants were also organised at the Group's head office and each of its regional departments.

[48] *Excluding co-development, rehabilitations and managed residences.*

Thematic guides

Since 2016, the CSR Department has been preparing and distributing a guide for operational staff. The aim of this guide is to provide information about ways to develop and make use of biodiversity in residential, office and mixed-use development projects.

In 2018, two new guides were produced on:

- the social economy: information on the world of the social economy, mapping and contact details of stakeholders ready to take part in the Group's projects. The guide has regional variations (see 5.2.1) for the sites in the Group's different territories; and
- support for decision-making relating to certification, to provide operational staff with guidance on the multiple labels and certifications present on the market. It presents, by theme, the most important aspects of certification and lists the technical and financial constraints.

The aim of these guides is to raise employees' awareness on the themes of sustainable development and to facilitate the inclusion of new issues: working with new partners, implementing new labels this year, for example.

5.6.3 Methodology and verification

Verification

Altareit contracted one of its statutory auditors, Ernst & Young, to verify the truthfulness of information: key performance indicators and actions.

Changes in methodology

Integration of Pitch Promotion residential developments

The Pitch Promotion operations, acquired in February 2015, were gradually included in the Group's annual *reporting*. In 2018, Pitch Promotion was fully included in the scope of *reporting* and data for 2017 was reprocessed to ensure the comparability of indicators.

Completeness of Altareit extra-financial reporting

	THE ENVIRONMENT				SOCIAL
ENTITY	COGEDIM		PITCH PROMOTION		ALTAREA COGEDIM
BUSINESS	PROPERTY DEVELOPMENT (RESIDENTIAL)	PROPERTY DEVELOPMENT (BUSINESS)	PROPERTY DEVELOPMENT (RESIDENTIAL)	PROPERTY DEVELOPMENT (COMMERCIAL)	CORPORATE
GUIDELINES	Définition interne (chapitre « Méthodologie et vérification »)				GRI CRESS
PERIOD	at 30 September year N	1 October year N-1 to 30 September year N			1 January year N 31 to December year N
SCOPE	254 projects 26,825 residential units	19 projects 339,909 m² "hors oeuvre nette" (net surface area) or floor area	62 projects 6,176 residential units	23 projects 224,062 m² "hors oeuvre nette" (net surface area) or floor area	1,872 employees
REPORTING COVERAGE	100%	100%	100%	100%	100%

Comprehensiveness of reporting scopes and guidelines used

Reporting *covers* virtually all of Altareit's property development activity. CSR reporting coverage rates *provide* an appreciation of its comprehensiveness compared to *financial* reporting.

Compliance of *reporting* with national and international guidelines

Altareit drew on recognised national and international guidelines to produce its internal reporting guidelines and extra-financial communication.

The Group's extra-financial reporting is compatible with the European Public Real Estate Association (EPRA) "Best Practices Recommendation on Sustainability Reporting", published in 2011 and the GRI G4 CRESS (Construction & Real Estate Sector Supplement) sector supplement.

Reporting period

Altareit chooses, whenever possible, to base its extra-financial report on the same period as the financial report.

However, for environmental and societal data related to Group procurement of goods and services (particularly indirect jobs), the length of the calculation processes require that the Group use a staggered reporting period. The methodology is set out in detail below.

Description of the Group's reporting scope

The activities of Histoire & Patrimoine, of which 100% of the capital was acquired in 2018, are not included in environment and societal reporting. They are included in social reporting, unless otherwise indicated in Section 5.4.

Information about the scope of social reporting

The scope of social reporting includes all of the Group's fully integrated legal entities with a payroll that is not nil.

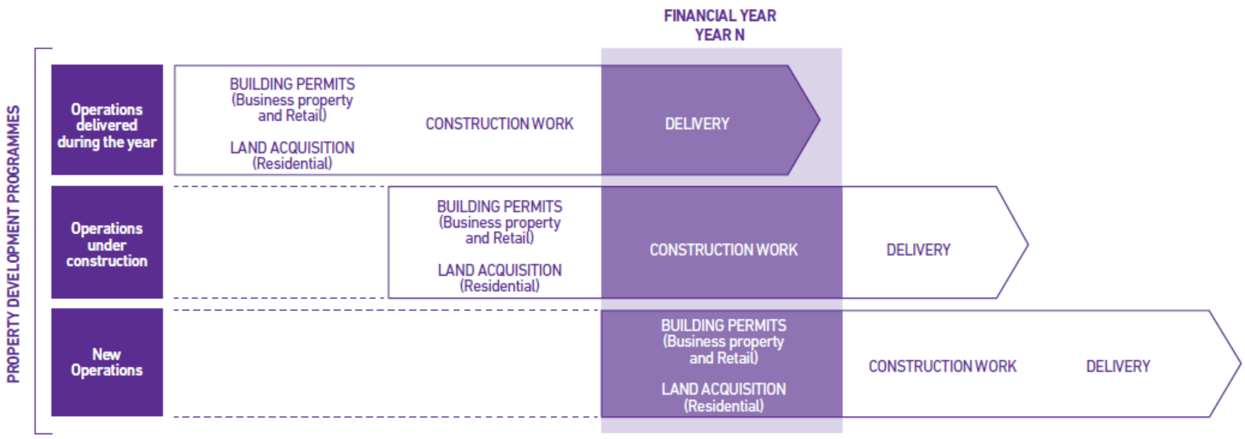
Description of environmental reporting scopes

The scope of reporting for Property Development includes operations which, during thereporting period:

- were initiated (acquisition of land for Residential operations and obtaining a building permit for Corporate Property operations).
- were in progress;
- were delivered.

The diagram below summarises the methods for the entry and exit of operations for each business line (Residential, Corporate Property).

Summary of methods of accounting for new projects in the scope of reporting.



In order to facilitate understanding of the indicators related to the Property Development activities, the Group opted to retain the same accounting method for each category, each certification and each label, although the key dates in the certification process vary according to the category of asset and certification.

Reporting Methodologies

The data used for preparing the Residential and Corporate Property indicators are collected from the Group's subsidiaries. Management then compiles and verifies the data, based on auditable evidence. The methodological items are set out in the table below.

More information can be requested directly from the programme manager responsible, for example, during the construction of a real estate programme in an area that does not yet have an address.

Methodology of indicators

THEME	Indicator	Business line	Consolidation scope	Calculation formula	Data sources
Desirable urban projects and local economy	Proportion of projects that are less than 500 metres from a public transport stop	Residential	Cogedim and Pitch Promotion operations	Number of units that are less than 500 metres from a public transport stop / Total number of units	Number of units and address: database extracted from the internal real estate management software Nearest public transport stop: study by Géolocaux or maps indicating the distance between the location of the project and the closest public transport stop
		Business property	Cogedim and Pitch Promotion operations	Surface area of Corporate Property projects that are less than 500 metres from a public transport stop / Total surface area of Corporate Property projects	Surface area and address: building permit or site plan Nearest public transport stop: study by Géolocaux or maps indicating the distance between the location of the project and the closest public transport stop
	Employment footprint	All	Group	The Local Footprint ® methodology, revised in 2017, to integrate local site issues (jobs supported by host cities).	In 2018, the study was extrapolated on the basis of the growth of the Group's workforce.
	Proportion of local purchases	Residential	Cogedim operations delivered during the *reporting* period	Amounts paid to local construction companies / Total amounts paid to construction companies[(a)]	Database extracted from the internal real estate management software
Energy and climate	GHG emissions and ratios for the head office	Corporate	Head office	Conversion of energy consumption with emission factors	Energy consumption data provided by the owner of the building
	Proportion of projects that outperform the applicable thermal regulations in terms of energy performance	Residential	Cogedim and Pitch Promotion operations[(b)]	Number of units with an energy label / Total number of units	Number of units: database extracted from the internal real estate management software Energy performance: Cerqual (certifying body) database
		Business property	Cogedim operations managed	Surface area of Corporate Property projects by given level of energy performance / Total surface area of Corporate Property projects	Surface area: building permit Energy performance: regulatory calculation or dynamic thermal simulation results
The circular economy	Proportion of rehabilitation projects	Business property	Cogedim and Pitch Promotion operations	Surface area of rehabilitated Corporate Property projects / Total surface area of Corporate Property projects	Building permit
Customer relationships	Recommendation rate	Residential	Cogedim operations	Number of customers interviewed likely to recommend Cogedim to friends or colleagues / Number of customers interviewed	Annual survey carried out with KANTAR TNS
Quality of life and well-being	Proportion of WELL certified projects (or in progress)	Business Property	Cogedim operations managed in the Paris Region[(c)]	Surface area of certified Corporate Property projects or on the way to certification / Total surface area of Corporate Property projects	Surface area: building permit WELL: contract, engagement letter or audit report
Labelling and sustainable certification	Proportion of certified or labelled projects (or in progress)	Residential	Cogedim and Pitch Promotion operations[(b)]	Number of units certified or labelled / Total number of units	Number of units: database extracted from the internal real estate management software Certification / label: Cerqual (certifying body) database
	Proportion of certified projects (or in progress)	Business Property	Cogedim operations managed	Surface area of certified or labelled Corporate Property projects / Total surface area of Corporate Property projects	Surface area: building permit Certification / label: Certificates of certifying bodies, audit results or engagement letter
New uses and innovation	Proportion of projects, the digital connectivity quality of which is based on a specific label	Business Property	Cogedim operations managed in the Paris Region	Surface area of Corporate Property projects, the digital connectivity quality of which is based on a specific label (WiredScore, Ready2Services, etc.) / Total surface area of Corporate Property projects	Surface area: building permit Digital connectivity label: contract, engagement letter or audit report

(a) For operations in the Paris Region, businesses located in the same region are also recognised.
(b) Excluding co-development, rehabilitations and managed residences.
(c) The Paris Region projects represent over 90% of the projects managed (by surface area).

Information on the scopes

Excluding co-development, rehabilitations and managed residences operations for Residential activity

The environmental performance strategy for the Group's Residential operations is based on the NF Habitat certification and its HQE™ approach. At present, this certification only concerns new residential operations and does not apply to managed residences operations. In the case of co-development operations, the Group is not the only decision-maker for environmental performance goals.

Co-development, rehabilitation and managed residences operations were excluded from the scope of the indicators relating to the "Energy and climate" and "Sustainable labelling and certification" themes.

Excluding Cogedim operations not managed and Pitch Promotion operations for the Corporate Property activity

The Group has made some ambitious "managed" operations commitments, i.e. where it is a decision-maker, either through a property developer subsidiary or through a fund.

Pitch Promotion operations goals are different, as more than 60% of the floor area is less than 7,000 m², and the market's expectations in terms of green value are different. They are not the subject of systematic commitments but of a case-by-case approach adapted to the context.

In order to reflect the Group's commitments, the Pitch Promotion operations as well as the non-managed Cogedim operations were excluded from the scope of certain indicators relating to "Energy and climate", "Quality of life and well-being", "Sustainable labelling and certification" and "New uses and innovation" (see previous table).

Methodology for calculating greenhouse gas emissions

GHG emissions of the Group represent total emissions from the different operating segments.

The carbon footprint includes direct and indirect emissions generated by its activity, and covers scopes 1, 2 and 3 of the Greenhouse Gas Protocol (GHG Protocol). The methodology used to calculate these emissions is compatible with the Bilan Carbone® assessment, the GHG Protocol and ISO 14064.

For each activity, scopes 1 to 3 of the Bilan Carbone® assessment and the GhG Protocol are taken into account:

- Scope 1: gas, heating oil and refrigerants used by the Group, business travel in corporate vehicles;
- Scope 2: electricity and steam used by the Group;
- Scope 3: energy used on construction sites and by the users of the residential and office buildings sold by the Group; travel by service providers and Group employees, excluding corporate vehicles, and the users of residential and office buildings sold by the Group; fixed assets; purchases (in particular of construction materials); freight; waste and end-of-life of buildings.

In 2018, the Group updated its Bilan Carbone® assessment based on the main activity data for the year: the surface areas of projects included in the scope of *reporting for* the year for property development and the workforce for corporate.

The emissions from the Property Development scope were calculated according to Bilan Carbone® assessments for the different classes of buildings (offices, hotels, residential) developed by the Group. These include the full cycle from design and construction to the building's future end-of-life phase.

Sources of emissions taken into account are the following: design, energy used on the work sites and by the users of Residential and Offices buildings sold by the Group, travel by Altareit employees, travel by people external to the company, travel by the users of Residential and Offices buildings, fixed assets, purchasing and shipping of materials, construction site waste, refrigerants and end-of-life of buildings.

These Bilan Carbone® assessments are based on a representative sample of the Group's Property Development activity and then extrapolated on a prorated basis for the total built area according to each building category and the specific characteristics of projects to reach a figure for gas emissions corresponding to 100% of the Property Development activity.

The emissions related to the energy consumed during the use of Residential and Office buildings are calculated by taking into account the thermal performance assessed using the RT method.

The emissions produced by travel by the users of Residential and Office buildings are calculated based on national travel data provided by Insee.

5.6.4 Materiality matrix cross-reference table

The table below can be used to determine the issues identified in the materiality matrix.

Level of importance	Matrix issue	Where to find it
Capital	Customer and user relations	Theme: Customers 5.3.1, 5.3.2
Capital	Mixed use and local development	Theme: Cities 5.2.1
Capital	Energy and climate	Theme: Cities 5.2.2
Capital	Connectivity and mobility	Theme: Cities 5.2.1 and 5.2.2
Capital	Well-being of occupants	Theme: Customers 5.3.2
Capital	Business ethics	Theme: Customers 5.3.6
Capital	New uses and digitisation	Theme: Customers 5.3.4
Capital	Talent and skills management	Theme: Talents 5.4.4
Capital	Compensation and value sharing	Theme: Talents 5.4.3
Capital	Diversity and equal opportunities	Theme: Talents 5.4.2
Capital	Safety of assets, people and personal data	Theme: Customers 5.3.7
Capital	Labelling and sustainable certification	Theme: Customers 5.3.3
Capital	The circular economy	Theme: Cities 5.2.4
Capital	Partnerships	5.1.3 and Theme: Cities 5.2.6
Significant	Well-being at work	Theme: Talents 5.4.5
Significant	Responsible purchases and supplier relationships	Theme: Customers 5.3.5
Significant	Biodiversity and land management	Theme: Cities 5.2.3
Significant	Health/safety of employees	Theme: Talents 5.4.6
Significant	Governance	Chapter 6 of the 2018 Registration Document
Moderate	Water management	5.5.2
Moderate	Sponsorship	Theme: Cities 5.2.6

5.7 Independent third-party report

Independent verifier's report on a selection of non-financial information

To the shareholders,

Further to your request and in our quality as an independent verifier, member of the network of one of the statutory auditors of your entity (hereafter "entity"), we present our report on a selection of non-financial information established for the year ended on the 31.12.2018 detailed in Appendix 1 (hereafter referred to as the "Information"), that the entity has chosen to prepare and present in its management report.

Responsibility of the entity

As part of this voluntary approach, it is the responsibility of the entity to prepare the Information in accordance with the protocols used by the entity (hereafter referred to as the "Criteria"), and of which a summary is included in the management report.

Independence and quality control

Our independence is defined by the Code of Ethics of our profession. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role in response to the entity's request, based on our work, to express a limited assurance conclusion that the Information is fairly presented, in all material aspects, in accordance with the Criteria.

Nonetheless, it is not our role to give an opinion on the entire management report for the year ended on the 31.12.2018 or on the compliance with other applicable legal provisions.

Nature and scope of the work

Our verification work mobilized the skills of five people and took place between October 2018 and March 2019.

We conducted the work described below in accordance with the international standard ISAE 3000 (International Standard on Assurance Engagements) and with the professional standards applicable in France.

- We assessed the suitability of the Criteria in terms of its relevance, comprehensiveness, reliability, neutrality and understandability by taking into consideration, if relevant, the best practices of the industry.
- We consulted documentary sources and conducted interviews to corroborate the qualitative information presented in Appendix 1.
- On quantitative information, we implemented:
  - analytical procedures to verify the correct consolidation of the collected data as well as the consistency of their evolutions;
  - detailed tests based on samples, consisting of checking the correct application of the definitions and procedures and reconciling the data with the supporting documents. This work was carried out with a selection of entities which cover between 10% and 30% of consolidated data selected for these tests.
- We assessed the overall consistency of the non-financial information with our knowledge of the entity.

We consider that the work we have done by exercising our professional judgment allows us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, the 20 March 2019

Independent Verifier
ERNST & YOUNG et Associés

Eric Duvaud
Sustainable Development Partner

Jean-François Bélorgey
Partner

Appendix 1 : verified information

Social Information
Total headcount
The turnover rate
The absenteeism rate
The frequency rate of workplace accidents
The average number of training hours per trained employee
The proportion of employees exposed to the risks of corruption or fraud who have received dedicated training during the year
Representativeness of women in management
The development of recruiting, integrating and training systems for employees
Strengthening well-being and quality of life at work
Employees' awareness and training in business ethics

Environmental Information
The share of certified areas or in the process of environmental certification (the Environmental Management System)
Primary energy consumption and CO_2 emissions per m² of commercial assets
Energy performance and the share of areas exceeding the requirements of thermal regulations
Group CO_2 emissions (scopes 1 and 2 as well as the evaluation made of scope 3)
The proportion of managed and sorted waste and the rate of recovered waste managed in commercial assets
Share of areas studied by ecologists
Levels sought or obtained in BREEAM
A reduction in the direct carbon footprint
Use of energies that emit less greenhouse gases
Development of connected operations and rehabilitation
Improving the energy efficiency of projects
Limiting exposure to climate change
Site waste recovery and reduction of raw materials' consumption
Preservation of existing biodiversity
Use of innovation to improve the energy performance of buildings

Societal Information
The share of signed green leases
The share of sites within 500 meters of a transport network (urban integration)
The share of operations engaged in a comfort, health and well-being approach
The satisfaction rating of visitors and customers
The employment footprint (direct, indirect, induced and hosted jobs)
The development of activities related to the social and solidarity economy
Dialogue with customers and visitors
The implementation of wellness and comfort approaches in each business line
Strengthening green value and environmental quality (quality, labels and certifications)
The development of connected operations

RISK MANAGEMENT 6

6.1 Organisation of internal control and risk management

6.1.1 Objectives set for internal control and risk management

In accordance with AMF guidelines, the Group's internal control system complies with the general principles of risk management and internal control set forth in the reference framework developed by the AMF in July 2010. Internal control aims to ensure:

- compliance with laws and regulations;
- proper observance of instructions issued by Management;
- effective functioning of the company's internal procedures, particularly those intended to protect its assets;
- the provision of accurate and reliable accounting and financial information that gives a true and fair view of the assets, financial position and results.

