LEADING OWNER DEVELOPER IN FRENCH GATEWAY CITIES

2016 REGISTRATION DOCUMENT ALTAREA COGEDIM

CONTENTS

ALTAREA COGEDIM

RETAIL REIT

PROPERTY DEVELOPMENT

1ST

LEADING OWNER DEVELOPER IN FRENCH GATEWAY CITIES

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Registration Document was filed with the *Autorité des Marchés Financiers* on 10 March 2017, 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*. In accordance with Article 222-3 of the AMF General Regulation, this Registration Document includes the annual financial report for 2016. This document has been drawn up by the issuer and is the responsibility of its signatories.

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 71 and 142, the annual financial statements and corresponding audit report provided on pages 145 and 163, as well as the management report provided on page 43 of the 2015 Registration Document filed with the *Autorité des Marchés Financiers* on 24 March 2016 under number D. 16-0201;

• the consolidated financial statements and corresponding audit report provided on pages 47 and 116, the annual financial statements and corresponding audit report provided on pages 119 and 137, as well as the management report provided on page 25 of the 2014 Registration Document filed with the *Autorité des Marchés Financiers* on 25 March 2015 under number D. 15-0203.

CONTENTS

Publications ecosystem

www.altareacogedim.com

IN THE SERVICE OF URBAN GROWTH

Altarea Cogedim's new integrated strategic report tells of our entrepreneurial adventure, begun by Alain Taravella and Jacques Nicolet in 1994 and shared today with a workforce of nearly 1,400.

And so, for the first time, Altarea Cogedim is changing its annual report into an integrated strategic report. The new approach shows how the Group – through its strategy, business model, governance, performance and prospects – works to create financial and intangible value.

Inspired by the principles of "integrated thinking" and the terms of reference proposed by the IIRC **(International Integrated Reporting Council),** this report was developed as a combined effort, by working together with the Group's departments. We believe it reflects our company culture*.

* The report covers fiscal year 2016 (from 1st January 2016 to 31st December 2016) and the Group entities in the consolidation. It has been available since 22nd February 2017.

A BRIEF OVERVIEW OF ALTAREA COGEDIM

Simultaneously a retail REIT, residential developer and an office property developer, the Altarea Cogedim group has created a unique integrated model to assert itself as a true urban property manager providing excellent quality of life. With nearly 1,400 employees, the Group has expertise in each of these business fields and the ability to design mixed-use urban projects that incorporate new uses. In the top three residential developers in France and the retail REITs, with 41 shopping centres in its portfolio, in France, Italy and Spain, the Group is also the number one office property developer in the Paris region with a global operating model.

Founded in 1994, Altarea Cogedim is an entrepreneurial real estate group. It is controlled and directed by Alain Taravella and two co-managers, Gilles Boissonnet and Stéphane Theuriau. Listed in Compartment A of Euronext Paris, Altarea Cogedim has a market capitalisation of €2.8 billion as at 31st December, 2016. ▲

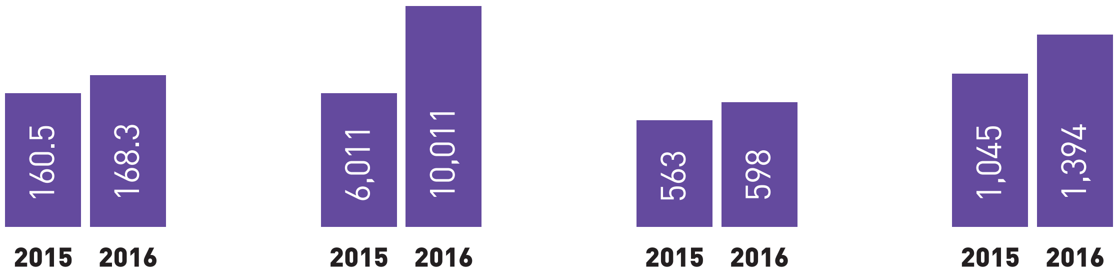
LEADING POSITIONS IN FRANCE:

IN THE TOP THREE RETAIL REITS

IN THE TOP THREE RESIDENTIAL DEVELOPERS

NO. 1 OFFICE PROPERTY DEVELOPER IN THE PARIS REGION

NO. 1 MIXED-USE URBAN PROJECTS DEVELOPER IN METROPOLISES



NET RENTAL INCOME RETAIL (IN € MILLION)

HOUSING SOLD (IN UNITS)

INVESTMENTS IN OFFICE PROPERTY (IN € MILLION INCL. TAX)

NUMBER OF EMPLOYEES

€1,582M IN REVENUE

+30%

€192M RECURRING NET RESULT (FFO)

+19%

100% SHAREHOLDER EMPLOYEES

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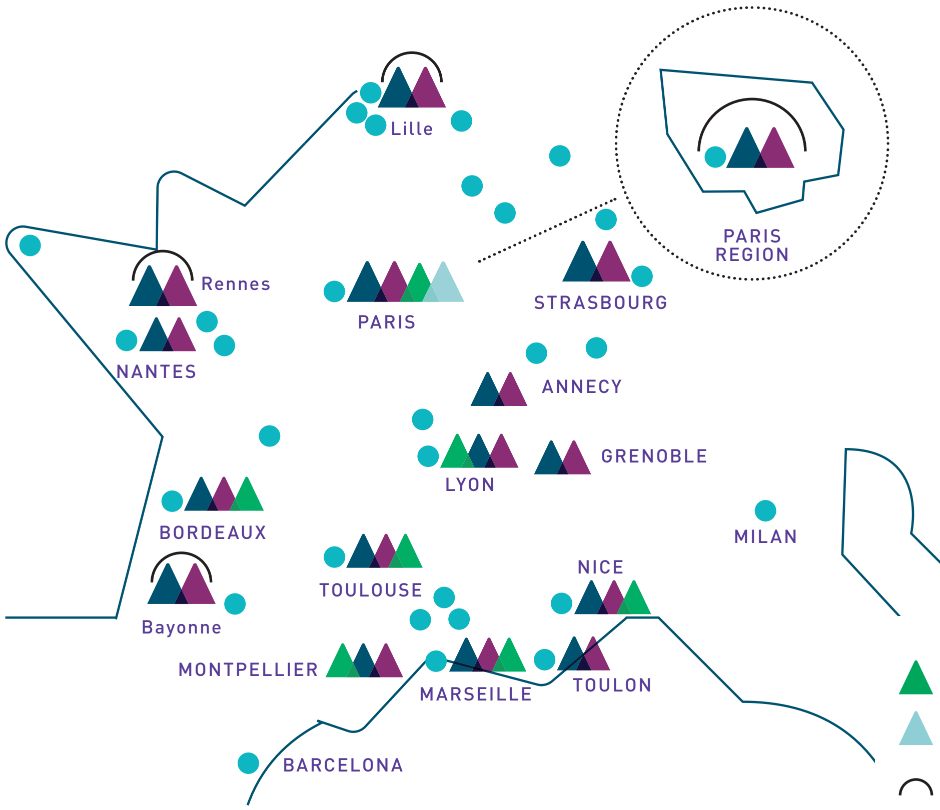
1 ST RETAIL REIT TO BE CERTIFIED **BREEAM IN-USE**

GLOBAL NO. 1 **AT GRESB 2016**

COGEDIM IS CERTIFIED BY NF HABITAT HQE TM

GROUP LOCATIONS



In France
Altarea Commerce
Pitch Promotion
Histoire & Patrimoine
Paris: Cogedim Paris Métropole
Paris region: Cogedim Île-de-France
Nantes: Cogedim Atlantique
Annecy: Cogedim Savoies Léman
Lyon: Cogedim Grand Lyon
Grenoble: Cogedim Grenoble
Nice: Cogedim Méditerranée
Aix/Marseille/Toulon: Cogedim Provence
Toulouse: Cogedim Midi-Pyrénées
Bordeaux: Cogedim Aquitaine
Lille: Cogedim Hauts-de-France
Rennes: Cogedim Rennes Bretagne
Bayonne: Cogedim Pays Basque
Montpellier: Cogedim Languedoc-Roussillon
Strasbourg: Cogedim Est

International
Milan: Altarea Italy
Barcelona: Altarea Spain

Pitch Promotion
Retail
Histoire & Patrimoine
Residential
New locations
Office Property

MESSAGE

ALAIN TARAVELLA
CHAIRMAN AND FOUNDER
OF ALTAREA COGEDIM

Our history is that of entrepreneurs and our success is based on a strong conviction: metropolises are the fabric of the future. It is there that most of the growth in mainland France will be seen and that the real estate of the future is taking place. Today, we conduct almost all our business in the 12 largest French cities.

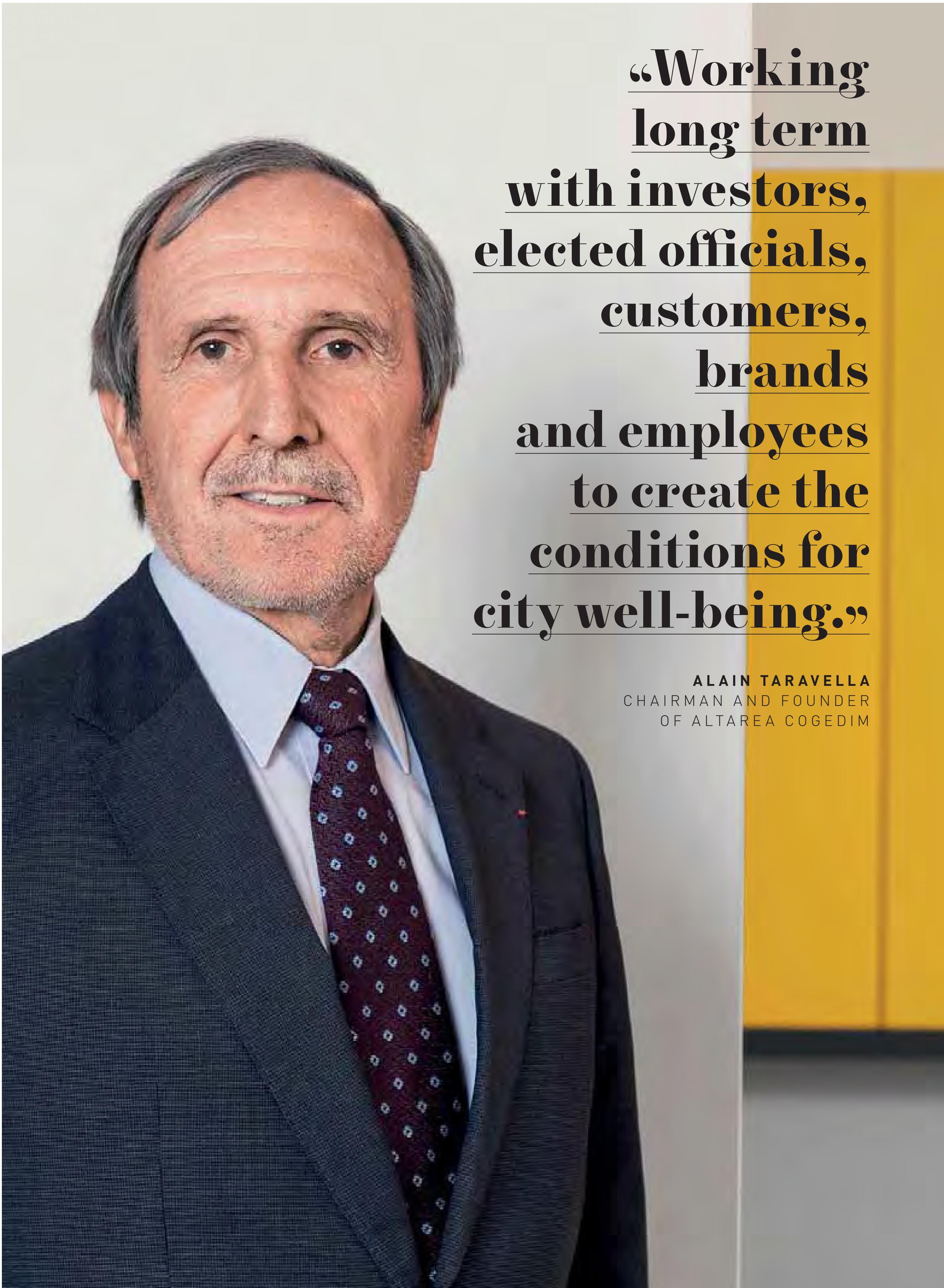
Despite successive crises and the uncertain international context, Altarea Cogedim has grown unceasingly since its inception. And our 2016 results reflect this dynamic. All our activities show strong growth.

Growth to the power of three, that of our three core businesses (commercial, residential and offices), allows us to offer “better living” to residents and solutions relevant to the issues facing cities in transition today.

Energy transition, demographic transition, economic transition, digital transition, etc. All these challenges need a strong and permanent partner to bring transversal and mixed operations to a successful conclusion, in line with current urban planning imperatives and high expectations for quality of life.

To meet this goal, the Group intends to act as a prospective and in growth in its markets player, while retaining its operational agility, an essential component of its DNA. We will continue our efforts in innovation and digitisation to anticipate new uses, encourage the most talented people to join us to support our development and employment and tailor our organisation to best satisfy our customers. And this, by affirming our original value creation model, which associates all employees with the results of our growth.

2016 marks a turning point. In 2017, we will be able to achieve our ambitions by making Altarea Cogedim a new leader in real estate. As the leading owner developper in French Gateway cities, it is up to us to become their general interest partner; it is up to us to accompany investors, elected officials, customers, brands and employees in the long term to create all the conditions for wellness in the city. ▲



“Working long term with investors, elected officials, customers, brands and employees to create the conditions for city well-being.”

ALAIN TARAVELLA
CHAIRMAN AND FOUNDER
OF ALTAREA COGEDIM

OUR VISION

ALAIN TARAVELLA
PRESIDENT AND FOUNDER
OF ALTAREA COGEDIM

GILLES BOISSONNET
CO-MANAGER AND CHAIRMAN
OF THE MANAGEMENT BOARD
OF ALTAREA COMMERCE

STÉPHANE THEURIAU
CO-MANAGER AND CHAIRMAN
OF THE MANAGEMENT BOARD
OF COGEDIM

Altarea Cogedim's 2016 performance is excellent. How do you explain these results?

Alain Taravella: We turned a critical corner in 2016, stating clearly our willingness and our ability to move from **challenger to leader.** Despite an uncertain macroeconomic environment, **our results are growing in all sectors** (development, business, finance) and in all products. They reflect the **strength and relevance of our model,** the strength of our beliefs in each of our activities, our high operating standards, our ability to understand the digital impact on our core businesses and the talent of our teams and managers that make it possible to roll out this ambitious strategy and achieve our goals. The year also saw us **win some large-scale mixed-use operations** (Cœur d'Issy, Bobigny La Place, Le Belvédère in Bordeaux, reconversion of the Hospices Civils in Lyon, etc.) through the **collective expertise of our teams.** Finally, 2016 saw the refocusing of our Group on its core businesses with the acquisition and integration of Pitch Promotion at the beginning of the year. ▲

"Ensure recurring growth through excellence!"

Stéphane Theuriau: With more than **10,000 housing units sold,** we are two years ahead of our market plan. This reflects our exceptional dynamism, the tremendous energy of our teams and the relevance of the solutions we offer to local authorities and their residents. The commercial performance of the residential division is worthy of special mention. Office Property also grew strongly. As such, it should be noted that we are now the **leading investor and developer in offices in the Paris region.** ▲

Gilles Boissonnet: Retail posted a satisfactory performance, improving revenue in a difficult economic environment. The year was characterised by the opening of the shopping & leisure centre, L'Avenue 83, near Toulon, the completed redevelopment of Cap3000 at Saint-Laurent-du-Var, near Nice, the first ever regional shopping centre with a view of the sea, and of course by Le Parks, the shopping centre which opened in Paris. ▲

What are your priorities for this year?

S. T.: The economic environment is expected to remain favourable for us, despite a likely rise in interest rates and inflation. While it seems difficult to repeat the 2016 retail performance, 2017 should allow us to transform that performance into financial performance. This will be the case particularly in residential, where reservations will contribute significantly to an increase in our revenue and our margins. Finally, in office property, we will launch the works for the Paris region's three largest office buildings (Kosmo, Pont d'Issy and Tours Pascal). ▲

G. B.: In Retail, we will continue and accelerate our development by refocusing selectively on effective and sustainable products. After the QWARTZ in 2014 and L'Avenue 83 in 2016, we will inaugurate a cross-border centre: Promenade de Flandre, in northern France. This dynamic will continue through the major transformation of the space and retail offering at Montparnasse train station - one of Paris' four train stations in which we operate the retail areas. In the second half of 2017, we will deliver a new district: Place du Grand Ouest at Massy, a 100,000 m² project where we will be able to roll out three business lines in perfect synergy at the service of a community and its people - thanks to the trust that our partners have in us. ▲

Gilles Boissonnet, Alain Taravella and Stéphane Theuriau at the Cogedim Store, Bercy Village, Paris 12th.

The Group has undeniable strengths, but must also face up to significant challenges. What are they?

S. T.: The watchword for this year will be **growth through excellence.** The strong growth of our Group and the responsibility we have across all our business lines demands more than ever that we demonstrate excellence. Our customer culture must bear it, our achievements must embody it, our performance must illustrate it, our entrepreneurial spirit and our values must translate it to our everyday work ; because every day we are managing projects to promote social connections, and collective wellness. This year, we will continue our actions, focusing on **quality for our customers** while developing our product offering as well as the **synergy among our activities.** ▲

G. B.: To support and secure strong and sustainable growth, our Group must face up to a number of challenges. First, managerial challenges; with the recruitment of **300 employees in 2016,** Altarea Cogedim is continuing to grow and attract new talent. Next, functional challenges; with the **spread of innovation,** the **digital transformation of the company and the strengthening of our corporate social responsibility (CSR) approach.** We will not be leaders if we are not a responsible company. We are therefore very proud to have achieved in 2016, the world number 1 ranking among Retail REIT businesses in the GRESB (Global Real Estate Sustainability Benchmark) classification, which each year assesses the SER performance of companies in the real estate sector. ▲

A. T.: We know we can count on the strength and relevance of our business model as well as on the expertise and commitment of our employees - all associated with a comprehensive employee ownership plan that we call **“Tous en actions!”** - to enter a new stage of our development and achieve the ambitious objectives that we have set ourselves. ▲

OUR MARKET

A new accelerated, mobile, digital and global world
The way we are, act, work, think, as well as live, move, produce and consume are changing fast. At the crossroads of these dynamics, metropolisation is asserting itself as a social, territorial and demographic fact dominating twenty-first century France. The emergence of a true "metropolitan France" is altering the way in which we perceive our country, with the development of centres, clusters, neighbourhoods and major urban projects in the city. Metropolisation encourages us to review the mix of places and uses in a dynamic approach to the local area. It feeds on revolutions, which complement each other, respond to and amplify one another: digital and technological (r)evolution, territorial (r)evolution, ecological and energy (r)evolution, demographic (r)evolution.

15 urban areas including 12 cities in which we operate	=	40% of the population in 10% of France's territory	55% of the payroll	50% of economic activity

Source : OCDE - Dynamics and territorial inequalities, France Stratégie, July 2016.

PROFOUND, TRANSVERSAL CHANGES

DIGITAL AND TECHNOLOGICAL (R)EVOLUTION

Digitisation is a fact of our daily lives. It impacts all our customs and our practices: travel, working methods, social relations. Coupled with technological advances and connected objects, it has changed our way of living.

The digital development of cities is an important issue or priority for 88% of the French population.

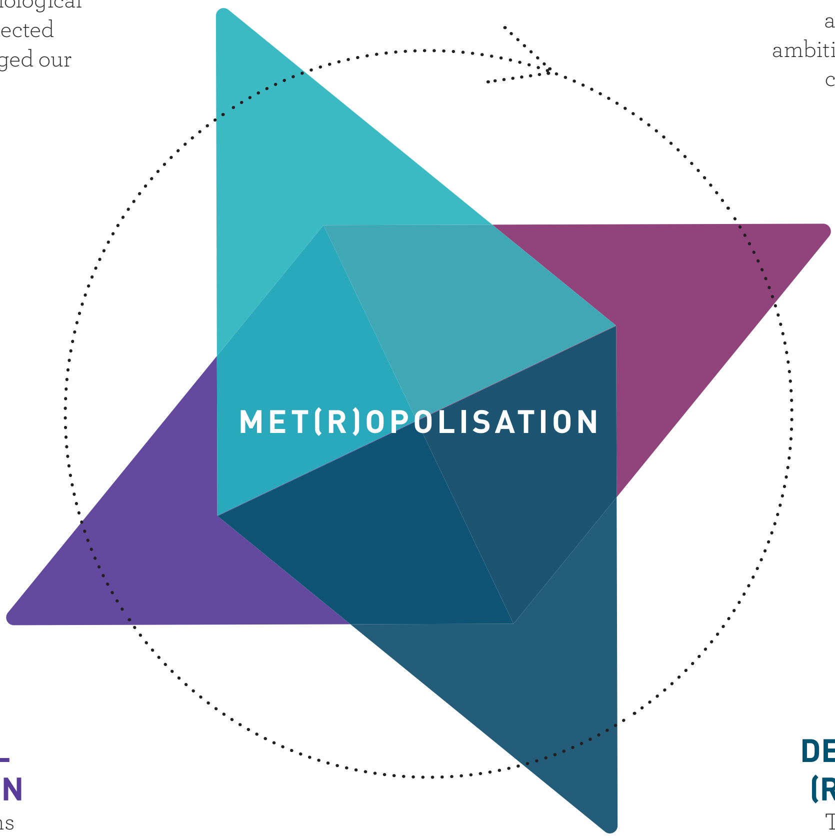
(Ifop, 2015)

Climate change is the top environmental concern of the French people.

(Insee, 2014)

ENVIRONMENTAL AND ENERGY (R)EVOLUTION

The development of the circular economy and the search for downscaled, individual and collective energy solutions, show a strong and globally shared ambition: to fight against climate change and pollution.



The urban area has increased by 19% in surface area. Nearly 80% of the French population lives in an urban area.

(Insee, 2014)

TERRITORIAL (R)EVOLUTION

New digital systems and mobility are compartmentalising spaces, reconfiguring the management and architecture of corporate life. This “mobiquity” is clashing with the conventional structures of our economic and social organisation.

The social connection is at the heart of the ideal neighbourhood of tomorrow for nearly 2/3 of the French population.

(Ipsos, 2015)

28.6% of the French population would like to see that their city is investing in urban mobility to improve their quality of life.

(m2ocity, 2015)

%

DEMOGRAPHIC (R)EVOLUTION

The life expectancy of the French population is increasing constantly, just like the retirement age. These two phenomena are bringing the generations together. They are also generating new territorial forms of life.

THE CITY, FABRIC OF THE FUTURE

At this time of hyperconnectivity and mobility, it is in the cities that the responses to the economic, social and environmental challenges of the modern world are being invented, tested and developed.

At the forefront of these (r)evolutions

Open, related, connected, cities have formed in places where the new world is being invented, developed and built. Made stronger by globalisation, they are at the forefront of economic development, ecological transition in habitat and mobility, the knowledge and digital economies, the search for a new quality of life for all. Because they combine knowledge and innovation, energy and skills, generational diversity and a social mix, technology and entrepreneurship, they are the laboratory of the city of tomorrow, where responses and services to build a sustainable, dynamic, smart and united city are being invented today.

Creating shared wealth

The issue today is no longer to create wealth and apportion it among territories, but to create wealth in the territories. Cities have the ideal size to think "neighbourhoods" - inclusive, innovative, qualitative, mixed in their functions and their usages, to recreate proximity and connection within. They are the relevant territorial framework for finding solutions to the different "fractures" - social, cultural, digital, spatial, demographic, or environmental - which still too frequently characterise France. In this way, the city becomes a space built, shaped, personalised by the individuals who live there, and for projects they have. A territory at the service of urban development and with strong potential for reinvention and dynamisation. ▲

2%	50%	70%	14.9%
of the surface of the planet is covered by cities	of the population lives there	of the population will be urban by 2050	Percentage of average income above the national average

ALTAREA COGEDIM TAKES ON THIS NEW TERRITORIAL CHALLENGE

URBAN DEVELOPER AND PROPERTY MANAGER, ALTAREA COGEDIM INTENDS TO PLAY A MAJOR ROLE ALONGSIDE THE CITIES TO HELP THEM FACE THEIR NEW CHALLENGES.

1

The cross-functional nature of our projects and the synergy between business lines are anchored in our business model

The Group has based its model on the multi-business expertise and diversity of real estate projects, at the service of more sustainable cities.

2

We want to reinvent towns to invent metropolises

Our ambition is to provide practical and innovative responses to emerging urban issues, with a strong belief: create links rather than locations.

3

Metropolitan areas are a breeding ground for strong growth

It is in the cities that the population, activities and value creation are now concentrated.

4

Mixed-use programmes are the future of our territories

The city is the ideal level for rethinking real estate according to a more comprehensive approach, by building mixed urban projects.

METROPOLITAN IMPERATIVES

- **Improve** quality of life, strengthen the social connection and develop community-based services
- **Support** the movement of suburbanisation by creating real local hubs
- **Support** trade growth
- **Limit** air pollution and energy consumption
- **Better** control travel and encourage mobility

ALTAREA COGEDIM'S ANSWERS

- **Design** mixed neighbourhoods and create urban synergies between workplaces, retail and living environments
- **Reinvent** the city upon itself and populate it
- **Create** new retail formats
- **Develop** office space open to the city in line with new uses (digital, collaborative)
- **Anticipate** continually evolving residential needs and design quality housing that keeps pace with societal and territorial changes

OUR INTEGRATED MODEL

AT THE SERVICE OF METROPOLITAN AREAS DEVELOPMENT

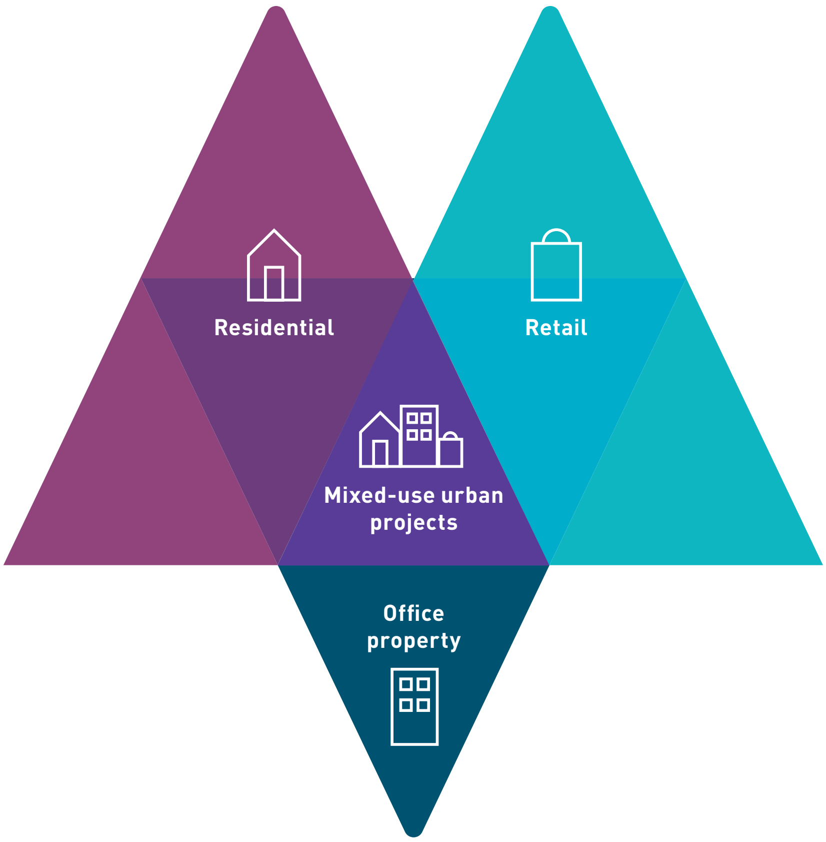
Boosted by the complementarity of its specialist fields of expertise, Altarea Cogedim is the only French player capable of acting as a global operator in cities. It is thus particularly well positioned to take and assume leadership on these territories.

Altarea Cogedim has developed a unique integrated model based on the complementarity of three activities - retail, residential and office property - and a presence across the entire real estate value chain. Simultaneously an investor, a developer, asset manager, marketer, operator and manager for third parties, Altarea Cogedim has placed diversity of uses at the heart of its positioning, thus anticipating emerging urban imperatives and the expectations of residents.

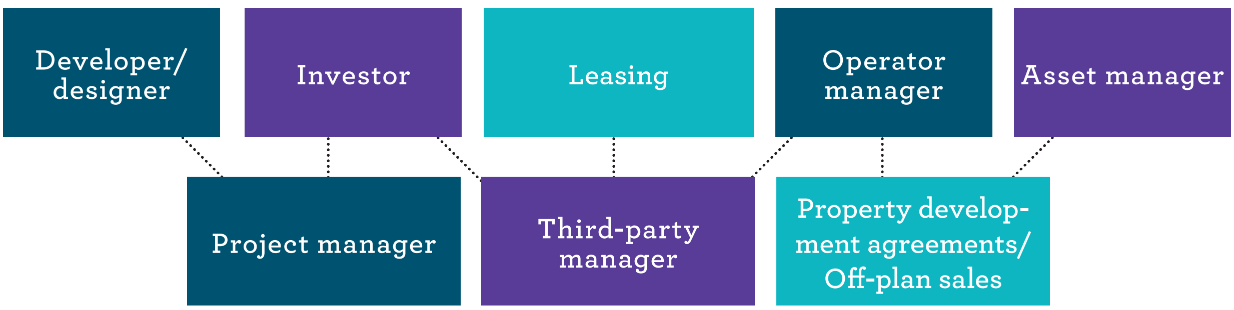
Altarea Cogedim's ability to mobilise all its skills and its teams across all departments is a true source of innovation, both in programming and in arranging or financing operations.

Thanks to this comprehensive approach, the Group conceives real urban projects based on the retail REIT and development divisions. As creators of urban cohesion, Altarea Cogedim's activities ensure profitable growth over the long term. ▲

THREE COMPLEMENTARY ACTIVITIES



ACTIVITIES THAT SPAN THE ENTIRE REAL ESTATE VALUE CHAIN



CUSTOMER AND INNOVATION AT THE HEART OF PROJECTS

The value of a real estate asset is based on the quality and intensity of their users' experience. This is why Altarea Cogedim designs each of its housing, offices or its shopping centres as a true living meeting the aspirations of its final customers. This is how Altarea Cogedim anticipates and accompanies the new expectations of citizens in terms of ethics, responsibility, innovation or diversity in all its projects.



"We are aware of the issues related to digitisation and innovation in our business, and are studying all aspects of the real estate market."

A BUSINESS MODEL BASED ON A PIONEERING VISION OF METROPOLISES

Profound and transversal changes

- digital and technological (r)evolution
- ecological and energy (r)evolution
- metropolisation
- demographic (r)evolution
- territorial (r)evolution

Impacts

- development of multipolar cities
- high demand for residential
- shopping experience to be reinvented
- inadequate supply of offices

Altarea Cogedim business model

- **a unique positioning with fully integrated activities** in retail, residential, office spaces (investor, developer, management for third parties, assets, etc.)
- **in metropolises**
- **new real estate solutions** (travel retail, stores on building ground floors, mixed neighbourhoods, offices of tomorrow, etc.)
- **focus on the customer and uses**

OUR STRATEGY

ANTICIPATE THE EVOLUTION OF URBAN USES

Attentive to the new urban issues, Altarea Cogedim is anticipating their impacts on its markets. Combining long-term vision and short-term agility, the Group is developing its customer culture, emphasising innovation and investing in its employees to achieve its ambition: to be the new leader of the real estate sector.

OUR BELIEFS

TO BE AT THE HEART of the metropolitan fabric to reinvent urban life

TO WORK IN SYNERGY as an end-to-end and integrated player

TO PROVIDE qualitative, innovative and sustainable ANSWERS

THIS IS WHAT IS GUIDING THE PROJECTS AND AMBITIONS OF ALTAREA COGEDIM AS A MULTI-PRODUCT REAL ESTATE OPERATOR AND METROPOLITAN PLAYER.