The scope for the application of the company's internal controls is that of the Altarea Group, that is, the Altarea parent company and all companies that it controls as defined by Article L. 233-3-I of the French Commercial Code, of which the Altareit Group except for property development joint ventures that are managed by a commercial partner.

The system implemented within the Group is based on a risk management system that aims to identify the main risks to be controlled in order to: safeguard the company's value, assets and reputation; shore up its decision-making and other processes to ensure that targets are reached; encourage consistency between actions taken and corporate values; and unite employees around a shared understanding of the major risks.

Lastly, readers are reminded that internal control and risk management systems, like any system of control, are subject to inherent limits, and cannot fully guarantee that objectives will be achieved.

Moreover, the information provided on identified risks is not necessarily exhaustive and does not cover all of the risks to which the Group could be exposed in the course of its activities. Only the biggest key risks considered sensitive are identified here.

6.1.2 Governance of internal control and risk management

6.1.2.1 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The risk management and internal control system is run by the Internal Control Department, reporting to the Property Legal and Risk Management Director.

Internal control system

The Altareit Group internal control system relies on:

- organisation by business and by regional subsidiaries, with a system in place with regard to delegating powers and responsibilities;
- a definition of the missions and attributions of the governance bodies; (see Section 7.2.3 "Supervisory Board");
- Information systems (see Section 6.2.3 "Risks related to the preparation of financial and accounting information", procedures and operating methods;
- a human resources and skills-management policy, based on a strategic training plan and a shared approach revolving around annual appraisals.

The Altarea Group, of which Altareit and its subsidiaries are a part, has tools for disseminating information within the Group, including on intranet, procedural guides, closing instructions and schedule.

Risk management system

The main risks of the Altarea Group, and therefore of the Altareit Group, are the subject of detailed presentations made to the Altarea Audit Committee. They are identified through a risk-mapping process organised by business processes and support functions. This mapping is the subject of periodic updating with the next one due to be conducted in the 1st half of 2019.

The Internal Control Department uses risk mapping to prepare its action plan. Other sources, such as summaries of internal-control review work and comments and recommendations formulated by the Statutory Auditors are analysed and taken into consideration in defining actions to be taken. The control systems put in place to manage the main risks to which the Altareit Group is exposed, are described in Section 6.2 "Risk factors and control systems" of this document.

6.1.2.2 CONTROL ENVIRONMENT

Internal control is based on codes of conduct and integrity established by the company's governing bodies and communicated to all employees. The key elements of the internal control procedures are as follows:

- the ethics charter of the Altarea Group, of which the Altareit Group is a part, sets out the values and rules of conduct that all Group employees and corporate officers must respect in their working relationships. The clear and precise principles outlined in the charter should inspire and guide everyone in their daily tasks, enabling them to resolve issues of conduct, professionalism and conflicts of interest in a clear ethics, and consistent way. The charter is available on the Group intranet site and a copy is systematically distributed to every employee when recruited;
- all procedures and internal rules of the Group govern its various activities: operational procedures on how to behave in conducting the normal business of the company and rules that expand upon the principles in the ethics charter on conflicts of interest, the fight against corruption and money laundering, and insider trading.

The Grouo seeks to reinforce its controt environment on a daily basis through the development of its comptiance programme' in accordance with the various regutatory requirements.

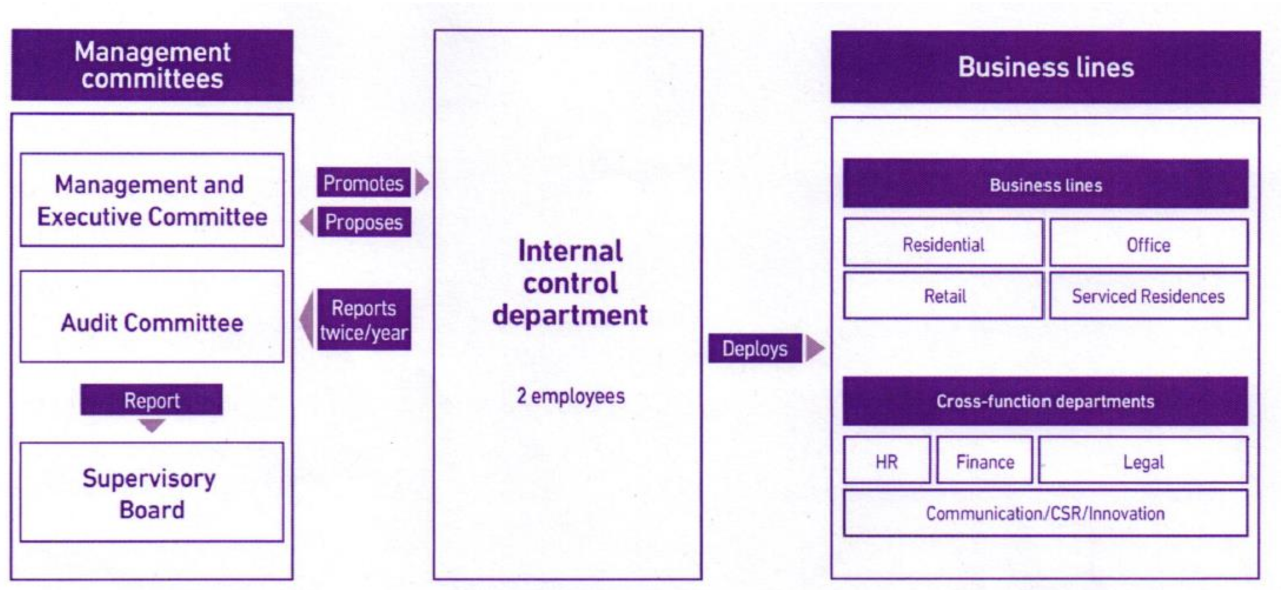
6.1.2.3 MANAGEMENT OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Internal control and risk management is everybody's business, including all employees right up to the governance bodies.

The general organisation of internal control is part of the remit of the Management of the Altarea Group, of which Altareit and its subsidiaries are a part, to exercise its responsibilities, has put in place an Executive Committee which meets on a regular basis. It establishes internal control procedures and defines focuses in order to control the risks associated with the company's business.

As specified in Section 7.2.3.2 "Working methods, preparation and organisation of the Board's work", section “specialist committee” of this document, by virtue of Article L. 823-20 of the French Commercial Code, the company, as an entity controlled according to the terms of Article L. 233-16 of the French Commercial Code by a company (Altarea) that it itself subject to the provisions of Article L. 823-19 of the French Commercial Code, is exempt from the obligation to constitute an Audit Committee.

However, the Altarea Group Audit Committee assists the Altareit Supervisory Board with its role of supervising and controlling the Altarea Group as a whole, including the Altareit Group.



6.1.2.4 PRIORITIES OF THE INTERNAL CONTROL DEPARTMENT

The Internal Control Department is responsible for coordinating and supporting internal control which is conducted in the different subsidiaries. Its priority missions are:

- to ensure everyone knows and follows rules of procedure and the ethics charter and the correct functioning of the Supervisory Board's specialist committees;
- to conduct monitoring of the regulatory obligations regarding internal control;
- to identify and assist divisions in mapping risks related;
- to set up or help the divisions set up operational procedures;
- to review the rules applying to the company's operating commitments, and compile existing procedures and standardise them if needed;
- to carry out all checks for compliance with internal control procedures.

To fulfil its duties, the Internal Control Department also draws upon:

- specialised advisory and consulting firms;
- a number of contacts within the Group to monitor and control operational risks and commitments.

In addition, every Altareit Group employee is encouraged to make proposals to keep the internal control system effective and up to date. Operational Managers see to it that the processes are suited to the goals assigned them.

6.2 Risk factors and risk control systems

The Altarea Group, of which the company is a part, has conducted a review of the risks that could have an unfavourable impact its business, financial position and results, and considers that at the date of this Registration Document, there are no other major risks apart from those presented in the following section.

Investors should nevertheless be aware that other wholly or partially unknown risks considered unlikely to occur at the date of filing this Registration Document, may exist and could have an adverse impact on the Group's business.

The company has put in place specific measures and procedures to limit the likelihood of identified risks occurring.

6.2.1 Risks inherent to the operations

6.2.1.1 RISKS RELATED TO TRENDS IN THE PROPERTY MARKET AND TO THE BUSINESS CLIMATE

Risk factors

Altareit operates in several Property sectors, notably residential property, offices and serviced residences. The company is exposed to systemic risks and uncertainties specific to the property market, most notably the cyclical nature of each sub-sector, as well as the risks inherent to each property asset. The company's risk management strategy and measures adopted aim to limit the negative consequences should one of these risks materialize. However, a prolonged deterioration of economic conditions or abrupt changes in the economic, financial, monetary, regulatory, political, geopolitical, social, health, or environmental climate could have a negative impact on the Altareit Group's businesses, asset values, earnings, development projects, and investments.

In view of the political situation, changes to the tax laws could occur and would have more or less favourable consequences for the property development business. The current economic and fiscal regulations concerning the residential property sector are as follows:

- the Pinel Law aims to provide housing at affordable rents to lower income households in urban areas where there are housing shortages. The tax reduction for the investor can reach 21 % of the purchase price up to a ceiting of €300,000 and €5,500 per m² and is spread over a maximum period of 12 years, depending on the tength of lease committed to (6,9 or 12 years). The tenants, who are means tested, are offered rents that are approximately 20% below market prices. The stated objective of this scheme is to substantially increase the creation of new housing by offering tax incentives in exchange for social requirements. This scheme has been maintained in the 2018 Finance Law until 2021 while restricting it to high-demand areas (A; A bis; B1). It should be noted that 99% of the Altareit residential pipeline consists of operation in A and B1 areas;
- the zero interest loan scheme (PTZ+) intended to encourage means-tested first-time buyers of new housing by allowing them to borrow up to 40% of the purchase price up to a ceiling of €60,000 for a single person and €138,000 for a family of five, in areas classified as A. The scheme, adapted according to different geographic zones, has been

maintained for all areas in 2018 and 2019 while being restricted to high-demand areas (A; A bis; B1) in 2020 and 2021.

Risk control systems

The Altareit Group has, in recent years, refocused its REIT prospection to provide a property offering tailored to these new schemes and, more generally, developed "entry-level and mid-range" programmes to propose affordable acquisition prices corresponding to market demands. It is also well established in "high demand areas" and so benefits from the above-mentioned schemes.

The company is involved in various Property sectors, notably in residential property, offices, and serviced residences. The business is subject to hazards and specific systemic risks, in particular the cyclical nature of the property sector, and notably the risk of market turn-arounds in the residential sector. The changes in these markets, the economy and the competitive environment are closely monitored by the Management and the Executive Committee of Altarea, the parent company of Altareit and the Senior Management, which implements the strategy and policies designed to anticipate and limit these risks.

6.2.1.2 RISKS RELATED TO ACQUISITIONS

Risk factors

As part of its external growth strategy, the Group makes acquisitions of companies or acquires significant stakes allowing it to increase its market share.

The Altareit Group could face difficulties integrating the companies or the assets that it acquires. It cannot, for instance, guarantee the maintenance of key competencies identified during the acquisition process. It could also encounter difficulties generated by overly large cultural or status differences between the entities. Additionally, it could have to incur expenses or liabilities not identified by audits and due diligences, covered in part by representations and warranties.

All these risks might have a significant adverse impact on the Group’s business, financial position or reputation.

Risk control systems

Risks generated by acquisitions are limited by due diligence of technical, legal, social and financial points. The Group also uses, whenever necessary, reputable external consultants for advice prior to the acquisition process. Development or acquisition plans concerning assets are systematically presented to Management and the Investment Committee.

6.2.1.3 PROPERTY DEVELOPMENT RISKS

Risk factors

Altareit Group faces multiple property development risks; They include in particular:

- administrative risk related to the difficulties of obtaining planning permission and possible appeals that could delay property development projects;
- risk of inability to meet construction schedules owing to delays due to archaeological excavation, soil typology, decontamination, etc., the risk of construction cost overruns, contractor business failures, the inability of contractors and service providers to adapt to new standards and the risk of ensuing potential litigation with construction companies;
- commercial risk, linked to the inadequacy of the products developed or to the long duration of time for setting up certain transactions. Projects that do not have sufficient upstream marketing are liable to be abandoned. Expenses and studies would then be recognised in accordance with the accounting policies, rules and methods set out in the notes to the consolidated financial statements;
- when the Group acts as a developer by signing off-plan or property development agreements in which it undertakes to build a building with a fixed price and deadline, it bears the completion risk with regard to its customers. The risk would be one of non-compliance of the product delivered or of a delay in delivering;
- in the office market, market risk when the Group acts as an investor, if it fails to sell or let the property. It may thus be exposed to the risk of prolonged carry;
- competition risk, which may in particular affect the acquisition of land, product sales prices, or the availability of subcontractors.

Risk control systems

These risks are controlled through the Investment Committee, specialist committees of the Altarea Supervisory Board (see Section 7.2.3.2 " Operation of the Board, preparation and organisation of work" in the "Specialist committees" section).

The main risks related to development operations conducted by Altareit pertain to the Property Development division (developing residential property and offices) The established procedures are described below.

In the residential property segment, an Operations Management Guide (GMO) sets out best practice for each key stage of residential schemes. The purpose of the guide is to define the role of each actor within Property Development, to improve and harmonise practices and to facilitate interactions with partner services. It is available on the Group’s intranet and training courses have been given to all employees involved.

The following systems are also designed to cover risks related to property development:

- Commitments Committees: that meet every week to examine all the property projects having at key stages that entails a commitment for the company: signature of an undertaking to acquire the land, marketing launch, acquisition of the land, start of works. As well as analysing the timing and benefits of the project, at each stage progress is measured against objective benchmarks: margins, percentage of project pre-let upon land acquisition and when work gets under way, validation of the cost of works, WCR, etc.

  In addition to the Commitments Committees processes, the Commitment Director works with the Finance Directors in the regional offices on all issues the company but do not directly depend on the Commitments Committees, And may request any draft protocols, sales undertakings, specific contracts, etc. He is also informed about the progress of the company's major development projects regarding the risks that they may present in terms of the amounts involved or legal arrangements, for example. The Commitment Director works with the Group's Internal Control Department with regard to risk management and internal control issues;
- the National Technical Department is mainly composed of the Contracts Department and the national Construction Department:
  - the Contracts Department, and for business property, the Technical Department, are tasked with setting up and overseeing national procedures regarding the financial viability and the quality of project estimates. It estimates the construction costs used in operations' budgets as soon as the preliminary land sale agreements are signed. Costs are updated as the product is defined. The Contracts Department is also responsible for the tender process for companies prior to the signature of work contracts. Companies are chosen via calls for tender according to established specifications,
  - the national Construction Department is in charge of putting in place and monitoring national procedures for monitoring the execution of construction work and quality.
- for Residential Property, the Group has its own marketing arm of dedicated subsidiaries. These structures include: a marketing division in charge of keeping contacts and national campaigns, a division in charge of defining and updating product specifications whilst providing research and advice to property development managers to evaluate local markets, and a division dedicated to customer relations and after-sales service. In addition, the digital budget monitoring tool used for each project is updated in real time with commercial data (reservations and sales) and allows each Manager to track the progress made in the programmes for which they are responsible. Finally, every week a business report is produced presenting sales figures for the week and a monthly total.

  These two Departments use their respective expertise to assist the regional departments, preparing and distributing national work procedures and supervising the marketing departments, after-sales services Managers, technical department and regional Construction Departments. Outside firms are used for marketing office property;
- the reporting and periodic reviews of operations budgets: In residential Property, reports (including bookings and consolidated authenticated deeds, portfolio of projects subject to undertakings, monitoring of commitments to development projects) are sent on a monthly basis to the members of the Cogedim Executive Committee, the Corporate Finance Department, the Chairman of the Supervisory Board and the Management of Altarea. Concerning Office Property, reviews are carried out and sent on a quarterly basis to Executive Management.

  In addition, as part of the budgetary process, all operating budgets are updated at least twice per year and at each milestone triggering Commitment Committee scrutiny (see above);
- Building permit applications: for large projects or projects presenting specific difficulties, building permit applications are submitted to a specialised law firm, which participates in drafting the application or reviews the completed application.

Serviced Residences

Finally, under the Cogedim Club® brand, the Group is developing a serviced residences concept for seniors with a variety of "à la carte" services and attractive city centre locations. As of the end of 2018, 12 Cogedim Club® residences were in operation. The Group has chosen to manage the design and the development of these residences, as well as rentals during the buildings' operation. In addition to residences for seniors, the Group is also developing an extended range of Serviced Residences: student halls of residence, business tourism residences, exclusive residences, etc.

6.2.1.4 RISK OF TENANT AND BUYER INSOLVENCY

Risk factors

In residential property, an increase in interest rates and a deterioration in consumer solvency would mainly impact demand for residential property in the marketing stage. Finally, the serviced residences managed by the Group could also be impacted by a deterioration in the solvency of households with the risk on the occupancy rate. This risk could have a negative impact on the operation of serviced residences to the extent that the Group ensures guaranteed profitability for investors' long-term investments.

Risk control systems

Concerning residential property, keys to the accomodation are not handed to the buyer until the balance of the sales price has been paid. The company also holds a seller's lien on the property. However, in order to avoid longer payment times, before signing the final contract of sale, buyers' loan applications are reviewed to verify that approval of their financing has been obtained or that it is under way. In addition, monthly *reports* on overdue invoices are sent to operational departments for monitoring purposes.

In Office Property, tenants' creditworthiness is analysed and buyers are required to provide robust payment guarantees such as an escrow deposit for all or part of the price or a bank guarantee for the full payment.

Finally, the teams responsible for Serviced Residences carry out a monthly reconciliation between the invoices raised and the payments made, which helps to rapidly identify any possible late payments. In these cases, the teams inform the management of the residences in question.

6.2.2 Security, Information systems and personal data risks

6.2.2.1 SECURITY RISKS

Risk factors

The safety of assets and people is one of the factors affecting footfall in shopping centres. Similarly, the tranquillity of the workplace is an influencing factor for the performance of Group employees.

Malicious acts targeting the Group's personnel, sites and assets, whether tangible or financial, or even its customers, constitute major risks for the company's long term business. Malicious acts can come in various forms, ranging from simple incivility to an act of terrorism, and including acts of delinquency. They could also include a simple incident that creates a considerable feeling of insecurity out of all proportion with the act itself.

Such events are likely to adversely affect the Group's financial capacity, damage its image, result in lost business or engage the responsibility of the company towards its employees and customers.

Risk control systems

The Group security director manages security risks. The latter is in charge of the roll-out of an overall security policy based on an architecture (structure and scope of actions), tools and procedures, with the drawing up of a list of risks needing to be addressed in order of priority. The priority is in effect to address the security of the shopping centres (taking into account the risk of terrorist activity and criminal acts) through physical protection measures, improved video surveillance, training and raising the awareness of preventive measures and the right reflexes among our own staff, service providers and the retail brands in case of attack, and addressing vulnerabilities related to commercial activities (deliveries etc.). Another priority is the control of security risks related to Group infrastructure and premises by increasing access controls and videosurveillance and deploying ad hoc procedures, or by strengthening the Group's crisis management capabilities.

The Security Department is in permanent contact with the public authorities in order to monitor the constantly changing level of threat in real time. Tests and drills have been carried out in centres with a view to enhancing the systems and tailoring the Group's response to the potential developments of the threat. Similarly, this year the Group plans to conduct tests on the systems and procedures in force, in correlation with the optimisation of the crisis management procedure and the reinforcement of the business continuity plan. Lastly, within the framework of the future change of Head Office, the Security Department is closely involved in the technical installations of the building.

6.2.2.2 RISKS RELATED TO THE GROUP'S INFORMATION SYSTEMS

Risk factors

As the Group is currently undergoing a major phase of digitisation, the performance and reliability of its information systems have become major factors in the way it conducts its business. As a result, Altarea could be affected by events (accidents, service failures) outside its control that may lead to interruptions in its data flows or issues affecting its activities.

Furthermore, as the data processed on a daily basis are very often confidential and might even be strategic, the Group could also be confronted by criminal cyber-attacks targeting the integrity, availability and/or confidentiality of this data. Altareit could be exposed to a risk of involving liability and damage to its image.

Risk control systems

The management of IT system risks in the Altarea Group has been addressed by creating the position of Information System Security Manager (ISSM) within the Security Department. The objective is:

- to develop a security policy that meets the Group's needs and is based on current standards;
- to develop a security culture within the company through raising the awareness of employees, including at the highest levels;
- to ensure that security is taken into account early on in projects by accompanying the business application managers from the design phase onwards;
- to redefine best practice and management procedures for users and business applications.

Within the systems, data is backed up on a daily, weekly and monthly basis, so that they can be recovered if necessary. The Group's ability to recover from a computing disaster will be overhauled during the course of 2019 as part of an overall strengthening of the Business Continuity Plan.

This recovery strategy will be defined in accordance with the guidelines adopted within the framework of two connected projects planned for 2019:

- strategy concerning the overhaul of the hosting base of the systems.
- Review of the backup tools.

At the same time, the group information security department brought the function of Operational Security Manager (OSM) who works closely with the ISSM. His role is to implement the ISSP and monitor and supervise the various aspects of IS security, while contributing to raising the awareness of and training employees on security issues affecting information systems.

Moreover, determined to enhance system security, the Group Information Security Department regularly commissions security audits including internal and external intrusion tests for the whole scope. The results of these audits gave rise, on the basis of the criticality of the flaws discovered, to obligations to remedy the situation through the creation of remediation plans, or security recommendations. These remediation plans are monitored on a monthly basis. Lastly, the Group took out an insurance policy in 2017 to cover its cyber risks.

6.2.2.3 RISKS RELATED TO THE PROTECTION OF PERSONAL DATA

Risk factors

For business purposes, the Group, through its different entities, processes the personal data collected from third parties such as its customers, partners, prospects and/or its employees so that it can provide them with better services. Despite putting in place secure information systems, it is not possible to exclude the eventuality of (i) this data being altered or forwarded to third parties by mistake or by malevolence or (ii) the processing undertaken on personal data being the subject of a complaint made to the CNIL [French National Committee for Information Technology and Civil Liberties]. This could have a significant negative impact on the Group’s image and adversely impact its results.

Risk control systems

The Group has noted the coming into effect of the European General Data Protection Regulation (GDPR) whose provisions have been applicable since 25 May 2018. A Group Data Protection Correspondent has been appointed and he has made a mapping of the processing of personal data conducted within the Group. At the same time, he is in charge of advising the teams and raising their awareness of the regulations and ensuring that their data processing activities are compliant.

6.2.3 Risks related to the preparation of accounting and financial information

Risk factors

The preparation of accounting and financial information can be a source of financial risk, especially concerning financial statements, the budget process and consolidation.

Risk control systems

Finance Committee meetings

In order to control the financial and accounting risks that may arise, Operational Finance Committee Meetings are held every two weeks and are attended by Executive Management, the Group CFO, Deputy CFO and the managers involved in the issues of the agenda. The Corporate Finance Department uses these meetings to raise current financial issues.

In addition, a cross-functional finance committee meeting is held on a quaterly basis and is attended by the operational and finance departments in order to ensure a common approach to managing the business and improve communications. This committee includes all the managers and is used to share objectives and issues as well as to improve the flow of information across functions.

Accounting and financial organisation and main internal control procedures

(i) Accounting and financial structure

In order to enable controls at every level, the Altareit Group accounting and finance teams are structured by divisions (Group holding company and Property Development Division).

Within the operating divisions, the main accounting and financial departments are organised with:

- corporate accounts physically maintained by Group employees within each operating subsidiary;
- management controllers in charge of reviewing the income of each operating subsidiary.

For the validation of the operational items, the Property Development Division prepares the consolidated financial statements with a dedicated team.

Within the Corporate Finance Department, a Deputy Chief Financial Officer is responsible for the quality and reliability of all the published or regulatory accounting information: consolidated financial statements (IFRS Guidelines), corporate accounts (French Standards) and the company's forward-looking information (law of 1984). This department is in charge of coordinating the relationship with the Statutory Auditors for the whole Group and at every half-yearly or annual reporting date it prepares a business review consistent with the accounting information.

(ii) Principal control procedures

The principal control procedures used for the purposes of preparing the accounting and financial information are as follows:

- formally documented budget tracking and planning process on a twice-yearly basis (in April / May and October / November) with a comparison of budgets against actuals approved by operational and Group management. This process facilitates preparation and inspection of half-year and full-year Group financial statements. The budget is presented and provided to the Statutory Auditors before each period-end;
- a vertical procedure for data reporting from various operating departments (period-end timetables and instructions, quarterly meetings, dashboards for information sharing), with audits carried out by the operating management controllers before the information is sent to the Corporate Finance Department; cross-functional control procedures (consistency checks and reconciliation of operating management/accounting and budgeted/actual figures, intercompany reconciliations, etc.);
- analysis of significant events; the principal events that may have a significant influence on the financial statements (acquisitions, disposals, restructuring, etc.) are subject to simulations and explanatory notes prepared by the Corporate Finance Department or the divisions. The accountancy applied to complex transactions (major structural transactions, Corporate financing transactions, tax impact) is systematically presented to the Statutory Auditors before the financial statements are prepared. These items are then used to document the Notes to the consolidated or individual company financial statements;
- reporting, key indicator monitoring and quarterly reporting:
  - unaudited interim statements (31 March and 30 September) providing analyses of key indicators (revenue and net financial debt),
  - periodic reporting by operational subsidiaries to Management and Executive Management;
- documentation of the period-end closing process:
  - property development for third-parties division: consolidation and accounting procedures guide, documentation of tracking of claims and disputes,
  - holding company: Group accounting plan with a glossary and table enabling comparison between the local accounting and Group accounting, notes including off-balance sheet commitments and taxes;
- audit of the accounts of the subsidiaries via contractual audits.

Information systems

Accounting and financial information is prepared with the use of business line and financial information systems. Manual and automatic controls exist in order to secure the flow and processing of data that comes from these systems.

(i) Property transaction software

The Property Development Division uses management software for Primpromo real estate programmes that optimises monitoring and control of these projects throughout the different phases. This "business" tool is interfaced with the Sage accounting software and the data presented in the two systems are regularly reconciled.

Software updates and developments are tracked by a specific committee composed of the financial controllers and heads of function (marketing, accounting, etc.) and the division’s head of information systems.

The Sage corporate accounting software has been used since April 2018.

(ii) Account consolidation software

The SAP BFC- Business Financial Consolidation-consolidation software package is used by the Altarea Group, of which the Altareit Group is a part. The software was updated in May 2017 and the version now in use is the most advanced. Thanks to its particular structure, this solution offers a platform that allows close integration of accounting systems within the Group, thus reducing the risk of significant errors.

The Sage data is integrated into the SAP BFC consolidation software by means of a procedure used across the whole

Group. The integration of this data will lead to checks and controls conducted each quarter by reconciliation with the Primpromo data from the Property Development Division (operating budgets, aggregating sales) and/or budgetary (net income).

In addition, the SAP DM – Disclosure Management – software package has been installed, providing secure disclosure management via SAP BFC of quantitative data and notes to the consolidated financial statements. This software package is also used to coordinate the different contributors to the Registration Document, and help prepare it, and thus allows for systematic cross-referencing of the different sections.

(iii) Software for financial planning and budget reporting

SAP BPC – Business Planning Consolidation – software for financial planning and budget reporting has been implemented for the whole Altarea group and hence Altareit. This software uses operating data from business line systems to generate consolidated budget data. Estimated consolidated information is compared with actual figures imported from the system used to prepare the consolidated financial statements. Any material differences are justified.

(iv) Cash flow software

The Group uses the Sage 1000 cash flow software to manage cash flow. It is automatically interfaced with the corporate accounting software thus enabling the automated transfer of short-term accounting forecasts to cash management or automatic recognition of certain data transmitted to accounting.

In May 2018, the Group changed its banking communication system and transferred all of its electronic signature flows with the EBICS TS secure protocol. This module is interfaced with all of the Group's ERPs thus enabling the provision of account statements and other information statements to the ERPs or the secure transfer of payment and direct debit files from the ERPs to the banking communication system.

To prevent risks affecting cash management, the cash management teams reconcile bank balances and analyse changes in the cash batance for att divisions on a daity basis: reconciitation of banking data with short-term forecasts, checking of balances, analysis of daity changes in banking positions.

6.2.4 Legal, regulatory, tax and insurance risks

6.2.4.1 LEGAL AND REGULATORY RISKS

Risk factors

The Altareit Group must comply with French law and international law through European regulations, in a wide range of fields. The company must comply with the legal and regulatory provisions concerning town planning (local urban plans prepared by local councils and laws and regulations on administrative authorisations), construction (ten-year guarantees concerning the structure and a statutory guarantee for fittings) and the environment (concerning soil pollution in particular). In its capacity as the vendor of property products, the Altareit Group is subject to common law with regard to the selling to individuals: the seven-day cancellation right of buyers as specified in Article L. 271-1 of the Code de la construction et de l'habitation (Building and Housing Code), specific VEFA regulations, du droit de la consommation (Consumer Code) and the section relating to the protection of property buyers set out in the SRU Law.

Changes in the regulatory framework might oblige the Group to adapt its business or strategy which might result in a negative impact in terms of its results, or slow down or even prevent the development of some projects.

In the course of its normal business, the Altarea Group is involved in legal proceedings and subject to fiscal and administrative audits (see Section 3.2 "Notes to the consolidated financial statements – Note 10). Each of these risks brings with it not only a financial risk, but also a risk for the Group's image.

Risk control systems

Due to the nature of their activities, the company and its subsidiaries are subject to the risks of regulatory changes. They are therefore closely monitored by the Group's Legal Departments.

Property Legal Department

The Group Property Legal Department provides support for 1st stage development of projects and the acquisition of land for property projects (whether buying land directly or buying a land-owning company) and asset management. It also monitors compliance with current regulations as well as obtaining the permits necessary for the Group to conduct its business. These services mainly concern urban planning law (commercial operating permits, building permits), and construction and commercial lease laws, as well as, in general, all aspects of property law, intellectual property, consumer law and insurance.

The Group Property Legal Department also acts for Executive Management and the operational teams on request, where appropriate in conjunction with outside consultants, including for projects conducted through partnerships and for disposals. Operational managers also, in consultation with the property legal department, regularly use the services of specialised law firms.

Corporate Legal Department

The Corporate Legal Department ensures that Altarea and its main subsidiaries comply with workplace legislation. It also ensures that Altarea and its subsidiary Altareit comply with the requirements associated with their status as listed companies. It provides assistance to the Group's operating personnel to define, create, and operate corporate structures or arrangements for operations, and negotiate corporate agreements with outside partners.

All the investments and mandates of Altarea Group are also managed using a software package for the holding companies and subsidiaries. This centralised system makes it possible to automatically establish the legal and tax scopes and to monitor compliance with the related regulations.

Finally, the Corporate Legal Department is in charge of setting up and monitoring delegations of authority throughout the Group.

6.2.4.2 TAX RISKS

Risk factors

The company set up a tax consolidation group from financial year starting 1 January 2009. It might face a tax risk such as failure to file returns by its consolidated subsidiaries or errors during the restating process (see Section 3.2 "Notes to the consolidated financial statements" - Note 5.3). Non-compliance with the general tax regime discussed above could have a negative impact on the company's earnings.

Risk control systems

The company set up a tax consolidation group from financial year starting 1 January 2009. The systems and obligations concerning taxation are controlled by the Financial Department of the Altarea Group and, consequently, the Altareit Group.

6.2.4.3 RISKS RELATED TO THE COST AND AVAILABILITY OF INSURANCE COVERAGE

Risk factors

Altareit believes that the type and amount of insurance coverage it and its subsidiaries have is consistent with practices in its industries.

Nevertheless, Altareit and its subsidiaries could experience losses that are not fully covered by its insurance policies, or the cost of its insurance policies could go up. Moreover, Altareit and its subsidiaries could also be faced with insufficient insurance or an inability to cover some or all of its risks, potentially resulting from capacity limitations in the insurance market. The cost or unavailability of appropriate coverage in the event of damage could have a negative impact on the company's asset values, earnings, operations, financial position or the image of Altareit and its subsidiaries.

Risk control systems

General policy for insurance coverage

The goal of the Altarea Group policy concerning insurance, and consequently, the Altareit Group, is to protect its assets and employees. The Property Legal and Risk Management Department, supported by the Altarea Group Internal Control Department, has the following key missions:

- the coordination of insurance programmes for the French Group structure of consolidated operations, in collaboration with local teams and insurance brokers;
- the identification and measurement of insurable risks;
- the monitoring and implementation of insurance coverage;
- the coordination of actions with Altarea Group insurance brokers, although claims management remains the responsibility of each business segment.

The Group relies on the assistance of brokers specialised in risk management specific to each activity. It works only with reputable insurance companies.

Summary of insurance coverage

The following guarantees have been updated and correspond to the principal insurance policies taken out by the Altarea Group for the benefit of Altareit for the financial year 2018. These policies were valid at the time of publishing this report. However, these policies should not be considered as permanent, because of evolving risks and activities to be covered, loss history, and Group decisions to adjust its coverage. The Group considers that these guarantees take into account the nature of the risks incurred by Altarea and its subsidiaries, and that they are proportionate to the capacity of current offers on the insurance market for corporate structures of similar size and activities.

For the financial year 2018, the overall budget for the Altarea Group's main insurance policies (excluding social coverage, Spain and Italy, but including construction insurance) was estimated at approximately €16 million (compared to €14.6 million in 2017).

- **Properties under construction**: Altarea has "Construction Damages" (*dommage ouvrage*) and "All Worksite Risks" (*tous risques chantier*) insurance policies with AXA and MMA for property under construction. The Group has framework agreements for "construction damages" and all "worksite risks" for all construction sites that do not exceed a certain size.
- **Land or offices acquired awaiting work to begin on construction sites:** since 1 January 2014, the Altarea Group has taken out, as part of a comprehensive policy (*tous risques sauf*) damages policy provided by Chubb, an insurance policy covering ownership of a property which is unoccupied.
- **Professional liability insurance:** Altarea and its subsidiaries hold professional liability insurance policies with various insurance firms, including GENERALI and ALLIANZ.
- **Miscellaneous insurance policies:** other insurance covers various rented offices, automobile fleets, computer equipment and 10-year builder

liability. Finally, AXA provides a “senior executive and corporate officer civil liability” insurance policy, and CHUBB provides a “cyber policy”.

6.2.5 Fraud and corruption risks

Risk factors

The Group may be exposed to attempted fraud (embezzlement, money laundering, identity theft, etc.) or the risk of corruption, the impact of which could have a negative effect on the business and the company's results. The company's reputation and image could also be seriously affected by any occurrence of this type of risk.

Risk control systems

To mitigate risks of fraud or embezzlement, procedures have been set up for cash management and cash flows to ensure that they are secure and to decrease the risk of fraud (bank powers; rules for opening, modifying and closing bank accounts; daily reconciliation of bank transactions with accounting entries; separation of functions between the Accounting Department and the Cash Management Department). In addition, the number of persons authorised to sign for payments is limited.

Every external attempted fraud observed by the teams (for example, fraud by impersonation, bank fraud, recruitment) is reported to the Internal Control Department which sends out a reminder at least twice per year about the methods used by scammers and the right things to do to avoid them. The Internal Control Department works closely with the Group Security Department.

With regard to the fight against money laundering, the national Contracts Departments of the Property Development intervenes in all Invitations to Tender and consultations; it acts as a decision-maker in the choice of companies and gives priority to companies providing all guarantees. Except in special cases, a systematic competitive bidding procedure is organised for all operations.

As part of its risk management Policy and in accordance with the provisions of the Sapin 2 law and the strengthening of European regulations on the fight against money laundering and the financing of terrorism, several months ago the Group embarked on an overall approach intended to reinforce the measures used to prevent these risks. The Internal Control Department is therefore working on setting up stricter arrangements for compliance. The policy concerning the fight against fraud, corruption and money laundering is also described in detail in Section 5.3.6

6.2.6 Social and environmental risks

6.2.6.1 SOCIAL RISKS

Risk factors

The Group's ambitious goals are partly dependent on its personnel. If Altareit were no longer able to recruit and retain the best talents and, over time, capitalise on the effectiveness of its employees, it could have a negative impact on its business and earnings.