MIXED-USE URBAN PROJECTS

CONTINUE THE DYNAMICS OF DEVELOPMENT/ ADDRESS URBAN CHALLENGES

OFFICES

TO ENSURE RECURRENCE OF THE MODEL/TO PARTICIPATE IN THE PERFORMANCE OF BUSINESSES AND WELL-BEING OF USERS

RETAIL

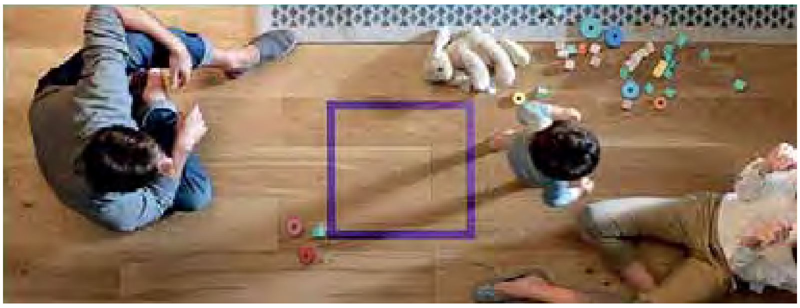
TO ENSURE RECURRENCE OF THE MODEL/TO PARTICIPATE IN THE PERFORMANCE OF BUSINESSES AND WELL-BEING OF USERS

RESIDENTIAL

TO INCREASE OUR MARKET SHARE/COVER ALL RESIDENTIAL PATHS

A REQUIREMENT: CUSTOMER SATISFACTION

Again this year, the Group puts the customer at the heart of its strategy and its activities. In 2016, Altarea Cogedim accelerated the transformation of its business lines and has been able to express strong convictions in each of its activities, demonstrating its commitment to customer service. ▲



IN RESIDENTIAL: ENHANCE THE COGEDIM DIFFERENCE

Under the Cogedim brand name, the Group offers customised and differentiating services:

- **Showroom:** in June, 2016, the group opened its first Cogedim Store in Bercy Village (Paris 12th arrondissement);
- **Personalisation of residential housing:** customers enjoy a variety of materials, several decorative atmospheres and several interior fitting schemes;
- **Single point of contact for a simplified purchase path:** a customer relationship manager is at the customer's side from the signing of the reservation contract onwards and supports them through to delivery providing a bespoke service. It is the single point of contact who guides customers at each stage;
- **Rental management offer to individual investors:** with the creation of Cogedim Gestion et Services, combining the skills of Altarea Cogedim and Histoire & Patrimoine Gestion, the Group has developed strong synergies for rental and condominium management;
- **Altarea Cogedim Partenaires common platform:** offering all our partners (portfolio management advisors) and their customers the same bespoke benefits and services for the three brands. Cogedim, Histoire & Patrimoine and Pitch Promotion: customer support, training, efficient tools for support with sales and daily communication about the Group's offers and news.

IN OFFICE PROPERTY: THE BUILDING OF THE FUTURE SUPPORTING USES

Aware of the change in uses at work and current societal changes in the real estate industry, the Altarea Cogedim group is convinced that the "workzone", or the traditional business district, is above all a place to live at the service of the performance of companies and the well-being of their employees.

- **The challenge for the Group** is to find a new balance between flexibility and standardisation of office property; to move from a quantitative to a qualitative era where the office block embodies a certain idea of the company which is more human, more connected and more open to the ever greater mixing of professional and personal time and space.

- **At the heart of the mixed-use projects that we develop,** our office buildings offer more flexibility and density to metropolises and their residents. From creators of places, we have become creators of links.

IN RETAIL: PROJECTS AT THE SERVICE OF CUSTOMERS

To attract and retain customers, Altarea Cogedim designs increasingly attractive innovative spaces, combining services, events, connected and enhanced shopping experience:

- **L'Avenue 83** was designed as an open-air shopping & leisure centre, and is innovative in terms of design, architecture, as well as customer service and leisure activities (slides for children, etc.).
- Visitors can enjoy the restaurants offered by the centre via a **"digital food court",** and order their food through an app or from the website.
- **At the 2016 SIEC** (retail industry and commercial property trade show), Altarea Cogedim was also Siec'Lab's partner inviting Pôle Léonard de Vinci students to think about and present prototypes for a new shopping experience.
- **At Cap3000** shopping centre, customers could see innovation in action with all the entertainments available at Digital Wave and the Vox arena video selfie space.

RETAIL: REINVENTING AN AGILE MODEL FOR THE FUTURE

Shopping centres are a model acclaimed by consumers. However, this model must evolve into a multifaceted form of retail, in line with new behaviour. The Group is developing a location and product strategy which more specifically targets metropolises with potential. ▲

« To achieve our REIT objectives, we will rely on our specialist skills: mixing asset optimisation and long-term investments. »

LUDOVIC CASTILLO,
CEO, Altarea Commerce

Our market analysis

- **Mature** market overall
- Shopping centre format **changing** (leisure, living environment)
- Impact of **digitisation** on consumption methods
- Development of service offerings associated with **mobility** (travel retail)

Our strengths

- **Digital eco-system** means we know our customers better to better meet their needs
- Capacity to offer **guarantees:** support until start of operations, long-term ownership of real-estate assets
- Team of developers and asset managers for **optimized asset management**
- **Recognized** product expertise

OUR PRODUCT LINES

Today, the Group has 41 estate centres with an average value of €110 million.

Premium regional assets. The Group develops and manages large regional shopping centres (QWARTZ, Cap3000, Espace Gramont, etc.).

Shopping and leisure. Shopping centre projects combining retail and leisure are an original model, more than ever in line with the aspirations of society.

Travel retail. Altarea Cogedim designs projects to transform stations into real living environments, for travellers as well as for local residents.

Retail Parks. This concept provides original retail spaces with a strong environmental component, carefully detailed architecture and a mass market qualitative offering.

AltaProximité. Perfect illustration of the added value of the Group, AltaProximité develops convenience retail operations to meet the needs of city centres and offer premises for "new" retailers. ▲

RESIDENTIAL: IMAGINE ALL THE RESIDENTIAL PATHS

In a particularly dynamic market context, the main challenge is to manage hypergrowth while aiming for excellence. To become a leader, customer satisfaction is an essential condition. This requires a clear understanding of customer expectations to design new "modes of living" adapted to their needs. It also involves a redesign of our customer approach, now managed by a dedicated division. ▲

« The strong growth of our residential business continues. We have more than doubled the number of sold housing units compared to 2014 and reached our objective of 10,000 reservations two years early. »

PHILIPPE JOSSÉ,
CEO, Cogedim

Our market analysis

- **Strong demand**
- **New products** to develop due to social demographic change
- **Favourable context** (fiscal framework, zero-interest loans (PTZ), Pinel legislation, the credit market)

Our strengths

- Wide offer covering **all types of** residential products, from entry level to high-end (first-time/second-time owners, block investment, serviced residences, etc.)
- **Personalised approach to customer support,** strengthened with the opening of the first "Store Cogedim"

OUR PRODUCT LINES

A wide and diversified residential offer, three brands: Cogedim, Pitch Promotion and Histoire & Patrimoine. Altarea Cogedim offers its buyers a wide choice of residential housing, providing an appropriate response to all market segments. In all of these ranges and its brands, the Group stands out by its signature, a guarantee of quality, innovation and environmental commitment.

Cogedim Patrimoine. The Group offers programmes under the Cogedim Patrimoine brand, where the different attributes of ownership are held separately.

Serviced residences. Altarea Cogedim designs sheltered accommodation for independent senior citizens under the Cogedim Club® brand, as well as student and business residences.

Almost all Cogedim's operations are certified NF Habitat, a true benchmark of quality and performance of the housing, guaranteeing enhanced comfort and energy savings.

NF HABITAT

PITCH PROMOTION, SUCCESSFULLY INTEGRATED

The acquisition of Pitch Promotion in February 2016 confirmed Altarea Cogedim's position as the leading owner developper in French Gateway cities. Created in 1989, Pitch Promotion is a major real estate development player, both in residential and premises for service businesses, operating in the Paris region and the major regional cities. Building on its successful integration and significant synergies achieved this year in the development and marketing areas, the Group was able to capture new markets and accelerate its growth. ▲

Market analysis

- Dynamic of **demand**
- Help build up **regional development**

Our strengths

- Nearly **30 years of expertise**
- An **extensive product** portfolio (residential and office)
- A capability to **design custom and mixed-use solutions**
- A **spirit of service** to the local authorities and their residents

« Pitch Promotion has based its development on values that have given it its reputation: high standards, commitment and responsiveness. In the Altarea Cogedim group, we are doing everything to imagine the most satisfactory solutions for our customers, the most interesting for investors, the most sustainable for future generations. »

CHRISTIAN TERRASSOUX,
chairman and CEO of Pitch Promotion

HISTOIRE & PATRIMOINE

In 2014, by acquiring 55% of the capital of Histoire & Patrimoine by means of a capital increase, Altarea Cogedim strengthened its expertise in the renovation and redevelopment of historic urban centres.

Rental management offering for individual investors. Born from the combination of the skills of Altarea Cogedim and of Histoire & Patrimoine Gestion, the group has developed strong synergies in rental management and co-ownership association activities with Cogedim Gestion & Services.

OFFICE PROPERTY: CREATE THE OFFICES OF TOMORROW

The office property market is a segment where the new expectations of users and a concern for comfort at work come together. Versatility of use, connectivity, services: office buildings will have to translate the culture of the company they house, as well as promote well-being at work. Resolutely focused on the future, the Group has reviewed its model to take these new challenges into account, passing from service provider to global operator throughout the life cycle of the asset, while retaining demanding levels of arthictectural excellence to develop a new and differentiating offer that can excite users' loyalty. ▲

« Well-being at work should be at the centre of our concerns, as they shift from the building to the occupant. This is a real change in approach. »

JEAN-FRÉDÉRIC HEINRY,
general manager of development and office property, France

« The main imperative for the office business: to make this business line, considered as cyclical, an activity that can produce recurring results. »

LAURIAN DOUIN,
general manager of Altarea Cogedim Entreprise

Our market analysis

- **Inadequate offer** compared to the needs (obsolescence, new uses, digitisation)
- **Many assets to be repositioned** in key areas

Our strengths

- Major player in the **redevelopment** of the office stock (50% of creative restructurings in the Paris region)
- **Integrated** global operator model, investor, developer and project manager all at the same time

OUR PRODUCT LINES

AltaFund. In Offices, Altarea Cogedim acts as an investor and operator through its AltaFund, its fund dedicated to the development of premium assets in the Paris region.

Creative redevelopments Altarea Cogedim is a leading light in the office market and has rebuilt the 128 boulevard Raspail and Kosmo office buildings in the Paris region.

"Turnkey" projects for users. Altarea Cogedim is active in all the large regional cities. Its model gives it a particularly strong position in the market for "turnkey" projects for users.

MIXED-USE URBAN PROJECTS: AFFIRMING OUR LEADERSHIP

A multi-business player, we develop residential areas, where shops, housing and office property come together. The only operator to offer a complete package, the Group aims to develop mixed-use urban projects, to meet the expectations of society and capture the value from the assembling of products. ▲

Our market analysis

- **Important needs:** demand for urban diversity and new uses
- **Responsibility** in terms of general interest shared by public and private players

Our strengths

- **Unique expertise** covering three core businesses (retail, residential housing,office property)
- **Ability to represent a long term partner** for local authorities through our positioning as investor and operator
- **Leading position** in French metropolises
- **Potential to call up** large amounts of equity to develop projects in a single tranche

« Mixed-use projects are an opportunity to enhance our partnership with local authorities. »

THIBAULT LAUPRÊTRE,
general manager of mixed-use projects, Altarea Cogedim

« We call on all the Group's skills to provide solutions to major and complex urban projects meeting the needs of the residents of the metropolis. »

OLIVIER BUCAILLE,
general manager, Cogedim

INNOVATION: CAPTURE AND IMPLEMENT NEW TRENDS

A key value for Altarea Cogedim, innovation pervades the company. Target: control the economic models of new urban uses and conceive new solutions, accelerating our business.

DIGITAL TRANSFORMATION

Altarea Cogedim accelerated its digital transformation with the creation in 2016 of a Digitisation and Innovation Department. This functional department, serving all the business lines, aims to put innovation at the heart of the activities and processes to develop the Group's agility, growth and ultimately, its performance. The first projects include establishment of an internal collaborative ecosystem and the use of digital to increase the number and quality of our interactions with all our stakeholders and in particular our customers.

TRANSFORMING AND OPERATIONAL INNOVATION

Reporting to the digital department, the innovation department, AltaFuture aims to identify new trends and turn them into reality. This involves assessing transposition methods in the Group's business lines that have structuring tendencies - such as big data, the sharing economy or virtual reality - to enhance the value of our offerings. The Group is also pursuing its policy of open innovation through partnership with the Paris&Co and Immowell Lab incubators Collaborations are also underway with start-ups on the increased intensity of use of buildings, the integration of digital and the connected building, integration of new services or customer satisfaction tracking. ▲

« The digital transformation is changing our core business and our processes making us switch into the era of collaboration and thus respond better to new uses. »

ALBERT MALAQUIN, general manager of digitisation and innovation, Altarea Cogedim

MANAGEMENT: DEVELOPING THE GROUP'S CULTURE

To support its development and build the foundations for solid growth, Altarea Cogedim has an ambitious HR policy, aimed at promoting integration and the commitment of employees, management of careers and talent, its employees being the Group's most important asset.

ENHANCED HR ORGANISATION

With an increase of 33 % in 2016, the Group's headcount has seen unprecedented growth, bringing the workforce numbers to almost 1,400. And this has led to three major challenges: integration of newcomers, dissemination of a common culture and development of all employees' skills, to prepare the core businesses for tomorrow's property world. To deal with this triple challenge, Altarea Cogedim has restructured its human resources department. ▲

ALL IN ACTION (TOUS EN ACTIONS)!

Motivating and involving employees and sharing the fruits of growth are embedded in Altarea Cogedim's DNA. All the Group's employees are involved in contributing to the Company's growth, thanks to an employee stock ownership programme. In 2016, 113,000 bonus shares were distributed to 1,298 employees.

« Our strong acceleration requires investments and an efficient organisation, while maintaining a cautious commitment policy. Our success will be in accordance with our values. »

PHILIPPE MAURO,
group general secretary

« From horizontal management to the creation of a youth committee made up of thirty-year olds, our ambition is to develop our employer brand to attract and retain talent. »

KARINE MARCHAND,
human resources director of Altarea Cogedim

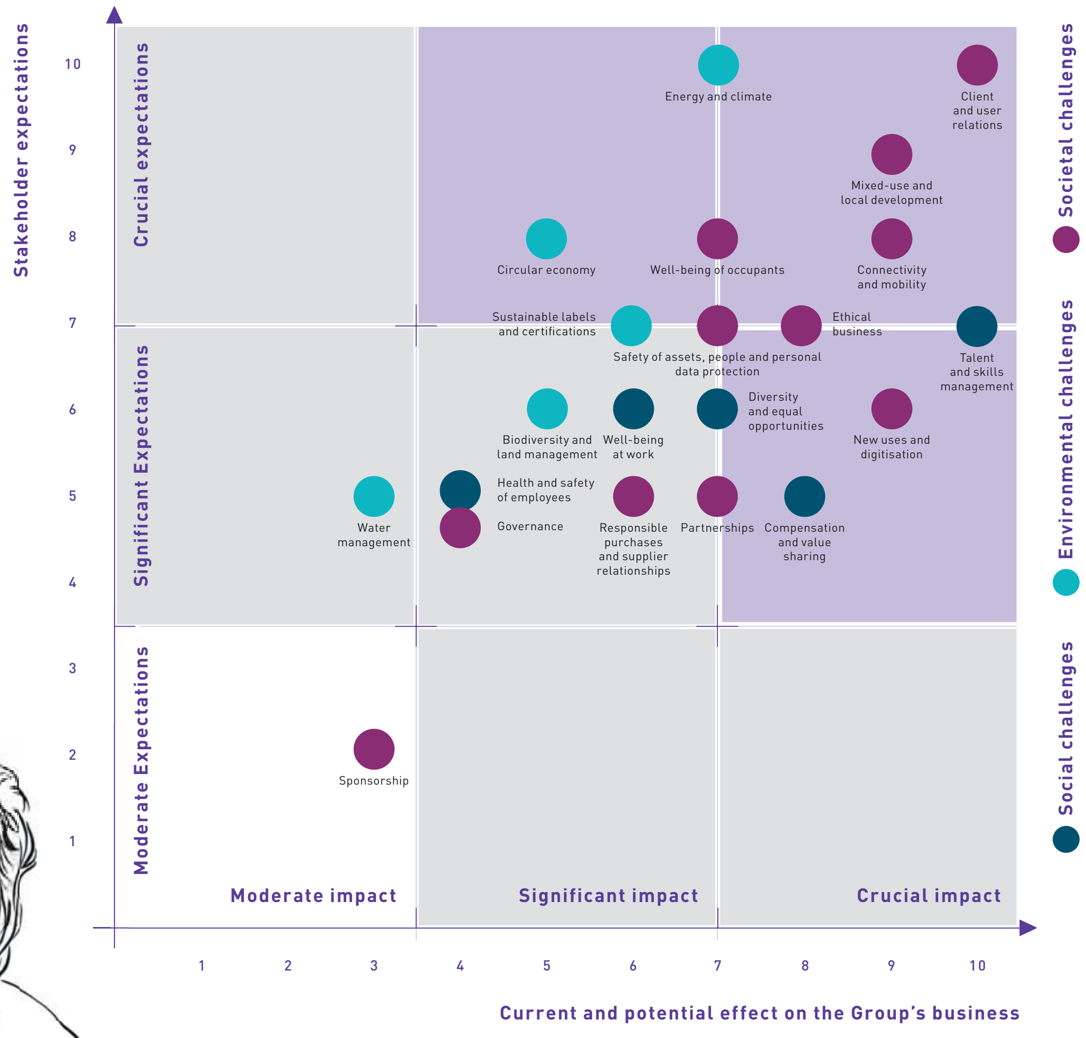
« By putting forward advice and proposals, the Real-estate Legal unit aims to foster cooperation throughout the Group and underpin its development. »

LAURENT CAMPREDON,
real estate legal director of Altarea Cogedim

LISTENING TO STAKEHOLDERS IN ORDER TO DEFINE OUR NEW CSR ROADMAP

Launched in 2009, the Group's CSR approach has been overhauled this year: the Group has held discussions with a dozen or so of its external stakeholders and its internal CSR Committee to establish its new priorities, in the service of its strategic ambition, around three central pillars: talents, customers and sustainable metropolises. ▲

Materiality matrix



« World leader in the GRESB* ranking, we will maintain our environmental commitments and strengthen our HR and societal actions. Attracting talent, offering the best support to our customers, engaging with the metropolises in a sustainable approach - those are our main priorities. »

NATHALIE BARDIN, institutional relations, communication and CSR director

*Global Real Estate Sustainability Benchmark (GRESB)

OUR PERFORMANCE

A HIGH-PERFORMANCE FINANCIAL MODEL THAT CREATES VALUE

As leading owner developer in French gateway cities, Altarea Cogedim's financial model is grounded on optimum allocation of captial employed, high cash flow and robust financial strength designed to drive toward a strategy of growth.

In 2016, the Group substantially strengthened its capital and leverage is now very low: LTV fell sharply to 37.2%. Earnings-wise, the strong growth in profitability largely offset the dilutive impact of the capital increases. FFO per share grew 7.2% to €13.60, underlining the effectiveness of our financial model. The capital employed by the Group is largely allocated to support our shopping centres portfolio which generates recurring revenue. As for Property Development, it generates significant profits from a relatively modest balance sheet allocation. Going Concern NAV per share grew by 16.2% to €159.60. ▲

« Our financial model combines strong value creation with high profits. »

ÉRIC DUMAS,
CFO, Altarea Cogedim

€1,582 M
REVENUE
(+30%)

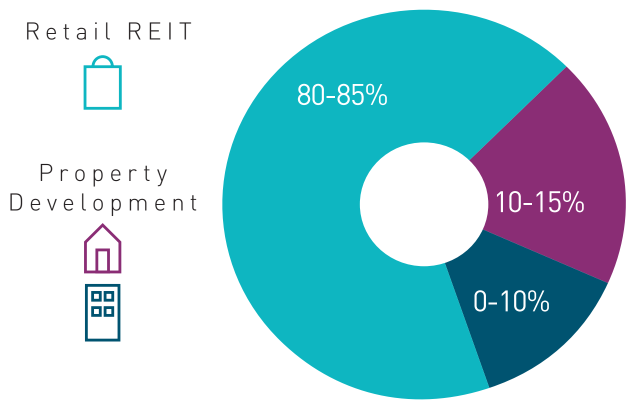
€13.6
FFO / SHARE
(+7.2%)

€159.6
GOING CONCERN NAV / SHARE
(+16.2%)

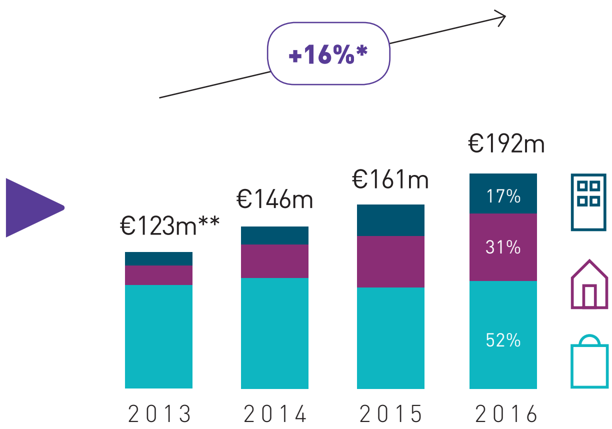
37.2%
LOAN TO VALUE
(-730 bps)

FINANCIAL MODEL

CAPITAL EMPLOYED

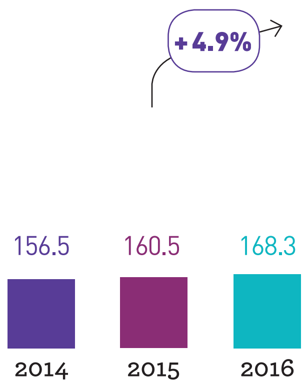


CONTRIBUTION TO FFO

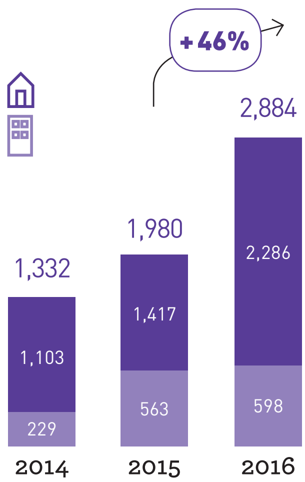


* Average annual growth rate **2013 FFO restated for the Laennec-Paris7 Rive Gauche

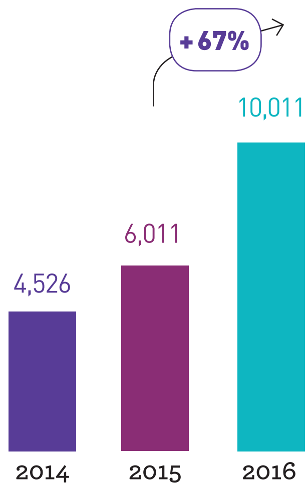
2016 KEY FIGURES



Net rental income RETAIL
(in € million)



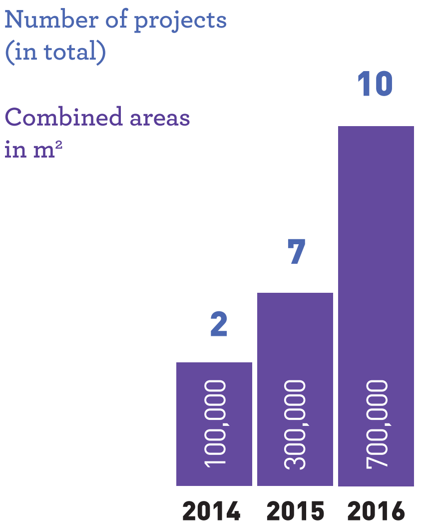
Property development new orders
(in €million incl. tax)
Figures as at 31 December 2016



Housing sold
(in units)

AN EXCELLENT OPERATIONAL PERFORMANCE

Thanks to major commercial successes and an active policy for the development of assets, Altarea Cogedim saw strong operational growth in 2016. This performance demonstrates the relevance of our business model and our strategy at the service of the development of metropolises and our customers. The Group has also confirmed its refocusing on the real estate business lines and reinforced its positions with the acquisition of Pitch Promotion.



DEVELOPMENT OF THE SECURED MIXED-USE URBAN PROJECTS PIPELINE

MIXED-USE URBAN PROJECTS: STRONG SALES DYNAMIC

The Group has confirmed its position as the reference partner for metropolises in mixed-use projects, driven by a sustained growth dynamic.

RESULTS

With several new projects in 2016, Altarea Cogedim is today running a total of some twelve mixed-use operations in France. The new successes confirm the ties of trust maintained with local authorities and the ability of the Group to accompany the latter in partnership in the face of complex urban challenges.

HIGHLIGHTS

Bordeaux Belvédère area

In March 2016, the consortium that is 50% owned by Altarea Cogedim and Pitch Promotion was selected to develop the 140,000 m² of the new Bordeaux Belvédère district. This project, aiming to build an innovative unit with a high quality of life, will accommodate offices, residential housing, stores, services, business premises, a hotel, a business hotel residence, an emergency accommodation centre, as well as cultural and events equipment of metropolitan dimensions. It is one of the key operations for development of the Garonne Eiffel urban development area, part of the Bordeaux Euratlantique national interest project, in connection with arrival of the high-speed Paris-Bordeaux line in July 2017. ▲

Downtown at Issy-les-Moulineaux

In June 2016, Altarea Cogedim was appointed operator-investor for the Downtown project at Issy-les-Moulineaux (92). This unit, developed over more than 100,000 m² and articulated around an urban park, will feature a new generation commercial offering, a collaborative digital space for residential housing and offices as well as public facilities. This exemplary eco-district will put digital at the service of social interaction and living well together. It will have the top certifications and labels (BREEAM "Excellent", Well, BiodiverCity, etc.). The first deliveries will take place in 2021. ▲

Bobigny La Place

Altarea Cogedim was selected at the end of 2016, as single operator-investor to implement the downtown Bobigny La Place project. This project is designed to replace the current Bobigny 2 shopping centre in a new neighbourhood where public spaces will be enhanced. 1,170 housing units, 10,000 m² of offices, 13,000 m² of shopping & leisure space will bring this 100,000 m² unit to life, thus enhancing the polarity of downtown Bobigny, in the heart of Grand Paris. ▲

The former Blanchisserie de Lyon (Lyon Laundry)

The Group was selected by the Civilian Hospices of Lyon for the planned transformation of the Central Laundry site in a mixed-use programme covering more than 17,500 m². The conversion of a historic site into an ecosystem where diversity is welcomed is another key feature of the 21e District project conducted in Pantin. ▲

+
Find out more at
www.altareacogedim.com/ Mixed-use projects

RETAIL: VERY STRONG ACTIVITY IN ALL AREAS

A major player in the industry with a controlled portfolio of shopping centres valued at €4.512 billion, in 2016 Altarea Cogedim continued its strategy, refocused on "prime" assets, a policy of investment and a shift toward retail formats adapted to changing expectations.

RESULTS

2016 saw the commercial offering of the centres expand and an increase in their occupancy together with higher revenue for tenants. In a mature and stable market, the Group's projects are receiving a very favourable welcome from retailers and the shopping centres are holding up well to the general weakness of the economy. The year was marked by a very intense development activity - opening of a first phase of the Le Parks centre located at boulevard Macdonald in the 19th arrondissement of Paris, opening of L'Avenue 83, completion of the renovation of the Cap3000 regional shopping centre - and sustained volumes in leasing and re-leasing.

OUTLOOK

Retail continued to set its focus on targeted assets (large shopping centres, family villages, travel retail) and its development in partnership with long-term investors. In 2017, the Group will continue to sustain its animation efforts, particularly through speciality leasing - consisting in renting the shared spaces in shopping centres to brand names. This year, major operational issues are looming for REIT, with both works and marketing starting up for many shopping centre programmes, including the Paris-Montparnasse train station, on which work begins this year. In the second half of 2017, the Promenade de Flandre shopping & leisure centre will open on the border with Belgium.

INNOVATION

The L'Avenue 83 shopping & leisure centre has placed digital technology at the service of its customers since opening in April 2016. A dedicated application guides customers in the centre, for example. A map, opening times, practical information and online booking, everything has been thought of to facilitate matters for visitors. Also from the L'Avenue 83 app, customers can book a table in a restaurant, or order their take-away meals, while they are shopping. This system, called ¨Food Court Digital¨ is a first and has been a real success.

41
SHOPPING CENTRES

€4.512bn
IN PORTFOLIO

HIGHLIGHTS

Regional shopping centres

Renovation of the Cap3000 shopping centre was completed in September 2016. An exceptional location with a sea view, a strong local presence, ambitious commercial programming, etc. Cap3000 is a unique reference in Europe and demonstrates our ability to conduct complete renovation operations on existing shopping centres. ▲

Travel retail

Altarea Cogedim puts its skills at the service of stations. Thus, work carried out on Paris-Montparnasse's five levels to enhance the retail areas will begin in mid-2017. At the heart of an urban project, Austerlitz train station is preparing for its metamorphosis, bringing the number of stations in Paris whose retail areas will be managed by Altarea Cogedim to four. ▲

Shopping & leisure

Inaugurated in April 2016 at La Valette-du-Var, near Toulon, L'Avenue 83 is one of the first achievements of a much larger mixed-use urban renewal operation in which our Group has participated. Altarea Cogedim was awarded the 2016 Janus du Commerce label, awarded by the French Institute of Design, for this new shopping & leisure centre, which turns a shopping expedition into a walk in the open air! In response to this trend mixing retail and leisure, Bercy Village is changing with the arrival of new sports and catering brand names. The Carré de Soie centre in Lyon was also reinvented in 2016, welcoming new international leisure brand names such as Mini World Lyon. Also under this chapter is the first phase of delivery of Le Parks in Paris, boulevard Macdonald. ▲

Convenience store

Altarea Cogedim deploys 160,000 m² of convenience stores in France, the equivalent of two regional shopping centres. Through AltaProximité, the Group is participating in bringing city centres to life. This offer is a complement to the Cogedim residential offer. ▲

Large Retail Park

Near the Belgian border, in Roncq, Altarea Cogedim is building the Promenade de Flandre shopping centre in partnership with Immochan. This Retail Park of 60,000 m² will host five supermarkets, 25 medium-sized retail spaces and stores in a unit designed by Jean-Michel Wilmotte. An additional offer which will strengthen an already powerful retail area. ▲

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Find out more at
www.altareacogedim.com / Retail

RESIDENTIAL: RECORD OF RESERVATIONS

2016 confirmed the trend triggered three years ago with a net outperformance compared to the market, in all segments.

RESULTS

In a strong market that grew by 21% compared to 2015, the Group achieved a historic record of more than 10,000 housing units sold, two years ahead of its objectives. This momentum was reinforced by the dynamic of mixed-use urban projects. The Group has thus placed itself firmly in the top three on the market.

2016 was marked by a strong dynamic across all segments and a strengthening of the territorial network, particularly in the Paris region, Lille, Rennes, Lyon and in the PACA (Nice and environs) region. In one year, many changes have also been made in the development division in order to boost customer satisfaction: establishing a section dedicated to customer relationship management, creation of the positions of construction manager and head of customer relations, deployment of new processes including a pre-delivery visit, as well as the launch of an extranet dedicated to purchasers and opening of Store Cogedim, the new space dedicated to the new housing (Bercy Village, Paris 12th arrondissement).

OUTLOOK

Altarea Cogedim's residential pipeline, highly developed since 2014, continues to grow: the number of ongoing projects is expected to increase from 119 in 2015 and 161 in 2016 to 239 in 2017*. The Group must be able to count on the extent of its range and the value of all its brands dedicated to residential (Cogedim Club®, Pitch Promotion, Histoire & Patrimoine). The development of new forms of managed residences and support for personalisation of housing should also be drivers of growth in the years to come.

* Cogedim residential figures

INNOVATION

Each year, the list of customer relationship management awards, published by Human Consulting Group (HCG), assesses the hospitality that French companies offer their customers. This year, Altarea Cogedim took 31st position among 200 firms. With the creation of the "Store Cogedim", dedicated to the new housing right in the heart of Paris, and the establishment of a products division and a customer division whose roles are to offer buyers better visibility, assistance in customisation of their housing and advice throughout their residential buying process, Altarea Cogedim makes customer satisfaction its priority.