The strong growth of the Altareit headcount exposes the Group to challenges concerning the induction and training of new recruits. The new recruits are from very varied backgrounds. It is therefore necessary to enable all of them to rapidly assimilate the specificities, regulations and business constraints associated with the property sector as well as sharing the specific features of our company that make it different from its competitors as well as embracing the strategic orientations and objectives set by the Group.

Risk control systems

The Altarea Group, of which Altareit is a subsidiary, is implementing, through different action plans, a human resources policy enabling it to address the following social risks:

- in terms of recruitment: diversification of hiring sources and recruiting techniques, the involvement and complementarity of action in recruiting processes of both managers and HR teams, combined with the dynamics of internal mobility (220 employees moved within the company and 99 were promoted in 2018, not including Pitch Promotion) allowing the Group to satisfy its personnel needs. 400 employees were hired, including 308 on open-ended contracts, to meet the needs of each business line. This shows the importance the Group puts on career development;
- in terms of induction: induction was one of the top priorities of the HR Department and has been completely revisited. A formal induction interview and a group seminar held within two months of the new employee's arrival are now essential steps to ensure the successful induction of new employees into jobs within the Group. This seminar involves numerous in-house speakers and members of the Executive Committee who are keen to explain and share their vision of the business. A version dedicated specifically to work-study students and a seminar designed for employeeswith more than 2 years service have also been put in place. Since

this challenge is shared by everyone, a "manager's kit" was also created and made available to all managers. Other supports of this type were developed internally for tutor communities, work-study students and interns;

- in terms of training: the Group is developing an active training policy through "The Academy - A Developer of Talents", by means of actions (mainly focused on development, the “new uses” delivered by rigorously selected organisations and a community of in-house trainers). The training budget was higher than in 2017 in order to finance large scale activities such as management courses, programmes dedicated to Customer Satisfaction as well as providing support for younger people through increased vocational training;
- in trems of reversion: the Group's salary policy, put in place three years ago, with the "Tous en Actions!" (shares for all) programme has made it possible today to highlight the results of the performance recognition system and enable all employees to build a significant portfolio. Furthermore, an "Altawellness" offer designed for the Group’s workforce has been launched. This offer enables each employee to access platforms concerning well-being in the workplace (platform dedicated to personal services and platform focused on sport, cultural and well-being on-site);
- in terms of employee dialogue: the quality of social dialogue is maintained and formally documented by employee representative bodies, which play a vital role in transmiting and exchanging information. The Union are also regularly informed and consulted about the Group's major projects which impact employee working conditions.

  Information is also available on a daily basis: magazines, the intranet, internal conferences, and committees involving the leading managers in the Group, are the principal channels of communication.

6.2.6.2 RISKS RELATED TO CLIMATE CHANGE

Risk factors

The Group has examined the risks linked to climate change for its activities, which may be of two main types:

- the need to mitigate climate change: as the property sector is responsible for approximately 25% of emissions in France, it is directly concerned by the need to reduce emissions and embrace future regulations (including taxes and stricter standards such as the future environmental regulations). Consequently, there is a risk related to the transition of the Group’s current practices in its business lines towards increasingly decarbonised practices in the field of building design, operating, uses…
- the need to adapt to climate change: climate change causes the exacerbation of climatic phenomena (heatwaves, flooding…) which impact cities and buildings and can affect the safety of users or the comfort experienced inside buildings:

Risk control systems

Mitigation of climate change

The Group is fully aware of the need to contribute to climate change mitigation and has anticipated the regulatory constraints linked to climate change, whether for the reduction of emissions, a possible carbon tax or new building standards.

The Group measures its carbon footprint across its whole scope (scopes 1, 2 and 3 as defined by the Greenhouse Gas Protocol) and has implemented a global programme to reduce its direct and indirect carbon footprint, and this applies to all of its activities, targeting the stages that contribute the most to greenhouse gas emissions.

With regard to property development, these actions focus mainly on the energy efficiency of buildings, connectivity to transport in order to reduce emissions linked to travel, and low-carbon design (rehabilitation, reversibility, new materials).

Concerning potential future carbon pricing, for several years the Group has been calculating its exposure and conducts an annual risk analysis.

Adaptation to climate change

In 2018, Altareit conducted an in-depth analysis concerning its exposure to climate risks concerning its assets and its development operations, with a detailed approach studying each location in France.

On this basis, the Group has committed its tertiary and housing activities to adaptation programmes designed to protect assets and provide guarantees for buyers concerning the comfort and asset value of their property.

The Group’s overall progress-based approach is detailed in Chapter 5 of the Registration Document.

6.2.7 Risks related to Altareit's financing policy and financial capacity

6.2.7.1 LIQUIDITY RISK – BORROWING CAPACITY – COMPLIANCE WITH BANK COVENANTS

Risk factors

Altarea, of which Altareit and its subsidiaries are a part, finances some of its investments through fixed or floating-rate loans and through the capital markets. Altarea might not always have the desired access to capital markets or banking market. This situation could result from a crisis in the bond or equity markets, a serious deterioration in the property market, or any change in Altarea's businesses, financial position, or shareholder structure which affects investors' perception of the Group's credit quality or attractiveness as an investment. This type of event could also mean to obtain under favourable conditions.

Some of credit facilities agreed between Altarea and its banks are subject to early repayment clauses primarily linked to compliance with financial ratios or the occurrence of clearly identified events. Failure to meet these commitments or obligations could result either in default or potential default that would mainly early repayment of all or part of the outstanding amounts. This situation could produce an unfavourable impact on the company's business and financial position, particularly its growth.

Risk control systems

As it funds its investments through debt or recourse to capital markets, the company must continuously monitor the duration of its financing, the ongoing availability of credit lines and the diversification of resources. The budget process for cash management and projected cash flow analysis also provides a way to anticipate and hedge these risks.

Furthermore, compliance with the commitments and obligations granted to financial institutions under the terms of credit agreements is closely monitored by the Group, including bank covenants.[(1)].

Given its sound financial position, Altareit does not consider it has a significant exposure to liquidity risk as of the date of this Registration Document.

6.2.7.2 INTEREST RATE AND COUNTERPARTY RISK

Risk factors

Given the subscription to bonds and variable-rate bank debt, the Altarea Group of which Altareit and its subsidiaries are a part, is therefore exposed to the risk linked to fluctuating interest rates. An increase or a decrease in interest rates could have a negative impact on the Group's earnings.

Furthermore, the use of financial derivatives to limit interest rate risk may also expose the Group to unfavourable consequences for its earnings should its counterparty default.

Risk control systems

The Altarea Group, and therefore Altareit, has adopted a prudent approach to managing interest-rate risk. The company uses hedging instruments to cover the interest rates on mortgages and/or corporate loans backing its property and therefore to preserve the cash flow generated by its operating assets. The instruments used are mostly fixed/variable-rate swaps.

In order to limit counterparty risk that may arise following the setting up of financial derivatives, the Group thoroughly checks the quality of the counterparties and only pursues projects with the largest financial institutions.

6.2.7.3 EQUITY RISK

Altareit does not feel it has any material exposure to equity risk as of 31 December 2018.

6.2.7.4 CURRENCY RISK

At the date of filing this Registration Document, Altarea operates almost exclusively in the euro zone. The company is therefore only marginally exposed to currency risk.

6.2.8 Conflicts of interest risks

Risk factors

Altarea, of which Altareit and its subsidiaries a part, has entered into partnerships or memorandums of understanding with other economic players, mostly for the purposes of carrying out joint property development projects. These situations may under certain circumstances lead to conflicts of interest with its partners or associates.

Risk control systems

The Group Ethics Charter sets out the principles and rules that apply to employees in terms of conflicts of interest. This imposes on every employee a duty of loyalty to the Group and they must report, either to their line manager or a Compliance Officer, any potential conflicts of interest they might come across.

At each meeting to examine the financial statements, the Supervisory Board also reviews the situation of its members and those of the Altarea Audit Committee with regard to the independence criteria in the AFEP-MEDEF Code. It is also

(1) See Note 8, "Financial risk management", in the Notes to the consolidated financial statements (Section 3.2 of the Registration Document).

(2) The financial instruments used are described in Note 8, "Management of financial risks", in the Notes to the consolidated financial statements (Section 3.2. of the Registration Document).

compulsory for management to consult it before taking any important decisions that commit the company to amounts greater than €15 million (see Article 17.6 of Altarea's Articles of Association).

For projects such as acquisitions or disposals of assets that could give rise to conflicts of interest, the Supervisory Board ensures that the company's rules of procedure are strictly adhered to. Any Directors that may find themselves in a position of conflict of interest do not receive the information concerning the transaction in question.

REPORT BY THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE

7

7.1 Framework of the report and Reference Code

This report on Corporate Governance has been prepared by the Supervisory Board with the assistance of the Corporate Secretariat and Group Finance Department who contributed to writing it. It was adopted by the Board at its meeting on 26 February 2019.

In 2009, the company chose the Middlenext corporate governance code (the "Middlenext" code) as its code of reference. At its meeting on 21 February 2017, the Supervisory Board once again observed and noted the elements presented in the "vigilance points" section of the MiddleNext Code in its updated version of September 2016. It applies the recommendations of the said code, provided they are appropriate to its legal status as a société en commandite par actions (partnership limited by shares).

Because the company is a partnership limited by shares, it is overseen by Management and not by a collegiate body, Management Board or Board of Directors. The financial statements are prepared by the Management, not by a collegiate body. The Supervisory Board is responsible for overseeing the company's management on a continual basis, but is not involved in this management.

Article 17.1 of the company's Articles of Association states that the Supervisory Board has the right to be provided with the same documents by the Managers as those made available to the Statutory Auditors.

The recommendations of the Middlenext Code which the company has not been able to implement, specifically because of its legal form, the existence of an internal control and an audit committee in terms of its reference shareholder, Altarea, are as follows:

- the absence of an audit committee (see Section 7.2.3.2 below);
- the Board met on fewer than four occasions in 2018 (see Section 7.2.3.2 below).

7.2 Composition and practices of the administrative, management and supervisory bodies

Altarea is a French partnership limited by shares.

It comprises two categories of partners:

- a general partner, indefinitely responsible for social debts to third parties;
- limited partners who are in the same position as the shareholders of a public limited company: their shares may be traded under the same conditions and their liability is limited to the amount of their contribution.

It is run by Management while the Supervisory Board is responsible for ongoing control over the company's management.

In the passages below pertaining to presentation of the offices held by the executive officers, the Group is constituted by the Altarea company and all of its direct subsidiaries, of which the company is one, and indirect subsidiaries.

7.2.1 Management

Composition

Since 2 January 2012, the Group has been managed by the Altafi 2 company, chaired and controlled by Alain Taravella.

Altafi 2

Manager

Altafi 2 is a simplified joint stock company with share capital of €38,000, whose registered office is 8, avenue Delcassé - 75008 Paris, registered with the Paris Trade and Companies Registry under the number 501 290 506, and is wholly owned by AltaGroupe, itself controlled by Alain Taravella. Alain Taravella is the Chairman of Altafi 2.

Altafi 2 was appointed Manager of the company by decision of the partners on 21 December 2011, taking effect from 2 January 2012, for a period of ten years in accordance with Article 13.7 of the Articles of Association.

Altafi 2 does not directly hold any shares in the company.

Other corporate offices held at 31 December 2018

- *Manager of SCA*: Altarea♦
- *Representative of Altareit, Chair*: Alta Penthièvre♦, Alta Faubourg♦, Alta Concorde♦; Alta Percier♦

Corporate offices expired within the past five years: None

Alain Taravella

Chairman of Altafi 2

He is a French citizen, born in Falaise (Calvados) in 1948. He is a graduate of HEC (École des Hautes Études Commerciales). From 1975 to 1994, Alain Taravella held various positions within the Pierre & Vacances Group, of where he was appointed Chief Executive Officer in 1985. In 1994, he founded the Altarea Group, of which the company is a part, which he has managed since then. He is a Chevalier de la Légion d'Honneur.

He is the legal representative of Altafi 2.

♦ *Altarea Group company* ■ *listed company* ● *foreign company*

Alain Taravella does not directly hold any shares in the company.

Other corporate offices held at 31 December 2018

Other corporate offices in the Group:

- *Manager of SCA*: Altarea♦■
- *Chairman of the Supervisory Board*: Cogedim SAS♦; Altarea France SNC♦
- *Director*: Pitch Promotion SAS♦
- *Chairman*: Foncière Altarea SAS♦
- *Representative of Altarea, Chair: Alta Blue*♦; Alta Développement Italie♦; Alta Mir♦
- *Representative of Altarea, Manager of foreign companies*: Alta Spain Archibald BV♦●; Alta Spain Castellana BV♦●; Altalux Spain♦●; Altalux Italy♦●
- *Representative of Altafi 2, Manager*: Altarea♦■; Altareit♦■ (Altareit is a member of the supervisory board of Cogedim♦ and chair of Alta Faubourg♦, Alta Penthièvre♦, Alta Percier♦ and Alta Concorde♦)
- *Representative of Alta Blue, Chair*: Aldeta♦
- *Representative of Atlas, Manager*: Altarea♦■

Corporate offices outside the Group:

- *Chairman*: Altafi 2 Altafi 3; Atlas; Altafi 2; Altager; AltaGroupe (Chair of Alta Patrimoine)
- *Permanent Representative of Altarea ♦, Director*: Semmaris
- *Representative of AltaGroupe,* Manager: SCI Sainte Anne*;*
- *Representative of Alta Patrimoine, Manager*: SNC ATI SCI Matignon Toulon Grand Ciel SNC Altarea Commerce

Corporate offices expired within the past five years

- *Chairman of the Board of Directors & Chief Executive Officer - Director*: Aldeta♦
- *Chairman*: Alta Patrimoine
- *Manager SNC*: Altarea Cogedim Entreprise Holding♦
- *Director*: Alta Blue♦; Boursorama■; Pitch Promotion SA♦; Altarea España♦●
- *Representative of Altarea, Chair*: Alta Delcassé♦; Alta Rungis♦

Appointment and termination of office (Article 13 of the Articles of Association)

Altareit is managed and administered by one or more Managers, who may or may not be General Partners. The Manager can be a natural person or legal entity.

The age limit for Managers who are natural persons is 75. If one of the Managers is a legal entity, the number of its corporate officers that are natural persons aged above 75 may not exceed a third of all directors.

The term of office of Managers is ten years, and may be renewed.

Any Manager wishing to resign must advise the other Managers, the General Partners and the Supervisory Board by registered letter with proof of receipt, at least three months before the date on which the resignation is to take effect, unless otherwise agreed by the General Partners.

Upon expiry of a Manager's term of office, the other Manager or Managers shall remain in office without prejudice to the General Partners' right to appoint a replacement Manager or to renew the term of office of the outgoing Manager.

Upon expiry of the sole Manager's term of office, one or more new Managers shall be appointed or the term of office of the sole Manager shall be renewed. Pending such appointment or appointments, the company shall be managed by the General Partners who may then delegate any powers necessary for the management of the company's affairs until the new Manager or Managers are appointed.

Managers may be removed from office without reason by an unanimous decision of the General Partners. If the Manager is also a General Partner, such a decision may be taken by a unanimous decision of the other General Partners.; each Manager may also be removed from office under the conditions provided by law, following a legal action, and pursuant to a final judicial decision not open to appeal that establishes a legitimate reason for removal.

If the Manager is also a General Partner, the loss of General Partner status will automatically result in removal from office as Manager, as of right.

Managers who lose their status as Managers shall be entitled, in full and final settlement of any claims, to payment by the company of the compensation on a pro rata basis until the date of loss of such status, together with reimbursement of expenses of any kind to which they are entitled.

During the lifetime of the company, any new Manager shall be appointed unanimously by the General Partners, without requiring the approval or recommendation of the Supervisory Board or of the collective body of Shareholders.

Powers (Article 13 of the Articles of Association)

The Manager, or if there are several Managers, each of them has the broadest powers to act in any circumstances on behalf of the company, within the limits of the corporate purpose and subject to any powers expressly conferred on the collective body of Shareholders or on the Supervisory Board, whether by law or by these Articles of Association.

In accordance with the law, each Manager may authorise and grant any guarantees and other sureties that they consider reasonable, on behalf of the company.

Each Manager may delegate a part of their powers to one or more persons whether or not employed by the company and whether or not having a contractual relationship with the company. Such delegated powers shall not in any way affect the Managers' duties and responsibilities as regards the exercise of such powers.

The Manager(s) shall have a duty of care in running the company's affairs.

♦ *Altarea Group company* ■ *listed company* ● *foreign company*

7.2.2 General partner

Identity

The Altafi 3 company is a simplified joint-stock company (société par actions simplifiée) with its registered office at 8 avenue Delcassé à Paris 8ème, identified in the Paris Commercial and Companies Registry under no. 503 374 464, the share capital of €38,000 of which is held in totality by AltaGroupe, itself controlled by Alain Taravella. Alain Taravella is the Chairman of Altafi 3.

Altafi 3 was appointed as General Partner of the company by the General Combined Shareholders' Meeting of 2 June 2008 without any limit on duration. It does not hold any other office at 31 December 2018. It was a member of the Supervisory Board from 2009 to 2014 and did not hold any other office during the last five years.

Altafi 3 does not directly hold any shares in the company.

Appointment and termination of office (Article 21 of the Articles of Association)

General Partners are appointed by Extraordinary General Meetings upon the unanimous proposal of the General Partner or Partners.

In the event of the death or incapacity of a General Partner who is a natural person, or in the event of loss of General Partner status for any other reason, the company shall not be dissolved but shall continue with the remaining General Partners. This shall also be the case in the event of the liquidation of a corporate General Partner.

7.2.3 Supervisory Board

7.2.3.1 Composition

Composition at 31 December 2018

Name or business name	Permanent Representative	First appointed	Latest reappointment	Expiration of term[(a)]	Independent	Compensation Committee
Christian de Gournay *Chairman of the Board*	-	07/05/2014	-	2020	No	-
Altarea *Member of the Board*	Florence Lemaire	26/06/2009	05/06/2015	2021	No	-
Alta Patrimoine *Member of the Board*	Léonore Reviron	16/01/2012	05/06/2015	2021	No	-
Jacques Nicolet *Member of the Board*	-	02/06/2008	07/05/2014	2020	No	Chairman
Dominique Rongier *Independent member*	-	26/06/2009	05/06/2015	2021	Yes	Member

(a) Year of the Ordinary General Shareholders' Meeting

At 31 December 2018, the Supervisory Board had no members representing employees and no other members than those listed above. No changes occurred to the composition of the Supervisory Board during 2018.

Changes since 1 January 2019

Date	Name	Event
26/02/2019	Altarea	Resignation
26/02/2019	Alta Patrimoine	Resignation
26/02/2019	Léonore Reviron	Cooptation by the Supervisory Board in the place of Altarea
26/02/2019	Eliane Frémeaux	Cooptation by the Supervisory Board in the place of Alta Patrimoine

The cooptation of Léonore Reviron and Eliane Frémeaux as new members of the Supervisory Board will be submitted for ratification at the next general meeting of shareholders on 23 May 2019.

Composition on the date of this document

Name or business name	First appointed	Latest reappointment	Expiration of term[(a)]	Independent	Compensation Committee
Christian de Gournay *Chairman of the Board*	07/05/2014	-	2020		-
Eliane Frémeaux *Independent member*	26/02/2019	-	2021	✓	-
Jacques Nicolet *Member of the Board*	02/06/2008	07/05/2014	2020		Chairman
Léonore Reviron *Member of the Board*	26/02/2019	-	2021		-
Dominique Rongier *Independent member*	26/06/2009	05/06/2015	2021	✓	Member

(a) Year of the Ordinary General Shareholders' Meeting

Representation of men and women

The Supervisory Board has five members: two women and three men representing respectively 40% and 60% of the members.

Average age of the members

At the date of this document, the average age of Board members was 62.

Independent members

Having observed and taken note of the revised version dated September 2016 of the Middlenext Codes, on 21 February 2017 the board adopted the new definition of independence put forward by the said code, which is characterised by the absence of any significant financial, contractual, familial or close relationship likely to adversely affect the independence of its judgement, that is:

- not having been, over the last five years, and not currently being an employee or executive corporate officer of the company or any company in its group;
- not having been, over the last two years, and not currently being in a significant business relationship with the company or its group (customer, supplier, competitor, service provider, creditor, banker, etc.);
- not being a reference shareholder of the company or holding a significant percentage of the voting rights;
- not having any close relationship or close family ties with a corporate officer or a reference shareholder;
- not having been a Statutory Auditor of the company during the last six (6) years.

Since its meeting on 7 March 2011, the Supervisory Board examines the position of each Board member annually with regard to the Middlenext Code independence criteria. During its review of the criteria for the independence of its members at its meeting on 26 February 2019, the Supervisory Board noted that Dominique Rongier and Eliane Frémeaux met the independence criteria put forward by the Middlenext Code on that date. As a result, the company complies with the recommendation of the Middlenext Code, since the Board has at least two independent directors.

It is made clear that on the date of this document, more than one-third of the Supervisory Board of Altarea, the parent company of the company, is composed of independent members, and that investments made by the company and its subsidiaries are reviewed by Altarea's Supervisory Board, directly or through its Investment Committee or the Chairman of said committee according to the size of the transaction.

Presentation of Board members[49]

In the passages below pertaining to presentation of the offices held by the executive officers, the Group is constituted by the Altarea company and all of its direct subsidiaries, of which the company is one, and indirect subsidiaries.

Christian de Gournay

Chairman of the Supervisory Board

Born in 1952 in Boulogne (Hauts-de-Seine)
Of French nationality
Business address: 10, avenue Delcassé in Paris 8th Arrondissement

A graduate of the French École des Hautes Études Commerciales and École Nationale d'Administration, Christian de Gournay began his career at the French Council of State in 1978, and later worked for Indosuez Bank as Director of Treasury and Bond Markets. In 1994, he became Senior Executive Vice-President of AGF, where he was in charge of managing Group financial and property assets, as well as banking and financial activities. He joined Cogedim in 2002 as Vice-Chairman of the Management Board. Christian de Gournay served as Chairman of the Management Board of Cogedim from 2003 to 2014, until his appointment as Chairman of the Supervisory Board became effective.

Number of Altareit shares held on 31/12/18: 1

Other corporate offices held at 31 December 2018

- *Chairman of the Supervisory Board of* Altarea♦■
- *Manager*: SCI Schaeffer-Erard
- *Director*: Opus Investment BV●

Corporate offices expired over the last 5 years

- *Chairman and Member of the Management Board:* Cogedim♦
- *Manager*: Cogedim Valorisation♦

Eliane Frémeaux

Supervisory Board member

Born on 8 September 1941 in Paris (15th Arrondissement)
Of French nationality
Business address: 8, avenue Delcassé in Paris 8th Arrondissement

Eliane Frémeaux was a partner in the Notary firm of SCP Thibierge & Associés until 18 October 2012. A Chevalier of the French Legion of Honour, Eliane Frémeaux is a member of the Legal Studies Institute of the Conseil Supérieur du Notariat, of the Joint Ownership Commission representing the Conseil Supérieur du Notariat at the Chancellery, of the Commission on Polluted Sites and Soils within the Conseil Supérieur des Installations Classées of the French Ministry of Sustainable Development. She is a member of honour of the Circle of Women Real Estate Professionals (Cercle des Femmes de l'Immobilier) and a member of the association René Capitant des Amis de la Culture Juridique Française (René Capitant Association of Friends of French Legal Culture). Éliane Frémeaux is a regular participant in many seminars and conferences in France and abroad, primarily on topics related to corporate law, credit issues, finance leases, joint ownership, public domain, taxation and business and estate transfer, as well as the environment.

Number of Altareit shares held on 31/12/18: 0

Other corporate offices held at 31 December 2018

- *Co-Manager*: SCI Palatin

Corporate offices expired over the last 5 years: None

Léonore Reviron

Supervisory Board member

Born in 1985 in Meudon (Hauts-de-Seine)
Of French nationality
Business address: 10, avenue Delcassé in Paris 8th Arrondissement

Léonore Reviron is a graduate of the EDHEC Business School, and successively held the positions of financial auditor at Ernst & Young (2008-2011), Corporate Financial Analyst (2011-2013) and then Financial Risk Manager (2014-2015) at a listed property group.

Number of Altareit shares held on 31/12/18: 0

Other corporate offices held at 31 December 2018

- *Permanent Representative (until 26/02/2019) of Alta Patrimoine, Supervisory Board Member*: Altareit♦■
- *Permanent Representative (until 26/02/2019) of ATI, Supervisory Board Member*: Altarea♦■

Corporate offices expired over the last 5 years: None

Jacques Nicolet

Supervisory Board member

Born in 1956 in Monaco
Of French nationality
Business address: 17, rue de Prony in Paris 17th Arrondissement

From 1984 to 1994, Jacques Nicolet served successively as Programme Director, Development Director and Senior Executive Vice-President of the Pierre & Vacances Group. In 1994, he co-founded the Altarea Group, of which he has successively been Senior Executive Vice-President and, since its transformation into a partnership limited by shares, Chairman of the Supervisory Board until 2014.

Number of Altareit shares held on 31/12/2018: 1

Other corporate offices held at 31 December 2018

Other corporate offices in the Group:

- *Supervisory Board member of SCA*: Altarea♦■

Corporate offices outside the Group:

- *Chairman of SAS*: Everspeed Ligier Automotive (formerly Everspeed Motorsport) Proj 2018 Damejane Investissements
- *Chief Executive Officer*: SAS Circuit du Maine
- *Manager*: SCI 14 rue des Saussaies SCI Damejane SNC JN Participations

[49] *incumbent on the date of this document*

♦ *: Altarea Group company* ■ *: listed company* ● *: foreign company*

- *Representative of Everspeed, chairman*: SAS Immobilière Damejane SAS Everspeed Learning SAS Everspeed Asset (Manager of SCI Innovatech and SCI Les Fleurs) SAS Oak Invest SAS Everspeed Composites SAS Everspeed Media SAS HP Composites France SAS Everspeed Technology SAS Shootshareshow SAS Ecodime SAS Ecodime Academy SAS DPPI Media SAS DPPI Production SAS Onroak Collection SAS Onroak Automotive Classic SAS Proj 2017 SAS Proj 2018
- *Representative of Everspeed, Chief Executive Officer of SAS:* AOT Tech SAS Les 2 Arbres
- Representative of Everspeed, Manager of SCI Immotech
- *Chairman and/or Director of foreign companies*: Everspeed Connection• HP Composites Srl• Carbon Mind Srl•
- Representative *of Everspeed, Chairman of the foreign company*: Ecodime Italia•

Corporate offices expired over the last 5 years

- *Chairman of the Supervisory Board of SCA*: Altarea♦▪; Altareit♦▪
- *Supervisory Board member*: Altarea France SNC♦; Cogedim SAS♦
- *Permanent Representative of Alta Rungis♦ Director*: Semmaris
- *Chairman and/or Director of foreign companies*: HPC Holding• ;SSF III zhivago holding Ltd♦•; Altarea Italia♦•; Galleria Ibleo S.R.L.♦•; Altarea Espana♦•
- *Representative of Everspeed Motorsport, Chairman*: SAS Oak Racing
- *Representative of Everspeed, Chairman of SAS*: Onroak Automotive SODEMO
- *Permanent Representative of Ecodime, Chairman*: Mind Values (formerly Proj 56)

Dominique Rongier

Supervisory Board member

Born in Paris (75016) in 1945
Of French nationality
Address: 25, rue du Four in Paris 6th Arrondissement

Dominique Rongier graduated from H.E.C. in 1967, and successively held the positions of auditor at Arthur Andersen (1969-1976); Chief Financial Officer of Pierre & Vacances (1976-1983); Chief Financial Officer of the Group Brossette SA (1983-1987); In 1987 he devised and set up a holding structure for the Carrefour group and became Secretary General of Bélier, a member of the Havas-Eurocom network from 1988 to 1990, then Chief Financial Officer of the Oros Communication holding company from 1991 to 1993, which controls the majority holdings in the communication sector. Since September 1993, Dominique Rongier has been an independent consultant with DBLP & associés SARL, of which he is Manager and majority shareholder. In the interim, he was acting Chief Executive Officer of the DMB & B France Group (French subsidiaries of the US advertising Group d'Arcy) for more than two years. His main activity is strategic and financial management consultancy. Until 31 March 2009, he was Chairman of a software publishing company specialising in sports and health.

Number of Altareit shares held on 31/12/2018: 10

Other corporate offices held at 31 December 2018

- *Supervisory Board member*: Altarea♦▪
- Director: SA Search Partners

Corporate offices expired over the last 5 years

- Manager: DBLP & Associés

7.2.3.2 Working methods, preparation and organisation of the Board's work

Missions and responsibilities

Article 17 of the company's Articles of Association defines the powers of the Supervisory Board.

Thus, the Supervisory Board is responsible for overseeing the company's management on a continual basis. It sets out the appropriation of earnings, dividend distributions, and dividend payment procedure (cash or scrip) to be proposed to the General Meeting.

If the company no longer has a manager or a general partner, the Supervisory Board has the power to appoint the manager on a temporary basis. It submits a list of nominees to the General Meeting for the appointment of new Statutory Auditors. It is consulted by the General Partner(s) on any change in the compensation of the management team after consulting the Compensation Committee appointed within its scope; It appoints an appraiser for the company's property portfolio, renews or terminates the appraiser's term of office. In the latter case, it provides for the appraiser's replacement.

In accordance with the law, the Supervisory Board prepares a report for the Ordinary General Shareholders' Meeting convened to approve the company's financial statements: the report is made available to the shareholders at the same time as the management report and the financial statements for the period. The Supervisory Board draws up a report describing any proposed capital increase or reduction and submits it to the Shareholders.

The Supervisory Board can call an Ordinary or Extraordinary General Meeting according to the procedures set forth by French law, if the Board deems necessary and after informing the Managers in writing.

♦ *Altarea Group company* ▪ *listed company* • *foreign company*

Notice of Meeting

The company's Articles of Association provide that Board members be invited to meetings via simple letter or by any means of electronic communication. The Supervisory Board can meet by any means as soon as all members are present or represented. Supervisory Board meetings can be called by the Board Chairman, at least half of the Board members, or any Manager or General Partner. The Board members must be notified at least one week before the Meeting date, except under emergency circumstances.

Information

In accordance with French law, the Supervisory Board has the right to be provided with the same documents by the Managers as those made available to the Statutory Auditors.

Meeting location - Management attendance

Meetings take place at the company’s registered office located at 8, avenue Delcassé in Paris (75008).

Management is invited to Board meetings to answer questions from the Supervisory Board, so that the Board can exercise continuous oversight of the company's management. In particular, Management presents the company's financial statements and gives a business review.

Management answers any questions that the members deem appropriate to ask. These questions may or may not be included on the agenda. Management does not participate in deliberations and cannot vote on decisions taken by the Board or on opinions it issues.

Supervisory Board members can discuss matters freely amongst themselves on a regular formal or informal basis, without the presence of Management.

The attendance of at least half of the Supervisory Board's members is required for it to be quorate. Decisions are made by a majority of the members present or represented and able to take part in the vote. A member present may only represent one absent member and may do so only upon presenting a valid proxy. In the event of a tie, the Chairman has the deciding vote.

Minutes of the meetings

The minutes of meetings of the Supervisory Board are recorded in a special register and signed by the Meeting Chairman and Secretary, or by a majority of Board members present.

Rules of Procedure

The Supervisory Board, at its meeting on 5 March 2014, decided to avail itself of specific Rules of Procedure, which includes ethics, thereby complying with the Middlenext Code recommendations to which the company refers. These rules of procedure, updated at the meeting on 21 February 2017 to reflect the new version of the Middlenext Code dated September 2016, recalls the composition rules of the Board in line with the provisions of Article 15 of the company’s Articles of Association; it defines the independence criteria of Board members in line with the recommendations of the Middlenext Code to which the company refers (see Section 7.2.3.1 above) it recalls the duties of Board members, such as compliance with the laws, regulations and Articles of Association of the company, the rules relating to respecting social interest, loyalty, competition and confidentiality. The Rules of Procedure also indicate the Board's missions, its functioning, the arrangements for participation in meetings as well as the rules for quorum and majority relating to decisions, arrangements for allocation of directors' fees (see Section 7.3.1.3, above). It defines the rules for constituting specialist committees and their operating arrangements (see Section “Specialist committees”, below).

Supervisory Board meetings and work in 2018

In 2018, the Supervisory Board met twice to review the annual and half-yearly financial statements. This was considered a sufficient frequency by the Board in its annual assessment, in view of the missions assigned to it in a partnership limited by shares.

The attendance rate was 90% in 2018.

During these meetings, the Board primarily discussed the following topics:

- Meeting of 5 March 2018

Business review on management during 2017; Review of the draft parent company and consolidated financial statements for 2017; Allocation of earnings proposed to the meeting; review of the agenda and the text of the draft resolutions to be submitted to the Combined General Meeting of Shareholders; Preparation of the Supervisory Board's report to be made available to the Annual General Meeting; Annual review of the operation and preparation of the Board’s work; Review of independence criteria for Board members and the Compensation Committee; Allocation of directors' fees; Points of vigilance of the Middlenext Code; Approval of the Chairman of the Supervisory Board's report on internal control; Annual deliberation on the company's policy on professional equality and wage parity; Review of the report on corporate social responsibility; Review of forecast management documents. Review of related party transactions.

- Meeting of 26 July 2018

Review of the half-yearly financial statements for the half-year ended 30 June 2018, the half-yearly management report and the management planning documents.

Specialist committees

Article 18 of the Articles of Association allows the Supervisory Board to delegate tasks to specialist committees, apart from any powers that French law explicitly assigns to the Supervisory Boards of SCAs (sociétés en commandite par actions).

- **Audit Committee**

By virtue of the provisions of Article L.823-20 1° of the French Commercial Code, the company, as an entity controlled according to the terms of Article L.233-16 of the French Commercial Code by a company (Altarea) that is itself subject to the provisions of Article L.823-19 of the French Commercial Code, is exempted from the obligation to constitute an Audit Committee.

- **Investment Committee**

The Supervisory Board considered whether it was necessary to constitute such a committee within its board, insofar as (i) the investments made by the company's subsidiaries are already reviewed by Alterea's Supervisory Board, directly or through the intermediary of the latter's Investment Committee or its Chair depending on the scale of the transaction and (ii) the Management Board of its subsidiary Cogedim must obtain prior authorisation from its own Supervisory Board, or its Chair, for any significant commitment or investment. It concluded that the constitution of such a committee was not necessary.

- **Compensation Committee**

The company decided, following the proceedings of the Supervisory Board of 7 March 2011 taken in application of the resolutions voted in the Combined - Ordinary and Extraordinary - Shareholder's Meeting of 28 May 2010, to constitute a Compensation Committee to advise on the determination and modification of Management compensation.

- Committee members:

As of the date of this registration document, the Compensation Committee is made up of two Members, Jacques Nicolet and Dominique Rongier, the latter being an independent member of the Supervisory Board and the Compensation Committee (see Section 8.2.2.2., above). The Committee is chaired by Jacques Nicolet.

- Proceedings - Minutes

The Supervisory Board meeting of 7 March 2011 set the rules of operation for the Compensation Committee, which are similar to those governing the operation of the Supervisory Board.

Thus, the Committee is quorate when at least half of the members are present. Decisions are taken by simple majority of members present or represented. A present member can only represent one absent member upon presentation of a valid proxy. In the event of a tie, the Chairman's vote is casting.

- Work of the Committee

The Compensation Committee meeting on 23 February 2016, gave the Supervisory Board meeting of 9 March 2016 its opinion as to Management compensation as from 1 January 2016. Informed by this opinion, the Supervisory Board made its decision on the proposal put by the Partner, in accordance with the provisions of Articles 14.1, 17.7 and 18 paragraph 2 of the company's Articles of Association.

At its meeting on 9 March 2016, the Supervisory Board adopted the recommendations of the Compensation Committee which proposed to change the Management compensation to the annual fixed amount of €600,000, indexed annually on changes to the Syntec index, as from 1 January 2016.

Evaluation of the Board's work

At its meeting of 26 February 2019, the Board members were asked by the Chairman to comment on the operation and preparation of the work of the Supervisory Board and the Compensation Committee. The board unanimously agreed that these were satisfactory.