+167

PLACES IN THE GENERAL CUSTOMER RELATIONS RANKING

(Source: HCG - *Les Échos Business* 2017)

>10,000

HOUSING UNITS SOLD

HIGHLIGHTS

Environmental protection

2016 was marked by Cogedim obtaining the right to use the NF Habitat certification on all its new residential builds. Environment is also at the heart of many projects inaugurated this year: the Guillemont domain in Canéjan; batch E8 of the Clichy Batignolles eco-district, meeting environmental objectives of the highest order; 5 impasse Marie-Blanche, which is a first in Paris with its timber carcass. Launched this year, the Wacken Europe international business district in Strasbourg is also a reference for ecology and energy efficiency. ▲

Reinventing the customer relationship

Opened in June 2016 in Bercy Village, Store Cogedim allows you to discover apartments offered by the Group, reproduced to scale across more than 600 m². A perfect example of Cogedim expertise in the new housing field, it aims to facilitate the purchasing path and offers new immersive digital experiences, enabling the customer to configure their future habitat. "Store Cogedim" was awarded the 2016 Janus du Commerce label. ▲

Serving senior citizens

Cogedim Club® specialises in the operation of serviced residences for senior citizens. In 2016, the Group opened three new residences, in Languedoc-Roussillon, the PACA region and in Savoy, bringing the number of Cogedim Club® structures to eight. A strategy in perfect harmony with the increasing numbers of senior citizens in French demographics and the economy. By 2020, Cogedim Club® will be managing 2,500 housing units for senior citizens. ▲

Pitch Promotion et Histoire & Patrimoine

• In a similar vein to restoration of the Citadelle Vauban in Arras, the Schramm barracks have been restored. In December 2016, Histoire & Patrimoine delivered two buildings with a total of 108 apartments. A third building is being renovated and will launch in 2018 as a 101-apartment Cogedim Club® residence for senior citizens.

• An Altarea Cogedim Group brand, Pitch Promotion has continued the development of many projects all over France (Esprit Sagan in Paris, new Thales site in Haute-Garonne). ▲

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Find out more at
www.altareacogedim.com / Residential

OFFICE PROPERTY: 500,000 M² UNDER DEVELOPMENT IN FRANCE

The number one investor-developer in office property, the Group has a 500,000m² property pipeline in France with a potential market value of €3.2 billion. In offices, the Group is developing a unique integrated model: as property developer on the market for turnkey projects intended for user, or for major investors; as project manager for institutional investors or as investor through AltaFund.

RESULTS

Growth is in part driven by large mixed-use operations developed by the Group. It is also based on the change of the economic model to a recurring business mix, creating value and covering the entire life cycle of an asset, from development to promotion to renovation. The Group thus anticipates and accompanies the reversibility of buildings and their change to new uses throughout their lives.

This year, the Altarea Cogedim Group's investment fund, AltaFund (which brings together primary French and international investors to acquire land or service industry buildings for restructuring), had €650 million in equity, increasing the Group's discretionary investment capacity to near €1.4 billion. In 2016, the fund continued its investigation actions to restructure or build true "core assets", that bring differentiation in terms of use and aesthetics.

OUTLOOK

The Group has good visibility of recurrent growth in its results over a three-to-four year horizon, thanks to a large backlog that will be delivered between 2017 and 2021.

€3.2bn

PIPELINE IN FRANCE

No. 1

INVESTOR DEVELOPER OF OFFICES IN THE PARIS REGION

INNOVATION

A reference player in the office property market, Altarea Cogedim is developing a comprehensive and integrated economic business model allowing it to conceive the offices of tomorrow and adapt them to new uses. Always attentive to the needs of businesses and their employees, the Group is anticipating changing uses and practices by creating customised, flexible and scalable spaces, accessible by public transport and opening on to the city. In 2016, to further spread its beliefs about office property, Altarea Cogedim became a partner of Revolution@Work, a body for reflection and sharing initiatives internationally on major changes at work and in the office (organised by the public institution Defacto, responsible for managing and bringing to life the business district of Paris-La Défense).

HIGHLIGHTS

Leadership in office property

Highly demanding in its real estate creation projects and known for its ability to support cities in their economic and territorial development, Altarea Cogedim has continued its projects in the office property business in Paris and in the regions. Several programmes are under way or due to start soon on behalf of third parties: the redevelopment of the Tours Pascal (Paris-La Défense), the Kosmo office buildings (Neuilly-sur-Seine) and 87 Richelieu (Paris 2nd), the construction of new buildings such as Ivoire (Lyon), or the creation of a new entrance to the city with the Pont d'Issy project (Issy-les-Moulineaux). ▲

Projects under development all over France

2016 was the year in which several office projects were inaugurated: the new headquarters of the Assurance Mutuelle des Motards, near Montpellier, which received HQE™ Effinergie+ certification; the Calypso office building and the Golden Tulip Marseille Euromed hotel, a key milestone in the Euromed Center project. In November, work began to transform the TPM tower at Toulon, as part of a mixed-use program in downtown Toulon, including a high-end hotel. ▲

Connectivity of buildings

On the digital infrastructure of buildings front, in a smart building approach, the Group is testing standards that assess the connectivity of buildings. For instance, in the mixed-use district of Issy Cœur de Ville, the Ready2Services database will be used to ensure that the buildings can interconnect with their environment. Then there is the Wired score label, which assesses a building's internet connectivity level, which is being tested on the rue de Richelieu offices operation. ▲

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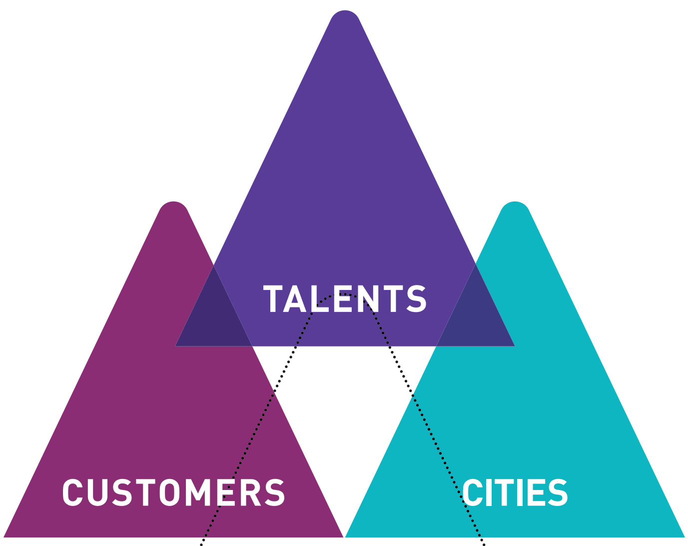
Find out more at
www.altareacogedim.com / Offices

CSR PERFORMANCE

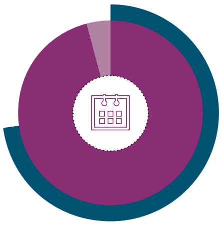
As the world goes through four major transitions (digital, demographic, environmental and territorial), Altarea Cogedim has embodied these changes in the management of its talents, in its customer relationship and in its relationship with the city. To better understand the expectations of its stakeholders in these areas, the Group consulted a dozen or so partners (customers, elected representatives, investors, etc.) as well as representatives of its business lines in order to define the new CSR priorities needed to sustain Altarea Cogedim's strategy and actions.



TALENTS

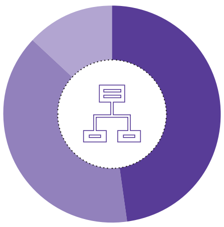
PROMOTING THE GROUP'S GROWTH THROUGH THE OPERATIONAL EXCELLENCE OF OUR TALENT

After more than 300 people hired in 2016 and the employees of Pitch Promotion integrated, the headcount of our Group grew from 1,045 people at 31 December 2015, to 1,394 people at 31 December 2016, thereby reflecting the exceptional economic and commercial dynamic of the year. Clearly, this growth comes with many challenges to be faced for all of our employees: integration of newcomers, creation of a common culture and development of the skills. In 2016, the Group thus passed a milestone and is now equipped with a solid structure for Human Resources. The Group's HR department acts as a true business partner charged with the task of supporting career development ▲



- **74%** MANAGERS
- **97%** PERMANENT CONTRACTS
- **3%** FIXED-TERM CONTRACTS

- **57%** WOMEN
- **43%** MEN



- **48%** COGEDIM
- **39%** ALTAREA COMMERCE
- **13%** PITCH PROMOTION

HIGHLIGHTS

All in action! (Tous en actions!)

This plan is based on the individual performance of employees, the Group's results and the strong commitment of every employee. In 2016, 100% of employees on permanent contracts became Group shareholders. In total, 113,000 free shares were allocated. 93.7% of employees have opted for one of the arrangements proposed under the "All in action!" scheme, such as the monetisation of the RTT (reduced working time scheme) or the Cash to Stock scheme with an allocation of Altarea shares based on individual performance.

A top priority: investing in human capital

In 2017, new projects and plans will be deployed to assist employees in developing their skills to ensure their employability and to have the best tools at the service of the Group's performance.

Training was deployed in three areas to support the real estate professions of tomorrow:

- core business training courses;
- management training courses;
- "new uses" training courses.

1,394 GROUP EMPLOYEES

29% OF WOMEN ON THE COMMITTEE OF MANAGERS

97% OF PERMANENT CONTRACTS IN THE COMPANY

300 + NEW HIRES IN 2016

100% OF EMPLOYEES ON PERMANENT CONTRACTS ARE GROUP SHAREHOLDERS

10,822 HOURS OF TRAINING I.E. 881 PERSONS TRAINED

SIGNATORY OF THE CORPORATE DIVERSITY CHARTER 2013 TO COMBAT ALL FORMS OF DISCRIMINATION

CHARTE DE LA diversité EN ENTREPRISE

CUSTOMERS

WORKING TO SATISFY CUSTOMERS ACROSS ALL OUR BUSINESS LINES

In every area, Altarea Cogedim centres its strategy on its customers. In 2015, Altarea Cogedim accelerated the transformation of its business lines and its organisation by expressing strong beliefs in each of its activities and demonstrating its commitment to customer service. ▲

Pont d'Issy, Issy-les-Moulineaux

The Group has decided to use the Well label to design and operate responsible buildings, on top of its environmental approach. This standard, developed by the International Well Building Institute (IWBI), promotes the comfort and well-being of users. Altarea Cogedim rolls out this certification in its operations. At the end of 2016, more than 400,000 m² of projects were on the way to being certified.

400,000
M² ON THE WAY TO WELL CERTIFICATION

Altarea Cogedim firmly believes that biophilic design – in other words, the integration of elements from nature into buildings – helps promote the well-being of occupants. The Group has therefore explored this approach on three office developments.

OFFICE PROPERTY

As a reference in the office property market, the Group is developing a comprehensive and fully-integrated business model. Always attentive to the needs of businesses and their employees, it conceives offices that are flexible, scalable, accessible, and open to the city. The challenge is to design places in tune with changing practices in the hypermobility era.

RETAIL

With digitisation of society, the world of retail is changing. To attract new customers, the Group is designing innovative spaces combining services, fun events, and unique shopping experiences. To be closer to its customers, the Group relies on its innovative strength, which is illustrated by its ability to engage in social networks and embrace multi-device systems.

Store Cogedim, Paris 12th

+7 points

THE INCREASE IN THE RATE OF RECOMMENDATION OF OUR RESIDENTIAL CLIENTS

Villeneuve-la-Garenne, QWARTZ

GEOLOCALISED BANNERS BY MOBILE
to facilitate access to the Group's shopping centres (Le Parks)

SELECTIVE COMMUNICATION TARGETED AT OUR VIP CLIENTS ON CAP3000
following the inauguration of its restructured part

IMPLEMENTATION OF SYSTEMS TO RECRUIT CUSTOMERS TO THE LOYALTY PROGRAMME
as part of the inauguration of L'Avenue 83 in La Valette-du-Var

A "FID" TRUCK
comes to meet residents before the opening of the centre, they then receive a VIP reception (37,000 registered in two months)

WELL LABELLISATION TEST
focused on comfort and well-being carried out at QWARTZ, a shopping centre located in Hauts-de-Seine (92)

RESIDENTIAL

In 2016, Cogedim Logement continued its reorganisation, in order to understand better the expectations of its customers and the new uses. Implementation of the "Store Cogedim", a place dedicated to new housing, and creation of the customer division both reflect the brand's commitment to promote dialogue with its customers. Satisfaction surveys, before and after delivery, are also conducted.

CITIES

ALTAREA COGEDIM: A COMMITTED PARTNER FOR METROPOLISES

As a key property developer in the metropolises, Altarea Cogedim is committed to being part of the success of the energy, social and societal transition of cities. For Altarea Cogedim, CSR is a collective challenge, a rigorously measured, cross-functional approach to progress, a key element of its intangible value and its brand image. Resolutely focused on the long term, our approach combines sustainability and innovation to meet the challenges of today and tomorrow and be a driver of progress for cities and those who live in them. ▲

1. IMAGINE THE CITY OF TOMORROW

JOBS

Altarea Cogedim develops partnerships with local authorities to recruit, train and integrate the employees who bring its centres to life.

24,000
JOBS SUPPORTED ALL OVER FRANCE

CONNECTIVITY

The Group is committed to connect all of its operations to public transport networks, whatever the activity concerned.

97%
OF OUR RESIDENTIAL HOUSING PROJECTS ARE LOCATED WITHIN 500 METRES OF PUBLIC TRANSPORT

MIXED-USE

With its mixed-use projects at the heart of French metropolises, Altarea Cogedim is supporting urban change.

10
MIXED-USE OPERATIONS CONDUCTED IN FRANCE

BETTER LIVING

Keen sponsors of the arts and culture in metropolises, Altarea Cogedim supports in particular the **Lyrical Art Festival of Aix-en-Provence** and the baroque music ensemble Matheus, based in Brest. Altarea Cogedim is also a founding member of the **Palladio Foundation,** created in 2008 to support players in city construction and places to live. Finally, the Group has supported France's application to organise **ExpoFrance 2025.**

300
HOUSING UNITS CREATED IN PARTNERSHIP WITH THE HABITAT & HUMANISME ASSOCIATION

Together, the two partners are behind an ambitious programme to build family accommodation for the most disadvantaged and to improve the search for land to build.

Construction site of Massy,
Place du Grand Ouest

2. PROMOTING SUSTAINABLE BUILDINGS

CO_2: LONG-TERM ACTIONS

To reduce its energy consumption, the Group has an integrated management system and is exploring innovative solutions with start-ups.

Since 2016, it has also been buying green electricity, thereby reducing its CO_2 footprint and exceeding the objective it set itself.

A PERFORMANCE OF
-65%
IN CO_2
EMISSIONS IN 2016

A TARGET OF
-70%
CO_2 EMISSIONS
BETWEEN 2010 AND 2020

CERTIFICATION: A STRONG COMMITMENT OVER THE LONG TERM AND ACROSS ALL BUSINESS LINES

Altarea Cogedim is the first French retail REIT to obtain environmental certification for all managed assets.

100%
OF ITS PORTFOLIO CERTIFIED
BREEAM® IN-USE

100%
OF ITS NEW OFFICE
DEVELOPMENTS ARE
CERTIFIED AT LEAST NF HQE™
"EXCELLENT" AND BREEAM®
"VERY GOOD"

47%
OF ITS OFFICE PROJECTS
IN THE PARIS REGION ARE
CREATIVE REDEVELOPMENTS

No. 1
IN GRESB 2016 RANKINGS

Altarea Cogedim ranked number one for its CSR performance in the GRESB 2016 rankings (Global Real Estate Sustainability Benchmark).

GRESB Sector Leader 2016

A SHARED VALUE-CREATING MODEL

Altarea Cogedim has been anticipating the needs of metropolises and their residents. The Group is a major contributor to the current urban transition and offers global real estate solutions that are more appropriate, better thought out and more respectful of human beings, local areas and the environment.

1. Capital

FINANCIAL CAPITAL
• **46%** of the shareholding owned by its founder
• **Nearly 3 million m²** in the pipeline, with a potential value of €14.7 billion
• **Nearly 100%** of projects in metropolises
• **80%** of its capital employed dedicated to the retail REIT

HUMAN CAPITAL
• **1,394** employees
• **316** permanent staff recruited
• **149** mobilities

RELATIONSHIP CAPITAL
• An **8-year** partnership with Habitat & Humanisme
• A communication campaign on the Cogedim brand launched in early 2016
• **13 external stakeholders** interviewed on the CSR approach

INTELLECTUAL CAPITAL
• **5** people dedicated to innovation within the Group
• **2** partnerships with start-up incubators - Paris & Co and Immowell Lab
• A committee on which all the Group's business lines are represented and select innovations that are proposed to general management

ENVIRONMENTAL CAPITAL
• **100%** of our shopping centres managed in France certified BREEAM® In-Use
• **97%** of our housing within 500m of a transport network
• **100%** of our offices certified at least NF HQE™ "Excellent" or BREEAM® "Very Good"
• Residential business **100%** NF Habitat certified

2. Our business lines and our expertise

REAL ESTATE VALUE CHAIN

- Developer Designer
- Investor
- Leasing
- Operator manager
- Asset manager
- Project manager
- Third party manager
- Property development agreements/ Off-plan sales

3. Impacts

FINANCIAL IMPACT

- Recurring net result (FFO): **€192 million**
- Going Concern NAV/share: **€159.6** (+16.2%)
- Loan to Value: **37.2%**
- Property development new orders: **€2,884 million** incl. tax

ECONOMIC IMPACT

An extended employment footprint including more than **24,000** jobs

HUMAN IMPACT

- **10,822** hours of training
- **100%** of shareholder employees
- **29%** of women on the Committee of Managers
- **3** women on the Executive Committee at the beginning of 2017

RELATIONSHIP IMPACT

- **7.6/10:** satisfaction index of the customers in our shopping centres
- **+7 points** on the recommandation rate
- **300** housing units funded for disadvantaged people
- **400,000 m²** undergoing Well certification

INTELLECTUAL IMPACT

- Innovations tested on all types of projects
- New products/services launched
- An internal knowledge-sharing platform

ENVIRONMENTAL IMPACT

- **-35%** energy consumption and **-65%** greenhouse gas emissions in the portfolio of shopping centres between 2010 and 2016
- **92%** of our extended carbon footprint covered by reduction plans
- **47%** of office projects in the Paris region are redevelopments promoting the circular economy

OUR GOVERNANCE

SERVING GROUP GROWTH

« The Supervisory Board supports the Group's transformation. It reviews the strategy and its implementation and oversees the Company's management control. »

CHRISTIAN DE GOURNAY,
CHAIRMAN OF THE SUPERVISORY BOARD

The Altarea Cogedim Group is organised as a partnership limited by shares (SCA). This means it is managed and directed by Management. The Supervisory Board permanently oversees its management and ensures it is aligned with the interests of the shareholders; in this, it is assisted by three specialist committees: The Audit Committee, Investment Committee and Management Compensation Committee.

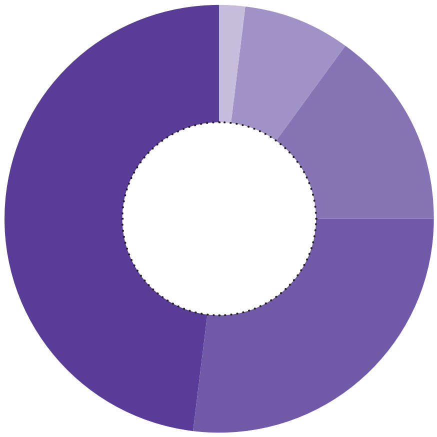
An efficient structure

Its status as SCA reflects the entrepreneurial spirit cultivated by Altarea Cogedim since its inception. It promotes rapid decision-making in keeping with a long-term vision. It also makes a strict separation between the powers of the management and supervisory bodies. Exchanges between these two bodies are numerous because, in addition to reviewing the financial statements every semesters, Altarea Cogedim's Supervisory Board is also responsible for all major investment or divestment projects (over €15 million).

Diverse and complementary profiles

Chaired by Christian de Gournay, the Supervisory Board is composed of the group of founders, representatives of the major shareholders - the ABP fund and Predica-Crédit Agricole Assurances - and non-executive directors. Diversity in backgrounds, expertise and skills on the Board is a key asset supporting the collegiate management process in the coherent development of Altarea Cogedim's three business lines around a common vision, while ensuring ideal risk control. ▲

CAPITAL BREAKDOWN



1% TREASURY SHARES

8% ABP FUNDS

18% FREE FLOAT AND OTHER

27% CRÉDIT AGRICOLE GROUP

46% FOUNDER SHAREHOLDERS AND MANAGEMENT

On 12/31/2016

COMPETENCES OF THE SUPERVISORY BOARD

40%
PERCENTAGE OF FEMALE MEMBERS ON THE SUPERVISORY BOARD

+1/3
DIRECTORS ARE INDEPENDENT IN ACCORDANCE WITH THE AFEP/MEDEF CODE

MANAGEMENT COUNCIL

Alain TARAVELLA,
Managing Partner, Chairman and founder of the Altarea Cogedim Group

Gilles BOISSONNET,
Co-Manager and Chairman of the Management Board of Altarea Commerce

Stéphane THEURIAU,
Co-Manager and Chairman of the Management Board of Cogedim

See the Registration Document
altareacogedim.com

2

BUSINESS REVIEW 2016

BUSINESS REVIEW 2016

2.1 INTRODUCTION

2.1.1 Altarea Cogedim's unique model

2.1.1.1 THE PREMIER REAL ESTATE DEVELOPER OF FRENCH METROPOLISES

A multi-product offering

Altarea Cogedim is the only French real estate group with developer expertise covering all asset classes, including retail, residential, serviced residences, offices and hotels.

This positioning has enabled the Group to manage one of the largest portfolios of real estate projects in France, representing almost 3 million m² (all products combined), or €14.7 billion in market value.

Secured pipeline *(by product)*	**Surface areas** *(m²)*[(a)]	**Potential value** *(€ millions)*[(b)]
Shopping centres	468,600	2,871
Convenience retail	160,400	471
Offices[(c)]	498,600	3,167
Residential	1,934,400	8,146
TOTAL	**3,062,000**	**14,655**

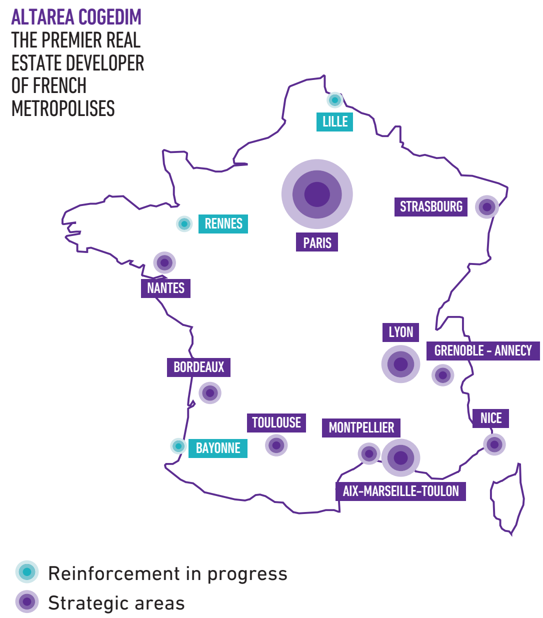
(a) Shopping centres and convenience stores surface area: GLA in m² created.
Office floor area: Floor surface area or usable surface area.
Surface area residential: SHAB (property for sale + future offering).
(b) Market value incl. taxes as of delivery date.
Shopping centre value: net rental income capitalised at a market rate.
Value of convenience stores: sales revenue.
Value of offices: 100% (excl. tax) of the amounts signed for off-plan/property development contracts, or share of capitalised fees for delegated project management, and market value for AltaFund.
Value of housing: Sale offer + portfolio price.
(c) Projects under development not yet sold or rented ("properties for sale").

This project portfolio is almost exclusively managed in the form of options or sale agreements that the Group can activate according to commercial and financial criteria, which enables the management of the Group's pace of commitments.

Partnering with French metropolises[(1)]

The Group focuses its activities on approximately 12 metropolises in France[(2)], which hold most of France's demographic[(3)] and economic growth[(4)] on less than 10% of its land[(5)] area. The Group has also set itself up in the Basque Country, in Bayonne. This regional targeting allows us to take advantage of the dynamic of growing areas.

Secured pipeline *(by metropolitan area)*	**Surface areas** *(m²)*[(a)]	**Potential value** *(€ millions)*[(b)]
Grand Paris	1,572,200	8,584
Métropole Nice-Côte d'Azur	212,900	1,582
Marseille-Aix-Toulon	264,700	929
Toulouse Métropole	212,400	691
Grand Lyon	112,000	430
Grenoble-Annecy	84,900	326
Nantes Métropole	69,400	239
Bordeaux Métropole	239,400	947
Eurométropole de Strasbourg	56,700	199
Métropole Européenne de Lille	62,000	127
Montpellier Méditerranée Métropole	42,800	128
Italy	44,700	174
Spain	22,400	71
Autres	65,500	228
TOTAL	**3,062,000**	**14,655**



(1) *Dominant urban district concentrating at a local level the population's, activities' and wealth's flows within a regional area, for a population of more than 300,000 inhabitants. On August 7th, 2015, the Law concerning the New Territorial Organisation of the Republic (NOTRe) gave new warrants to the regions' authorities, and redefined those granted to each local authority.*

(2) *Grand Paris, Métropole Nice Côte d'Azur, Marseille-Aix-Toulon, Toulouse Métropole, Grand Lyon, Grenoble-Annecy, Nantes Métropole, Bordeaux Métropole, Eurométropole de Strasbourg, Métropole Européenne de Lille, Montpellier Méditerranée Métropole, Rennes Métropole.*

(3) *The population of the 12 French cities where the Group's operations are concentrated has increased by 780,000 in the last five years (Source: Insee).*

(4) *Average household income by taxable household is 15% higher than the national average (Source: Insee).*

(5) *9.5% of the country territories account for more than 71% of GDP (Source: Insee).*

REIT/Developer model

The capital employed by the Group is mainly allocated to retail real estate development, which derives its growth from executing the developed projects and maintaining them as standing assets (owned 100% or in partnership). The other asset classes (such as offices and residential, etc.) are held for sale to third parties, generating significant profits on a relatively moderate balance sheet commitment given the scale of the Group.

2.1.1.2 SIGNIFICANT EVENTS OF THE YEAR

Equity reinforcement : €369 million raised

In 2016, Altarea Cogedim reinforced its equity by €369 million through three transactions: €210 million through the capital increase conducted on the market, €127 million through the dividend-paid-in-securities option and €32 million through the reserved capital increase conducted in the framework of the acquisition of Pitch Promotion.

These transactions enabled the Group's growth to be financed whilst reducing the consolidated LTV[1] level to 37.2% compared with 44.5% as at 31 December 2015.

Property Development: a strong year for deliveries

In 2016, the Group delivered two shopping centres: L'Avenue 83 in Toulon-La Valette (54,000 m²) and Le Parks in Paris (33,000 m²), as well as the first instalment of the redevelopment of the Cap 3000 centre in Nice (87,000 m²).

Travel retail: finalisation of the agreements on the Montparnasse and Austerlitz stations

In 2016 Altarea Cogedim signed a promise for a temporary occupation authorisation[2] from the Paris-Austerlitz train station and for a public spaces temporary occupation agreement[3] from the the Paris-Montparnasse station. The Group is thus expanding its portfolio of Parisian train stations[4] and strengthening its position as the leader in travel retail in France[5].

Property Development: very sharp increase in new orders (€2,884m, +46%)[6]

Boosted by a favourable environment, Property Development experienced very strong growth, in Residential in particular (+61% to €2,286m incl. tax, corresponding to 10,011 units). Excluding Pitch (company acquired in February 2016), the number of units sold was 8,372, up 39%[7].

New orders *(€ millions, including tax)*	2016	2015	Change
Residential	2,286	1,417	+61%
Nb units	*10,011*	*6,011*	*+67%*
Offices	598	563	+6%
TOTAL	**2,884**	**1,980**	**+46%**

Leadership in large mixed-use urban projects

Large-scale mixed-use urban projects have in common the development of complex real estate programmes blending residential, retail and office spaces, along with public and leisure amenities such as hotel, cultural and sports complexes. In recent years, the Group has become the undisputed leader in this area by providing cities with an integrated real estate solution, thanks to its multi-product expertise. In 2016, the Group further strengthened its position by winning three major projects (Coeur d'Issy, Bordeaux Belvédère[8] and Bobigny-La Place) for a total floor area of 342,000 m².

The number of large urban projects in the pipeline in assembly or under construction now includes 10 deals, for an area of approximately 732,000 m² with potential revenue of more than €2.1 billion[9].

(1) Indebtness ratio. Consolidated net debt/Restated value of assets including transfer duties.
(2) Autorisation d'Occupation Temporaire (AOT).
(3) Convention d'Occupation Temporaire du Domaine Public (COTDP).
(4) The Group already manages the commercial spaces of the Gare du Nord and the Gare de l'Est.
(5) Travel retail in train stations.
(6) O/w €686 for Pitch Promotion.
(7) Pitch Promotion new orders have been taken into account from 1st January 2016.
(8) The Group is involved on a 50% basis in this co-development project.
(9) As Group share.

Large Projects	Housing & Resid.	Retail	Offices	Total surface area[a]
Bezons Cœur de Ville	700 units	18,700 m²	–	66,000 m²
Strasbourg Fischer	561 units	3,900 m²	–	42,000 m²
Hospices Civils Lyon	250 units	3,400 m²	–	17,000 m²
Toulouse Montaudran	635 units	12,400 m²	19,400 m²	75,000 m²
Gif sur Yvette	816 units	5,100 m²	–	52,000 m²
Massy	693 units	20,000 m²	6,400 m²	74,000 m²
Villeurbanne	756 units	3,500 m²	14,700 m²	64,000 m²
Bordeaux Belvédère	1,236 units	11,200 m²	53,500 m²	135,000 m²
Issy Cœur de ville	713 units	15,400 m²	40,000 m²	100,000 m²
Bobigny – La Place	1,425 units	13,600 m²	10,000 m²	107,000 m²
TOTAL	**7,785 units**	**107,200 m²**	**144,000 m²**	**732,000 m²**
Group share	6,536 units	98,000 m²	117,700 m²	625,100 m²

(a) Floor surface area.

Environmental efforts: always one length ahead

Altarea Cogedim won 1st place among the retail REITs evaluated by GRESB 2016[1], which ranks the best-performing real estate companies in the world. With an outstanding mark of 92/100 (up 6 points from 2015), the Group was granted the "Sector Leader" rank.

Altarea Cogedim became the first French commercial property company to obtain environmental certification for all assets managed: 100% of the Standing Assets are certified BREEAM In-Use[2].

Finally, Altarea Cogedim was also repeatedly singled out for its commitment during the year:

- Marques Avenue A13, the first retail park designed exclusively in wood, received the trophy of the CCNC[3] – Sustainable Development category;
- L'Avenue 83 and Cogedim Store (in Bercy Village) were each awarded the label Janus of Trade 2016 by the IFD[4];
- The Oekom non-financial rating agency has reassessed the Altarea Cogedim rating, enabling the Group to reach the Prime category.

Digital transformation

Always on the cutting edge of new urban uses for its clients, Altarea Cogedim has committed itself to digital transformation by creating a Digitisation and Innovation Department. This department, serving all business lines, aims to make digital innovation a core process in the Group's operations, striving to develop the agility, growth and ultimately the performance of the Altarea Cogedim ecosystem.

Human resources and value-sharing

The Group considers identifying and recruiting talent as key to its short, medium and long-term success. With 1,394 employees (316 permanent[5] hired in 2016), Altarea Cogedim offers professional careers with a wealth of opportunities. Coming to work for Altarea Cogedim means choosing a Group with strong values and innovative projects, where results obtained are recognised and the value created is shared. Nearly 113,000 shares have been attributed to all the staff with the 2016 plans, accompanied by performance criteria (both individual and collective) and agreements to increase working time.

(1) The Global Real Estate Sustainability Benchmark is a highly-regarded ranking system, assessing each year the CSR performance of the companies in the real estate sector (733 companies and funds tared in 2016).

(2) BRE Environmental Assessment Method in-Use. Certification for environmental performance of building operation. Developed by the Building Research Establishment (BRE), it is now applicable throughout the world through the BREEAM in-Use International pilot standard.

(3) This award was presented during the SIEC, the professional exhibition of retail and commercial real estate held in Paris in June.

(4) Awarded each year by the French Institute for Design, this label recognises companies that use design and innovation for the benefit of consumers.

(5) Excluding Histoire & Patrimoine, including Pitch Promotion.

2.2 BUSINESS REVIEW

2.2.1 REIT

Altarea Cogedim REIT's activity is almost exclusively focused on shopping centres, mainly located in the most dynamic French metropolitan areas. A long-term carrying strategy may be implemented occasionally on some atypical assets (Rungis Market) or on particularly remarkable office sites.

In terms of retail real estate, the Group's strength is in the size of its portfolio of projects developed on its own behalf. The future growth in rents will be generated by the entry into operations of large secured projects whose size (in terms of rent) represents around 72% of the current portfolio: potential rents amounting to €158.1 million compared to a current portfolio generating €218.4 million(1) in rent today.

2.2.1.1 RETAIL REIT

	Assets in operation			Projects under development		
31 December 2016	GLA *(m²)*	Gross rent current[d] *(€ millions)*	Value assessed by specialist[e] *(€ millions)*	GLA created *(m²)*	Gross rent projected *(€ millions)*	Net investments[f] *(€ millions)*
Controlled assets (fully consolidated)[a]	**702,700**	**190.2**	**4,089**	**410,200**	**150.7**	**1,998**
Group share	*548,800*	*135.2*	*2,808*	*385,500*	*126.0*	*1,720*
Share of minority interests	*153,900*	*54.9*	*1,282*	*24,700*	*24.7*	*279*
Equity assets[b]	**138,400**	**28.2**	**423**	**58,400**	**7.5**	**84**
Group share	*65,700*	*13.2*	*206*	*29,200*	*3.7*	*42*
Share of third parties	*72,700*	*15.0*	*217*	*29,200*	*3.7*	*42*
TOTAL PORTFOLIO ASSETS	**841,100**	**218.4**	**4,512**	**468,600**	**158.1**	**2,082**
Group share	614,500	148.4	3,014	414,700	129.7	1,762
Share of third parties	226,600	69.9	1,498	53,900	28.4	321
Management for third parties[c]	**167,200**	**35.4**	**610**	**-**	**-**	**-**
TOTAL ASSETS UNDER MANAGEMENT	**1,008,300**	**253.8**	**5,122**	**468,600**	**158.1**	**2,082**
Group share	*614,500*	*148.4*	*3,014*	*414,700*	*129.7*	*1,762*
Share of third parties	*393,800*	*105.3*	*2,108*	*53,900*	*28.4*	*321*

(a) Assets in which Altarea Cogedim holds shares and over which Altarea Cogedim exercises operational control. Fully consolidated in the consolidated financial statements.
(b) Assets in which Altarea Cogedim is not the majority shareholder, but for which Altarea Cogedim exercises joint operational control or a significant influence. Consolidated using the equity method in the consolidated financial statements.
(c) Assets held entirely by third parties who entrusted Altarea Cogedim with a management mandate for an initial period of three to five years, renewable.
(d) Rental value on signed leases at January 1st, 2017.
(e) Appraisal value including transfer duties.
(f) Total budget including interest expenses and internal costs.

Economic environment

Economic conditions improved slightly during the year, leading to a 1.1% growth in GDP(2). The first 9 months of 2016 showed a modest but real recovery, despite a slowdown in the middle of the year, marked by strikes and attacks. The end of the year was more difficult for retail businesses in France, in a climate of political uncertainty and a wait-and-see approach.

Household consumption in France saw an overall increase of 1.9%(3), buoyed in particular by an increase of +11.3%(4) in capital spending in the housing sector.

The French shopping centre performance indicator (CNCC(1) index) was down, with tenants' revenues falling by –0.4%(2).

(1) Figures at 100%.
(2) Source: INSEE. Gross domestic product in Q4 2016, compared to Q4 2015.
(3) Source: INSEE. Household consumption of goods from December 2015 to December 2016, compared to household consumption from December 2014 to December 2015.
(4) Source: INSEE. Sales of manufactured products and housing sales.

OPERATIONAL PERFORMANCE

Revenue[3] and shopping centre traffic[4]

Total shopping centres	Sales (incl. tax)	Footfall
France	+1.1%	+1.3%
International	+2.0%	+0.6%
TOTAL	**+1.2%**	**+1.2%**
Benchmark France (CNCC)	(0.4)%	(1.2)%

Net consolidated rental income

2016 net rental income (IFRS) was €168.3 million, up 4.9%. The increase in rental income was primarily due to the opening of L'Avenue 83.

On a like-for-like basis, the 1.5% rise reflects the renegotiations and extensions occurring in late 2015 and throughout 2016.

In € millions		
Net rental income at 31 December 2015	**160.5**	
o/w disposals 2015	*2.9*	
o/w shopping centre under redevelopment[a]	*41.5*	
o/w at constant scope	*116.1*	
Centres opened	12.1	
Acquisitions	1.3	
Disposals	(2.9)	
Redevelopments	(4.0)	
Like-for-like changes	1.7	+1.5%)
Indexation[b]	(0.3)	
NET RENTAL INCOME AT 31 DECEMBER 2016	**168.3**	**+4.9%**

(a) Cap 3000, Okabé, Massy.
(b) With respect to France: ILC (Commercial rent Index) 2016.

Centres opened

L'Avenue 83 (Toulon)

The Group officially opened the L'Avenue 83 shopping centre (Toulon-La-Valette du Var) in spring 2016, located in one of the most attractive shopping areas in France, in the heart of a developing neighbourhood, and with 226 residential units, 3,000 m² of office space and an 86-room hotel. This 54,000 m² centre offers a unique experience with a 14-metre wide shopping promenade enhanced by numerous architectural details. The success of this open air shopping and leisure centre arranged around a California-style mall has exceeded the Group's expectations.

The centre has had 4.3 million visitors in 8 months of operation, and the revenue generated by the stores in that period are especially remarkable for a launch year.

The commercial offering is organised on three themes:

- "Fashion" with Primark, Stradivarius, Pull & Bear, etc.;
- "Sport" With Intersport, Nike, JD Sport, etc.;
- "Leisure" with the Pathé cinema (15 screens including the first Laser IMAX screen in France), a fitness centre, as well as 6,000 m² of restaurants, including 2,000 m² of terraces (20 restaurants).

Nearly 50,000 clients had signed up for the loyalty program by the end of December. The number of Facebook fans has passed the 30,000 barrier, and the mobile application has been downloaded over 25,000 times[5]. The Group introduced an additional offering of a digital food court, enabling customers to reserve their table and place orders in L'Avenue 83 restaurants from their app.

L'Avenue 83 received the Janus du Commerce label for 2016[6].

Le Parks (Paris, 19th arrondissement)

During the year 2016 the Group opened Le Parks, a set of shops on the ground floor of an urban building located in a changing Paris neighbourhood, also including residential and office space.

This shopping centre is located 100 meters from the new RER E Rosa Parks station (50,000 passengers per day) and is crossed by the T3 tram at the central plaza around which the whole project is built. It also located near a UGC cinema (14 screens), and offers 30 new shops spread over 33,000 m², half of which are restaurants.

This retail complex, in which a single tenant runs 600 metres along the Boulevard Macdonald, hosts a wide variety of outlets:

- Food, with the first Leclerc in Paris (4,300 m² GLA) offering many areas for dining and snacking;
- Home improvements, with Leroy Merlin, which opened on February 1st, 2017, with nearly 12,000 m² GLA on two levels;
- Sport, with the largest Decathlon in Paris (6,000 m²) offering an extensive range of running and swimming items;
- As well as an attractive array of first-class chains (Boulanger, Aubert, Basic Fit, etc.).

The centre also boasts a 590-car public parking garage.

Redevelopments

2016 saw the completion of the refurbishment of two of the Group's major assets, Carré de Soie in Lyon and Cap 3000 in Saint-Laurent-du-Var (near Nice). These redevelopments carried out in 2015 and 2016 constitute a first step in the upgrading of these two centres.

(1) Conseil National des Centres Commerciaux. French professional organisation of all shopping centre industry professionals, which publishes an index of revenue earned in the shopping centres of the member companies.
(2) Source: CNCC, change in tenant revenue on a like-for-like basis at 31 December 2016.
(3) Change in tenants' revenue on a like-for-like basis (i.e., for retailers trading for at least the last 24 months). Excluding assets being redeveloped or in arbitrage.
(4) Like-for-like change in revenue from shopping centre tenants, excluding assets under refurbishment or in arbitrage.
(5) Data at 31 December 2016.
(6) Awarded each year by the French Institute for Design, this label recognises companies that use design and innovation for the benefit of consumers.

Carré de Soie

This centre is occupied by several new leisure chains (Mini-World, L'Appart Fitness, Nike Factory) that round out the leisure offerings already offered at the centre (Pathé, Gibert Joseph) and nearby (Hippodrome). As a direct consequence of the latest openings, footfall has increased steadily during the second half of the year (+5% on 12 consecutive months). The arrival of Carrefour scheduled for late 2017 should increase the number of shoppers further and retain their loyalty.

In addition, several Cogedim residential programmes (Existen'Ciel and Evidence) and offices (View One) are under construction in the immediate vicinity of the Centre and will extend its primary catchment area.

Cap 3000

Since 2015, the Group has undertaken the refurbishment and renovation of the Cap 3000 shopping centre in St-Laurent-du-Var, refashioning the inner structure of the centre to combine shopping, leisure, digital, and services. The number of parking spaces has also been significantly increased, to more than 3,500. This asset has an outstanding location with a strong regional draw. It boasts powerful retail programming, with new chains such as Levi's for Women, Uniqlo, Timberland, Alice Délice, Mauboussin, New Look, Prêt à Manger and Beef House. A medical facility has also been opened, to diversify the venues and create additional traffic.

An immersive screen of nearly 100 m² containing 2.5 million pixels was installed in the central plaza, along with four large pillars equipped with LED meshes to relay the content. This screen offers a novel, immersive experience with both artistic and commercial content. The arrangement, unique in the world, includes an integrated display in the base of the screen to announce events.

The first phase of work on the existing Centre was delivered at the end of September 2016. The extension works have started; this will gradually expand the centre to 300 shops on 135,000 m² of floor space (100,000 m² GLA), as compared to 140 shops and 85,000 m² of floor space today.

The Cap 3000 shopping centre was classified as an international tourist zone in February 2016 and may now remain open until midnight, as well as on Sundays.

Leasing (leases signed)

At 100%	Number of leases	New rent *(€ millions)*	Change *(€ millions)*	%
Projects under development	95	12,1	12,1	n/a
Assets in operation	215	18,0	1,7	+10%
TOTAL LEASING ACTIVITY	**310**	**30,1**	**13,8**	

In 2016, the Group signed up many innovative chains, enhancing the attractiveness of its standing assets and refreshing its portfolio (Mauboussin, Adidas, Mickael Kors, Nyx cosmetics and M.A.C). This was particularly the case at Bercy Village where food service has been expanded with the opening of the first Five Guys in France and Vapiano. Carrefour, Ikks Junior, Bensimmon and Levis also joined the Centre, which further benefits from being reopened on Sunday.

The Group has extended its partnership with the SNCF by signing, in early 2017, a rider to the temporary occupancy authorisation from the Gare de l'Est, allowing commercial space in the Saint-Martin hall to be expanded. The hall will thus welcome new ready-to-wear chains (Etam and Camaïeu).

France (91% of the portfolio)

Lease expiry schedule

Lease expiry date	at 100% *(€ millions)*	% of total	3-year termination option	% of total
Past years	8.5	4.3%	8.5	4.3%
2017	12.4	6.3%	25.2	12.9%
2018	13.5	6.9%	42.7	21.8%
2019	8.3	4.3%	37.9	19.4%
2020	18.7	9.6%	31.5	16.1%
2021	14.8	7.6%	20.0	10.2%
2022	16.0	8.2%	8.5	4.3%
2023	22.5	11.5%	8.9	4.5%
2024	28.2	14.4%	2.7	1.4%
2025	30.3	15.5%	5.9	3.0%
2026	17.3	8.8%	2.4	1.2%
2027	1.9	1.0%	–	0.0%
>2027	3.3	1.7%	1.5	0.8%
TOTAL	**195.7**	**100%**	**195.7**	**100%**
o/w FC	*167.5*	*85.6%*		
o/w equity-method	*28.2*	*14.4%*		

Combining portfolio assets and assets managed for third parties, Altarea Cogedim manages a total of approximately 2,200 leases in France and 300 in Italy and Spain.

Occupancy cost ratio[(1)], bad debt ratio[(2)] and financial vacancy rate[(3)]

	2016	2015	2014
Occupancy cost ratio	9.9%	9.9%	9.8%
Bad debt ratio	2.4%	1.9%	0.7%
Financial vacancy rate	2.7%	2.9%	3.4%

The Group renewed 15%[(4)] of its leases portfolio with the objective of improving the attractiveness of its commercial offering as well as its rental risk profile. This strategy has enabled the Group to realise some of the reversion potential[(5)] of the standing assets (+9%) with a limited increase in bad debts (2.4% *vs.* 1.9% a year before), and to pave the way for growth in net rents in the coming years.

International (9% of the portfolio)

In Italy, the portfolio refocused on two assets in the North[(6)] shows solid performance with tenants revenue[(7)] up 0.3% and net rental income up 7.1%.

In the Sant Cugat centre in the suburbs of Barcelona, Spain, vacancy rates fell again (to less than 1% at 31 December 2016 against 1.6% at the end of 2015). The Group acquired the co-ownership units that it did not own, enabling the launch of a redevelopment operation to strengthen its leadership in its catchment area.

Management for third parties

As at 31 December 2016, assets managed for third parties represented €35.4 million in rental income, for a total value of €610 million, making a significant contribution to the growth in Altarea Commerce's fees.

Inventory of standing assets

The Group owns 41 sites (38 in France and 3 internationally) with an average unit value of €110 million (+12% from 2015).

The portfolio is now virtually entirely focused on the most dynamic metropolis, both in France and abroad.

Controlled assets[(8)] at 31 December 2016 represented €4,512 million, reflecting an increase of €691 million (+18.1%) during the year. This sharp increase is mainly explained by the deliveries during the year of L'Avenue 83 and Le Parks (€404 million) and the acquisition of co-ownership units on the Spanish balance sheet (€56 million).

In € millions	**Value[(a)]**	
TOTAL AT 31 DECEMBER 2015	**3,821**	
Centres opened	404	
Acquisitions	56	
Disposals	(1)	
Like-for-like change	**232**	**+6.1%**
o/w France	223	
o/w International	9	
Total change	**691**	**+18.1%**
TOTAL AT 31 DECEMBER 2016	**4,512**	
o/w Group share	*3,014*	
o/w share of third parties	*1,498*	

(a) Assets controlled (fully consolidated) and assets consolidated under the equity method (figures à 100%).

Breakdown by type *(€M)*	2016		2015	
Regional shopping centres	2,900	65%	2,447	64%
Large retail parks (Family Village)	910	20%	845	22%
Local/downtown	702	15%	529	14%
TOTAL	**4,512**	**100%**	**3,821**	**100%**
o/w Group share	*3,014*		*2,606*	

(1) Ratio of billed rents and expenses to tenants (including reductions) to sales revenue. Calculated including tax and at 100%, excluding property being redeveloped and in arbitrage.

(2) Net amount of allocations to and reversals of provisions for bad debt plus any write-offs during the period as a percentage of total rent and expenses charged to tenants, at 100 % in France. Excluding property being redeveloped and in arbitrage.

(3) Estimated rental value of vacant units (ERV) as a percentage of total estimated rental value. Excluding property being redeveloped and in arbitrage..

(4) Ratio between the number of existing or vacant leases renewed and relet over the year, compared to the number of leases at the beginning of the year. (excluding redevelopments and assets managed for third parties). In France.

(5) Ratio of rental income for existing or vacant leases renewed and relet over the year, compared to the rental income at the years' beginning (excluding redevelopments and assets managed for third parties). In France.

(6) Le Due Torri and La Corte Lombarda outside Bergamo.

(7) Change in cumulative tenant revenue on a like-for-like basis at 31 December 2016.

(8) Consolidation and equity-method recognition.

Geographical distribution *(€M)*	2016		2015	
Paris Region	1,638	36%	1,398	37%
PACA/Rhône-Alpes/South	2,095	47%	1,709	45%
Other French regions	358	8%	357	9%
International (Lombardy & Barcelona)	421	9%	357	9%
TOTAL	**4,512**	**100%**	**3,821**	**100%**
o/w Group share	*3,014*		*2,606*	

Asset format		2016	2015	Change
France	Average value *(€M)*	108	96	13%
	Number of assets	38	36	2
International-	Average value *(€M)*	140	119	18%
	Number of assets	3	3	–
TOTAL	**AVERAGE VALUE *(€M)***	**110**	**98**	**12%**
	NUMBER OF ASSETS	**41**	**39**	**2**

Rate of return[(1)]

Average net rate of return, at 100%	2016	2015
France	5.19%	5.26%
International	6.25%	6.69%
TOTAL PORTFOLIO	**5.28%**	**5.40%**

Appraisal values

The valuation of the Group's assets is entrusted to Cushman & Wakefield and Jones Lang LaSalle. The appraisers use two methods:

- discounting projected cash flows, with resale value at the end of the period;
- capitalisation of net rental income, based on a rate of return that includes the site's characteristics and rental income (also including variable rent and market rent of vacant premises, adjusted for all charges incumbent upon the owner) ;
- these valuations are conducted in accordance with the criteria set out in the Red Book – Appraisal and Valuation Standards, published by the Royal Institute of Chartered Surveyors. The surveyors' assignments were all carried out in accordance with the recommendations of the COB/AMF "Barthes de Ruyter working group" and comply fully with the instructions of the Appraisal Charter of Real Estate Valuation (*Charte de l'Expertise en Évaluation Immobilière*) updated in 2012. Surveyors are paid lump-sum compensation based on the size and complexity of the appraised properties. Compensation is therefore totally independent of the results of the valuation assessment.

The value of the portfolio breaks down by appraiser as follows:

Appraiser	Portfolio	% of value, incl. transfer duties
Jones Lang LaSalle	France	28%
Cushman & Wakefield	France & International	72%

Top rank worldwide among retail REITS evaluated by GRESB

In 2016 Altarea Cogedim was rewarded with the first place among retail REITs evaluated by GRESB (Global Real Estate Sustainability Benchmark). This highly regarded ranking evaluates each year the CSR of the companies in the real estate sector in terms of sustainable development. In 2016, 733 companies and funds from around the world were evaluated.

Altarea Cogedim moved up from "Green Star" level to "Sector Leader" by earning the extraordinary score of 92/100 (up 6 points from 2015). The Group was ranked first worldwide among 129 retail REITs, including listed and unlisted companies.

Altarea Cogedim ranked first in Europe among all listed companies involved in real estate, which numbered 84. This was good for 2nd place among 197 listed companies globally.

This top rank among retail REITs and Europe-wide among all types of real estate companies for our Corporate Social Responsibility (CSR) recognises the deep involvement of our people in all of the Group's real estate projects. It also results from the broadening of our CSR efforts into new issues such as well-being and improving the social footprint of our projects. These efforts help the long-term performance of Altarea Cogedim and reflect its commitment to all parties in the urban landscape.

(1) The rate of return is net yearly rental income divided by the appraisal value excluding transfer duties.

Retail REIT: Portfolio composition at 31 December 2016

				o/w Group share		o/w share of third parties	
Centre	**GLA in m²**	**Gross rent[e]** *(€M)*	**Value[f]** *(€M)*	**Share**	**Value[f]** *(€M)*	**Share**	**Value[f]** *(€M)*
Nice – Cap 3000	69,600			33%		67%	
Villeneuve la Garenne – Qwartz	43,000			100%		–	
Toulouse – Espace Gramont	56,200			51%		49%	
Paris – Bercy Village	22,800			51%		49%	
Thiais Village	22,300			100%		–	
Aix-en-Provence	6,600			100%		-	
Gare de l'Est	5,500			51%		49%	
Flins	9,700			100%		–	
Le Kremlin-Bicêtre – Okabé	15,100			65%		35%	
Lille – Les Tanneurs & Grand' Place	25,500			100%		–	
Strasbourg – L'Aubette & Aub. Tourisme	8,400			65%		35%	
Strasbourg – La Vigie	16,200			65%		35%	
Toulon – Ollioules	3,200			100%		–	
Mulhouse – Porte Jeune	14,800			65%		35%	
Toulon – La Valette – L'Avenue 83	53,900			51%		49%	
Massy – -X%	18,200			100%		–	
Toulon – Grand' Var	6,300			100%		–	
Tourcoing – Espace Saint Christophe	13,000			65%		35%	
Gennevilliers (RP)	18,900			51%		49%	
Brest – Guipavas (RP)	28,000			100%		–	
Nimes (RP)	27,500			100%		–	
Limoges (RP)	28,000			75%		25%	
Aubergenville – Marques Avenue	12,900			100%		–	
Family Village Aubergenville (RP)	27,800			100%		–	
Family Village Le Mans Ruaudin (RP)	23,800			100%		–	
Herblay – XIV Avenue	14,200			100%		–	
Villeparisis	18,600			100%		–	
Pierrelaye (RP)	9,800			100%		–	
Various shopping centres (3 assets)	7,600			100%		n/a	
Sub-total France	**627,400**	**167.5**	**3,668**		**2,387**		**1,282**
Barcelona – San Cugat	20,500			100%		–	
Le Due Torri	33,700			100%		–	
Bellinzago	21,100			100%		–	
Sub-total International	**75,300**	**22.7**	**421**		**421**		**–**
Controlled assets (fully consolidated)[a]	**702,700**	**190.2**	**4,089**		**2,808**		**1,282**
Aix-en-Provence – Jas de Bouffan[b]	5,200			50%		50%	
Lyon – Carré de Soie	55,800			50%		50%	
Paris – Le Parks	33,300			50%		50%	
Paris – Les Boutiques Gare du Nord	4,600			40%		60%	
Châlons – Hôtel de Ville	5,300			40%		60%	
Roubaix – Espace Grand' Rue	13,400			33%		67%	
Various shopping centres (2 assets)	20,800			49%		51%	
Equity assets[c]	**138,400**	**28.2**	**423**		**206**		**217**
TOTAL PORTFOLIO ASSETS	**841,100**	**218.4**	**4,512**		**3,014**		**1,498**
Assets managed for third parties[d]	**167,200**	**35.4**	**610**		**–**		**610**
TOTAL ASSETS UNDER MANAGEMENT	**1,008,300**	**253.8**	**5,122**		**3,014**		**2,108**

(a) Assets in which Altarea holds shares and over which Altarea exercises operational control. Fully consolidated in the consolidated financial statements.
(b) Aix-en-Provence shopping centre expansion.
(c) Assets in which Altarea is not the majority shareholder, but for which it exercises joint operational control or a significant influence. Consolidated using the equity method in the consolidated financial statements.
(d) Assets held entirely by third parties who entrusted Altarea with a management mandate for an initial period of three to five years, renewable.
(e) Rental value on signed leases at January 1st, 2017.
(f) Including transfer duties.

2.2.1.2 SHOPPING CENTRES UNDER DEVELOPMENT

Development pipeline

As a REIT, the Group is focused on initiatives to restructure and develop three product types:

- large regional shopping centres;
- on-the-spot retail sites (stations);
- Family Villages® (large retail parks).

At 31 December 2016, these initiatives represented a development pipeline of more than €2 billion in investments (at 100%).

Compared with standing assets in operation, this pipeline represents potential additional rental income of about 72% of the REIT's current rental income.[1].

	GLA in m²[(c)]	Proj. gross rental income *(€M)*	Net Invest.[(d)] *(€M)*	Proj. return Gross
Controlled projects (fully consolidated)[(a)]	**410,200**	**150.7**	**1,998**	**7.5%**
Group share	*385,500*	*126.0*	*1,720*	
Share of minority interests	*24,700*	*24.7*	*279*	
Equity projects[(b)]	**58,400**	**7.5**	**84**	**8.9%**
Group share	*29,200*	*3.7*	*42*	
Share of third parties	*29,200*	*3.7*	*42*	
TOTAL	**468,600**	**158.1**	**2,082**	**7.6%**
GROUP SHARE	*414,700*	*129.7*	*1,762*	*7.4%*

(a) Projects in which Altarea Cogedim holds shares and exercises operational control. Fully consolidated in the consolidated financial statements.
(b) Projects for which Altarea Cogedim is not the majority shareholder. Consolidated using the equity method in the consolidated financial statements (application of IFRS 11).
(c) Total GLA (Gross Leasable Area) built and/or redeveloped, excluding off-plan developments for third parties.
(d) Total budget including interest expenses and internal costs.

The total development pipeline declined by €466 million (at 100%) versus 31 December 2015, owing to:

- the deliveries of L'Avenue 83 (Toulon), the Le Parks (Paris) centre, the first instalment of the refurbishment and extension of Cap 3000 (Saint-Laurent-du-Var) and Carré de Soie in Lyon;
- offset by the winning of the competition in Issy-les-Moulineaux (Cœur de Ville), and the start of the expansion programme at Sant Cugat (Spain).

In addition, some programmes were expanded or reduced to meet the needs of their markets.

Geographic Breakdown

This pipeline[(2)] is primarily located in the Grand Paris and the fastest growing metropolises.

	GLA in m²	Proj. gross rental income *(€M)*	Net Invest. *(€M)*	%
Paris	43,900	25.0	356	17%
Grand Paris	245,100	65.8	931	45%
Large metropolises	179,600	67.3	796	38%
TOTAL	**468,600**	**158.1**	**2,082**	**100%**

Secured Pipeline

The Group reports only on projects that are secured or underway[(3)]. This pipeline does not include certain identified projects on which development teams are currently in talks or carrying out advanced studies.

In € millions, net	At 100%	%	Group share
Committed	560	27%	239
o/w paid out	*307*	*15%*	*74*
Remaining to be paid out	*253*	*12%*	*166*
Secured not committed	1,522	73%	1,522
TOTAL	**2,082**	**100%**	**1,762**

(1) Gross rental income of the pipeline: €158.1 million compared to €218.4 million on existing assets (figures at 100% excluding assets managed for third parties).
(2) At 100%.
(3) Projects underway: properties under construction. Secured projects: projects either fully or partly authorized, where the land has been acquired or for which contracts have been exchanged, but on which construction has not yet begun.

Given the Group's cautious criteria, the decision to commence work is only made once a sufficient level of pre-letting has been reached. In light of the progress achieved in the year from both an administrative and commercial point of view, most pipeline projects should be delivered between 2019 and 2021.

The year's production

Leases signed

During the year, 95 leases were signed for the assets in the pipeline, for a total of nearly €12.1 million in rents. These leases mainly involved projects delivered during the year (L'Avenue 83 and Le Parks), soon to be delivered (Promenade de Flandre) or in the construction phase (Cap 3000 expansion).

Investments carried out for projects under development

Over the year, the Group invested[1] €214 million in its shopping centre project portfolio on a Group-share basis.

These investments mainly related to:

- Investments in recently delivered centres (L'Avenue 83 and Le Parks);
- Shopping centres under construction and/or redevelopment (largely Cap 3000 and Promenade de Flandre);
- and the projects under development on the Parisian rail stations (signing of occupancy authorisations).

Travel retail: The Paris-Austerlitz and Paris-Montparnasse rail stations

In 2014, Altarea Cogedim was selected to support the transformation of the Paris-Montparnasse rail station. A State authorisation from the CDAC (to operate a large commercial undertaking) was obtained and finalised in June 2015 and the construction permit is now definitive. The public space temporary occupancy agreement for the Paris Monparnasse station was signed on 21 December 2016 for a term of 30 years after the outlets are open to the public.

In 2015, Altarea Cogedim was chosen as a partner by SNCF to modernise the Paris-Austerlitz rail station, with a view to extending its capacity upon completion to 30 million passengers (compared to its current traffic of 22 million passengers). The temporary occupation authorisation (AOT) was signed on 20 July 2016.

Cap 3000

The completion of the existing property redevelopment during the fourth quarter of 2016 has facilitated the acceleration of the expansion works. The works will be completed in several phases, with a first delivery in 2017 that will diversify the retail venues by welcoming Alice Delice, Hema (housewares), Benetton, Adidas, Timberland (clothing) and Bocage (footwear).

The works will be fully completed during 2019. When completed, the centre will have nearly 300 stores over a total surface area of 135,000 m^2 (100,000 m^2 of GLA), compared to 140 stores and a surface area of 85,000 m^2 currently.

The cost of the redevelopment and the extension amounts to over €400 million, bringing to over €1 billion the total invested in the centre since it was acquired, with a gross rents target of approximately €75 million.

Deliveries scheduled for 2017

In 2017, the Group will deliver Promenade de Flandre, a 60,000 m^2 retail park in Roncq, near the Belgian border, next to the fourth largest hypermarket in France and at the heart of a powerful cross-border catchment area. This centre will include five large stores and 24 medium-sized ones, as well as shops and restaurants. At 31 December 2016, this retail park was nearly 90% let.

New programmes

Issy Cœur de ville

In June, Altarea Cogedim was appointed as the operator-investor of the "Cœur de Ville" mixed-use flagship project in Issy-les-Moulineaux.

The Group will develop a genuine downtown of over 100,000 m^2, including 15,000 m^2 of retail space positioned from the outset to be about nature, innovation and the shopping experience and combining neighbourhood convenience with services matching the needs of the people of Issy. These retail assets should be retained in the Group's portfolio.

First in France, Cœur d'Issy will be WELL® certified at the neighbourhood level to reward the health and well-being approach of the project. Stores will also be BREEAM® certified.

Bobigny

In November Altarea Cogedim was designated the sole investor-operator in the new city centre project in Bobigny of over 107,000 m^2.

This mixed-use project will house an urban, innovative retail space, with mixed venues of some 13,600 m^2 including a cinema, a fitness studio, 10,000 m^2 of offices and over 1,400 residential units. A 1,700 m^2 central plaza will become the meeting place for all residents of the neighbourhood.

Sant Cugat

The Group acquired the co-ownership units that it did not own, enabling it to launch a redevelopment operation to strengthen its leadership in its catchment area.

(1) Change in non-current assets net of changes in amounts payable to suppliers of non-current assets.

Retail Reit: Centres under development at 31 December 2016

Centre	Creation/Redevel. / Expansion	At 100% m² GLA created[a]	At 100% Gross rent (€M)	At 100% Net Invest.[b] (€M)	Yield	Group share GLA in m² created[a]	Group share Gross rent (€M)	Group share Net Invest.[b] (€M)
Nice – Cap 3000	Redev./ Expansion	37,000				12,300		
Massy – -X%	Redev./ Expansion	37,000				37,000		
Issy – Cœur de ville	Creation	15,400				15,400		
Chartres	Creation	42,600				42,600		
Paris Region	Redev./ Expansion	86,000				86,000		
Paris – Gare Montparnasse	Creation	18,200				18,200		
Paris – Gare d'Austerlitz	Creation	25,600				25,600		
Other (6 operations)		74,000				74,000		
Developments – France		**343,100**	**134.4**	**1,779**	**7.6%**	**318,400**	**109.8**	**1,501**
Sant Cugat	Redev./ Expansion	22,400				22,400		
Ponte Parodi (Genoa)	Creation	36,700				36,700		
Le Due Torri (Lombardy)	Redev./ Expansion	8,000				8,000		
Developments – International		**67,100**	**16.2**	**219**	**7.4%**	**67,100**	**16.2**	**219**
Controlled developments (fully consolidated)		**410,200**	**150.7**	**1,998**	**7.5%**	**385,500**	**126.0**	**1,720**
Roncq – Promenade de Flandre	Creation	58,400				29,200		
Equity-method developments		**58,400**	**7.5**	**84**	**8.9%**	**29,200**	**3.7**	**42**
TOTAL AT 31 DECEMBER 2016		**468,600**	**158.1**	**2,082**	**7.6%**	**414,700**	**129.7**	**1,762**
o/w redevelopments/ expansions		*259,400*	*103.5*	*1,349*	*7.7%*	*234,700*	*78.9*	*1,071*
o/w asset creation		*209,200*	*54.6*	*733*	*7.5%*	*180,000*	*50.9*	*691*

(a) Total GLA (Gross Leasable Area) created, excluding off-plan developments for third parties. For renovation/expansion projects, figures represent additional GLA created.
(b) Total budget including interest expenses and internal costs.

2.2.2 Property Development

Altarea Cogedim's Property Development business is operated under three trademarks, each having its own operational autonomy: Cogedim, Histoire & Patrimoine[(1)] and Pitch Promotion[(2)].

Cumulative new orders in the Property Development business (Residential and Office Property) represented €2,884[(3)] million in 2016, up 46% from 2015.

With revenue of €1,370 million (up 35% over 2015) and an operating margin[(4)] of 8%, Property Development contributed to the significant increase in the Group's consolidated results in 2016.

(1) Company 50% owned.
(2) Company 100% acquired in February 2016.
(3) Of this total, Pitch Promotion represents €688 million.
(4) Operating income over revenue.

2.2.2.1 RESIDENTIAL

The 2016 Residential market and its outlook

With 21% growth from 2015, new residential property sales reached nearly 150,000 units by the end of 2016[1]. The residential market as a whole, including both investors and homeowners, enjoyed continued low interest rates[2] and effective incentives in the Pinel programme and increased Zero Rate Loans (ZRLs).