7.2.4 Management

7.2.4.1 Executive Management

Given that Altareit is an SCA (société en commandite par actions, a French partnership limited by shares), the company is run by Altari 2 in its capacity as manager (see Section 7.2.1, above).

7.2.4.2 Operational Management

In addition to the above-mentioned officers and corporate officers, namely the Managing Partners, the General Partner, the Chairman and the members of the Supervisory Board, the main senior executives of the Group constituted by Altareit and its subsidiaries were, as of 31 December 2018, Philippe Jossé, Chief Executive Officer of Cogedim, and Adrien Blanc, General Manager of Altarea Cogedim Entreprise Asset Management.

7.2.5 Additional information

7.2.5.1 Absence of conflicts of interest

The company maintains important relations for its business and development with its main shareholder, Altarea, which is a company controlled by Alain Taravella. In addition, since 2 January 2012, the Group has been managed by the Altafi 2 company, chaired and controlled by Alain Taravella. The company's General Partner is Altafi 3, a company held by AltaGroupe.

The company judges that at present these relations do not create any conflict of interest, and that on the date of registration of this Registration Document, there is no conflict of interest between the duties of the Managers and Supervisory Board Members with regard to the company, and their private interests or their other duties.

Moreover, the Statutory Auditors have not observed and/or have not been informed of any regulated agreement between the company and its executive officers, corporate officers and shareholders holding more than 10% of voting rights in the company, during the financial year 2018 or during a previous financial year, the effects of which would have continued during the 2018 financial year.

7.2.5.2 Convictions, bankruptcies, prosecutions

To the company's knowledge and in view of the information at its disposal, none of the co-Managers or the company's Supervisory Board members has, in the past five years:

- been convicted of any fraud;
- been the subject of a bankruptcy, receivership or liquidation order;
- been the subject of any prosecution or of any official public sanction imposed by statutory or regulatory authorities (including designated professional bodies).

7.2.5.3 Agreements entered into between an executive officer or significant shareholder and subsidiaries

As of the date of this Registration Document, except for agreements relating to current transactions and conducted on arm's length terms, no agreement has been concluded between an executive officer or a major shareholder and company subsidiaries.

7.3 Compensation of administrative, management and supervisory bodies

7.3.1 Principles and rules

7.3.1.1 Management

According to the terms of the provisions in Articles 14.1, 17.6 and 18 of the company's Articles of Association, compensation of the Manager or Managers for their duties is determined by the General Partner or Partners, ruling unanimously, after consultation of the Supervisory Board and the opinion of the Compensation Committee.

In application of the said provisions, after consulting the Supervisory Board on 9 March 2016 and obtaining the prior opinion of the Compensation Committee on 23 February 2016, the General Partner decided that as from the financial year 2016, the annual compensation of management would be a fixed amount excluding taxes of €600,000, indexed to the Syntec index. This amount was increased by the General Partner to €1,000,000 as of 2019, after consultation with the Supervisory Board on 26 February 2019 and the prior opinion of the Compensation Committee on 14 February 2019, which delivered a unanimous favourable opinion.

The Managers are also entitled to reimbursement of all business, travel and other expenses of any nature that may be incurred in the interests of the company.

7.3.1.2 General partners

Article 29 paragraph 4 of the company's Articles of Association stipulates that *"the General Partner is entitled to a bonus dividend equal to 1.5% of the annual dividend paid*."

Since no dividend was paid during the last three financial years, the General Partner, Altafi 3, did not receive a bonus dividend during the said financial years.

7.3.1.3 Supervisory Board

Article 19 of the Articles of Association sets out that annual compensation may be allocated to Supervisory Board members solely for their duties as members of the Supervisory Board. The amount of compensation paid, included in general operating expenses, is determined by the Ordinary General Meeting and maintained until decided otherwise.

The Supervisory Board divides this amount among its members as it deems appropriate. Supervisory Board members are also entitled to the reimbursement of all expenses, travel costs and costs of any kind incurred in the company's interests.

The Combined General Shareholders' Meeting of 26 June 2009 decided in its Ninth Resolution to set the total amount of directors' fees to be distributed between the Supervisory Board Members at two hundred thousand euros (€200,000) as from the current financial year and until a new decision is made by the Meeting.

The Supervisory Board, at its meeting on 21 February 2017, decided to allocate to natural person members or permanent representatives of legal entity members, with the exception of (i) those who receive compensation from the company, from its parent company Altarea or from one of their subsidiaries as employee or executive corporate officer, and the Chairman, an amount of Directors' Fees of €1,500 for each meeting at which they will have been present, as from 1 January 2016.

At its meeting of 26 February 2019, the Supervisory Board noted that a total amount of €7,500 had been allocated to members entitled to receive it for the year ended 31 December 2018. No other compensation was paid to Supervisory Board members by the company for their offices on the Board.

This method of allocating directors' fees is in accordance with the Middlenext Code, which recommends that attendance of directors is taken into account, along with the time they spend on their duties, including their potential attendance on committees.

7.3.2 Information on compensation

The information below applies AMF recommendations on information to provide in registration documents on the compensation of corporate officers, published online on 2 December 2014, in the AMF report of 18 November 2013 on corporate governance and compensation of executive officers of small- and mid-cap companies as well as the AMF Recommendations of 7 December 2010 included in its supplementary report to that of 12 July 2010 on corporate governance, compensation of executive officers and internal control – small- and mid-cap companies referring to the Middlenext Corporate Governance Code (the "Recommendations"), insofar as these Recommendations, like the MiddleNext Code, distinguish between executive corporate officers and other corporate officers.

The company adopted the legal status of a partnership limited by shares with a Supervisory Board and Manager on 2 June 2008 and since 2 January 2012 its Manager has been the company Altafi 2.

Summary of compensation due to each executive corporate officer in office during the financial year 2018, as well as the shares and options that have been attributed to them

Altafi 2, Single Manager	FY 2017		FY 2018	
	Amount due	Amount paid	Amount due	Amount paid
Compensation due in respect of the financial year	€609K excl. tax	€609K excl. tax	€628K excl. tax	€628K excl. tax
Of which Fixed Compensation				
Of which Variable compensation				
Of which Exceptional compensation				
Of which Benefits in kind				
Of which Directors' fees				
Value of options allocated				
Value of performance shares allocated				
Stock subscription or purchase options exercised				
Compensation of all kinds[(a)] received from companies controlled by the company[(b)] or from companies that control the company	€4,662K excl. tax[(c)]	€3,208K excl. tax[(d)]	€5,241K excl. tax[(e)]	€4,726K excl. tax[(f)]
Total	**€5,271K excl. tax**	**€3,817K excl. tax**	**€5,869K excl. tax**	**€5,354K excl. tax**

(a) Including stock subscription or purchase options, performance shares
(b) Within the meaning of Article L. 233-16 of the French Commercial Code.
(c) Compensation due by Altarea, parent company of the company: €2,029K in fixed compensation and €2,633K in variable compensation 2017 paid in 2018; no compensation due by the subsidiaries of the company.
(d) Compensation paid by Altarea, parent company of the company: €2,029K in fixed compensation and €1,179K in variable compensation 2016; no compensation paid by the subsidiaries of the company.
(e) Compensation due by Altarea, parent company of the company: €2,093K in fixed compensation and €3,148K in variable compensation 2018 (provisional amount) to be paid in 2019; no compensation due by the subsidiaries of the company.
(f) Compensation paid by Altarea, parent company of the company: €2,093K in fixed compensation and €2,633K in variable compensation 2017; no compensation paid by the subsidiaries of the company.

Alain Taravella, legal representative of Altafi 2, Manager of the company, has not received directly or directly, any compensation of any kind whatsoever from the company during financial year 2018. Additionally, it is made clear regarding the application of Articles L. 225-102 and L. 233-16 of the French Commercial Code, that apart from Altarea, its subsidiaries and Altafi 2, no other company paying compensation to a corporate officer falls within the scope of these provisions.

Directors' fees and other compensation received by non-executive corporate officers in office during financial year 2018

The company paid a total amount of €7,500 in attendance fees to the members of the Supervisory Board for 2018 (see Section 7.3.1.3 above).

		Amount paid during financial year 2017	Amount paid during financial year 2018
Christian de Gournay Chairman of the Supervisory Board	Directors' fees	N/A	N/A
	Other compensation[(a)]	€300K	€300K
Altarea[(b)] Supervisory Board member	Directors' fees	0	0
	Other compensation	0	0
Florence Lemaire Permanent Representative of Altarea	Directors' fees	0	0
	Other compensation[(c)]	-	-
Alta Patrimoine[(b)] Supervisory Board member	Directors' fees	0	0
	Other compensation	0	0
Léonore Reviron Permanent representative of Alta Patrimoine	Directors' fees	€1.5K	€3K
	Other compensation[(d)]	€10K	€12.5K
Jacques Nicolet Supervisory Board member	Directors' fees	€3K	€1.5K
	Other compensation[(d)]	€10K	€5K
Dominique Rongier Supervisory Board member	Directors' fees	€3K	€3K
	Other compensation[(d)]	€15K	€12.5K

(a) *Compensation paid by Altarea, parent company of the company, for the office of Chairman of the Supervisory Board of Altarea*
(b) *No compensation or benefit in kind is owed or has been paid by the company, or by the companies controlled by the company, or by the companies controlling the company, or by the companies controlled by the companies controlling the company, to this legal entity or to their permanent representative or to their legal representatives in connection with the office of Supervisory Board Member exercised within the company*
(c) *Florence Lemaire holds a permanent contract within the Altarea Group in respect of her salaried duties as Assistant Corporate Legal Director and receives compensation unrelated to the performance of her duties. Consequently, this compensation is not subject to publication.*
(d) *Compensation paid by Altarea, parent company of the company, in respect of attendance fees for the Supervisory Board of Altarea*

Other information about financial instruments giving access to the company's share capital and other optional instruments concerning each of the company's executive corporate officers.

Stock options granted during the financial year to each executive corporate officer by the company and by any Group company
No stock options were allocated during the financial year to the executive corporate officers by the company or by any other Group company.

Stock options exercised during the year by the executive corporate officers
No stock option granted by the company itself or another company in the Group was exercised during the elapsed financial year by executive corporate officers.

Free shares allocated to each corporate officer
No free shares were allocated during the financial year to the corporate officers by the company or by any other Group company.

Free shares allocated to each corporate officer that became available
No free shares have been granted during the previous financial years to corporate officers, whether by the company or another company in the Group.

History of stock options granted to corporate officers.
No stock options were allocated to the executive corporate officers by the company or by any other Group company.

History of free share allocations
No bonus share plan has been put in place by the company.

Group employees[50] do, however, benefit from the "Tous en actions" plan set up by the parent company, Altarea, for all employees holding a permanent contract with a company in the Group, which includes the company and its subsidiaries (see Section 5.4.3.3 and Note 6.1 in the Notes to the consolidated financial statements in Section 3.2 of this document).

[50] *Including Florence Lemaire, permanent representative of Altarea on the Supervisory Board of the company, in her capacity as an employee (Assistant Corporate Legal Director), in the same capacity as all employees with an open-ended employment contract, unrelated to the performance of her duties.*

Other information about financial instruments giving access to the company's share capital and other optional instruments concerning the top 10 employees excluding corporate officers and options granted to and exercised by them.

During financial year 2018, no stock options in the company were granted to employees of the Group by the company or by any company controlled by or controlling the company.

During financial year 2018, no stock options in the company granted by the company controlling the company was exercised by the ten highest-earning employees of the Altareit Group.

Employment contracts, supplemental pension plans, severance or other termination payments or benefits and non-competition compensation payable to the executive corporate officers

Executive Corporate Officers	Employment contract		Supplemental pension plans		Benefits or advantages due or that may become due by virtue of cessation or a change in duties.		Benefits relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
SAS Altafi 2 Single Manager		X		X		X		X

7.4 Delegations concerning a share capital increase

7.4.1 Delegations valid during the past financial year

Delegations valid during 2018	Date of authorisation (GSM)	Expiry date	Maximum nominal issue amount	Use in 2018
Share buyback programme				
Authorisation to proceed with share buybacks at a maximum price per share of €500 and for a maximum total amount of €80 million	15/05/2018(v)	15/11/2019	Up to a maximum of 10% of the share capital	See Section 8.3.2, above
Authorisations to reduce the share capital by cancelling shares purchased under the buyback programme	15/05/2018(vi)	15/07/2020	Up to a maximum of 10% of the share capital per 24 month period	None
Authorisations with preservation of preferential subscription rights				
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the company or a related company(i)(ii)	15/05/2018(vi)	15/07/2020	€50 million for capital increases €200 million for debt securities	None
Authorisations to increase the share capital by capitalising reserves	15/05/2018(vi)	15/07/2020	€50 million	None
Authorisations without preferential subscription rights				
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the company or a related company, as part of a public offering(i)(ii)(iii)	15/05/2018(vi)	15/07/2020	€50 million for capital increases €200 million for debt securities	None
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the company or a related company, as part of a private placement(i)(ii)(iii)	15/05/2018(vi)	15/07/2020	€50 million and 20% of the share capital per annum for capital increases €200 million for debt securities	None
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the company or a related company, for the benefit of particular categories of persons	15/05/2018(vi)	15/11/2019	€20 million	None
Issue of ordinary shares that may be combined with securities giving access to the company's share capital as remuneration for contributions in the form of securities(i)	15/05/2018(vi)	15/07/2020	10% of the share capital	None
Issue of ordinary shares and / or equity securities giving access to other securities to be used to remunerate the securities contributed as part of a public exchange offer initiated by the company	15/05/2018(vi)	15/07/2020	€50 million	None
Authorisations for the benefit of employees and senior management				
Increase in the capital reserved for members of an employee savings scheme	15/05/2018(vi)	15/07/2020	€100,000	None
Bonus share plans	15/05/2018(vii)	15/07/2021	65,000 shares(viii)	None
Stock option plans (share purchase)(iv)	15/05/2018(vi)	15/07/2021	65,000 shares(viii)	None
Stock option plans (share subscription)(iv)	15/05/2018(vi)	15/07/2021	65,000 shares(viii)	None
Share subscription warrants (BSA, BSAANE et BSAAR)(i)(iv)	15/05/2018(vi)	15/11/2019	65,000 shares(viii)	None

(i) Authorisation subject to a nominal global ceiling of €50 million for a capital increase by the issue of new shares and €200 million for the issue of debt securities
(ii) Authorisation subject to an authorisation to increase the issue amount by an additional 15% in case of over-subscription.
(iii) Delegation subject to an authorisations granted to Management to set the issue price up to a maximum of 10% of the share capital per annum.
(iv) Authorisation subject to a global ceiling of 65,000 shares, of which a maximum of 20,000 shares for the executive corporate officers.
(v) Authorisation rescinding any authorisation of the same kind granted by the Combined General Shareholders' Meeting of 11 May 2017, use of which in 2018 is described in Section 8.3.2, above.
(vi) Authorisation rescinding any authorisation of the same kind granted by the Combined General Shareholders' Meeting of 11 May 2017, which was not used in 2018.
(vi) Authorisation rescinding any authorisation of the same kind granted by the Combined General Shareholders' Meeting of 15 April 2016, which was not used in 2018.
(viii) Representing approximately 3.71 % of the share capital at 31 December 2018.

7.4.2 Delegations sought from the next General Shareholders' Meeting to be held on 23 May 2019

Delegations sought from the General Shareholders' Meeting of 23 May 2019	Maximum nominal issue amount	Resolution	Duration / Expiry date
Share buyback programme			
Authorisation to proceed with share buybacks at a maximum price per share of €1,000 and for a maximum total amount of €80 million(a)	Up to a maximum of 10% of the share capital	7th resolution	18 months 23/11/2020
Authorisations to reduce the share capital by cancelling shares purchased under the buyback programme	Up to a maximum of 10% of the share capital per 24 month period	8th resolution	26 months 23/07/2021
Authorisations with preservation of preferential subscription rights			
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the company or a related company(b)	€50 million for capital increases €200 million for debt securities	9th resolution	26 months 23/07/2021
Authorisations to increase the share capital by capitalising reserves	€50 million	18th resolution	26 months 23/07/2021
Authorisations without preferential subscription rights			
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the company or a related company, as part of a public offering(b)	€50 million for capital increases €200 million for debt securities	10th resolution	26 months 23/07/2021
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the company or a related company, as part of a private placement(b)	€50 million and 20% of the share capital per annum for capital increases €200 million for debt securities	11th resolution	26 months 23/07/2021
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the company or a related company, for the benefit of particular categories of persons	€20 million for capital increases €100 million for debt securities	15th resolution	18 months 23/11/2020
Authorisations granted to Management to set the issue price for capital increases without preferential subscription rights(b)	10% of the share capital	12th resolution	26 months 23/07/2021
Issue of ordinary shares that may be combined with securities giving access to the company's share capital as remuneration for contributions in the form of securities(b)	10% of the share capital	14th resolution	26 months 23/07/2021
Issue of ordinary shares and / or equity securities giving access to other securities to be used to remunerate the securities contributed as part of a public exchange offer initiated by the company	€50 million for capital increases €200 million for debt securities	16th resolution	26 months 23/07/2021
Global Ceiling and other authorisations			
Setting aggregate nominal ceiling of authorisations to the Management at €50 million for share issues and at €200 million for marketable securities representing debt in the company	€50 million for capital increases €200 million for debt securities	17th resolution	26 months 23/07/2021
Option of increasing the amount of an issue in case of over subscription(b)	-	13th resolution	26 months 23/07/2021
Authorisations for the benefit of employees and senior management			
Increase in the capital reserved for members of an employee savings scheme(b)	€100,000 for capital increases €500K for debt securities	19th resolution	26 months 23/07/2021
Bonus share plans(b)(c)	65,000 shares	20th resolution	38 months 23/07/2022
Stock option plans (share subscription or purchase)(b)(c)	65,000 shares	21st resolution	38 months 23/07/2022
Share subscription warrants (BSA, BSAANE et BSAAR)(b)	€100,000	22nd resolution	18 months 23/11/2020

(a) See Section 8.3.2, below
(b) Authorisation subject to the issue ceilings (€50 million for capital increases and €200 million for debt securities) scheduled in the 17th resolution
(c) Authorisation subject to a specific global ceiling of 65,000 shares (representing some 3.71% of the share capital at 31 December 2018), of which a maximum of 20,000 shares for the executive corporate officers

It should be noted that the delegations presented in the above table would rescind, if adopted by the General Shareholders' Meeting of 23 May 2019, the delegations of the same description previously granted by the General Shareholders' Meeting and presented in Section 7.4.1, above.