This bright spell for the market was also seen in figures for construction permits (+14.8% for the last 12 months) and started constructions (+10%)[3].

The market is expected to stay at a high level in 2017, benefiting from continued attractive interest rates, although having slightly risen since December, and of continued broad incentive measures (Pinel programme and ZRLs), which are not questioned by any of the major presidential candidates.

Products policy

A broad, demand-sensitive range of products

With a presence in the 12 regional capitals[4] with the greatest growth, the Group targets high-demand areas where the demand for housing is the greatest.

With its three trademarks (Cogedim, Pitch Promotion and Histoire & Patrimoine), Altarea Cogedim has a broad product offering, enabling it to perfectly meet the needs of every market segment:

- High-end products[5]: these products are defined by high-end requirements in terms of location, architecture and quality. They represent 23% of the Group's new orders;
- Mid-range and entry-level[6]: these programmes, which accounted for 65% of the Group's new orders in 2016, are specifically designed to:
  - meet the need for affordable housing suited to the creditworthiness of our customers,
  - fulfill individual investors' desires to take advantage of the new "Pinel" scheme,
  - take advantage of local authorities' eagerness to develop affordable housing operations;
- Serviced Residences: the Group is developing a broad range (student, tourist/business, exclusive residences, etc.), which represented 10% of new orders in 2016. In addition, under the Cogedim Club® brand, Altarea Cogedim designs serviced residences for active seniors, combining locations in the heart of the city with a broad range of à la carte services. In 2016 three Cogedim Club residences were officially opened in Chambéry, Pégomas near Cannes and Montpellier, bringing the number of residences opened to seven;
- Divided ownership sales: under the Cogedim Patrimoine 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;
- Renovation of historical sites: under the Histoire & Patrimoine brand, the Group has a range of products for Historical Monuments, Malraux Law properties and Real Estate Tax Losses.

In all of these ranges and its brands, the Group stands out by its signature, a guarantee of quality, innovation and environmental commitment.

Almost all the Group's operations are certified NF Habitat, a true benchmark of quality and performance of the housing, guaranteeing enhanced comfort and energy savings.

The Group strives to stay ahead of its clients' expectations. An expert team of architects and interior designers analyse, model and anticipate tomorrow's habits. The plans offer adjustable build-outs, tailored to family structures and lifestyles.

Customised services: "You'll see the difference with Cogedim"

Under the Cogedim brand, the Group offers customised and differentiating services:

- in June 2016 in Bercy Village (Paris 12th arrondisement) the Group opened its first Cogedim Store, a unique place dedicated to housing which was awarded the Janus label in 2016. This location, combining the real and the virtual, makes easy the every-day practicalities and offers a new form of assistance to customers seeking a home. This innovative and futuristic space of over 600 m² offers a unique experience: to-scale apartments, a room with a selection of ranges, and immersive digital experiences;
- Personalised housing: customers enjoy a variety of materials, several decorative atmospheres and several interior fitting schemes; In addition, special customisation kits have been put together: the "ready to rent" kit, designed to simplify life for investor customers, the "ready to live" kit for homebuyers, the "security kit" and the "connection kit" with the most state-of-the-art and best technology;
- a single point of contact for a simplified purchase path: a customer relationship Manager is at the customer's side from the signing of the reservation contract onwards and supports them through to delivery providing a bespoke service. He or she is the single point of contact providing guidance to customers at each stage;
- a rental management offer to individual investors: with the creation of Cogedim Gestion & Services, combining the skills of Altarea Cogedim and Histoire & Patrimoine Gestion, the Group has developed strong synergies for rental and condominium management;

The Group also has a shared platform, Altarea Cogedim Partenaires, which offers all of our partners (financial advisers) and their customers the same customised benefits and services as the three brands Cogedim, Histoire & Patrimoine and Pitch Promotion: customer support, training, efficient tools for sales support and daily communication about the Group's offers and news.

(1) 148,618 units; Source: FPI 2016.

(2) Interest rates on real estate lending in France reached a low in November 2016 of 1.31% and averaged 1.34% in December 2016 (Observatoire du Crédit Logement).

(3) Source: Ministry of Sustainable Development. Housing construction – November 2016.

(4) Grand Paris, Métropole Nice Côte d'Azur, Marseille-Aix-Toulon, Toulouse Métropole, Grand Lyon, Grenoble-Annecy, Nantes Métropole, Bordeaux Métropole, Eurométropole de Strasbourg, Métropole Européenne de Lille, Montpellier Méditerranée Métropole, Rennes Métropole. The Group is also present in Bayonne.

(5) Programmes at over €5,000 per m² in the Paris Region and over €3,600 per m² in other regions, as well as exclusive programmes.

(6) Programmes under €5,000 per m² in the Paris Region and under €3,600 per m² in other regions, as well as exclusive programmes.

Residential: reservations up +61%[1] in terms of value (+67% in terms of volume)

Reservations by volume and value

The Group's reservations for new housing amounted to €2,286 million,[2] in 2016 for 10,011 units (+61% in terms of value[3] and +67% in terms of volume).

	2016	2015	Change
Retail sales	1,598	898	+78%
Block sales	688	519	+33%
TOTAL (€M)	**2,286**	**1,417**	**+61%**
Retail sales	5,964	3,396	+76%
Block sales	4,047	2,615	+55%
TOTAL (NUMBER OF UNITS)	**10,011**	**6,011**	**+67%**

Breaking the 10,000 unit barrier for the first time, the Group turned in its best sales performance ever, with growth in volume of 67%, versus +21% for the market.

Reservations for the year were primarily driven by retail sales, which rose 78% from 2015, taking full advantage of the re-growth of solvency by households (low interest rates, ZRLs, the Pinel programme, etc.)

Block sales rose 33%: the Group is a preferred partner of investors, both for subsidised housing and intermediate or market-rate housing.

With its three brands, the Altarea Cogedim product offering is suitable for segments whose needs are growing while remaining a significant player in the high-end segment. The average price per unit sold was €228,000, including taxes.

Reservations by product range

Number of units	2016	%	2015	%	Change
Entry-level/mid-range	6,561	65%	3,977	66%	
High-end	2,275	23%	1,312	22%	
Serviced Residences	*941*		*510*		
Residential Services & Renovation	*65*		*47*		
Total Res. Services	1,006	10%	557	9%	
Renovation	169	2%	166	3%	
TOTAL	**10,011**		**6,011**		**+67%**

Notarised sales: +49%[4]

In € millions (incl. tax)	2016	%	2015	%	Change
Entry-level/mid-range	1,080	61%	669	56%	
High-end	542	30%	375	31%	
Serviced Residences	*90*		*122*		
Residential Services & Renovation	*11*		*4*		
Total Res. Services	101	6%	126	11%	
Renovation	60	3%	28	2%	
TOTAL	**1,783**		**1,198**		**+49%**

(1) Reservations net of cancellations, with Histoire & Patrimoine reservations accounted for in proportion to the Group share of ownership (55%).
(2) (incl. tax).
(3) Like-for-like (excluding Pitch Promotion) reservations for new housing were up by +35% in value terms and +39% in volume terms.
(4) Like-for-like, notarised sales were up by +24%.

Improvement in all performance indicators (Revenue, backlog)

Revenue: +21%[1]

In € millions excl. tax	2016	%	2015	%	Change
Entry-level/mid-range	659	62%	491	56%	
High-end	356	33%	332	38%	
Serviced Residences	52	5%	60	7%	
TOTAL	**1,067**		**883**		**+21%**

Considering the gap associated with the percentage of completion accounting method, the growth in business recorded since 2015 should have a greater impact on revenue in 2017.

Outlook

All the operational indicators reflecting the Group's outlook (backlog, commercial launches, property supply and pipeline) were up significantly from 2015.

Residential backlog: +52%[2]

In € millions excl. tax	2016	2015	Change
Notarised revenues not recognised on a percentage of completion basis	1,307	959	
Revenues reserved but not notarised	1,333	780	
BACKLOG	**2,640**	**1,739**	**+52%**
Number of months	24	21	

Commercial launches: +63%[3]

	2016	2015	Change
AS REVENUE INCL. TAX *(€m)*	**2,650**	**1,630**	**+63%**
Number of units	11,147	6,766	
Number of programmes	140	102	

Supply[4]: +29%[5]

	2016	2015	Change
PROGRAMMES SUPPLIED *(in € millions incl. tax)*	**3,853**	**2,989**	**+29%**
Number of units	15,724	13,798	

74% of these agreements relate to entry-level and mid-range programmes, featuring price levels that are particularly suited to purchasers' creditworthiness.

(1) Revenues recognised according to the percentage-of-completion method in accordance with IAS 18. The percentage of completion is calculated according to the stage of construction not including land.

(2) Residential backlog consists of revenues (excluding tax) from notarised sales to be recognised on a percentage-of-completion basis and individual and block reservations to be notarised.

(3) On a like-for-like basis (excluding Pitch Promotion), commercial launches increased by 35% from 2015.

(4) Optional agreements for land signed and valued as potential residential orders (incl. taxes).

(5) On a like-for-like basis (excluding Pitch Promotion), property supply increased by 8% from 2015.

Properties for sale[1] and future offering: +38%[2]

In € millions (incl. tax)	At 31/12/2016	No. of months	At 31/12/2015	Change
Properties for sale	1,337	8	717	
Future offering	6,809	43	5,195	
TOTAL PIPELINE	**8,146**	**51**	**5,912**	**+38%**
In no. of units	*34,542*		*26,507*	*+30%*
In m²	*1,934,352*		*1,502,947*	*+29%*

Risk management

Breakdown of properties for sale at 31 December 2016 (€1,337 million incl. tax, or 8 months of business), according to the stage of operational completion:

	-	← Risk	→	+	
In € millions	1st stage development[a]	Project not started yet[b]	Project under construction[b]	In stock[c]	Total
Expenses[d]	101	50			
Cost price[d]			420	21	
PROPERTIES FOR SALE[e]	**616**	**134**	**520**	**24**	**1,294**
in %	48%	10%	40%	2%	
Histoire & Patrimoine products					*32*
Measurement products					*11*
PROPERTIES FOR SALE[e]					**1,337**
o/w to be delivered	*in 2017*		*79*		
	in 2018		*340*		
	in 2019 and after		*101*		

(a) Land not acquired.
(b) Land acquired.
(c) Completed residential properties.
(d) Excluding tax on unordered units +25% of units reserved but unsold.
(e) As revenue including taxes.

Management of properties for sale

58% of properties for sale (or €750 million) relate to programmes for which construction has not yet started (48% under preparation and 10% where the site has not yet been launched) and for which the amounts committed essentially correspond to evaluation, advertising and land-sale fees (or guarantees) paid upon the signature of preliminary land acquisition agreements.

40% of the offering (or €520 million) is currently under construction. Only 15% (€79 million) represent units to be delivered by year-end 2017.

The stock amount of finished products is insignificant (2% or €24 million).

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

- the choice to prioritize unilateral preliminary sale agreements signings rather than bilateral sale and purchase agreements;
- requiring a mandatory high level of pre-marketing at the site acquisition, as well as at the start of construction work;
- requiring the consent of the Commitments Committee at all stages of the transaction: signature of the purchase agreement, marketing launch, land acquisition and launch of construction;
- withdrawing from or renegotiating transactions having generated inadequate take-up rates.

2.2.2.2 OFFICE PROPERTY

Economic conditions in 2016

Investment in office property[3]

The investment market in France in 2016 was about €24 billion, down 8% from an unusually strong 2015.

In a context of low interest rates, investors have significant amounts of capital to invest in the market.

Investment in office property in the Paris Region[4]

2016 saw an upturn in the rental market with 2.4 million m² let, up 7% on the year and 4% higher than the average of the last 10 years.

The year saw a resumption of activity in the market for surface areas greater than 5,000 m², to a level near its historical average,

(1) Units available for sale (incl. taxes value, or number count).
(2) Future offering consisting of controlled projects (through an option on the land, almost exclusively in unilateral form) whose launch has not yet occurred. (value including taxes when stated in euros). It incorporates the large mixed-use Bobigny project for which the Group was designated as sole operator-investor. Excluding ground-floor area. On a like-for-like basis (excluding Pitch Promotion), the pipeline increased by 16% from 2015.
(3) Source CBRE: Marketview Investissement.
(4) Source CBRE: Marketview Bureaux.

particularly in Paris and western Ile de France. “Blank” launches were more numerous in 2016 with 34 developments of over 5,000 m² launched (versus 27 in 2015 and 14 in 2014). Priority was given to central locations.

The vacancy rate in Ile de France of 6.2% was the lowest since 2009.

New orders for the year[1]: €598m, +6%

The major new orders in the year involved:

- l'Ilot des Mariniers, a redevelopment of a 25,000 m² building located in the 14th arrondissement of Paris;
- Paris Vaugirard, a 28,000 m² office development in the 14th arrondissement of Paris.

Office new orders	31/12/2016	31/12/2015	Change
In value (as Group share)	€598m	€563m	+6.2%
Surface area (at 100%)	163,100	192,300	-15.2%

Group strategy

The Group has developed a unique model that enables it to operate in a highly significant manner with a limited risk on the office property market.

- as a property developer[2] with a particularly strong position on the market for turnkey projects intended for users;
- as a service[3] provider for major institutional investors;
- as an investor through AltaFund[4]. The Group is the fund's exclusive operator and one of its main shareholders, holding an interest of between 17% and 30%[5].

Overall, the Group is able to operate at each step of the value-creation chain with a diversified revenue mix (margins, fees, capital gains, etc.).

The portfolio of projects secured by the Group thus represents 849,000 m² with a value at 100% of €4,325 million.

Portfolio of secured projects	No.	Area at 100%	Value at 100% excl. tax *(€M)*
Developer (Property development contracts/Off-plan sales)[a]	41	509,300 m²	1,461
Delegated project management[b]	3	49,500 m²	165
AltaFund (Direct investor)[c]	9	290,100 m²	2,698
TOTAL	**53**	**849,000 m²**	**4,325**

(a) CPI/VEFA value = amount of signed contracts = amount of signed contracts (or estimate in the case of off-plan leases).
(b) DPM value = capitalised fees.
(c) AltaFund and investor value = market value of developed assets.

Commitments relatively small expressed as Group share

Developments sold as at 31 December 2016 represent a value of €1,157 million at 100%.

Operations currently being put together and not yet sold represent potential value of €3,167 million, on which the commitments of the Group in terms of its share are relatively small. Group obligations thus represent €349 million, of which €177 million was already invested at 31 December 2016 whilst €172 million[6] remains to be invested. This figure could be substantially reduced should there be an acceleration of asset disposals, made possible by the advance allocation of Group assets.

Portfolio of secured projects	Area at 100%	Value at 100% excl. tax *(€M)*
Operations sold	350,400 m²	1,157
Operations under development	498,600 m²	3,167
TOTAL	**849,000 m²**	**4,325**

(1) Value (incl. tax) of Office orders (signed off-plan & property development contracts, capitalised fees for delegated projects, and AltaFund arbitrations) signed during a period.
(2) In the form of off-plan sale agreements, off-plan lease and property development contracts.
(3) Through delegated project management contracts.
(4) AltaFund is a discretionary investment fund, created in 2011, with €650 million in equity of which Altarea Cogedim is one of the contributors alongside leading institutional investors.
(5) In March 2015, the Group increased its AltaFund capital allocation from €100 million to €150 million, thereby increasing its interest in new programmes initiated by AltaFund since 2015 to 30%.
(6) Equity to be invested on AltaFund and direct investments.

Major events of the year

Purchase agreements/Acquisitions

In 2016 Altarea Cogedim won the competition for the development of two major mixed-use urban projects and signed the land purchase agreements:

- Bordeaux – Belvédère[1] : a new neighbourhood containing a 140,000 m^2 mixed-use space, including 53,500 m^2 of offices (at 100%);
- Issy – Cœur de Ville : a mixed-use neighbourhood of over 100,000 m^2 including 40,500 m^2 of offices in a first-class downtown location.

These two secured major mixed-use projects will feed the Group's office property new orders over the coming months.

Also, in November Altarea Cogedim was designated the sole investor-operator in the new city centre project in Bobigny. This project represents over 100,000 m^2 including 10,000 m^2 of offices, and will seek both HQE and BREEAM© certification.

2016 deliveries

In 2016, the Group delivered the Safran corporate headquarters in Blagnac (Toulouse), instalment 1 of the Technopole de la Mer in Ollioules (Toulon), instalments 2 and 3 of the Euromed Center in Marseille, the five-star Hotel rue Boulanger in Paris, Athènes Clichy office building and the UNOFI building in Brives – all totalling 80,000 m^2.

Operations under construction

Some 15 projects are under construction, totalling 243,000 m^2. The most important of these are:

- in Paris and its immediate areas: the Richelieu building in the 2nd arrondissement (31,800 m^2), the Ilot des Mariniers building in the 14th arrondissement (25,000 m^2), and the Kosmo building in Neuilly (26,200 m^2);
- in the regions, the View One buildings in Villeurbanne (15,000 m^2), the Sanofi corporate headquarters in Lyon (15,000 m^2) and the last two instalments of the Euromed Center in Marseille (24,000 m^2).

Backlog[2] (Off-plan, Property Development contracts and delegated project management)

The Group had a backlog of €630 million, 92% higher than at year-end 2015.

In € millions	2016	2015	Change
Backlog (Off-plan, Property Development contracts)	626.2	324.0	
Backlog of delegated project management fees	3.8	4.1	
TOTAL	**630.0**	**328.1**	**+92%**

2.2.2.3 CONVENIENCE RETAIL

Retail formats, in particular in the food sector, are evolving, and convenience stores are making a comeback with consumers. Seeking new market share, the large retail groups have decided to position themselves through multiple distribution channels (the multi-format), enlarging the range of points of sale, from hypermarket to convenience store.

In 2014, Altarea Cogedim launched "Alta Proximité" to provide the new neighbourhoods developed by the Group with a quality supply of everyday retail and services. The "Alta Proximité" initiative establishes partnerships with retail and convenience chains in order to industrialise supply, whether in the area of groceries, restaurants, health, childcare or leisure.

This initiative, born of the Group's retail know-how, is quite different from that of other, traditional housing developers, as demonstrated by the Group's recent successes in large urban projects.

The potential for this business represents approximately 20,000 m^2 of retail space per year and approximately €10 million in recurring operating income in the future, which will be added to the net operating income from Development.

As at 31 December 2016, the "Alta Proximité" portfolio is as follows:

	No.	Surface area *(m^2)*	Revenue *(€M)*
Secured transactions	**40**	**110,000**	**324**
< 3,000 m^2	31	20,900	57
between 3,000 m^2 and 7,000 m^2	4	18,500	53
> 7,000 m^2	5	70,600	214
Transactions under development	**11**	**50,400**	**147**
< 3,000 m^2	5	6,000	12
between 3,000 m^2 and 7,000 m^2	3	14,400	42
> 7,000 m^2	3	30,000	92
TOTAL PORTFOLIO	**51**	**160,400**	**471**

The Group's strategy for these retail complexes is twofold:

- Pure real estate development (Development, Valuation, Resale) for transactions under €50 million, which can be in some cases maintained under management;
- Occasional retention for unusually attractive operations.

(1) Operations at 50% Group share.

(2) 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.

2.3 CONSOLIDATED RESULTS

2.3.1 Results

2.3.1.1 +19.1% GROWTH IN FFO (€13.60 PER SHARE, *I.E.* +7.2%)

Altarea Cogedim revenue was €1,581.7 million (+29.8%), and recurring net result (FFO) Group share rose significantly to €192.0 million (+19.1%), with all business lines contributing to the growth.

FFO per share increased by 7.2% to €13.60 per share after taking into account the impact of dilution resulting from transactions to strengthen equity implemented in the first half-year (creation of 2,514,790 shares in total).

	31/12/2016					31/12/2015		
	Operating cash flow from operations (FFO)		Changes in value, estimated expenses and transaction costs	TOTAL		Operating cash flow from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total
Retail	206.2	5.3%	5.5	211.7		195.9	10.7	206.6
Residential	1,067.6	20.9%	–	1,067.6		883.1	–	883.1
Offices	302.4	135.3%	–	302.4		128,5	–	128.5
Revenue	**1,576.2**	**30.5%**	**5.5**	**1,581.7**	**+29.8%**	**1,207.5**	**10.7**	**1,218.2**
o/w Property development	*1,369.9*	*35.4%*		*1,369.9*		*1,011.6*		*1,011.6*
Retail	167.7	7.9%	167/1	334.8		155.5	111.4	266.9
Residential	69.5	32.8%	(14.6)	55.0		52.3	(5.0)	47.4
Offices	40.1	32.0%	(6.5)	33.6		30.4	(1.1)	29.4
Other	**(2.9)**	**n/a**	**(4.7)**	**(7.6)**		**(3.5)**	**(0.7)**	**(4.2)**
Operating income	*274.5*	*17.0%*	*141.2*	*415.7*	+22.5%	*234.7*	*104.7*	*339.4*
o/w Property development	109.7	32.5%	(21.1)	88.6		82.8	(6.0)	76.7
Net borrowing costs	(37.2)	16.4%	(6.3)	(43.5)		(31.9)	(5.4)	(37.4)
Discounting of debt and receivables	–	-	(0.3)	(0.3)		–	(0.2)	(0.2)
Change in value and income from disposal of financial instruments	–	-	(75.8)	(75.8)		–	(40.5)	(40.5)
Proceeds from the disposal of investments	–	-	(0.1)	(0.1)		–	(0.1)	(0.1)
Corporate income tax	(1.4)	n/a	(27.5)	(28.9)		(0.9)	(3.9)	(4.8)
Net result	**236.1**	**17.0%**	**31.3**	**267.4**	**+4.2%**	**201.8**	**54.7**	**256.5**
Non-controlling interests	(44.1)	8.4%	(57.8)	(101.8)		(40.7)	(35.2)	(75.8)
NET RESULT, GROUP SHARE	**192.0**	**19.1%**	**(26.5)**	**165.5**		**161.2**	**19.5**	**180.7**
FFO (GROUP SHARE) PER SHARE	**13.60**	**7.2%**				**12.69**		
Average number of shares after dilutive effect[(a)]		14,120,403				12,703,660		

(a) Pursuant to IAS 33, the weighted average number of shares (diluted and non-diluted) was adjusted retrospectively to take account of the capital increase with preferential subscription rights that took place during H1 2016.

2.3.1.2 FFO[1] GROUP SHARE: €192.0M (+19.1%)

FFO represents operating cash flow after interests and Corporate income tax expenses.

By activity, FFO Group share is broken down as follows:

In € millions	2016	2015	Change
FFO Retail	**99.6**	**94.2**	**+5.7%**
o/w Commercial Property	115.6	113.9	+1.5%
o/w Services and Development	(16.1)	(19.7)	x 0.8
FFO Property Development	**95.4**	**70.5**	**+35.2%**
o/w Residential	58.9	42.2	+39.8%
o/w Offices	36.4	28.3	+28.5%
FFO Corporate	**(2.9)**	**(3.5)**	
FFO (CONSOLIDATED) GROUP SHARE	**192.0**	**161.2**	**+19.1%**

FFO Retail: €99.6 million, +5.7%

This includes, on the one hand, FFO Commercial Property, which measures the financial performance of the portfolio, Group share, and, on the other, FFO Services and Development. FFO Services and Development is composed of Altarea Retail costs that are not covered by fees and expenses related to projects underway, restructured or put in service, but that cannot be capitalised in the IFRS accounts (essentially launch expenses, advertising and marketing).

In € millions	2016	2015	Change
Rental income	183.9	174.6	
Net rental income	**168.3**	**160.5**	**+4.9%**
% of rental income	91.5%	91.9%	
Contribution of EM associates	15.4	14.7	
Net borrowing costs	(26.8)	(26.5)	
Non-controlling interests	(41.3)	(34.9)	
FFO COMMERCIAL PROPERTY	**115.6**	**113.9**	**+1.5%**
FFO SERVICES AND DEVELOPMENT	**(16.1)**	**(19.7)**	
FFO RETAIL	**99.6**	**94.2**	**+5.7%**

FFO Commercial Property grew by 1.5% to €115.6 million drawn by the growth in net rental income (+4.9%), related among other things to the opening of Avenue 83 in La Valette-du-Var in April 2016, and to the full-year effect following the 100% acquisition of the Qwartz shopping centre in March 2015. The net cost of debt for Retail was stable compared to 2015. Non-controlling interests relate to assets held in partnership (essentially Cap 3000 and the Allianz partnership).

FFO Services and Development improved by €3.6 million resulting both from the management of operating costs in 2016 and better coverage via fees invoiced to third parties.

FFO Development: €95.4 million, +35.2%

In 2016, the Group began to benefit from the first results of the excellent operational performances of 2015 and 2016 in Residential bookings and the Pitch Promotion contribution, consolidated in the Group accounts since 28 February 2016.

In € millions	2016	2015	Change
Residential Revenue	1,067.6	883.1	+20.9%
Office Revenue	302.4	128.5	x 2.4
Revenue	**1,369.9**	**1,011.6**	**+35.4%**
Residential Operating Cash Flow	69.5	52.3	
Office Operating Cash Flow	40.1	30.4	
Operating Cash Flow	**109.7**	**82.7**	**+32.5%**
Net borrowing costs	(10.2)	(5.5)	
Non-controlling interests	(2.7)	(5.8)	
Corporate income tax	(1.4)	(0.9)	
FFO PROPERTY DEVELOPMENT	**95.4**	**70.5**	**+35.2%**

(1) Funds from operations or operating cash flow from operations, Group share and excluding Group.

The share of Operating Cash Flow to minority interests was €2.7 million in 2016 (compared to €5.8 million en 2015).

Corporate income tax corresponds to the non-SIIC sector, essentially regrouped under the Altareit tax consolidation. In 2016, the Group was able to offset its taxable income against tax loss carryforwards resulting in an amount of income tax payments to be recorded of €-1.4 million.

FFO Corporate

FFO Corporate corresponds to Group expenses not allocated to subsidiaries. It was €-2.9 million compared to €-3.5 million in 2015.

FFO per share: €13.60 per share, +7.2%

The average number of shares in 2016 was 14,120,403 compared to 12,703,660 in 2015. The increase was the result of transactions to strengthen the Group's equity, which allowed €369 million to be raised in 2016:

- the 2016 dividend payment (for 2015) in shares (creation of 821,762 shares);
- a capital increase in the market (creation of 1,503,028 shares);
- a reserved capital increase as part of the acquisition of Pitch Promotion (creation of 190,000 shares).

In addition, the average number of 2015 shares used to calculate the earnings per share was corrected to take into account the capital increase carried out as a DPS in accordance with the IAS 33 standard[1].

2.3.1.3 CHANGES IN VALUE AND ESTIMATED EXPENSES: €-26.5M

Group share (in € millions)	
Change in value of Investment Properties	177.2
Change in value – Financial instruments	(75.8)
Disposal of assets and transaction costs	(3.1)
Share of equity-method associates	(5.5)
Deferred tax	(27.5)
IFRS 2 stock grant plan charges	(16.4)
Estimated expenses[a]	(17.7)
Total	**31.3**
Non-controlling interests	(57.8)
TOTAL GROUP SHARE	**(26.5)**

(a) Allowances for depreciation and non-current provisions, pension provisions, staggering of debt issuance costs.

The change in value of investment properties corresponds to adjustments in value of each building measured at fair value. The increase in value was the result of rate compression in 2016.

The flattening of the rate curve during 2016 led to a strong decrease in the value of the hedging instruments portfolio, including the amount of premiums and balancing payments.

The deferred tax recognised in 2016 was related, on the one hand, to the use of the Group's deficits and, on the other, to a timing effect on Development, the results of which are recognised in advance in the consolidated financial statements when they are recorded primarily at closing in the corporate financial statements.

Net result, Group share

Total 2016 net result, Group share, was €165.5[2] million, including €192.0 million in FFO and €-26.5 million in changes in value and estimated expenses.

(1) Pursuant to IAS 33, the Preferential Subscription Right corresponds to a value freely allocated to the shareholders which is not representative of a result and which therefore results in an upward adjustment of the average number of shares to reflect this loss of substance in the IFRS per-share indicators.

(2) Net result from continuing operations, Group share, i.e. net result (after the impact of discontinued operations) of €167.8 million.

2.3.2 Net asset value (NAV)

2.3.2.1 INTRODUCTION

Diluted Going Concern NAV: €159.6 per share (+16.2%)

The Diluted Going Concern NAV (in millions of euros) increased significantly over the year (+€680 million, *i.e.* +39.5%). The increase was due, in particular, to capital increase transactions (€369 million).

On a per share basis, the Diluted Going Concern NAV was up 16.2% to €159.6/share after the impact of the shares created (see 1.3.1.1).

	31/12/2016				31/12/2015 Published	
Group NAV	**In €M**	**Change**	**€/share[d]**	**Change/ share**	**In €M**	**€/share[d]**
Consolidated equity, Group share	**1,620.9**		**107.8**		**1,230.3**	**98.3**
Other unrealised capital gains	636.5				381.4	
Restatement of financial instruments	68.7				20.8	
Deferred tax on the balance sheet for non-SIIC assets[a]	23.9				20.1	
EPRA NAV	**2,350.1**	**+42.2%**	**156.4**	**18.4%**	**1,652.5**	**132.1**
Market value of financial instruments	(68.7)				(20.8)	
Fixed-rate market value of debt	(14.4)				(19.4)	
Effective tax for unrealised capital gains on non-SIIC assets[b]	(27.2)				(18.2)	
Optimisation of transfer duties[b]	90.8				66.4	
Partners' share[c]	(18.5)				(15.8)	
EPRA NNNAV	**2,312.1**	**+40.6%**	**153.8**	**17.0%**	**1,644.7**	**131.4**
Estimated transfer duties and selling fees	86.7				74.5	
Partners' share[c]	(0.7)				(0.7)	
DILUTED GOING CONCERN NAV	**2,398.1**	**+39.5%**	**159.6**	**16.2%**	**1,718.5**	**137.3**
(a) International assets.						
(b) Varies according to the type of disposal (assets or securities).						
(c) Maximum dilution of 120,000 shares.						
(d) Number of diluted shares:	*15,030,287*				12,513,433	

2.3.2.2 CALCULATION BASIS

Asset valuation

Property assets already appear at their appraisal value in the Group's IFRS statements (Investment properties). The unrealised capital gains on other assets consist of:

- two hotel business franchises (Hôtel Wagram and Résidence hôtelière de l'Aubette);
- the rental management and retail Property Development division (Altarea France);
- the Group's interest in the Rungis Market (Semmaris);
- the Property Development division (Cogedim, Histoire et Patrimoine and Pitch Promotion);
- the Office Property Investment division (AltaFund).

These assets are appraised at the end of each financial year by external experts: JLL and Cushman & Wakefield for the hotel business franchises and Accuracy for Altarea France and Semmaris. The Property Development and Investments divisions were assessed by two appraisers this year, Accuracy an EightAdvisory. The methods used by JLL, C&W and Accuracy use the discounted cash flow method (DCF) in conjunction with a terminal value based on normalised cash flow. JLL and C&W provide a single appraisal value, while Accuracy provides a range of values calculated using different scenarios. In addition to its DCF valuation, Accuracy also provides a valuation based on listed peer group comparables. EightAdvisory uses a multi-criteria DCF-based approach, an approach using multiples from listed peer group comparables and multiples from comparable transactions.

Tax

Most of Altarea's Property Portfolio is not subject to capital gains tax under the SIIC regime. The exceptions are a limited number of assets which are not SIIC-eligible due to their ownership method, and assets owned outside France. For these assets, capital gains tax on disposals is deducted directly from the consolidated financial statements at the standard tax rate in the host country, based on the difference between the market value and tax value of the property assets.

Altarea Cogedim took into account the ownership methods of non-SIIC assets to determine going concern NAV after tax, since the tax reflects the tax that would effectively be paid if the shares of the company were sold or if the assets were sold building by building.

Rights

Investment properties have been recognised in the IFRS consolidated financial statements at appraisal value excluding transfer taxes. To calculate going concern NAV, however, transfer duties were added back in the same amount. In Altarea Cogedim's NNNAV, duties are deducted either on the basis of a transfer of securities or building-by-building based on the legal status of the organisation holding the asset.

The rate of duties was changed in France in 2016, and the amount included in the going concern NAV includes an "enhancement on opening" linked to the change in the rate (which only affects the explanation of the variation in the going concern NAV).

Partners' share

The partners' share represents the maximum dilution provided for under the Group's Articles of Association in the case of liquidation by a partner (where the General Partner would be granted 120,000 shares).

2.3.2.3 CHANGE IN GOING CONCERN NAV[1]

The diluted Going Concern NAV increased from €137.3/share in 2015 to €159.6/share in 2016. The change breaks down as follows:

- (€11.0)/share linked to the dividend;
- +€2.5/share linked to the capital increases[2];
- (€4.7)/share linked to changes in the value of financial instruments (decrease in long rates in 2016);
- +€35.5/share in growth in real estate value.

Diluted Going Concern NAV	In €M	€/share
AT 31 DECEMBER 2015	**1,718.5**	**137.3**
2015 dividend	**(140.5)**	**(11.0)**
Capital increases[a]	**369.1**	**2.5**
Change in value of financial instruments[b]	**(70.8)**	**(4.7)**
FFO 2016	192.0	13.6
Growth in retail value	219.5	14.6
Growth in Property Development value net of taxes[c]	138.5	9.2
Share buyback[d]	(12.2)	(0.8)
Other[e]	(16.0)	(1.1)
Growth in real estate value	**521.8**	**35.5**
AT 31 DECEMBER 2016	**2,398.1**	**159.6**

(a) Including the capital increase, the 2015 dividend-paid-in-securities option and the reserved capital increase conducted in the framework of the acquisition of Pitch Promotion. Including the dilutive effect.
(b) Of which the market value of fixed-rate debt.
(c) Deferred taxes & taxes on unrealised capital gains.
(d) Impact of the purchase of shares on the market as part of stock grant plans.
(e) Estimated expenses, transaction costs, taxes on non-SIIC assets (excluding development), GP impact.

2.3.2.4 GROWTH IN REAL ESTATE VALUE

The growth in real estate value of €35.5/share breaks down as follows:

- +€13.6/share of 2016 FFO;
- +€14.6/share from the growth in retail value. This growth in value is primarily linked to the increasing value of the shopping centres. It also includes the growth in value of the other retail assets excluding investment real estate (hotel businesses, rental management division, Semmaris) The contribution of retail assets to NAV is virtually equally split between "rate effects" and "income effects";
- +€9.2/share from the revaluation of the Property Development value net of taxes. The revaluation is linked to the increase in the values assessed by both Accuracy and EightAdvisory. It is the result of the following combination of factors:
  - a significant increase expected for 2017, 2018 and 2019 explained by the backlog secured on 31/12/2016, which significantly increases the cash flows of the first periods of the business plan compared to the previous year,
  - a decrease in the WCR linked to the structural change in the Cogedim residential product mix with a growing proportion of entry/middle level housing which consume less WCR than high-end housing (notably the land portion). The result of this change is a decrease of the capital employed at equivalent activity levels,
  - an improvement in the average margin[3] rate linked to productivity gains and economies of scale generated by the size of the residential activity (purchasing, marketing and communication). An improvement is expected in the contribution made by Pitch Promotion, which is fully benefiting from the synergies with the Group,
  - a new, higher standard of activity resulting from structural market share gains made over the past three years. This level is used by the experts to determine residual value.

  It is important to note that all of the growth in value of the marketing division is the result of operational items that have structurally modified the business plan. The rate used to discount cash flows has remained unchanged since 2015, as has the growth rate used to project the perpetual residual cash flow (respectively, 9.0% and 1.5%).

(1) Equity market value assuming a continuation in business, taking into account the potential dilution related to the SCA status.
(2) The capital increases were carried out over the NAV (€155.5 for the dividend-paid-in-securities option, €140 for the capital increase conducted on the market and €166.6 for the reserved capital increase conducted in the framework of the acquisition of Pitch Promotion).
(3) Operating income (FFO column)/Revenue.

2.4 FINANCIAL RESOURCES

2.4.1 Financial position

EQUITY REINFORCEMENT: €369 MILLION RAISED

Altarea Cogedim reinforced its equity by €369 million in 2016 with three transactions during the first half-year: €210 million through the capital increase conducted on the market, €127 million through the dividend-paid-in-securities option and €32 million through the reserved capital increase conducted in the framework of the acquisition of Pitch Promotion.

These transactions enabled the financing of the growth of the Group while reducing the consolidated LTV level to 37.2% compared with 44.5% as at 31 December 2015.

GROUP NET DEBT: €2,425 MILLION

At 31 December 2016, the Altarea Cogedim Group's net financial debt stood at €2,425 million, down compared to 31 December 2015.

In € millions	Dec. 2016	Dec. 2015
Corporate and bank debt	490	602
Credit markets[a]	995	545
Mortgage debt	1,142	1,313
Property development debt	276	248
TOTAL GROSS DEBT	**2,903**	**2,708**
Cash at bank and in hand	(478)	(266)
TOTAL NET DEBT	**2,425**	**2,442**

(a) of which €358 million in treasury bills.

The average term of the Group's debt (excluding development and treasury bills) was five years and four months, as compared to six years at 31 December 2015.

€1,241 MILLION IN LONG-TERM FINANCING SET UP

In 2016, the Group signed financing agreements for a total of €1,241 million taken at 100%[1]:

- €642 million in refinancing of existing loans;
- and €599 million in new funds.

The average term of the financing put in place (excluding development credits and treasury bills) was:

- 8 years and 4 months for mortgage financing for an average spread of 1.36%;
- 5 years and 2 months for corporate financing for an average spread of 1.66%.

The Group also issued a private placement of €50 million over 10 years for a spread of 1.82%.

Nominal amount (€M)	New money	Refinancing	TotaL
Mortgage financing	185	246	431
Corporate financing	364	396	760
Bond financing	50	-	50
TOTAL (AT 100%)	**599**	**642**	**1,241**

(1) Figures at 100% (€1,160 million in group share).

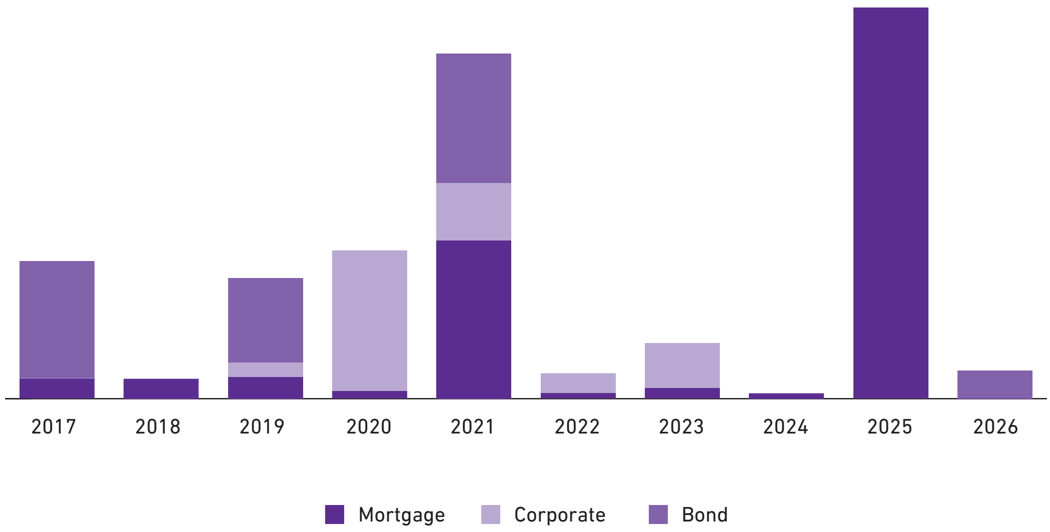
AVAILABLE CASH AND CASH EQUIVALENTS: €863 MILLION

At 31 December 2016, available cash and cash equivalents included:

- 170 million in available cash and cash equivalents backed with specific projects;
- €693 million in unused revolving credits lines.

Available cash and cash equivalents do not include the €358 million in treasury bills (with maturities from one month to one year).

MATURITY SCHEDULE FOR GROUP DEBT (€M)[(1)]



Mortgage maturities in 2017 correspond to the maturities of two private placements (€100 million in June 2017 and €100 million in December 2017). Refinancing conditions are already planned.

The 2021 mortgage maturity corresponds to Cap 3000, the extension of which will have been completed the previous year.

The 2025 maturity corresponds to mortgage financing implemented since 2015.

(1) Excluding property development debt and treasury notes.

2.4.2 Financing strategy

HEDGING: NOMINAL AMOUNT AND AVERAGE RATE

The Group primarily borrows at a variable rate and sets a target hedge of 70% and 90% of the nominal value of its payables[1] with the balance exposed to the Euribor 3M.

Hedging instruments are entered into at a global level, and for the most part are not tied to specific financing agreements (this includes a significant portion of the mortgage financing which is subject to global hedging by the Group). They are recorded at fair value in the consolidated financial statements.

The Group reworked its hedging profile during the first half-year to reduce its exposure to negative Euribors by replacing swaps with caps at strike 0% for an average nominal value of €644 million for 2016[2]. The Group continued to improve its average hedging rate during the second half-year via the implementation of short- and medium-term variabilisation swaps and deferred swaps, therefore benefiting from the extremely low rate markets in September.

The duration of the hedge was extended and the average hedge rate now stands between 0.38% and 1.11% up to 2025, offering the Group great visibility over its medium-term coverage.

Maturity	*Swap* (€M)(a)	Fixed-rate debt *(€M)*[(a)]	*Cap strike* 0% *(€M)*[(a)]	Total *(€M)*[(a)]	Average swap rate[(b)]
2016	619	593	644	1,856	0.38%
2017	612	490	866	1,967	0.38%
2018	1,929	453	107	2,489	1.07%
2019	1,998	438		2,437	1.11%
2020	2,035	298		2,333	0.94%
2021	2,072	295		2,367	0.97%
2022	1,964	293		2,257	0.99%
2023	1,963	290		2,253	0.99%
2024	1,912	287		2,199	0.98%
2025	978	168		1,145	1.03%
2026	–	50		50	0.63%

(a) In share of consolidation.
(b) Average rate of swaps and average swap rate of the fixed rate debt (excluding spread, at the fixing date of each transaction).

In addition, the Group has optional shorter-term instruments excluding cash.

AVERAGE COST OF DEBT[(3)]: 1.92% (1.94% IN 2016)

The Group's optimised average cost of debt with long-term visibility is explained by combination of efficient hedging and significant recourse to mortgage financing. Altarea Cogedim anticipates remaining structurally under 2.50% in average cost over the coming years thanks to the highly secure profile of its liabilities, regardless of changes in interest rates.

DEVELOPMENT FINANCING

At the Group level, net Development debt is negligible (<4.5% of the total). It consists primarily of support credits and completion guarantees (off-balance sheet). The Group renegotiated all of its terms and conditions at the end of the year, significantly improving them effective 2017.

FINANCIAL COVENANTS

	Covenant	31/12/2016	31/12/2015	Delta
LTV[(a)]	≤ 60%	37,2%	44.5%	(7,3) pts
ICR[(b)]	≥ 2,0 x	7,4 x	7,3 x	0,1 x

(a) LTV (Loan to Value) = Net debt / Restated value of assets including transfer duties.
(b) ICR = Operating income / Net borrowing costs.
(Operating cash flow from operations column)

The Group had largely complied with all covenants at the end of December 2016.

(1) When taking fixed-rate obligations into account.
(2) Over one to two years.
(3) Average total cost, including set-up commissions and non-use commissions.

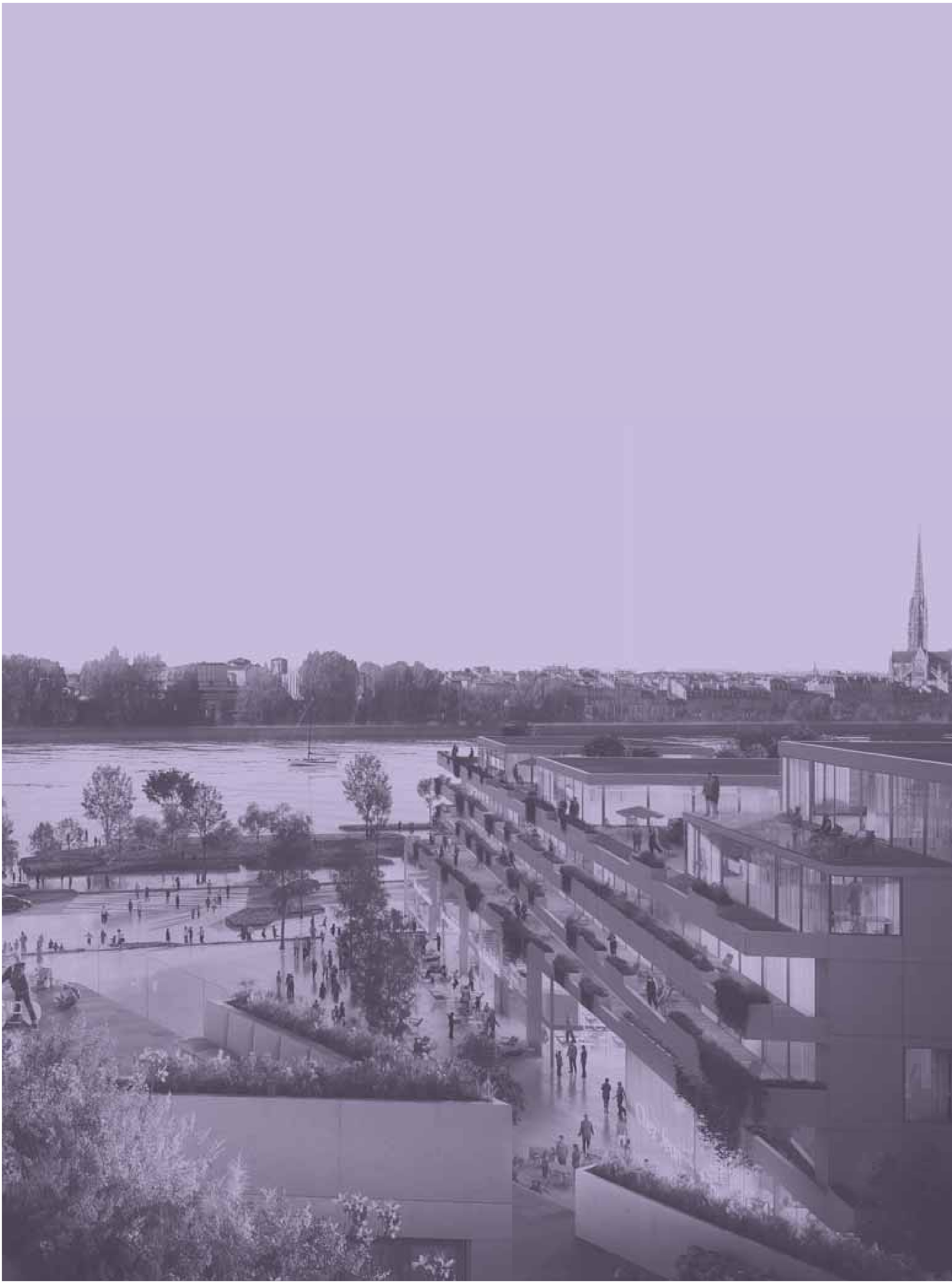
Consolidated Income statement by segment at 31 December 2016

In € millions	31/12/2016 Funds from operations (FFO)	31/12/2016 Changes in value, estimated expenses and transaction costs	31/12/2016 Total	31/12/2015 Funds from operations (FFO)	31/12/2015 Changes in value, estimated expenses and transaction costs	31/12/2015 Total
Rental income	183.9	–	183.9	174.6	–	174.6
Other expenses	(15.6)	–	(15.6)	(14.1)	–	(14.1)
Net rental income	168.3	–	168.3	160.5	–	160.5
External services	21.9	–	21.9	21.3	–	21.3
Own work capitalised and production held in inventory	9.4	–	9.4	17.6	–	17.6
Operating expenses	(47.3)	(3.6)	(50.8)	(58.6)	(0.8)	(59.4)
Net overhead expenses	(16.1)	(3.6)	(19.6)	(19.7)	(0.8)	(20.5)
Share of equity-method affiliates	15.4	(2.1)	13.3	14.7	(11.0)	3.7
Net allowances for depreciation and impairment	–	(2.6)	(2.6)	–	(2.4)	(2.4)
Income/loss on sale of assets	–	(0.3)	(0.3)	–	9.8	9.8
Income/loss in the value of investment property	–	177.2	177.2	–	118.7	118.7
Transaction costs	–	(1.6)	(1.6)	–	(3.0)	(3.0)
Net retail income	**167.7**	**167.1**	**334.8**	**155.5**	**111.4**	**266.9**
Revenue	1,066.5	–	1,066.5	883.3	–	883.3
Cost of sales and other expenses	(981.1)	(2.4)	(983.5)	(812,2)	–	(812.2)
Net property income	85.4	(2.4)	83.0	71.1	–	71.1
External services	1.1	–	1.1	(0.2)	–	(0.2)
Production held in inventory	98.2	–	98.2	68.9	–	68.9
Operating expenses	(134.0)	(6.9)	(140.9)	(93.4)	(1.3)	(94.7)
Net overhead expenses	(34.8)	(6.9)	(41.6)	(24.6)	(1.3)	(25.9)
Share of equity-method affiliates	18.9	(2.0)	16.9	5.9	0.3	6.2
Net allowances for depreciation and impairment	–	(3.0)	(3.0)	–	(2.6)	(2.6)
Transaction costs	–	(0.3)	(0.3)	–	(1.5)	(1.5)
Net residential property income	**69.5**	**(14.6)**	**55.0**	**52.3**	**(5.0)**	**47.4**
Revenue	295.9	–	295.9	121.1	–	121.1
Cost of sales and other expenses	(261.4)	(2.2)	(263.6)	(102.8)	–	(102.8)
Net property income	34.6	(2.2)	32.4	18.2	–	18.2
External services	6.4	–	6.4	7.4	–	7.4
Production held in inventory	16.4	–	16.4	12.8	–	12.8
Operating expenses	(26.1)	(2.3)	(28.3)	(16.4)	(0.5)	(16.9)
Net overhead expenses	(3.2)	(2.3)	(5.5)	3.8	(0.5)	3.4
Share of equity-method affiliates	8.8	(1.3)	7,4	8.3	(0.1)	8.3
Net allowances for depreciation and impairment	–	(0.7)	(0.7)	–	(0.0)	(0.0)
Transaction costs	–	–	–	–	(0.5)	(0.5)
Net office property income	**40.1**	**(6.5)**	**33.6**	**30.4**	**(1.1)**	**29.4**
Other (Corporate)	(2.9)	(4.7)	(7.6)	(3.5)	(0.7)	(4.2)
Operating income	**274.5**	**141.2**	**415.7**	**234.7**	**104.7**	**339.4**
Net borrowing costs	(37.2)	(6.3)	(43.5)	(31.9)	(5.4)	(37.4)
Discounting of debt and receivables	–	(0.3)	(0.3)	–	(0,2)	(0,2)
Change in value and income from disposal of financial instruments	–	(75.8)	(75.8)	–	(40.5))	(40.5)
Proceeds from the disposal of investments	–	(0.1)	(0.1)	–	(0.1)	(0.1)
Profit before tax	**237.5**	**58.7**	**296.3**	**202.8**	**58.6**	**261.3**
Corporate income tax	(1.4)	(27.5)	(28.9)	(0.9)	(3.9)	(4.8)
Net result from continuing operations	**236.1**	**31.3**	**267.4**	**201.8**	**54.7**	**256.5**
Minority shares in continued operations	(44.1)	(57.8)	(101.8)	(40.7)	(35.2)	(75.8)
NET RESULT FROM CONTINUING OPERATIONS, GROUP SHARE	**192.0**	**(26.5)**	**165.5**	**161.2**	**19.5**	**180.7**
Diluted average number of shares[(a)]	*14,120,403*			*12,703,660*		
NET RESULT PER SHARE FROM CONTINUING OPERATIONS, GROUP SHARE	**13.60**	**(1.88)**	**11.72**	**12.69**	**1.54**	**14.22**
Net result from discontinued operations	–	2.3	2.3	–	(72.3)	(72.3)
Net result	**236.1**	**33.5**	**269.6**	**201.8**	**(17.7)**	**184.2**
Non-controlling interests	(44.1)	(57.8)	(101.8)	(40.7)	(35.1)	(75.8)
NET RESULT, GROUP SHARE	**192.0**	**(24.2)**	**167.8**	**161.2**	**(52.8)**	**108.4**
Net result per share (€/share), Group share	*13.60*	*(1.72)*	*11.88*	*12.69*	*(4.16)*	*8.53*

(a) Pursuant to IAS 33, the weighted average number of shares (diluted and non-diluted) was adjusted retrospectively to take account of the capital increase with preferential subscription rights that took place during H1 2016.

Balance sheet at 31 December 2016

In €M	31/12/2016	31/12/2015
Non-current assets	**5,034.9**	**4,498.0**
Intangible assets	257.9	202.1
o/w goodwill	*155.3*	*128.7*
o/w brands	*89.9*	*66.6*
o/w client relations	*5.5*	–
o/w other intangible assets	*7.2*	*6.7*
Property, plant and equipment	14.2	6.2
Investment properties	4,256.0	3,759.6
o/w investment properties in operation at fair value	*3,797.0*	*3,453.6*
o/w investment properties under development and under construction at cost	*459.0*	*306.0*
Securities and receivables in equity affiliates and unconsolidated interests	412.0	361.0
Loans and receivables (non-current)	9.1	42.9
Deferred tax assets	85.7	126.2
Current assets	**2,046.6**	**1,634.9**
Net inventories and work in progress	978.1	711.5
Trade and other receivables	524.0	475.0
Income tax credit	9.4	6.0
Loans and receivables (current)	46.4	29.2
Derivative financial instruments	10.2	20.0
Cash and cash equivalents	478.4	266.0
Assets held for sale and from the discontinued operation	–	127.2
TOTAL ASSETS	**7,081.4**	**6,132.9**
Equity	**2,758.3**	**2,250.9**
Equity attributable to Altarea SCA shareholders	**1,620.9**	**1,230.3**
Capital	229.7	191.2
Other paid-in capital	588.3	396.6
Reserves	635.1	534.0
Income associated with Altarea SCA shareholders	167.8	108.4
Equity attributable to minority shareholders of subsidiaries	**1,137.4**	**1,020.6**
Reserves associated with minority shareholders of subsidiaries	840.5	749.8
Other equity components, Subordinated Perpetual Notes	195.1	195.1
Income associated with minority shareholders of subsidiaries	101.8	75.8
Non-current liabilities	**2,337.6**	**2,416.2**
Non-current borrowings and financial liabilities	2,280.7	2,366.4
o/w participating loans and advances from associates	*82.3*	*63.6*
o/w bond issues	*428.0*	*477.8*
o/w borrowings from lending establishments	*1,770.3*	*1,825.0*
Long-term provisions	20.0	17.4
Deposits and security interests received	31.7	29.8
Deferred tax liability	5.3	2.5
Current liabilities	**1,985.5**	**1,465.8**
Current borrowings and financial liabilities	799.9	450.6
o/w bond issues	*104.4*	*4.4*
o/w borrowings from lending establishments	*240.0*	*335.1*
o/w treasury notes	*358.6*	*60.5*
o/w Bank overdrafts	*2.5*	*4.9*
o/w advances from Group shareholders and partners	*94.3*	*45.8*
Derivative financial instruments	75.3	37.3
Accounts payable and other operating liabilities	1,109.9	837.7
Tax due	0.4	9.5
Liabilities of the discontinued operation	–	130.7
TOTAL LIABILITIES	**7,081.4**	**6,132.9**



3

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

3.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Asset

(€ millions)	Note	31/12/2016	31/12/2015
Non-current assets		**5,034.9**	**4,498.0**
Intangible assets	7.2	257.9	202.1
o/w Goodwill		*155.3*	*128.7*
o/w Brands		*89.9*	*66.6*
o/w Client relations		*5.5*	*–*
o/w Other intangible assets		*7.2*	*6.7*
Property, plant and equipment		14.2	6.2
Investment properties	7.1	4,256.0	3,759.6
o/w Investment properties in operation at fair value		*3,797.0*	*3,453.6*
o/w Investment properties under development and under construction at cost		*459.0*	*306.0*
Securities and receivables in equity affiliates and unconsolidated interests	4.5	412.0	361.0
Loans and receivables (non-current)		9.1	42.9
Deferred tax assets	5.3	85.7	126.2
Current assets		**2,046.6**	**1,634.9**
Net inventories and work in progress	7.3	978.1	711.5
Trade and other receivables	7.3	524.0	475.0
Income tax credit		9.4	6.0
Loans and receivables (current)		46.4	29.2
Derivative financial instruments	8	10.2	20.0
Cash and cash equivalents	6.2	478.4	266.0
Assets held for sale and from the discontinued operation		–	127.2
TOTAL ASSETS		**7,081.4**	**6,132.9**

Liabilities

(€ millions)	Note	31/12/2016	31/12/2015
Equity		**2,758.3**	**2,250.9**
Equity attributable to Altarea SCA shareholders		**1,620.9**	**1,230.3**
Capital	6.1	229.7	191.2
Other paid-in capital		588.3	396.6
Reserves		635.1	534.0
Income associated with Altarea SCA shareholders		167.8	108.4
Equity attributable to minority shareholders of subsidiaries		**1,137.4**	**1,020.6**
Reserves associated with minority shareholders of subsidiaries		840.5	749.8
Other equity components, subordinated perpetual notes		195.1	195.1
Income associated with minority shareholders of subsidiaries		101.8	75.8
Non-current liabilities		**2,337.6**	**2,416.2**
Non-current borrowings and financial liabilities	6.2	2,280.7	2,366.4
o/w Participating loans and advances from associates		*82.3*	*63.6*
o/w Bond issues		*428.0*	*477.8*
o/w Borrowings from lending establishments		*1,770.3*	*1,825.0*
Long-term provisions	6.3	20.0	17.4
Deposits and security interests received		31.7	29.8
Deferred tax liability	5.3	5.3	2.5
Current liabilities		**1,985.5**	**1,465.8**
Current borrowings and financial liabilities	6.2	799.9	450.6
o/w Bond issues		*104.4*	*4.4*
o/w Borrowings from lending establishments		*240.0*	*335.1*
o/w Treasury notes		*358.6*	*60.5*
o/w Bank overdrafts		*2.5*	*4.9*
o/w Advances from Group shareholders and partners		*94.3*	*45.8*
Derivative financial instruments	8	75.3	37.3
Accounts payable and other operating liabilities	7.3	1,109.9	837.7
Tax due		0.4	9.5
Liabilities of the discontinued operation		–	130.7
TOTAL LIABILITIES		**7,081.4**	**6,132.9**

3.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ millions)	Note	31/12/2016	31/12/2015
Rental income		183.9	174.6
Property expenses		(4.8)	(5.0)
Unrecoverable rental expenses		(6.8)	(5.5)
Management costs		1.5	1.4
Net charge to provisions for risks and contingencies		(5.5)	(5.0)
Net rental income	5.1	**168.3**	**160.5**
Revenue		1,368.0	1,010.9
Cost of sales		(1,178.2)	(869.7)
Selling expenses		(61.9)	(44.9)
Net charge to provisions for current assets		(8.2)	(7.1)
Amortisation of customer relationships		(4.6)	–
Net property income	5.1	**115.0**	**89.2**
External services		29.9	32.7
Own work capitalised and production held in inventory		124.0	99.4
Personnel costs		(163.9)	(119.2)
Other overhead expenses		(62.2)	(49.2)
Depreciation expense on operating assets		(5.0)	(4.6)
Net overhead expenses		**(77.2)**	**(40.9)**
Other income and expenses		(0.6)	(6.7)
Depreciation expenses		(0.8)	(0.6)
Transaction costs		(2.7)	(5.2)
Other		**(4.1)**	**(12.4)**
Proceeds from disposal of investment assets		2.9	3.7
Carrying amount of assets sold		(2.8)	(6.5)
Net charge to provisions for risks and contingencies		–	–
Net gain/(loss) on disposal of investment assets		**0.1**	**(2.8)**
Change in value of investment properties	7.1	177.2	113.5
Net impairment losses on investment properties measured at cost		–	5.2
Net impairment losses on other non-current assets		(0.0)	–
Net charge to provisions for risks and contingencies		(1.1)	0.2
OPERATING INCOME BEFORE THE SHARE OF NET INCOME OF EQUITY-METHOD ASSOCIATES		**378.1**	**312.5**
Share in earnings of equity-method associates	4.5	37.6	13.4
OPERATING INCOME AFTER THE SHARE OF NET INCOME OF EQUITY-METHOD ASSOCIATES		**415.7**	**325.9**
Net borrowing costs	5.2	(43.5)	(37.4)
Financial expenses		(59.4)	(52.8)
Financial income		15.9	15.4

(€ millions)	Note	31/12/2016	31/12/2015
Change in value and income from disposal of financial instruments	5.2	(75.8)	(40.5)
Discounting of debt and receivables		(0.3)	(0.2)
Proceeds from the disposal of investments		(0.1)	13.4
Dividend per share		0.1	(0.0)
Profit (loss) before tax		**296.3**	**261.3**
Income tax	5.3	(28.9)	(4.8)
NET INCOME FROM CONTINUING OPERATIONS		**267.4**	**256.5**
o/w Net income from continuing operations attributable to Altarea SCA shareholders		165.5	180.7
o/w Net income from continuing operations attributable to minority interests in subsidiaries		101.8	75.8
NET INCOME FROM DISCONTINUED OPERATIONS		**2.3**	**(72.3)**
o/w Net income from discontinued operations attributable to Altarea SCA shareholders		2.3	(72.3)
o/w Net income from discontinued operations attributable to minority interests in subsidiaries		–	–
NET INCOME		**269.6**	**184.2**
o/w Net income attributable to Altarea SCA shareholders		167.8	108.4
o/w Net income attributable to minority interests in subsidiaries		101.8	75.8
Average number of non-diluted shares[a]		13,994,904	12,628,560
Non-diluted net income per share from continuing operations attributable to shareholders of Altarea SCA *(€)*		11.83	14.31
Non-diluted net income per share from discontinued operations attributable to shareholders of Altarea SCA *(€)*		0.16	(5.72)
Net income per share attributable to shareholders of Altarea SCA *(€)*	5.4	**11.99**	**8.58**
Diluted average number of shares[a]		14,120,403	12,703,660
Diluted net income per share from continuing operations attributable to shareholders of Altarea SCA *(€)*		11.72	14.23
Diluted net income per share from discontinued operations attributable to shareholders of Altarea SCA *(€)*		0.16	(5.69)
Diluted net income per share attributable to shareholders of Altarea SCA *(€)*	5.4	**11.88**	**8.53**

(a) Pursuant to IAS 33, the weighted average number of shares (diluted and non-diluted) was adjusted retrospectively to take account of the capital increase with preferential subscription rights that took place during H1 2016.