7.5 Conditions of participation in the General Shareholders' Meeting

Except for the requirements set by applicable laws and regulations, there are no particular procedures relating to shareholder participation in General Meetings. Article 25 of the company's Articles of Association state the following points:

Calling of meetings

General Meetings are called and take place in accordance with the provisions of the law. Notice of Meetings may be given electronically, provided that the shareholders have given their prior written consent. Meetings take place at the registered office or any other place indicated in the notice of Meeting.

Double voting rights

The Combined General Shareholders' Meeting of 5 June 2015, following the proposal by management and the recommendation by the Supervisory Board, voted to exclude double voting rights for Shareholders that have held their shares for more than two years, and modified Article 25 of the Articles of Association by adding an Article 25.6 entitled "Voting rights - votes", whereby:

"Subject to the provisions of the law and the Articles of Association, the voting rights attached to shares are in proportion to the percentage of the capital they represent, and each share entitles its holder to one vote. In accordance with the option provided for by Article L. 225-123 of the French Commercial Code, no double voting rights will be granted to fully-paid shares that have been held in registered form for two years in the name of the same limited partner."

Voting by mail and videoconferencing

Voting by mail takes place in accordance with the provisions of the law and regulations.

Shareholders may attend and vote at all meetings by videoconferencing or any other electronic means that permits their identification in accordance with the law and regulations, except for the Ordinary General Meeting held to approve the financial statements.

Proxies

Any shareholder may participate in person or through an intermediary in the General Shareholders' Meetings, regardless of the number of shares they possess, upon proof of their identity and their ownership of the shares by registering their shares, in their name, or in the name of their registered intermediary, within the periods and conditions stipulated by law and regulations. However, Management may shorten or even do away with the periods set forth in law if it is to the benefit of all Shareholders. Legal entities may take part in General Meetings through their legal representatives or any other person duly appointed for this purpose by their legal representatives.

Chairman - Bureau

General Meetings are chaired by the Manager or one of the Managers if there is more than one. If the Meeting is called by the Supervisory Board, it is chaired by the Chairman of the Supervisory Board or one of its members designated to that effect. Failing that, the Meeting elects its own Chairman.

Minutes of General Meetings are drawn up and copies certified and issued in accordance with the law.

7.6 Items that may have an impact in case of a take-over bid or public exchange offer

The information referred to under Article L.225-100-3 of the French Commercial is provided in Chapters 6 and 7 of this document, in Sections 8.2, 8.3 and 7.2 to 7.5.

GENERAL INFORMATION 8

8.1 History and development of the company

2007-2008

Since the end of the first quarter 2008, Altareit has been a direct subsidiary of Altarea, a listed REIT specialising in shopping centres.

Formerly bearing the name of Fromageries F Paul Renard, Altareit had been a subsidiary of the Bongrain Group until then. Its dairy business was wholly transferred to another company in this group at the end of 2007. As a consequence, the company became a listed company at the beginning of 2008.

After taking control of the company, Altarea submitted a simplified takeover bid constituting a buy-out bid, given the planned modifications. On that occasion Fromageries F Paul Renard changed its company name to Altareit, converting it into a "société commandite par actions" (a French partnership limited by shares), amended its corporate purpose and transferred its Head Office to Paris.

When taking control of Altareit, the intention stated by the initiator was to use this listed company in order to diversify the Altarea property assets portfolio in the sectors where its expertise, combined with the knowledge and know-how of Cogedim, opened up promising prospects.

At the end of December 2008, in accordance with its declarations, Altarea transferred to Altareit all of the shares making up the capital of the two Altarea Group entities operating outside its core business as a shopping centre REIT: Cogedim and Alta Faubourg. Cogedim is a long-standing Property Developer in France, responsible for all the Altarea Group Property Development business on behalf of third parties. In addition, Altareit acquired Alta Faubourg, which houses all the Altarea Group's diversification and promotion activities.

2009

Rebirth of a legendary site: La Salle Wagram. The Group embraces the ecology and sustainable development challenge through an approach which has achieved NF Logement Démarche HQE® certification for all types of residential property.

2011

In partnership with several leading international investors, Altareit founded Alta Fund, an investment vehicle in the office property field which currently has €650 million of equity.

2012

Altareit listed in Euronext Paris Compartment B as from 26 January 2012 (Compartment C up to 25 January 2012).

2014

Acquisition of a controlling interest (55%) of Histoire & Patrimoine, a company specialising in the renovation and refurbishment of urban heritage property. A partnership is concluded with Crédit Agricole Assurances in the company operating Cogedim Club® residences. Redevelopment of the ex-Laennec Hospital creating a new "urban district" in the seventh Arrondissement of Paris.

2016

Acquisition of 100% of the share capital of Pitch Promotion. The Group exceeds its objective of 10,000 units sold. New successes with large mixed-use projects (Bobigny, Belvédère district in Bordeaux and Cœur de City in Issy-les-Moulineaux).

2017

Delivery of the large mixed-use project Place du Grand Ouest in Massy. Signing of two leases concerning the future global Head Offices of Orange (Bridge Offices in Issy-les-Moulineaux) and Parfums Christian (Kosmo Offices in Neuilly-sur-Seine). Cogedim is voted Customer Service company 2018 and Altarea Cogedim becomes the global No.1 among listed companies evaluated by the Global Real Estate Sustainability Benchmark (GRESB).

2018

The S&P Global rating agency assigned to Altareit a BBB rating with a stable outlook. Completion of an inaugural bond issue for €350 million.

Acquisition of the balance of the capital of Histoire & Patrimoine, now fully-owned.

Cogedim came first among real estate brands in the Les Echos / HCG / Evertest classification for Customer Service and Experience and was awarded for its Customer Service for the second year running. The Group has confirmed the excellence of its CSR approach by becoming the world No. 2, all categories combined (listed and unlisted companies).

8.2 General information about the issuer

8.2.1 Company name (Article 3 of the Articles of Association)

The company's name is: Altareit.

8.2.2 Legal form – governing law (Article 1 of the articles of association)

Altareit was originally incorporated as a "société anonyme" (a French public limited company). It was transformed into a "sociéte en commandite par actions" (a French partnership limited by shares) by resolution of the shareholders at the Combined General Meeting held on 2 June 2008. Altareit is a company incorporated in France, governed by French law and in particular by the provisions of Book II of the French Commercial Code. Altareit is not governed by any other particular legislation or regulations.

8.2.3 Head office (Article 4 of the articles of association)

The company's registered office is at 8, avenue Delcassé – 75008 Paris.

Its telephone numbers are: +33(0)1 44 95 88 10 and +33 (0)1 56 26 24 00.

Altareit is housed by its sub-subsidiary Cogedim Gestion, itself the holder of a business lease for the offices at 8 avenue Delcassé à Paris 8ème.

8.2.4 Date of incorporation and term (Article 5 of the articles of association)

The company was founded on 16 June 1955 and, in accordance with the provisions of article 5 of its articles of association, has a duration of 99 years with effect from its incorporation on 19 August 1955, unless extended or dissolved early.

8.2.5 Corporate object (Article 2 of the articles of association)

The company's corporate purpose is:

- principal purpose:
  - the acquisition of all land, property rights or buildings, including through a construction lease or a leasing arrangement, and any and all assets and rights that may constitute an accessory or appendix to said property assets,
  - the construction of offices and all transactions directly or indirectly related with building these offices,
  - operating and creating value through letting these properties,
  - holding investments through the persons referred to in Article 8 and in paragraphs 1, 2 and 3 of Article 206 of the General Taxation Code, and more generally acquiring shareholdings in all companies whose main purpose is the letting of rental property assets in addition to operating, managing and assisting such persons and companies as well as investing in all other types of companies or group ventures, created or to be created and including holding companies;
- additionally, leasing all types of property;
- exceptionally, the transfer by disposal, contribution or merger of the assets of the company;
- and more generally all property, asset, civil, retail, industrial or financial transactions deemed to be of use for the development of the aforementioned purpose or which might facilitate its exercise, in particular by borrowing and the related constitution of all types of guarantee or collateral.

8.2.6 Trade & Companies Register and other identifying items

The company is registered at the Paris Trade and Companies Registry under registration number 552 091 050.

The Siret (Company Registration Number) number of the company is 552 091 050 00096 and its business code is 6820A.

The company's legal entity identification code (LEI) is 9695004OAPTHOKN99645.

8.2.7 Financial year (Article 28 of the articles of association)

The financial year begins on 1 January and ends on 31 December.

8.2.8 Distribution of profits and any surplus on liquidation (Articles 29 and 30 of the Articles of Association)

The company's distributable profit as defined by law is available for distribution by the General Meeting. The General Meeting has sole discretion over its appropriation. It may be appropriated in full or in part to any general or special reserves or to retained earnings, or may be distributed to the shareholders.

The General Meeting may also resolve to distribute sums from other reserves available to it, providing that the law so permits.

The Ordinary General Meeting, voting to approve the financial statements for the year, may decide to give each shareholder the option of receiving all or part of the dividend in cash or in ordinary shares issued by the company, in accordance with applicable law and regulations.

The General Partner is entitled to a priority dividend equal to 1.5% of the annual dividend paid.

Save in the event of a capital reduction, no distribution may be made to the shareholders if the company's net equity is or would as a result of the distribution become lower than the amount of share capital plus any reserves which are not distributable by law.

All of the foregoing is without prejudice to any future issuance of non-voting preferred shares.

In the event of the liquidation of the company, the net proceeds of liquidation, after settling liabilities, shall be shared between the limited partners and the general partners, up to 98.5% for the limited partners and up to 1.5% to the general partners.

8.3 General information about the share capital

8.3.1 Share capital - form and negotiability of the shares

Amount of the share capital (Article 6 of the Articles of Association)

As of the date of this Registration Document, the share capital was €2,625,730.50 of a nominal value, divided into 1,750,487 shares with €1.50 par value, fully paid-up and all of the same class. The ten existing General Partner (commandité) shares with a par value of €100 are held by Altafi 3.

Changes to share capital of the company during the course of the last three years

The Company's share capital has not changed during the last three years.

Changes to the share capital and the respective rights of the various categories of shares

The provisions of the Articles of Association regarding alterations to the share capital are no more restrictive than the provisions of the law, and they do not provide for any special classes of shares.

Form of shares (Article 10 of the articles of association)

Fully paid up shares may be in either registered or bearer form, at the shareholder’s option.

Shares may be converted from registered to bearer form and vice-versa in accordance with the provisions of the law. Notwithstanding the foregoing, shares must be in registered form where required by law.

Partially paid shares may not be converted to bearer form until they have been fully paid up.

Ownership of the shares is evidenced by their registration in accordance with the provisions of the law either in a share registry held by the issuer or its appointed registrar in the case of registered shares or in an account held with an authorised financial intermediary in the case of bearer shares. If requested by a shareholder, the company or authorised financial intermediary shall issue a certificate of registration.

Shareholders or intermediaries who fail to provide the information referred to above may, in accordance with the provisions of the law, have their voting rights and dividend rights suspended or disqualified.

The Company may at any time and at its own expense ask its clearing organisation for information about the name or corporate name, nationality and address of holders of securities conferring the right to vote at Shareholders' Meetings either immediately or in the future, as well as the number of securities held and any restrictions attached thereto.

The shares are indivisible for the purposes of the company.

Joint owners of shares shall accordingly be represented for the company’s purposes by one of the owners or by a person appointed by the owners as their sole representative. In the event of disagreement, the representative will be appointed by order of the presiding judge of the commercial court in summary proceedings at the request of the most diligent joint owner.

Trading in the shares (Article 11 of the articles of association)

The shares may be traded without restriction save for any provisions to the contrary set out in law, regulations or the Articles of Association.

Authorisations involving the share capital

The information concerning delegations valid during 2018, granted by General Shareholders' Meetings, and their use during the course of the previous year is provided in the Supervisory Board report on corporate governance included under Chapter 7 of this Registration Document.

Shares giving access to share capital

At the date of filing this Registration Document, no securities giving access to the share capital had been issued by the company.

Free share allocations

The company has not allocated any of its share capital under bonus share plans. However, and as mentioned in Section 3.2. Note 6.1.1 to the consolidated financial statements, the employees of its subsidiaries benefit from bonus share plans concerning Altarea shares.

Stock options

At 31 December 2018, as at 31 December 2017, there were no outstanding stock options.

8.3.2 Share buyback program

At the Combined General Shareholders' Meeting of 11 May 2017 and that of 15 May 2018, the shareholders authorised the company to purchase its own shares up to a maximum of 10% of the shares comprising the share capital and up to a total of €80 million, at a maximum price per share of €500.

In compliance with these authorisations, the Management decided to implement a share buyback program, setting the following order of priority:

1. to make a market in or to provide liquidity for the company's shares by an investment services provider under a liquidity contract that complies with the AMAFI Code of Conduct recognised by the French Financial Markets Authority (AMF);
2. to allocate shares to employees and/or corporate officers (in accordance with conditions set forth by law), particularly under a stock option plan, a bonus share plan or a company savings plan;
3. to allocate shares to the holders of securities entitling the holder to company shares;
4. to possibly cancel the acquired shares; and
5. more generally, to conduct any transaction or market practice which is authorised or which becomes authorised by law or the regulations in force or by the AMF.

The description of the share buyback programme was published in line with the provisions of Articles 241-1 et seq. of the AMF General Regulation.

At 31 December 2018, Altareit held 194 treasury shares, all allocated to the above-mentioned objective 1 (making the market or liquidating shares) and acquired within the framework of a liquidity contract.

Treasury share buybacks conducted in the 2018 financial year:

Month	Number of shares bought	Number of shares sold	Balance of treasury shares	Price at end of month
January	31	21	218	€282
February	20	20	218	€282
March	20	40	198	€304
April	18	54	162	€338
May	20	75	107	€400
June	49	24	132	€388
July	39	62	109	€460
August	10	52	67	€550
September	0	2	65	€515
October	57	8	114	€480
November	50	21	143	€482
December	69	18	194	€440

Note 6.1.1 to the consolidated financial statements specified in Section 3.6 in this Registration Document contains details concerning the treasury shares held by the company.

The Ordinary General Shareholders' Meeting called to approve the financial statements for the 2018 financial year will be asked to renew the authorisation to proceed with share buybacks granted by the general shareholders' meeting of 15 May 2018, with identical ceilings: up to 10% of the total number of shares comprising the share capital and up to a total amount of €80 million. The maximum price per share would be raised to €1,000 and the buyback objectives would be as follows:

- cancellation of all or part of the shares acquired;
- delivery of shares upon the exercise of rights attached to debt securities or equity securities entitling their holders to be allocated shares of the company;
- to allocate shares to employees and corporate officers in accordance with conditions set forth by law, particularly under a stock option plan, a bonus share plan or a company savings plan or employee shareholding plan;
- acting as a market maker on the security's secondary market and/or ensuring the share's liquidity by means of an investment services provider acting independently under a liquidity contract in line with a code of ethics recognised by the AMF;
- custody and subsequent delivery of shares in respect of payment, exchange or otherwise, under transactions pursuant to Article L. 225-209 para. 6 of the French Commercial Code and more specifically external growth transactions instigated by the company, on the understanding that the number of shares acquired by the company in this way may not exceed 5% of its share capital;
- allocation in whole or in part of the shares thus acquired upon the performance of any transaction in line with the regulations in force.

As previously stated, these acquisitions, disposals and transfers may be conducted by all means compatible with the law and regulations in force, including through the use of derivative financial instruments and through block sales and purchases. It will be expressly requested to authorise buybacks of shares from corporate officers in compliance with the provision of Article 3 of the Delegated Regulation (EU) 2016/1052 of 8 March 2016.

8.3.3 Capital breakdown

The company does not know the exact composition of its ownership at all times, as some of its shares are held in bearer form.

Ownership at 31 December 2018

Shareholder	Shares (and theoretical voting rights)		Actual voting rights at General Shareholders' Meetings	
	Number	%	Number	%
Altarea	*1,744,062*	*99.63%*	*1,744,062*	*99.75%*
Altarea France	*1,919*	*0.11%*	*1,919*	*0.11%*
*Alta Faubourg**	*1,881*	*0.11%*	*NA*	*NA*
Total Altarea control	1,747,862	99.85%	1,745,981	99.86%
Treasury shares	194	0.01%	NA	NA
Public float	2,431	0.14%	2,431	0.14%
Total	**1,750,487**	**100.0%**	**1,748,412**	**100.0%**

* Treasury shares whose voting rights may not be exercised in a General Shareholders' Meeting in line with the provisions of Article L.233-31 of the French Commercial Code.

To the company's knowledge, no significant change has occurred in the capital breakdown since 31 December 2018 and no shareholders currently hold, directly or indirectly, alone or in concert, more than 5% of the share capital and voting rights.

The 10 existing General Partner (commandité) shares with a nominal value of €100 are held by Altafi 3.

Employee shareholders

In accordance with the provisions of Article L. 225-102 of the French Commercial Code, it is specified that to the knowledge of the company, at 31 December 2018, none of the company shares were held by the employees of the company and of the companies related to it as defined by Article L. 225-180 of the French Commercial Code.

It is, however, specified that shares of Altarea, the parent company, are held by the employees of the company and the companies related to it as defined by Article L. 225-180 of the French Commercial Code and represent 1.06% of the shares making up the share capital of Altarea.

It must be emphasised that this percentage does not express the proactive nature of the employee shareholder policy implemented by Altarea's Management since the listing of the Altarea Group on the stock exchange in 2004, because it is calculated based solely on the number of shares held by the employee investment mutual funds (FCPE) and shares definitively acquired under bonus share plans authorised by the General Shareholders' Meeting since the Macron Law, of 6 August 2015, took effect. As such, it does not take into account (i) bonus share plans granted on the basis of an authorisation prior to 6 August 2015 and (ii) the implementation of new bonus share allocation plans whose acquisition is ongoing, aiming to make all employees full shareholders in the Group, and allowing them to benefit from the dividend paid to shareholders and from the capital gain afforded by an increase in the Altarea share price.