Other items of comprehensive income

(€ millions)	31/12/2016	31/12/2015
NET INCOME FROM CONTINUING OPERATIONS	**267.4**	**256.5**
Actuarial differences on defined-benefit pension plans	(0.2)	0.6
o/w Taxes	*0.1*	*(0.3)*
Subtotal of comprehensive income items that may not be reclassified to profit or loss	**(0.2)**	**0.6**
OTHER ITEMS OF COMPREHENSIVE INCOME	**(0.2)**	**0.6**
COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS	**267.2**	**257.1**
o/w Net comprehensive income from continuing operations attributable to Altarea SCA shareholders	165.4	181.3
o/w Net comprehensive income from continuing operations attributable to minority interests in subsidiaries	101.8	75.8
NET INCOME FROM DISCONTINUED OPERATIONS	**2.3**	**(72.3)**
Actuarial differences on defined-benefit pension plans	–	0.1
o/w Taxes	*–*	*(0.1)*
Subtotal of comprehensive income items that may not be reclassified to profit or loss	**–**	**0.1**
OTHER ITEMS OF COMPREHENSIVE INCOME	**–**	**0.1**
COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS	**2.3**	**(72.2)**
o/w Net comprehensive income from discontinued operations attributable to Altarea SCA shareholders	2.3	(72.2)
o/w Net comprehensive income from discontinued operations attributable to minority interests in subsidiaries	–	(0.0)
NET INCOME	**269.6**	**184.2**
Actuarial differences on defined-benefit pension plans	(0.2)	0.7
o/w Taxes	*0.1*	*(0.3)*
Subtotal of comprehensive income items that may not be reclassified to profit or loss	**(0.2)**	**0.7**
OTHER ITEMS OF COMPREHENSIVE INCOME	**(0.2)**	**0.7**
COMPREHENSIVE INCOME	**269.4**	**184.9**
o/w Net comprehensive income attributable to Altarea SCA shareholders	167.6	109.1
o/w Net comprehensive income attributable to minority interests in subsidiaries	101.8	75.8

3.3 CONSOLIDATED STATEMENT OF CASH FLOWS

(€ millions)	Note	31/12/2016	31/12/2015
Cash flow from operating activities			
Net income from continuing operations		**267.4**	**256.5**
Elimination of income tax expense (income)	5.3	28.9	4.8
Elimination of net interest expense (income)		43.4	37.7
Net income before tax and before net interest expense (income)		**339.7**	**299.1**
Elimination of share in earnings of equity-method subsidiaries	4.5	(37.6)	(13.4)
Elimination of depreciation and impairment		11.0	5.2
Elimination of value adjustments	7.1/5.2	(102.6)	(79.5)
Elimination of proceeds from disposals[a]		0.2	(7.8)
Elimination of dividend income		(0.1)	0.0
Estimated income and expenses associated with share-based payments	6.1	16.4	1.9
Net cash flow from continuing operations		**226.9**	**205.4**
Tax paid		(15.2)	(10.6)
Impact of change in operational working capital requirement (WCR)	7.3	(69.5)	(108.7)
CASH FLOW FROM CONTINUING OPERATING ACTIVITIES		**142.1**	**86.1**
Cash flow from investment activities			
Net acquisitions of assets and capitalised expenditures	7.1	(246.1)	(237.7)
Gross investments in equity-method subsidiaries and non-consolidated investments	4.5	(29.4)	(100.2)
Acquisitions of consolidated companies, net of cash acquired	4.3	(81.3)	(66.8)
Other changes in Group structure		(0.0)	(0.0)
Increase in loans and advances		(21.3)	(8.7)
Sale of non-current assets and repayment of advances and down payments[a]		2.6	12.4
Disposals of holdings in equity-method subsidiaries and non-consolidated investments	4.5	57.5	14.9
Disposals of consolidated companies, net of cash transferred		(0.5)	52.2
Reduction in loans and other financial investments		5.7	3.6
Net change in investments and derivative financial instruments		(26.4)	(113.4)
Dividends received		23.3	8.7
Interest income		14.7	13.4
CASH FLOW FROM CONTINUING INVESTMENT ACTIVITIES		**(301.1)**	**(421.5)**

(€ millions)	Note	31/12/2016	31/12/2015
Cash flow from financing activities			
Capital increase[b]		237.9	–
Subordinated Perpetual Notes[c]		37.0	–
Minority interests share in capital increases in subsidiaries[b]		38.3	38.3
Dividends paid to Altarea SCA shareholders	6.1	(13.5)	(125.7)
Dividends paid to minority shareholders of subsidiaries		(22.3)	(15.6)
Issuance of debt and other financial liabilities	6.2	2,524.5	1,848.8
Repayment of borrowings and other financial liabilities	6.2	(2,362.5)	(1,408.0)
Net sales (purchases) of treasury shares	6.1	(14.8)	(5.7)
Net change in security deposits and guarantees received		1.6	1.4
Interest paid		(51.2)	(47.6)
CASH FLOW FROM CONTINUING FINANCING ACTIVITIES		**375.0**	**286.1**
Net cash flow for discontinued operation		(1.3)	(45.3)
CHANGE IN CASH BALANCE		**214.8**	**(94.7)**
Cash balance at the beginning of the year	6.2	**261.1**	**355.9**
Cash and cash equivalents		266.0	358.0
Bank overdrafts		(4.9)	(2.1)
Cash balance at period-end	6.2	**475.9**	**261.1**
Cash and cash equivalents		478.4	266.0
Bank overdrafts		(2.5)	(4.9)

(a) Proceeds on disposals included in the calculation of net cash flow are presented net of transaction costs. Likewise, disposals of property assets are presented net of transaction costs in the cash flow from investment activities.
(b) See change in equity.
(c) These are undated subordinated securities issued by Altarea SCA and underwritten by APG. The claim was settled during the year.

3.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ millions)	Capital	Additional paid-in capital	Elimination of treasury shares	Reserves and retained earnings	Equity attributable to Altarea SCA shareholders	Equity attributable to minority shareholders of subsidiaries	Total equity
At 1 January 2015	**191.2**	**518.7**	**(19.6)**	**559.8**	**1,250.1**	**919.8**	**2,169.9**
Net income	–	–	–	*108.4*	*108.4*	*75.8*	*184.2*
Actuarial difference relating to pension obligations	–	–	–	*0.7*	*0.7*	*0.0*	*0.7*
Comprehensive income	–	–	–	109.1	109.1	75.8	184.9
Dividend distribution	–	*(122.1)*	–	*(3.5)*	*(125.7)*	*(13.3)*	*(138.9)*
Capital increase	–	*(0.0)*	–	*0.0*	*0.0*	*38.3*[a]	*38.3*
Subordinated Perpetual Notes	–	–	–	–	–	–	–
Measurement of share-based payments	–	–	–	*1.4*	*1.4*	*0.0*	*1.4*
Elimination of treasury shares	–	–	*(3.0)*	*(1.7)*	*(4.7)*	–	*(4.7)*
Transactions with shareholders	–	(122.1)	(3.0)	(3.9)	(129.0)	25.1	(104.0)
Changes in ownership interests without taking or losing control of subsidiaries	–	–	–	0.0	0.0	(0.0)	(0.0)
Changes in ownership interests associated with taking or losing control of subsidiaries	–	0.0	–	–	0.0	–	0.0
Other	–	–	–	0.0	0.0	0.0	0.0
At 31 December 2015	**191.2**	**396.6**	**(22.6)**	**665.1**	**1,230.3**	**1,020.6**	**2,250.9**
Net income	–	–	–	*167.8*	*167.8*	*101.8*	*269.6*
Actuarial difference relating to pension obligations	–	–	–	*(0.2)*	*(0.2)*	*(0.0)*	*(0.2)*
Comprehensive income	–	–	–	167.6	167.6	101.8	269.4
Dividend distribution	–	*(134.8)*	–	*(5.7)*	*(140.5)*	*(23.1)*	*(163.6)*
Capital increase	*38.4*	*326.5*	–	*0.0*	*364.9*[b]	*38.3*[a]	*403.2*
Measurement of share-based payments	–	–	–	*10.8*	*10.8*	*0.0*	*10.8*
Elimination of treasury shares	–	–	*(7.3)*	*(4.9)*	*(12.2)*	–	*(12.2)*
Transactions with shareholders	38.4	191.7	(7.3)	0.1	222.9	15.2	238.1
Changes in ownership interests without taking or losing control of subsidiaries	–	–	–	0.0	0.0	(0.2)	(0.2)
Changes in ownership interests associated with taking or losing control of subsidiaries	–	–	–	–	–	–	–
Other	–	–	–	0.1	0.1	(0.0)	0.0
At 31 December 2016	**229.7**	**588.3**	**(29.9)**	**832.8**	**1,620.9**	**1,137.4**	**2,758.3**

(a) This relates to the share of minority interests in the capital increase of the subsidiary Altablue, net of issuance costs, in June 2015 and June 2016.
(b) Three successive capital increases of Altarea SCA: in February an issue reserved for the selling shareholders in the Pitch group, issued in partial payment of their contribution for €31.7 million, in April resulting from the conversion of the dividend into shares for €127 million, and in May, a public offering with PSR for €206.3 million (net of expenses).

3.5 CONSOLIDATED INCOME STATEMENT BY SEGMENT

	31/12/2016			31/12/2015		
(€ millions)	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total
Rental income	183.9	–	183.9	174.6	–	174.6
Other expenses	(15.6)	–	(15.6)	(14.1)	–	(14.1)
Net rental income	**168.3**	**–**	**168.3**	**160.5**	**–**	**160.5**
External services	21.9	–	21.9	21.3	–	21.3
Own work capitalised and production held in inventory	9.4	–	9.4	17.6	–	17.6
Operating expenses	(47.3)	(3.6)	(50.8)	(58.6)	(0.8)	(59.4)
Net overhead expenses	**(16.1)**	**(3.6)**	**(19.6)**	**(19.7)**	**(0.8)**	**(20.5)**
Share of equity-method affiliates	**15.4**	**(2.1)**	**13.3**	**14.7**	**(11.0)**	**3.7**
Net allowances for depreciation and impairment	**–**	**(2.6)**	**(2.6)**	**–**	**(2.4)**	**(2.4)**
Income/loss on sale of assets	**–**	**(0.3)**	**(0.3)**	**–**	**9.8**	**9.8**
Income/loss in the value of investment property	**–**	**177.2**	**177.2**	**–**	**118.7**	**118.7**
Transaction costs	**–**	**(1.6)**	**(1.6)**	**–**	**(3.0)**	**(3.0)**
Net retail properties income (shopping centres)	**167.7**	**167.1**	**334.8**	**155.5**	**111.4**	**266.9**
Revenue	1,066.5	–	1,066.5	883.3	–	883.3
Cost of sales and other expenses	(981.1)	(2.4)	(983.5)	(812.2)	–	(812.2)
Net property income	**85.4**	**(2.4)**	**83.0**	**71.1**	**–**	**71.1**
External services	1.1	–	1.1	(0.2)	–	(0.2)
Production held in inventory	98.2	–	98.2	68.9	–	68.9
Operating expenses	(134.0)	(6.9)	(140.9)	(93.4)	(1.3)	(94.7)
Net overhead expenses	**(34.8)**	**(6.9)**	**(41.6)**	**(24.6)**	**(1.3)**	**(25.9)**
Share of equity-method affiliates	**18.9**	**(2.0)**	**16.9**	**5.9**	**0.3**	**6.2**
Net allowances for depreciation and impairment	**–**	**(3.0)**	**(3.0)**	**–**	**(2.6)**	**(2.6)**
Transaction costs	**–**	**(0.3)**	**(0.3)**	**–**	**(1.5)**	**(1.5)**
Net residential property income (loss)	**69.5**	**(14.6)**	**55.0**	**52.3**	**(5.0)**	**47.4**
Revenue	295.9	–	295.9	121.1	–	121.1
Cost of sales and other expenses	(261.4)	(2.2)	(263.6)	(102.8)	–	(102.8)
Net property income	**34.6**	**(2.2)**	**32.4**	**18.2**	**–**	**18.2**
External services	6.4	–	6.4	7.4	–	7.4
Production held in inventory	16.4	–	16.4	12.8	–	12.8
Operating expenses	(26.1)	(2.3)	(28.3)	(16.4)	(0.5)	(16.9)
Net overhead expenses	**(3.2)**	**(2.3)**	**(5.5)**	**3.8**	**(0.5)**	**3.4**
Share of equity-method affiliates	**8.8**	**(1.3)**	**7.4**	**8.3**	**(0.1)**	**8.3**
Net allowances for depreciation and impairment	**–**	**(0.7)**	**(0.7)**	**–**	**(0.0)**	**(0.0)**
Transaction costs	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Net office property income (loss)	**40.1**	**(6.5)**	**33.6**	**30.4**	**(1.1)**	**29.4**
Other (Corporate)	(2.9)	(4.7)	(7.6)	(3.5)	(0.7)	(4.2)
OPERATING INCOME	**274.5**	**141.2**	**415.7**	**234.7**	**104.7**	**339.4**
Net borrowing costs	**(37.2)**	**(6.3)**	**(43.5)**	**(31.9)**	**(5.4)**	**(37.4)**
Discounting of debt and receivables	**–**	**(0.3)**	**(0.3)**	**–**	**(0.2)**	**(0.2)**
Change in value and income from disposal of financial instruments	**–**	**(75.8)**	**(75.8)**	**–**	**(40.5)**	**(40.5)**
Proceeds from the disposal of investments	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**	**(0.1)**
Dividend per share	**0.1**	**–**	**0.1**	**(0.0)**	**–**	**(0.0)**
PROFIT BEFORE TAX	**237.5**	**58.7**	**296.3**	**202.8**	**58.6**	**261.3**
Corporate income tax	(1.4)	(27.5)	(28.9)	(0.9)	(3.9)	(4.8)
NET INCOME FROM CONTINUING OPERATIONS	**236.1**	**31.3**	**267.4**	**201.8**	**54.7**	**256.5**
Minority shares in continued operations	**(44.1)**	**(57.8)**	**(101.8)**	**(40.7)**	**(35.2)**	**(75.8)**
NET INCOME FROM CONTINUING OPERATIONS, GROUP SHARE	**192.0**	**(26.5)**	**165.5**	**161.2**	**19.5**	**180.7**
Net income (loss) from discontinued operations	**–**	**2.3**	**2.3**	**–**	**(72.3)**	**(72.3)**
Minority shares in discontinued operations	**–**	**–**	**–**	**–**	**–**	**–**
Net income (loss) from discontinued operations, Group share	**–**	**2.3**	**2.3**	**–**	**(72.3)**	**(72.3)**
Net income (loss)	**236.1**	**33.5**	**269.6**	**201.8**	**(17.7)**	**184.2**
Non-controlling interests	(44.1)	(57.8)	(101.8)	(40.7)	(35.1)	(75.8)
NET INCOME, GROUP SHARE	**192.0**	**(24.2)**	**167.8**	**161.2**	**(52.8)**	**108.4**
Diluted average number of shares[(a)]	14,120,403	14,120,403	14,120,403	12,703,660	12,703,660	12,703,660
Net earnings per share from continuing operations, Group share	**13.60**	**(1.88)**	**11.72**	**12.69**	**1.54**	**14.23**
NET EARNINGS PER SHARE *(€/share)*, GROUP SHARE	**13.60**	**(1.72)**	**11.88**	**12.69**	**(4.16)**	**8.53**

(a) Pursuant to IAS 33, the weighted average number of shares (diluted and non-diluted) was adjusted retrospectively to take account of the capital increase with preferential subscription rights that took place during H1 2016.

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

3.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

NOTE 1 INFORMATION CONCERNING THE COMPANY

Altarea 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 A). Its registered office is located at 8 avenue Delcassé in Paris.

Altarea chose the SIIC corporate form (*société d'investissement immobilier cotée*, comparable to a REIT) as of 1 January 2005.

Altarea and its subsidiaries ("Altarea" or "the Company") are primarily in the property business for brick-and-mortar shopping centres. This activity includes the asset and property management functions performed on a proprietary basis and for third parties.

Altarea is also active as an overall property developer in the brick-and-mortar shopping centre sector, and a significant player in the Residential and Office Property promotion sectors. Altarea thus operates in all REIT asset classes (shopping centres, offices, hotels and housing).

Altarea enjoys a close relationship with local authorities.

Altarea controls the company Altareit, whose shares are admitted to trading on the regulated market Euronext Paris, Compartment B.

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

The consolidated financial statements for the year ended 31 December 2016 were approved by Management on 22 February 2017, after having been reviewed by the Audit Committee and the Supervisory Board.

NOTE 2 ACCOUNTING PRINCIPLES AND METHODS

2.1 Accounting standards applied by the 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 2016 and available at: http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

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

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

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

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

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

None.

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

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

  Analysis is underway specifically with regard to development activities whose revenue is recognised based on the percentage of completion method described at § 2.3.18.b).
- **IFRS 9 –** Financial instruments (phase 1: classification and assessment of financial assets and liabilities) and subsequent amendments.

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

- **IFRS 16 –** Rental agreements.

  The agreements were identified and are currently in review.
- **Amendments to IAS 7 –** Disclosure initiative, information to be provided.
- **Amendments to IAS 12 –** Recognition of deferred tax assets for unrealised losses.
- **Annual improvements to IFRS (2014-2016).**
- **Amendments to IAS 40 –** Investment properties.
- **Amendments to IFRS 2 –** Classification and measurement of share-based payments.
- **IFRS 14 – Regulatory deferral accounts.**
- **Amendments to IFRS 4 –** Implementation of IFRS 9 and IFRS 4.
- **Amendments to IFRS 15 –** Clarifications.

2.2 Use of estimates

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

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

Measurement of intangible assets not subject to amortisation

- measurement of goodwill and brands related to Cogedim, acquired in 2007, and Pitch Promotion, acquired on 26 February 2016 (see Notes 2.3.8, "Re-measurement of non-current assets (other than financial assets and investment properties) and impairment losses", and 7.2, "Intangible assets and goodwill").

Measurements of other assets and liabilities

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

Operating income estimates

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

Non-current assets held for sale and discontinued operations

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

2.3 Accounting principles and methods of the Company

2.3.1 Equity investments of the Company and consolidation methods

For consolidation, the following standards apply:

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

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

To assess control as defined by IFRS 10, the Company has developed a framework for analysing the governance of entities with which the Company has relations, particularly where there exist joint arrangements governed by broad contractual terms such as Articles of Association, shareholders' agreements, etc. It also takes into account the facts and circumstances.

On this basis, and within the limit of the protective rights granted to joint partners,

- Altablue and Aldeta, jointly held along with two other institutional partners, are considered to be controlled by the Group. These companies hold the Cap 3000 shopping centre located near Nice.
- Alta Crp Gennevilliers, Alta Crp La Valette, Alta Gramont, Toulouse Gramont, Bercy Village and Société d'aménagement de la Gare de l'Est, jointly held with another institutional partner, are considered to be controlled by the Group.

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

Exclusively controlled entities

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

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

Entities subject to joint control

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

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

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

Entities subject to significant influence

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

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

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

Investments in associates are presented in accordance with IFRS 12.

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

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

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

2.3.3 Business combinations and goodwill

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

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

Goodwill:

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

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

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

According to revised IFRS 3, the purchase or sale of shares in an entity controlled by the same party or parties both before and after the transactions are deemed to be transactions between shareholders and are recognised in equity: they have no impact on goodwill or the income statement. In the event of loss of control, the residual interest is measured at fair value and the gain or loss on disposal is recognised in the income statement.

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

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

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

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

2.3.4 Intangible assets

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

In accordance with IAS 38,

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

  The Cogedim and Pitch Promotion brands, which have an indefinite useful life are thus not amortised. They are allocated to the CGUs corresponding to the Residential and Office Property operating segments;
- customer relationship assets, which result from the identification of intangible assets acquired from property developers, are subject to amortisation at the rate at which the acquired order backlog is filled or, for the portion relating to acquired purchase options or those that can be amortised on a straight-line basis, at the rate at which development programmes are launched. They are tested for impairment where, as applicable, evidence of such impairment exists.

2.3.5 Property, plant and equipment

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

2.3.6 Investment properties

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

The investment properties held by the Group are primarily shopping centres and, to a lesser extent, offices and hotels.

The Group's investment properties portfolio consists of properties in operation and properties under development or construction on a proprietary basis.

In accordance with IAS 40, Altarea has opted for the fair value model. On that basis, investment properties are measured at fair value in accordance with IFRS 13 – "Fair value measurement" whenever this can be reliably determined. Otherwise, they are recorded at cost and are tested for impairment at least once per year and where evidence of impairment exists.

The fair value of investment properties used by Management is based on the facts and circumstances taking into account their purpose. With this objective, Management uses mainly external appraisals giving values inclusive of duties less the amount of duties corresponding to transfer taxes and expenses. These duties were estimated, in France, at 6.9% (with the exception of Paris, set at 7.5%), in Italy at 4% (identical to 2015) and, in Spain at 1.8% (Catalonia).

Since 30 June 2015, external measurement of Altarea Group assets has been assigned to Cushman & Wakefield (in France, Italy and Spain) and Jones Lang Lasalle (in France).

The appraisers use two methods:

- a method based on discounting projected cash flows over ten years, taking into account the resale value at the end of the period determined by capitalising net rental income. Amid the prevailing inefficient market conditions, appraisers have often opted to use the results obtained using this method;
- a method that relies on capitalising net rental income: the appraiser applies a rate of return based on the site's characteristics (surface area, competition, rental potential, etc.) to rental income (including guaranteed minimum rent, variable rent and the market rent of vacant premises), adjusted for all charges incumbent upon the owner. The second method is used to validate the results obtained from the first method.

Rental income takes into account:

- rent increases to be applied on lease renewals;
- the normative vacancy rate;
- the impact of future rental gains resulting from the letting of vacant premises;
- the increase in rental income from stepped rents;
- renewal of leases coming up for expiry;
- a delinquency rate.

Altarea's valuation of investment properties complies with the recommendations of the "Report of the working group on appraisal of property assets of publicly traded companies" chaired by Mr Georges Barthès de Ruyter and issued in 2000 by the *Commission des Opérations de Bourse*. In addition, experts refer to the RICS Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors Red Book.

Investment properties in operation

Investment properties in operation are systematically measured at fair value.

At 31 December 2016, an external appraisal was performed of all assets in operation.

Each time an exchange value exists for one of the Company's buildings, set in connection with a potential transaction between knowledgeable and willing parties in an arm's length transaction, the Company will use its own judgment to choose between this value and that of the appraiser.

Investment properties under development and construction

For properties developed on a proprietary basis, in addition to the acquisition cost of land, for the development and construction of buildings are capitalised once the development project begins (prospecting, preparation: replying to tenders and pre-letting, prior to the signature of preliminary sales agreements for land; administrative phase: obtaining authorisations, if necessary with the signature of preliminary purchase agreements for land), once there is reasonable assurance that administrative authorisations will be obtained. The primary expenses incurred for these properties are:

- design fees;
- management fees, both internal and external to the Group;
- legal fees;
- demolition costs (if applicable);
- land order fees or guarantees;
- early termination fees;
- construction costs;
- ancillary costs directly attributable to the project;
- interest expenses in accordance with revised IAS 23.

Internal fees are primarily programme management fees (management of projects) and project management fees, which from an economic standpoint are components of the cost price of the asset and are thus included in the carrying amount in non-current assets or inventory, as the case may be. The amount of fees included is calculated after elimination of inter-company profit margins.

Since 1 January 2009, Investment Properties Under Construction (IPUC) has been included within the scope of IAS 40 and is measured at fair value in accordance with IFRS 13 guidance and when the criteria predefined by the Company are met.

The Company believes that a property under construction can be reliably measured at fair value if most of the uncertainties affecting the determination of fair value have been lifted or if the project completion date is in the near future.

All three of the following conditions must be met to ensure a reliable estimate of the fair value of a property under construction:

- all administrative authorisations needed to carry out the development project have been obtained;
- construction contracts have been signed and work has begun;
- the letting rate is high and allows for a reasonable assessment of the value creation attached to the property under construction.

Consequently, investment properties under development and construction are measured either at cost or at fair value:

- properties under development before land is purchased are measured at cost;
- land not yet built is measured at cost;
- properties under construction are measured at cost or at fair value in accordance with the above criteria; if the completion date for a property is close to the closing date, the property is systematically measured at fair value.

Investment properties under development and construction measured at cost

Investment properties under development and construction measured at cost are properties that do not meet the criteria set by the Group allowing for an assessment of whether the fair value of a property can be reliably determined.

For these properties and assuming that there is a delay in the start of construction or when the construction period is unusually long, management assesses on a case-by-case basis the validity of temporarily stopping the capitalisation of interest expenses or internal fees incurred.

These properties, which are recognised in the financial statements at cost, are tested for impairment at least once a year, and whenever there is evidence of impairment (increase in cost price, reduction in expected rental values, a material delay in project execution, delay in marketing, increase in expected yields, etc.).

The recoverable amount of these assets, which are still recognised at cost, is assessed by comparison with the cost price on completion and with the estimated value of expected future cash flows for the Company. If the recoverable amount is lower than the cost price on completion, an impairment loss in the form of a provision for impairment is recognised in the income statement under "Impairment losses on investment properties measured at cost".

Investment properties under construction measured at fair value

The fair value of properties under construction measured at fair value is determined mainly on the basis of independent appraisals. The appraiser values the asset as if it were fully complete, taking account of market conditions at the date of valuation and the specific characteristics of the property. Expenses not yet incurred at the account closing date are deducted from this value.

The difference between the fair value of investment properties under construction measured at fair value from one period to the next is recognised in the income statement under the heading "Change in value of investment properties".

2.3.7 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

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

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

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

The basic principles of the DCF method are:

- estimated cash flows (before tax) are derived from business plans generally covering five-year periods drawn up by Group management;
- the discount rate determined on the basis of a weighted average cost of capital;
- terminal value is calculated as the sum to infinity of the discounted cash flows, which are determined on the basis of a normalised cash flow and a growth rate for the business line concerned. This assumed growth rate must be consistent with the growth potential of the markets in which the activity is conducted, as well as with the entity's competitive position in those markets.

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

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

Sensitivity tables are created for all impairment tests carried out.

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

2.3.9 Inventories

Inventories relate to:

- programmes for Property Development for Third Parties and the portion of shopping centre development not intended to be held in Altarea's portfolio (hypermarket building shells, parking facilities, etc.);
- programmes where their nature or specific administrative situation prompts a decision to classify them as inventory (dealer's stock) or where a final decision to hold them in the portfolio has not been made.

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

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

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

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

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

2.3.10 Trade and other receivables

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

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

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

These receivables are classified in the balance sheet into:

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

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

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

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

1. Measurement and recognition of financial assets

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

2. Measurement and recognition of financial liabilities

- All borrowings and interest-bearing liabilities are initially recognised at the fair value of the amount received less directly attributable transaction costs. Thereafter, they are carried at amortised cost using the effective interest rate method. The initial effective interest rates were determined by an actuary. The effective interest rates were not reviewed given the backdrop of a decline in interest rates because the impact on the effective interest rates was not material.
- Derivative financial instruments are considered to be held for trading purposes. They are measured at fair value. Changes in the fair value of these derivative financial instruments are recognised in the income statement if the requirements for hedge accounting are not met.
- The portion of borrowings and financial liabilities due in less than one year is shown under current liabilities.
- Security and deposits paid by shopping centre tenants are not discounted.

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

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

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

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

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

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

2.3.12 Total equity

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

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

An instrument is an equity instrument if the instrument includes no contractual obligation to deliver cash or another financial asset, or to exchange assets or liabilities with another entity under conditions unfavourable to the issuer. On that basis, the Subordinated Perpetual Notes issued by Altarea SCA are equity instruments.

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

2.3.13 Share-based payments

Share-based payments are transactions based on the value of shares of the issuing company: stock options, free share grants and company savings plans.

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

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

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

2.3.14 Earnings per share

Basic earnings per share (in €)

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

Diluted earnings per share (in €)

Diluted earnings per share is calculated using the share repurchase method. Under this method, the funds received from the exercise of warrants or options are assumed to be applied first to repurchasing own shares at the market price. The market price is taken to be the volume-weighted average of average monthly prices of Altarea shares.

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

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

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

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

2.3.15 Employee benefits

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

1. Post-employment benefits

Benefits payable at retirement are paid to employees at the time of retirement based on length of service and final salary. These benefits belong to defined-benefit pension plans. Accordingly, to measure the amount of its retirement obligations, the Group uses the retrospective projected unit credit method prescribed by IAS 19.

This method represents the probable present value of the vested rights taking into account salary increases until retirement, the probability of retirement and the probability of survival.

The formula for the past service obligation can be broken down as follows:

Past service cost = (benefit rights earned by the employee) r (probability that the entity will pay the benefits) r (discounting to present value) r (payroll tax coefficient) r (length of service to date/ length of service at retirement)

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

- discount rate: Rate of return on AA-rated Corporate bonds (*Eurozone*) with maturity of more than 10 years. The Group selects the Iboxx rate which stands at 1.46%;
- mortality table: Women's Table (TF) and Men's Table (TH) 2000-2002;
- reason for departure: depending on local laws and for France, voluntary retirement on the date of eligibility for full pension benefits;
- turnover: annual average turnover observed over the last 3 years, standing at between 4% and 9% depending on branch and age group;
- long-term salary adjustment rate (including inflation): 2.2%.

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

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

The provisions of the 2008 French Social Security Financing Act (voluntary retirement beyond 65) did not have a material impact on the amount of the obligation.

2. 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.

3. Other long-term benefits

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

4. Severance pay

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

5. Short-term benefits

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

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

2.3.16 Provisions and contingent liabilities

In accordance with IAS 37, a provision is recognised when an obligation to a third party will certainly or probably result in an outflow of resources without any equivalent benefits being received in consideration, and when the amount required to settle the obligation can be reliably estimated. The provision is maintained as long as the timing and amount of the outflow of resources are not known with precision.

In general, these provisions are not linked to the Group's normal operating cycle. Provisions are discounted when appropriate using a pre-tax rate of return that reflects the risks specific to the liability.

Non-current provisions consist mainly of provisions arising from litigation between the Altarea Group and third parties or from rent guarantees granted to shopping centre buyers.

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

2.3.17 Tax

Following its decision to adopt the SIIC tax status, the Altarea Group is subject to a specific tax regime:

- a SIIC sector comprising the Group companies that have elected to adopt SIIC tax status and are therefore exempt from income tax on their ordinary profits and gains on disposal;
- a taxable sector comprising those companies that cannot elect to adopt SIIC status.

Income taxes are recognised in accordance with IAS 12.

From the time that SIIC tax status was adopted, deferred taxes are calculated for companies without such status and on the taxable profits of companies in the SIIC sector. Deferred taxes are recognised on all timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and their values for tax purposes, and on tax loss carryforwards, using the liability method.

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

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

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

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

2.3.18 Revenue and revenue-related expenses

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

a) Net rental income

Net rental income includes: rental income and other net rental income less land expenses, non-recovered service charges, management fees and net allowances to provisions for bad debt.

Rental income includes gross rental income, including the effects of spreading stepped rents over the non-cancellable lease term, rent holidays and other benefits granted by contract to the lessee by the lessor, and notably reductions granted during the lease term.

Other net rental income includes revenues and expenses recognised on initial lease payments received, termination fees received and early termination fees paid to tenants. Termination fees are charged to tenants when they terminate the lease before the end of the contract term. They are recognised in income when charged. Termination fees paid to tenants in return for vacating the premises before term are expensed where it is not possible to demonstrate that enhancement of the rental profitability of the property is attributable to the tenants' removal.

Land expenses correspond to amounts paid in fees for temporary occupation permits, very long-term land (emphyteutic) leases and construction leases, both of which are treated as operating leases.

Non-recoverable rental expenses correspond to charges that are normally passed on to tenants (building maintenance expenses, local taxes, etc.) but are borne by the owner because of tax caps on re-billing or because some rental premises are vacant.

Management fees include all other expenses associated with the leasing activity: rental management fees, letting fees with the exception of initial letting fees, which are included in the cost of production of the assets, and net loss on bad debt.

b) Net property income

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

It corresponds primarily to the profit margin on Residential and Office Property sectors, plus the profit margin on sales of assets related to the shopping centre development business (hypermarket building shells, parking facilities, etc.) in the Retail sector.

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

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

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

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

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

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

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

c) Net overhead expenses

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

Income

For each operating segment, income includes payments for services provided to third parties, such as delegated project management fees related to property development activities, rental management fees (syndicate agent, co-ownership management), and fees for marketing and other services (additional work borne by acquirers), internal management fees (after elimination of inter-company profit margins) – see note on investment properties or inventories).

Expenses

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

d) Other

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

2.3.19 Leases

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

1. Leases in the financial statements with the Company as lessor

The Company's rental income derives primarily from operating leases and are accounted for on a straight-line basis over the entire term of the lease. The Company therefore retains substantially all the risks and rewards incidental to ownership of its investment properties.

Treatment of contingent rent

IAS 17 states that contingent rent amounts (stepped rents, rent holidays and other benefits granted to lessees) must be recognised on a straight-line basis over the firm lease term, which is understood as the period during which the lessee has no right to cancel. These amounts therefore increase or reduce rental income for the period.

Treatment of initial lease payments

Initial lease payments received as a lump sum by the lessor are analysed as additional rent. As such, IAS 17 requires initial lease payments to be spread linearly over the firm lease term.

Lessee termination fees

Termination fees are charged to tenants when they terminate the lease before the end of the contract term.

These fees are accounted for as part of the lease agreement that was terminated and are taken to income in the year they are recognised.

Early termination fees

When the lessor terminates a lease before its term, the lessor pays a termination fee to the tenant in place.

Replacement of a tenant

If payment of an early termination fee enables performance of the asset to be enhanced (as by increasing the rent and thereby the value of the asset), this expenditure may be capitalised. If not, this expenditure is expensed as incurred.

Renovation of a building requiring removal of the tenants in place

If an early termination fee is paid as part of major renovation or reconstruction work on a building that requires tenants to leave, this expenditure is capitalised and included in the cost price of the asset under development or redevelopment.

2. Leases in the financial statements with the Company as lessee

Leases of land or buildings and construction leases are classified either as finance leases or as operating leases on the same basis as leases of other assets.

These contracts are considered finance leases if they transfer virtually all risks and rewards incidental to ownership to the lessee; otherwise, they are considered operating leases.

An upfront payment on such a lease represents prepaid rent that is recognised in prepaid expenses and then spread over the term of the lease. Each lease agreement requires a specific analysis of its terms.

2.3.20 Gain (loss) on the disposal of investment assets

The gain or loss on Investment Properties is the difference between:

- the net selling price received and estimated provisions for rent guarantees granted; and
- the fair value of property sold on the closing date of the previous reporting period.