Pledges of company shares

As far as the company is aware, no pledges concerning its shares were in force as at 31 December 2018.

Change in ownership structure over the past three financial years

Shareholder	31/12/2018		31/12/2017		31/12/2016	
	Number of shares and DDV	% of the capital	Number of shares and DDV	% of the capital	Number of shares and DDV	% of the capital
Altarea	*1,744,062*	*99.63%*	*1,744,062*	*99.63%*	*1,744,062*	*99.63%*
Altarea France	*1,919*	*0.11%*	*1,919*	*0.11%*	*1,919*	*0.11%*
*Alta Faubourg**	*1,881*	*0.11%*	*1,881*	*0.11%*	*1,881*	*0.11%*
Total Altarea control	1,747,862	99.85%	1,747,862	99.85%	1,747,862	99.85%
Treasury shares	194	0.01%	208	0.01%	162	0.01%
Public float	2,431	0.14%	2,417	0.14%	2,463	0.14%
Total	**1,750,487**	**100.0%**	**1,750,487**	**100.0%**	**1,750,487**	**100.0%**

* Treasury shares whose voting rights may not be exercised in a General Shareholders' Meeting in line with the provisions of Article L.233-31 of the French Commercial Code.

Threshold crossings

Legal threshold crossings during 2018

In 2018, no filings were made with the Autorité des Marchés Financiers reporting the crossing of thresholds.

Disclosure of statutory threshold crossings (Article 12 of the Articles of Association)

In addition to the legal declaration obligations concerning threshold crossings, the articles of association specify that all other natural persons or legal entities acting alone or in concert with another party or parties and who hold or cease to hold a fraction of the capital, voting rights or securities giving future access to the capital of the company equal to or greater than one per cent (1%) or a multiple of this fraction up to 50% of the capital shall notify the company by registered letter, no later than the fourth trading day after the threshold crossing, of the total number of shares, voting rights or securities giving future access to the capital, which it possesses directly or indirectly, or jointly.

Any shares or securities that have not been disclosed in accordance with these requirements will be disqualified for voting purposes at all General Meetings held for a period of two years after the date on which the requisite disclosure is finally made, if the failure to disclose has been duly noted and if requested by one or more shareholders separately or together holding at least one percent (1%) of the company's share capital in accordance with the terms of the law. Similarly, the voting rights attached to any shares that have not been disclosed in accordance with these requirements may not be exercised by the holder either in person or by proxy.

8.3.4 Control of the company and shareholders' agreements

Control of the company

Altarea has a controlling shareholding in the company; Altarea is a "société en commandite par actions" (a French partnership limited by shares), with its Head Office at 8 avenue Delcassé – 75008 Paris, registered under number 335 480 877 RCS Paris.

Altarea holds, directly and indirectly, through Altarea France and Alta Faubourg which it controls, 99.85% of the capital (and theoretical shares and voting rights) of Altareit.

The company considers that the control is not exercised in an abusive manner.

Shareholders' Agreement

At the date of this 2018 Registration Document, the company had no knowledge of a Shareholders' Agreement.

8.3.5 Company officers and related party transactions in company shares

No sales or acquisitions of company shares were undertaken by the Management or persons with which they are closely linked, during financial year 2018.

8.3.6 Bonds not giving access to the share capital

Issue date	Issue amount	Subscription rate	Date of maturity	Interest	Market	ISIN
02/07/2018	€350,000,000	Entirely subscribed	02/07/2025	2.875%	Euronext Paris	FR0013346814

The bond issue contract shown in the table above contains a change of control clause.

8.4 Market in the company's financial instruments

Altareit	
Listing market	Euronext Paris - Compartment B (Mid Cap)
Codes	Ticker symbol: AREIT - ISIN: FR0000039216 Bloomberg: AREITFP - Reuters: AREIT.PA
Legal entity identification code (LEI)	9695004OAPTHOKN99645
Listings	CAC All Shares - CAC Companies Financières
Deferred Settlement Service (French SRD)	Non-eligible
PEA	Eligible
PEA SME	Non-eligible
ICB Sector classification	Real Estate Holding & Development, 8633

	Market capitalisation	High	Low	Latest price	Average price	Number of shares traded	Capital traded
2014	€259.08 million	€165.00	€140.00	€148.01	€152.84	1,015	€155,224
2015	€291.10 million	€181.00	€148.00	€174.01	€166.27	1,018	€169,266
2016	€311.00 million	€194.01	€166.00	€194.01	€177.70	1,156	€205,421
2017	€481.40 million	€315.01	€194.01	€275.01	€264.70	1,013	€260,583
2018	**€770.21 million**	**€600.00**	**€276.00**	**€440.00**	**€390.00**	**895**	**€389,959**

	High	Low	Latest price	Number of shares traded	Amount of capital traded
January 2018	€282	€276	€282	40	€11,052
February 2018	€282	€282	€282	20	€5,640
March 2018	€304	€282	€304	40	€11,912
April 2018	€340	€304	€338	54	€17,604
May 2018	€400	€338	€400	102	€38,220
June 2018	€392	€380	€388	101	€38,886
July 2018	€460	€408	€460	83	€35,478
August 2018	€600	€460	€550	186	€100,330
September 2018	€600	€510	€515	29	€15,760
October 2018	€540	€480	€480	75	€37,335
November 2018	€482	€478	€482	72	€34,514
December 2018	€482	€480	€440	93	€43,228

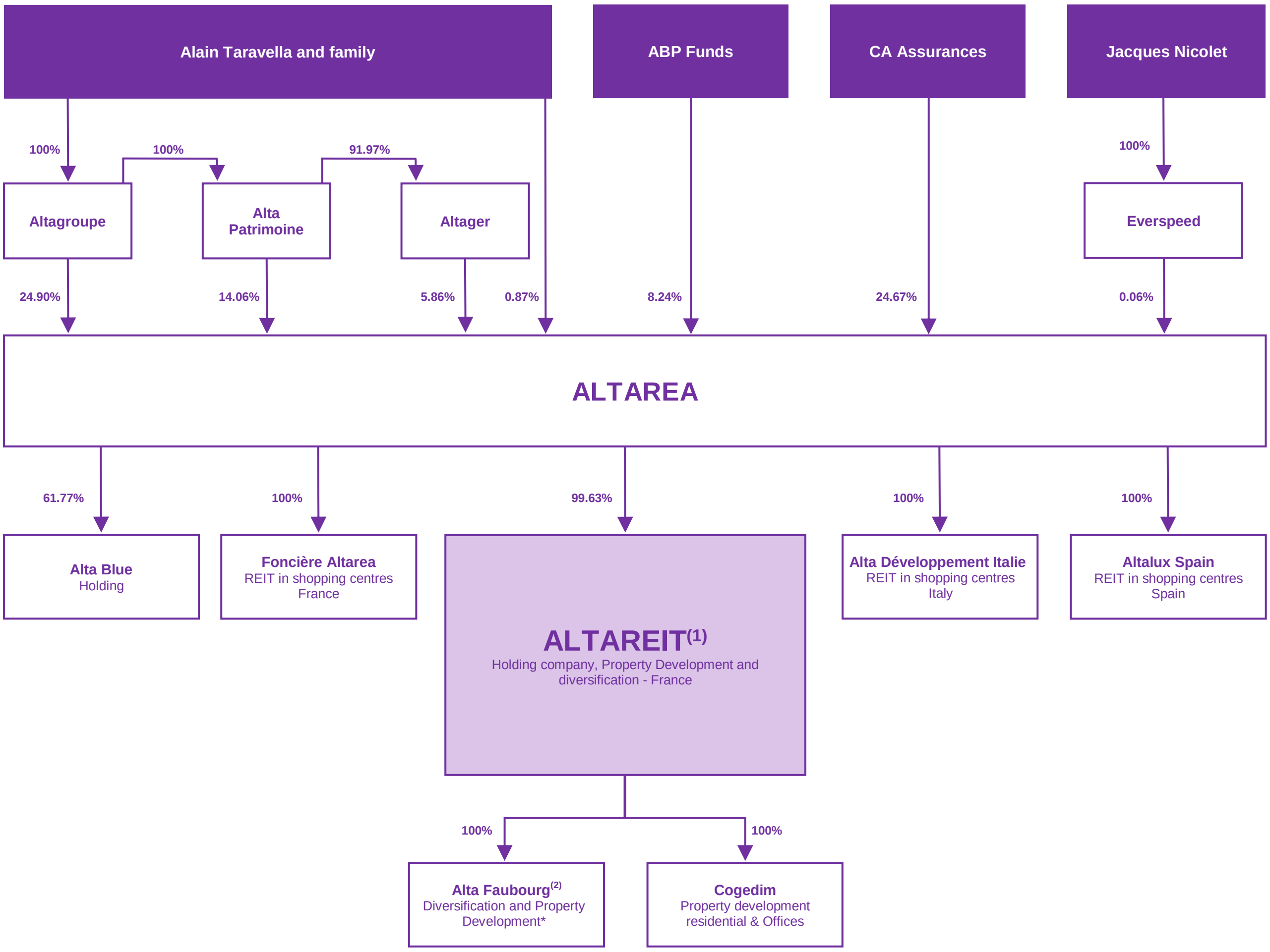
(source: Euronext)

8.5 Simplified organisational structure

8.5.1 The issuer and its Group

The company is controlled by Altarea, itself controlled by its founding shareholders, namely Alain Taravella, his family and the AltaGroupe, Alta Patrimoine and Altager companies which he controls, and Jacques Nicolet and Everspeed which he controls.

The organisational structure below presents the situation of Altareit and its subsidiaries in the Altarea Group at 31 December 2018, with regard to the Altarea Group and to the shareholders who control it in addition to the relations with the Altareit sister companies in France and abroad.



(1) *The capital links of Altareit's various bodies (Manager, General Partner and members of the Supervisory Board) are outlined in Sections 7.2.1 to 7.2.3.*
(2) *Pitch Promotion, Histoire & Patrimoine, the Residences & Services business and the participation in the AltaFund fund, are specifically held by Alta Faubourg*

8.5.2 Important subsidiaries

At the date of this Registration Document the company's main subsidiaries are as follows (the percentage corresponds to the direct Altareit shareholding in the capital of each of its subsidiaries).

Name	Activities	Location of the business	% share capital
Cogedim	Property Development Division: office property and residential	France	100
Alta Faubourg	Diversification Division (hotel business, cinema) and property development	France	100

The main data concerning the subsidiaries and associates of the company is presented in Section 4.2.3.5 of this Registration Document.

The list of the companies included in the company's consolidation scope is presented in Section 3.2. Note 4.2 to the consolidated financial statements.

The company centralises the Group's cash surpluses.

Note 8.3.6. to the consolidated financial statements provides details concerning the main financial instruments and market risks as well as information about the main bank covenants. The main assets and borrowings are carried by the subsidiaries that conduct the corresponding business operations.

During 2018, no equity interests were taken by the company.

8.6 Dividend policy

8.6.1 Dividends paid over the past three financial years

No dividends were distributed in the last three financial years ended 31 December 2015, 2016 and 2017 respectively.

8.6.2 Dividend distribution policy

The company's policy consists of having the equity required to ensure its pipeline development.

As such, Management will propose to the General Shareholders' Meeting called to approve the financial statements for 2018, the allocation of distributable income to retained earnings, to allow the company to continue to have access to the capital required for its development.

8.6.3 Expenditures and fees under Article 39-4 of the French General Tax Code

No expense or fee that is non-deductible for tax purposes within the meaning of Article 39-4 of the French General Tax Code was incurred in 2018.

8.7 Other information

8.7.1 Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings, including any proceedings that are pending or threatened of which the company is aware of and which may have or have had a material impact on the company's and/or the Group's financial position or profitability over the past 12 months.

8.7.2 Commercial information

8.7.2.1 Competitive situation

The chapters of this Registration Document containing the company description and management report (Sections 1 and 2) provide detailed, quantitative information on the Altarea Group's businesses and services, along with their trends, competitive landscape, and earnings.

The company's main competitors are as follows[51]:

- in residential property: the ten leading property operators[52], including the Altarea Cogedim Group, are: Nexity, Bouygues Immobilier, Vinci Immobilier, Kaufman & Broad, Icade Promotion, Pichet Groupe, Les Nouveaux Constructeurs, Sogeprom and BDP Marignan
- in the office property sector, the top ten property operators, including the Altarea Cogedim Group are: Vinci Immobilier, Nexity, Bouygues Immobilier, Sixième Sens Immobilier, Adim, Duval Développement, Linkcity, Eiffage Immobilier and GA Promotion.

8.7.2.2 Absence of material changes in the financial or business position

Since 1 January 2018, with the exception of what may appear in Note 11 to the consolidated financial statements (Section 2 of Chapter 3 of this Registration Document), the company has not experienced any material changes in its financial position or business situation.

8.7.2.3 Information that can affect the company's businesses or profitability

With regard to Property Development (Residential and Business Property), no single customer alone exceeds 10% of revenue, while the ten biggest customers represent 19% of revenue Property Development Division as at 31 December 2018. The hotel business has a large diversified customer base and its revenues do not depend on a single customer or a small number of customers.

[51] *In total sales volume in millions of euros – Palmarès 2018 – Classement des Promoteurs 2018 – Innovapresse – pages 14 and 16.*

[52] *Including the Serviced Residences business.*

8.7.3 R&D and innovation

Being fully aware of the societal, environmental and technological transformations currently affecting the company, and cities and society in general, in 2015 the Group created a multi-discipline team specifically dedicated to innovation, in order to encompass in its corporate mission: the improvement of the urban quality of life by more closely meeting the expectations of its customers.

This structure, comprising five employees, is in charge of identifying, analysing and mastering the new economic models of the city. As a cross-functional unit, it also identifies innovations for processes, products & services to provide a better customer experience and improve customer satisfaction across all business lines. Internally, it offers new digital collaborative tools to enhance the sharing of information.

It also drives an Open Innovation approach by developing partnerships with incubators, small and large companies and resource hubs in order to provide a continuous feed into the Group's innovation dynamic.

In order to strengthen the Group's culture of innovation, it regularly organises events for teams with external specialists to enhance knowledge on grass roots signals that will impact the Group's business lines.

It jointly establishes the overall guidelines of its business innovation alongside its operational departments. Also, each business line also has a specific structure to ensure the solutions that emerge are put into operation.

APPENDICES 9

9.1 Persons responsible for the registration document and the audit of the financial statements

9.1.1 Person responsible for the Registration Document

Altafi 2, Manager, represented by its Chairman, Alain Taravella.

9.1.2 Statement by the person responsible for the Registration Document

"I declare, after taking all reasonable care to ensure that such is the case, that the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I declare that to the best of my knowledge, the financial statements were prepared in accordance with generally accepted accounting principles and give a true and fair view of the assets, liabilities, financial position, and earnings of the company and all entities included within the company's scope of consolidation. I also declare that to the best of my knowledge, the management report in paragraph 2 gives a true and fair view of the businesses, earnings, financial position, and primary risks and uncertainties of the company and all entities included in the company's scope of consolidation.

I have obtained a statement from the Statutory Auditors at the end of their engagement confirming that they have read this Registration Document in its entirety and reviewed the information it contains regarding the company's financial position and financial statements".

Altafi 2
Manager
Represented by its Chairman
Alain Taravella

9.1.3 Persons responsible for the audit of the financial statements

Statutory Auditors(1)	Date of first appointment	Start date and duration of current term	Expiration of term
Full members			
Ernst & Young et Autres Tour First – 1, place des Saisons – 92400 Courbevoie Represented by Anne Herbein	2 June 2008	7 May 2014 6 financial years	GSM on the accounts for the financial year 2019
Grant Thornton(2) French member of Grant Thornton International 29, rue du Pont – 92200 Neuilly-sur-Seine Represented by Laurent Bouby entered into the rights of AACE Ile de France (as from 31/07/17) 29, rue du Pont – 92200 Neuilly-sur-Seine Represented by Laurent Bouby	2 June 2018(2)	15 May 2018	GSM on the accounts for the financial year 2019
Alternates			
Auditex Tour First – 1, place des Saisons – 92400 Courbevoie	2 June 2008	7 May 2014 6 financial years	GSM on the accounts for the financial year 2019
IGEC(2) 22, rue Garnier - 92200 Neuilly-sur-Seine	15 May 2018	15 May 2018	GSM on the accounts for the financial year 2019

(1) The company's Statutory Auditors are members of *Compagnie Nationale des Commissaires aux Comptes*.

(2) AACE Ile de France, official Statutory Auditors of the company since 2 June 2008 was dissolved without liquidation and its assets were transferred to Grant Thornton on 31 July 2017. Consequently, the position of Statutory Auditors for AACE Ile de France is now held by Grant Thornton since 31 July 2017. The General Shareholders' Meeting of 15 May 2018 decided (i) to note the changed legal circumstances of AACE Ile de France and the continuation as official Statutory Auditors of Grant Thornton and (ii) to note the termination of the office of alternate Statutory Auditors held by Grant Thornton, and consequent appointment of IGEC as the new alternate Statutory Auditors for the period remaining of the term of its predecessor.

9.2 Documents on display

The following documents are available to the public in electronic or printed form, and can be obtained from the company's registered office at 8, Avenue Delcassé – 75008 Paris, on working days and during office hours:

- the company's most recent Articles of Association;
- all reports, letters and other documents, past financial data, and expert opinions or statements requested by the company that are included or mentioned in this Registration Document;
- financial data for the company and its subsidiaries for the two financial years prior to the year in which this Registration Document is published.

Furthermore, regulated information about the company, including Registration Documents and the annual and half-yearly financial statements filed with the French financial markets authority (AMF) for the past ten financial years, is available and may be consulted on the company's internet site htttp://www.altareit.com (Finance / Regulated information / Publications).

9.3 Documents incorporated by reference

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

- the consolidated financial statements and corresponding audit report provided on pages 35 and 80, the annual financial statements and corresponding audit report provided on pages 85 and 100, as well as the management report provided on page 19 of the 2017 Registration Document filed with the *Autorité des Marchés Financiers* on 15 March 2018 under Number D. 18-0135;
- the consolidated financial statements and corresponding audit report provided on pages 37 and 80, the annual financial statements and corresponding audit report provided on pages 83 and 98, as well as the management report provided on page 25 of the 2016 Registration Document filed with the *Autorité des Marchés Financiers* on 14 March 2017 under Number D. 17-0169.

9.4 Cross-reference tables

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