2.3.21 Adjustment in the fair value and impairment of investment properties

Adjustments in the value on each property measured at fair value are recognised in the income statement under "Adjustment in value of investment properties measured at fair value" and are determined as follows:

Market value excluding transfer duties at the end of the period (taking into account the impact of stepped rents and rent holidays as measured by the appraiser) minus [Market value at the end of the previous period if the property was measured at fair value, or cost if the property is marked to market for the first time + amount of construction work and expenses eligible for capitalisation during the year + effect of deferral period for stepped rents and rent holidays net of the deferral of initial lease payments].

Impairment losses on each property measured at cost are recognised in the income statement under "Net impairment of investment properties measured at cost."

2.3.22 Borrowing costs or costs of interest-bearing liabilities

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

Interest expenses attributable to programmes are capitalised as part of the cost of inventories or property assets under development and construction, during the construction phase of the asset, except in certain cases.

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

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

2.3.23 Discounting of payables and receivables

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

2.3.24 Cash flow statement

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

2.3.25 Operating segments (IFRS 8)

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

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

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

b) changes in value (unrealised or realised), estimated expenses, and transaction costs.

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

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

The Company has the following operating segments:

- "Retail": shopping centres completed or under development;
- "Residential": residential property development;
- "Offices": Office property development and investor services.

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

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

1. Funds from operations (FFO)

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

(1) Funds from operations.

Operating income line

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

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

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

Net borrowing costs line

Net borrowing costs excluding estimated expenses defined below.

Tax line

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

Minority interests line

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

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

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

The relevant indicator for monitoring value is the change in going concern net asset value, to which funds from operations contribute. This management indicator is presented in detail in the business review.

The change in NAV is reconciled with the income statement as follows:

Prior year NAV

+ Funds from operations (FFO)

+ Changes in value, estimated expenses, and transaction costs

- Dividend distribution

+ Capital increase

+/- Other reconciliation items

= Current-year NAV

Operating income line

Changes in value concern gains and losses from the brick-and-mortar retail property sector:

- from asset disposals, and where applicable, extraordinary payments received and equivalent in economic terms to the value of the asset sold;
- from the value of investment properties, including value adjustments for properties measured at fair value or held for sale as well as impairment losses of properties measured at cost.

Estimated expenses include:

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

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

Borrowing costs line

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

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

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

Tax line

Deferred tax recognised for the period and current taxes related to changes in value and distribution of dividends (exit tax, etc.).

Minority interests line

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

NOTE 3 INFORMATION ON OPERATING SEGMENTS

3.1 Balance sheet items by operating segment

At 31 December 2016

(€ millions)	Retail	Residential	Offices	Other	Total
Operating assets and liabilities					
Intangible assets	17.9	214.5	24.2	1.4	257.9
Property, plant and equipment	2.3	6.5	5.3	0.1	14.2
Investment properties	4,217.7	–	38.3	–	4,256.0
Securities and receivables in equity affiliates and unconsolidated interests	196.9	122.8	92.4	–	412.0
Operational working capital requirement	50.8	451.8	33.4	(8.1)	527.9
TOTAL OPERATING ASSETS AND LIABILITIES	**4,485.6**	**795.6**	**193.6**	**(6.7)**	**5,468.0**

At 31 December 2015

(€ millions)	Retail	Residential	Offices	Other	Total
Operating assets and liabilities					
Intangible assets	18.3	173.6	9.0	1.2	202.1
Property, plant and equipment	2.7	3.5	0.0	0.0	6.2
Investment properties	3,759.6	–	–	–	3,759.6
Securities and receivables in equity affiliates and unconsolidated interests	219.1	65.0	76.8	–	361.0
Operational working capital requirement	38.2	317.9	51.2	22.0	429.3
TOTAL OPERATING ASSETS AND LIABILITIES	**4,037.8**	**560.0**	**137.1**	**23.2**	**4,758.2**

3.2 Consolidated income statement by operating segment

See consolidated income statement by segment in the financial statements.

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

	31/12/2016			31/12/2015		
(€ millions)	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total
Rental income	183.9	–	183.9	174.6	–	174.6
Property expenses	(4.8)	–	(4.8)	(5.0)	–	(5.0)
Unrecoverable rental expenses	(6.8)	–	(6.8)	(5.5)	–	(5.5)
Management costs	1.5	–	1.5	1.4	–	1.4
Net charge to provisions for current assets	(5.5)	–	(5.5)	(5.0)	–	(5.0)
Net rental income	**168.3**	**–**	**168.3**	**160.5**	**–**	**160.5**
Revenue	1,362.4	5.5	1,368.0	1,004.4	6.5	1,010.9
Cost of sales	(1,172.7)	(5.5)	(1,178.2)	(863.1)	(6.6)	(869.7)
Selling expenses	(61.9)	–	(61.9)	(44.9)	–	(44.9)
Net charge to provisions for current assets	(7.8)	(0.4)	(8.2)	(7.1)	–	(7.1)
Amortisation of customer relationships	–	(4.6)	(4.6)	–	–	–
Net property income	**119.9**	**(4.9)**	**115.0**	**89.3**	**(0.1)**	**89.2**
External services	29.9	–	29.9	28.7	4.0	32.7
Own work capitalised and production held in inventory	124.0	–	124.0	99.4	–	99.4
Personnel costs	(148.3)	(15.6)	(163.9)	(116.6)	(2.6)	(119.2)
Other overhead expenses	(61.8)	(0.4)	(62.2)	(48.9)	(0.3)	(49.2)
Depreciation expense on operating assets	–	(5.0)	(5.0)	–	(4.6)	(4.6)
Net overhead expenses	**(56.3)**	**(21.0)**	**(77.2)**	**(37.4)**	**(3.5)**	**(40.9)**
Other income and expenses	(0.6)	–	(0.6)	(6.6)	(0.0)	(6.7)
Depreciation expenses	–	(0.8)	(0.8)	–	(0.6)	(0.6)
Transaction costs	–	(2.7)	(2.7)	–	(5.2)	(5.2)
Other	**(0.6)**	**(3.5)**	**(4.1)**	**(6.6)**	**(5.8)**	**(12.4)**
Proceeds from disposal of investment assets	–	2.9	2.9	–	3.7	3.7
Carrying amount of assets sold	–	(2.8)	(2.8)	–	(6.5)	(6.5)
Net gain/(loss) on disposal of investment assets	**–**	**0.1**	**0.1**	**–**	**(2.8)**	**(2.8)**
Change in value of investment properties	–	177.2	177.2	–	113.5	113.5
Net impairment losses on investment properties measured at cost	–	–	–	–	5.2	5.2
Net impairment losses on other non-current assets	–	(0.0)	(0.0)	–	–	–
Net charge to provisions for risks and contingencies	–	(1.1)	(1.1)	–	0.2	0.2
OPERATING INCOME BEFORE THE SHARE OF NET INCOME OF EQUITY-METHOD ASSOCIATES	**231.4**	**146.7**	**378.1**	**205.8**	**106.7**	**312.5**
Share in earnings of equity-method associates	43.1	(5.5)	37.6	24.2	(10.8)	13.4
OPERATING INCOME AFTER THE SHARE OF NET INCOME OF EQUITY-METHOD ASSOCIATES	**274.5**	**141.2**	**415.7**	**229.9**	**95.9**	**325.9**

(€ millions)	31/12/2016 Funds from operations (FFO)	31/12/2016 Changes in value, estimated expenses and transaction costs	31/12/2016 Total	31/12/2015 Funds from operations (FFO)	31/12/2015 Changes in value, estimated expenses and transaction costs	31/12/2015 Total
Net borrowing costs	(37.2)	(6.3)	(43.5)	(31.9)	(5.4)	(37.4)
Financial expenses	(53.1)	(6.3)	(59.4)	(47.4)	(5.4)	(52.8)
Financial income	15.9	–	15.9	15.4	–	15.4
Change in value and income from disposal of financial instruments	–	(75.8)	(75.8)	–	(40.5)	(40.5)
Discounting of debt and receivables	–	(0.3)	(0.3)	–	(0.2)	(0.2)
Proceeds from the disposal of investments	–	(0.1)	(0.1)	4.8	8.6	13.4
Dividend per share	0.1	–	0.1	(0.0)	–	(0.0)
Profit before tax	**237.5**	**58.7**	**296.3**	**202.8**	**58.5**	**261.3**
Income tax	(1.4)	(27.5)	(28.9)	(0.9)	(3.9)	(4.8)
Tax due	(1.4)	–	(1.4)	(0.9)	(0.1)	(1.0)
Deferred tax	–	(27.5)	(27.5)	–	(3.8)	(3.8)
NET INCOME FROM CONTINUING OPERATIONS	**236.1**	**31.3**	**267.4**	**201.9**	**54.6**	**256.5**
o/w Income from continuing operations attributable to Altarea SCA shareholders	**192.0**	**(26.5)**	**165.5**	**161.2**	**19.5**	**180.7**
o/w Income from continuing operations attributable to minority interests in subsidiaries	44.1	57.8	101.8	40.7	35.1	75.8
NET INCOME FROM DISCONTINUED OPERATIONS	**–**	**2.3**	**2.3**	**–**	**(72.3)**	**(72.3)**
o/w Income from discontinued operations attributable to Altarea SCA shareholders	**–**	**2.3**	**2.3**	**–**	**(72.3)**	**(72.3)**
o/w Income from discontinued operations attributable to minority interests in subsidiaries	–	–	–	–	–	–
NET INCOME	**236.1**	**33.5**	**269.6**	**201.9**	**(17.7)**	**184.1**
o/w Net income attributable to Altarea SCA shareholders	**192.0**	**(24.2)**	**167.8**	**161.2**	**(52.8)**	**108.4**
o/w Net income attributable to minority interests in subsidiaries	**44.1**	**57.8**	**101.8**	**40.7**	**35.1**	**75.8**
Average number of non-diluted shares[a]	13,994,904	13,994,904	13,994,904	12,628,560	12,628,560	12,628,560
Non-diluted net income per share from continuing operations attributable to shareholders of Altarea SCA *(€)*	13.72	(1.89)	11.83	12.76	1.54	14.31
Non-diluted net income per share from discontinued operations attributable to shareholders of Altarea SCA *(€)*	–	0.16	0.16	–	(5.72)	(5.72)
NET INCOME PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF ALTAREA SCA *(€)*	**13.72**	**(1.73)**	**11.99**	**12.76**	**(4.18)**	**8.58**
Diluted average number of shares[a]	14,120,403	14,120,403	14,120,403	12,703,660	12,703,660	12,703,660
Diluted net income per share from continuing operations attributable to shareholders of Altarea SCA *(€)*	13.60	(1.88)	11.72	12.69	1.54	14.23
Diluted net income per share from discontinued operations attributable to shareholders of Altarea SCA *(€)*	–	0.16	0.16	–	(5.69)	(5.69)
DILUTED NET INCOME PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF ALTAREA SCA *(€)*	**13.60**	**(1.72)**	**11.88**	**12.69**	**(4.16)**	**8.53**

(a) Pursuant to IAS 33, the weighted average number of shares (diluted and non-diluted) was adjusted retrospectively to take account of the capital increase with preferential subscription rights that took place during H1 2016.

3.4 Revenue by geographical region and operating segment

By geographical region

	31/12/2016					31/12/2015				
(€ millions)	France	Italy	Spain	Other	Total	France	Italy	Spain	Other	Total
Rental income	162.0	14.0	8.0	–	183.9	149.8	17.0	7.9	–	174.6
External services	21.4	0.3	0.3	–	21.9	20.6	0.4	0.3	–	21.3
Revenues from net property income	5.5	–	–	–	5.5	6.5	–	–	–	6.5
Brick-and-mortar retail	**188.9**	**14.2**	**8.2**	**–**	**211.3**	**176.9**	**17.3**	**8.2**	**–**	**202.4**
Revenue	1,066.5	–	–	–	1,066.5	883.3	–	–	–	883.3
External services	1.1	–	–	–	1.1	(0.2)	–	–	–	(0.2)
Residential	**1,067.6**	**–**	**–**	**–**	**1,067.6**	**883.1**	**–**	**–**	**–**	**883.1**
Revenue	295.9	–	–	–	295.9	121.1	–	–	–	121.1
External services	5.9	–	–	0.5	6.4	6.8	–	–	0.6	7.4
Offices	**301.8**	**–**	**–**	**0.5**	**302.4**	**127.9**	**–**	**–**	**0.6**	**128.5**
Other (Corporate)	0.5	–	–	–	0.5	4.2	–	–	–	4.2
TOTAL REVENUES	**1,558.8**	**14.2**	**8.2**	**0.5**	**1,581.7**	**1,192.1**	**17.3**	**8.2**	**0.6**	**1,218.2**

In 2016 as was the case in 2015, one customer represented more than 10% of the revenue of Altarea Cogedim Group, for total revenue of €176 million and €140 million in the Residential and Office Property segments respectively.

NOTE 4 MAJOR EVENTS AND CHANGES IN THE SCOPE OF CONSOLIDATION

4.1 Major events

Reinforcement of equity: €369 million raised

In 2016, Altarea Cogedim reinforced its equity to the tune of €369 million through three transactions: €210 million through the capital increase conducted on the market, €127 million through the dividend-paid-in-securities option and €32 million through the reserved capital increase conducted in the framework of the acquisition of Pitch Promotion.

These transactions enabled the Group's growth to be financed whilst reducing the consolidated LTV level to 37.2% compared with 44.5% as at 31 December 2015.

Retail

In 2016, the Group delivered two shopping centres – L'Avenue 83 in Toulon-La Valette (54,000 m²) and Le Parks in central Paris (33,000 m²) – and the first instalment of restructuring at the Cap 3000 centre in Nice.

In 2016, Altarea Cogedim signed the temporary occupation authorisation (AOT)[1] for the Paris-Austerlitz train station and the public spaces temporary occupation agreement (COTDP)[2] for the Paris-Montparnasse train station. The Group is expanding its station portfolio in Paris[3] and strengthening its leader position in travel retail in France.

Development

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

Boosted by a favourable environment, property development experienced very strong growth, in Residential in particular (+61% to €2,286 million corresponding to 10,011 units). Excluding Pitch (acquired in February 2016), the number of units sold was 8,372, up 39%[4].

Furthermore, the Group has continued its expansion strategy as regards its national network with three new regional agencies openings: Lille-Hauts de France, Rennes and Bayonne-Basque Country.

Mixed-use projects

Large mixed-use projects have in common the development of complex real estate projects combining housing, shops, offices, with public and leisure facilities (resorts, cultural spaces, sports, etc.). In recent years, the Group has become the undisputed leader in this area by providing cities with an integrated real estate solution, thanks to its multi-product expertise. In 2016, the Group further strengthened its position by winning three major projects (Issy Cœur de ville, Bordeaux Belvédère[5] and Bobigny-La Place) for a total floor area of 340,000 m².

The list of large urban projects in assembly or production now stands at 10 operations for an area of approximately 700,000 m², with potential revenue of more than €2.1 billion[6].

(1) Temporary occupation permit.
(2) Agreement to temporarily occupy publicly-owned land.
(3) The Group already manages the retail spaces at the Gare du Nord and Gare de l'Est.
(4) New orders from Pitch Promotion were recognised from 1 January 2016.
(5) The Group is involved on a 50% basis in this co-promoted project.
(6) In Group share.

4.2 Scope

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

			31/12/2016			31/12/2015		
Company	SIREN		Method	Interest	Consolidation	Method	Interest	Consolidation
ALTAREA SCA	335480877	parent company	FC	100.0%	100.0%	FC	100.0%	100.0%
BRICK-AND-MORTAR RETAIL – FRANCE								
ALDETA SAS	311765762		FC	33.3%	100.0%	FC	33.3%	100.0%
ALTA AUBETTE SNC	452451362		FC	65.0%	100.0%	FC	65.0%	100.0%
ALTA AUSTERLITZ SNC	812196616		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA CARRÉ DE SOIE SCI	449231463	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%
ALTA CRP AUBERGENVILLE SNC	451226328		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA CRP GENNEVILLIERS SNC	488541228		FC	51.0%	100.0%	FC	51.0%	100.0%
ALTA CRP GUIPAVAS SNC	451282628		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA CRP LA VALETTE SNC	494539687		FC	51.0%	100.0%	FC	51.0%	100.0%
ALTA CRP RUAUDIN SNC	451248892		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA GRAMONT SAS	795254952		FC	51.0%	100.0%	FC	51.0%	100.0%
ALTA ORGEVAL SNC	795338441		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA QWARTZ (formerly ORI ALTA SNC)	433806726		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTABLUE SAS	522193796		FC	33.3%	100.0%	FC	33.3%	100.0%
ALTAREA FRANCE	324814219		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTAREA MANAGEMENT	509105375		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTAREA PROMOTION COMMERCE SNC	420490948		FC	100.0%	100.0%	FC	100.0%	100.0%
AVENUE PAUL LANGEVIN SNC	428272751		FC	100.0%	100.0%	FC	100.0%	100.0%
BERCY VILLAGE SCI	384987517		FC	51.0%	100.0%	FC	51.0%	100.0%
CENTRE COMMERCIAL DE THIAIS SNC	479873234		FC	100.0%	100.0%	FC	100.0%	100.0%
CENTRE COMMERCIAL DU KB SNC	485045876		FC	65.0%	100.0%	FC	65.0%	100.0%
FONCIERE ALTAREA SAS	353900699		FC	100.0%	100.0%	FC	100.0%	100.0%
LIMOGES INVEST SCI	488237546		FC	75.0%	100.0%	FC	75.0%	100.0%
PETIT MENIN SCI	481017952	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%
SCI CŒUR D'ORLY BUREAUX	504255118	joint venture	EM	25.0%	25.0%	EM	25.0%	25.0%
SCI MAC DONALD COMMERCE	524049244	affiliate	EM	50.0%	50.0%	EM	50.0%	50.0%
SIC RETAIL PARK LES VIGNOLES	512086117		FC	100.0%	100.0%	FC	100.0%	100.0%
SOCIÉTÉ D'AMÉNAGEMENT DE LA GARE DE L'EST SNC	481104420		FC	51.0%	100.0%	FC	51.0%	100.0%
SOCIÉTÉ DU CENTRE COMMERCIAL MASSY SNC	950063040		FC	100.0%	100.0%	FC	100.0%	100.0%
TECI ET CIE SNC	333784767		FC	100.0%	100.0%	FC	100.0%	100.0%
BRICK-AND-MORTAR RETAIL – ITALY								
ALTABASILIO SRL	NA		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTACERRO SRL	NA		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTAREA ITALIA SRL	NA		FC	100.0%	100.0%	FC	100.0%	100.0%
BRICK-AND-MORTAR RETAIL – SPAIN								
ALTAREA ESPANA S.L	NA		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTAREA PATRIMAE S.L	NA		FC	100.0%	100.0%	FC	100.0%	100.0%
DIVERSIFICATION								
SEMMARIS	662012491	affiliate	EM	33.3%	33.3%	EM	33.3%	33.3%
ON-LINE RETAIL								
RUE DU COMMERCE SAS	422797720		NI	0.0%	0.0%	FC	99.9%	100.0%

Company	SIREN		31/12/2016 Method	Interest	Consolidation	31/12/2015 Method	Interest	Consolidation
RESIDENTIAL								
ALTAREIT SCA	552091050		FC	99.9%	100.0%	FC	99.9%	100.0%
ALBATROS SNC	803307354	affiliate	EM	46.1%	46.2%	EM	46.1%	46.2%
ALTA FAUBOURG SAS	444560874		FC	99.9%	100.0%	FC	99.9%	100.0%
ALTAREA COGEDIM IDF GRANDE MÉTROPOLE	810928135		FC	99.9%	100.0%	FC	99.9%	100.0%
ALTAREA COGEDIM RÉGIONS	810847905		FC	99.9%	100.0%	FC	99.9%	100.0%
ALTAREA COGEDIM ZAC VLS (SNC)	811910447		FC	99.9%	100.0%	FC	99.9%	100.0%
HISTOIRE ET PATRIMOINE SAS	480309731	affiliate	EM	55.6%	55.6%	EM	55.6%	55.6%
MASSY GRAND OUEST SNC – AF050	793338146		FC	99.9%	100.0%	FC	99.9%	100.0%
PITCH PROMOTION SAS (FORMERLY ALTA FAVART SAS)	450042338		FC	99.9%	100.0%	FC	99.9%	100.0%
PITCH PROMOTION SNC	422989715		FC	99.9%	100.0%	NI	0.0%	0.0%
SCCV DOMAINE PARISIS T1	798065959	affiliate	EM	49.9%	50.0%	NI	0.0%	0.0%
SCCV PETITE RÉPUBLIQUE	803204874	affiliate	EM	48.9%	49.0%	NI	0.0%	0.0%
SCCV SPIRITO VERDE LOGEMENT	793990193	affiliate	EM	50.9%	51.0%	NI	0.0%	0.0%
SNC 91 BIS CHERCHE MIDI	791262223	affiliate	EM	49.9%	50.0%	NI	0.0%	0.0%
SNC CARRÉ BLANC	801838244	affiliate	EM	30.0%	30.0%	NI	0.0%	0.0%
SCCV ANNEMASSE FOSSARD	803779438		FC	79.9%	100.0%	FC	79.9%	100.0%
SNC BORDEAUX FAURE DURAND INFLUENCE	803042118	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
SCCV BOULOGNE VAUTHIER	533782546		FC	50.9%	100.0%	FC	50.9%	100.0%
SCCV ROSSO	538357492		FC	69.9%	100.0%	FC	69.9%	100.0%
SNC COGEDIM PROVENCE	442739413		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM SAS	054500814		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV CONFLANS FOCH	802774810		FC	59.9%	100.0%	FC	59.9%	100.0%
SCCV MAISON ALFORT SANGNIER	791796543	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
SCCV NANTERRE PROVINCES FRANÇAISES LOT A3	793491812	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
SCCV PANTIN MEHUL	807671656		FC	50.9%	100.0%	FC	50.9%	100.0%
SNC COGEDIM AQUITAINE	388620015		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM ATLANTIQUE	501734669		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM GRAND LYON	300795358		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM GRENOBLE	418868584		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM LANGUEDOC ROUSSILLON	532818085		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM MEDITERRANÉE	312347784		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM MIDI-PYRÉNÉES	447553207		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM PARIS MÉTROPOLE	319293916		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM SAVOIES-LEMAN	348145541		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM VENTE	309021277		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC CORESI	380373035		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM GESTION	380375097		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC ST GENIS – RUE DARCIEUX	793115908		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV VITRY 82	793287392		FC	74.9%	100.0%	FC	74.9%	100.0%
OFFICES								
ALTAREA COGEDIM ENTREPRISE PROMOTION SNC	535056378		FC	99.9%	100.0%	FC	99.9%	100.0%
ACEP INVEST 2 CDG NEUILLY/FORMERLY ACEP INVEST 4	794194274	affiliate	EM	16.6%	16.7%	EM	16.6%	16.7%

			31/12/2016			31/12/2015		
Company	SIREN		Method	Interest	Consolidation	Method	Interest	Consolidation
AF INVESTCO 4 (SCI)	798601936	affiliate	EM	58.3%	58.4%	EM	58.3%	58.4%
ISSY PONT SCI	804865996	joint venture	EM	25.0%	25.0%	EM	25.0%	25.0%
LYON 7 GARNIER VERCORS SNC	798069365		FC	100.0%	100.0%	FC	100.0%	100.0%
PASCALPROPCO (SAS)	437929813	affiliate	EM	15.0%	15.1%	EM	15.0%	15.1%
SCCV 15 GERLAND	522391382	affiliate	EM	49.9%	50.0%	NI	0.0%	0.0%
SNC ATHÈNES CLICHY	808359558		FC	99.8%	100.0%	NI	0.0%	0.0%
SNC EUROMED CENTER	504704248	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
SCCV SILOPARK	799237722	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
SNC ROBINI	501765382	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
SNC COGEDIM ENTREPRISE	424932903		FC	99.9%	100.0%	FC	99.9%	100.0%

4.3 Changes in the scope of consolidation

(in number of companies)	31/12/2015	Acquisition	Creation	Sale	Absorption, dissolution, deconsolidation	Change in consolidation method	31/12/2016
Fully consolidated subsidiaries	308	27	33	(2)	(13)	2	355
Joint ventures[(a)]	92	1	6	–	(9)	(2)	88
Affiliates[(a)]	45	55	11	–	(3)		108
TOTAL	**445**	**83**	**50**	**(2)**	**(25)**	**–**	**551**

(a) Entities consolidated under the equity method.

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

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

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

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

(€ millions)	31/12/2016	31/12/2015
Investments in consolidated securities	(116.7)	(70.5)
Cash of acquired companies	35.5	3.6
TOTAL	**(81.3)**	**(66.8)**

4.4 Business combinations and goodwill

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

In accordance with the agreements between the parties, the main shareholder of Pitch Promotion used a portion (€31.7 million) of the proceeds from the sale to subscribe to 190,000 Altarea shares (or 1.5% of Altarea's capital) in a capital increase of Altarea reserved for it.

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

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

Contingent liabilities were identified and recognised.

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

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

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

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

4.5 Securities and receivables in equity affiliates and unconsolidated interests

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

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

(€ millions)	31/12/2016	31/12/2015
Equity-accounting value of joint ventures	76.7	72.9
Equity-accounting value of affiliated companies	141.2	124.0
Value of stake in equity-method affiliates	**218.0**	**196.9**
Non-consolidated securities	**0.8**	**0.4**
Receivables from joint ventures	90.2	101.4
Receivables from affiliated companies	103.0	62.3
Receivables from equity-method subsidiaries and non-consolidated interests	**193.2**	**163.7**
TOTAL SECURITIES AND RECEIVABLES IN EQUITY AFFILIATES AND UNCONSOLIDATED INTERESTS	**412.0**	**361.0**

The individual carrying value of each of these companies is not significant for the Group.

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

Balance sheet items, Group share:

	31/12/2016			31/12/2015		
(€ millions)	Joint ventures	Affiliates	Total	Joint ventures	Affiliates	Total
Non-current assets	176.5	325.6	502.1	155.2	230.7	385.9
Current assets	203.4	324.4	527.7	217.3	114.4	331.7
Total assets	**379.9**	**649.9**	**1,029.8**	**372.5**	**345.1**	**717.6**
Non-current liabilities	120.7	152.2	272.9	99.9	77.6	177.4
Current liabilities	182.5	356.5	539.0	199.6	143.6	343.2
Total liabilities	**303.1**	**508.7**	**811.9**	**299.5**	**221.1**	**520.7**
Net assets (equity-accounting basis)	**76.7**	**141.2**	**218.0**	**72.9**	**124.0**	**196.9**

Share of income statement items, Group share:

	31/12/2016			31/12/2015		
(€ millions)	Joint ventures	Affiliates	Total	Joint ventures	Affiliates	Total
Operating income	**20.3**	**29.8**	**50.1**	**9.1**	**10.6**	**19.8**
Net borrowing costs	(2.7)	(2.1)	(4.8)	(2.3)	(0.9)	(3.3)
Change in value of hedging instruments	(0.4)	(0.0)	(0.4)	0.2	(0.0)	0.2
Proceeds from the disposal of investments	–	0.0	0.0	–	(0.2)	(0.2)
Dividend per share	–	0.5	0.5	–	0.5	0.5
Net income before tax	**17.2**	**28.2**	**45.3**	**7.0**	**10.0**	**17.0**
Corporate income tax	(2.6)	(5.0)	(7.7)	(0.7)	(2.9)	(3.5)
Net income after tax, Group share	**14.5**	**23.1**	**37.6**	**6.3**	**7.2**	**13.4**
Non-Group profit or loss	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Net income, Group share	14.5	23.1	37.6	6.3	7.1	13.4

Group revenues from joint ventures amounted to €7.1 million at 31 December 2016, compared to €3.5 million at 30 June 2016 and €17.0 million at 31 December 2015.

Group revenues from affiliates amounted to €16.5 million at 31 December 2016, compared to €8.3 million at 30 June 2016 and €7.0 million at 31 December 2015.

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

Commitments given

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

Completion guarantees were given in connection with property development activities for joint ventures, for a Group share in the amount of €20.7 million.

Commitments received

At 31 December 2016, the main commitments received by the joint ventures concerned security deposits received from tenants for €2.4 million (in Group share).

NOTE 5 INCOME

5.1 Operating income

5.1.1 Net rental income

In 2016, net rental income increased by €7.8 million (+4.9%) to achieve €168.3 million. This increase is accounted for mainly by the opening of L'Avenue 83 in Toulon-La Valette in April 2016, the 100% acquisition of Qwartz shopping centre in March 2015 and the like-for-like increase of net rental income (+1,4%).

5.1.2 Net property income

At 31 December 2016, Altarea Cogedim Group's net property income stood at €115.0 million compared to €89.2 million at 31 December 2015. The growth of €25.8 million is led by Residential and Office Property segment. This can be explained by the initial results of Development's excellent operational performance in 2015 and 2016 and the contribution of Pitch Promotion, consolidated since 26 February 2016 in the financial statements.

5.2 Cost of net financial debt and other financial items

5.2.1 Cost of net financial debt

(€ millions)	31/12/2016	31/12/2015
Bond and bank interest expenses	(51.9)	(42.1)
Interest on partners' advances	(1.1)	(1.4)
Interest rate on hedging instruments	(5.6)	(7.5)
Non-use fees	(2.5)	(2.3)
Other financial expenses	(0.8)	(0.4)
Capitalised interest expenses	8.8	6.3
FFO financial expenses	**(53.1)**	**(47.4)**
Net proceeds from the sale of marketable securities	0.0	0.2
Interest on partners' advances	5.2	3.3
Other interest income	2.0	0.6
Interest income on bank current accounts	0.0	0.0
Interest rate on hedging instruments	8.7	11.4
FFO financial income	**15.9**	**15.4**
FFO NET BORROWING COSTS	**(37.2)**	**(31.9)**
Spreading of bond issue costs[(a)]	(6.3)	(5.4)
Estimated financial expenses	**(6.3)**	**(5.4)**
NET BORROWING COSTS	**(43.5)**	**(37.4)**

(a) Spreading of bond issue costs in accordance with IAS 32 and IAS 39.

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

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

The Altarea Cogedim Group's average cost of debt, including the credit spread, was 1.92% as of 31 December 2016, compared to 1.94% at the end of 2015.

5.2.2 Impact of income from financial instruments

Changes in value of financial instruments and proceeds from their disposal resulted in a net expense of €75.8 million at 31 December 2016 compared to a net expense of €40.5 million at 31 December 2015. This figure reflects the aggregate changes in value of interest-rate economic hedging instruments used by the Group and balancing cash payments and premiums paid to restructure several hedging instruments. At 31 December 2016, balancing cash payments and premiums represented an outflow of €25.5 million.

5.2.3 Net income from discontinued operations

At 31 December 2015, the Group identified an operation held for sale under IFRS 5 – "Non-current assets held for sale and discontinued operations", the online retail operation of the Rue du Commerce subsidiary, which was sold on 1 January 2016. A protocol agreement was signed between Carrefour and the Group during H1 2016, ending all ongoing discussions and closing the sale. On this basis, the Group achieves a gain of €2.3 million.

5.3 Income tax

Analysis of tax expense

Tax expense is analysed as follows:

(€ millions)	31/12/2016	31/12/2015
Tax due	**(1.4)**	**(1.0)**
Tax loss carryforwards and/or use of deferred losses	(20.9)	(5.5)
Valuation differences	6.5	0.0
Fair value of investment properties	(3.4)	(5.3)
Fair value of hedging instruments	0.7	(3.3)
Net property income on a percentage-of-completion basis	(7.2)	12.8
Other timing differences	(3.2)	(2.6)
Deferred tax	**(27.5)**	**(3.8)**
TOTAL PRODUIT (CHARGE) D'IMPÔT	**(28.9)**	**(4.8)**

Effective tax rate

(€ millions)	31/12/2016	31/12/2015
Pre-tax profit of consolidated companies (excluding discontinued operations)	**258.6**	**247.9**
Group tax savings (expense)	**(28.9)**	**(4.8)**
EFFECTIVE TAX RATE	**-11.17%**	**-1.94%**
Tax rate in France	34.43%	34.43%
Theoretical tax charge	**(89.0)**	**(85.4)**
Difference between theoretical and effective tax charge	**60.1**	**80.5**
Differences related to entities' SIIC status	*71.5*	*57.5*
Differences related to treatment of losses	*(11.7)*	*22.3*
Other permanent differences and rate differences	*0.3*	*0.7*

Differences related to entities' SIIC status correspond to tax savings accumulated by the French companies having opted for SIIC status.

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

Deferred tax assets and liabilities

(€ millions)	As of 31/12/2016	As of 31 Dec. 2015
Tax loss carryforwards	153.1	174.1
Valuation differences	(27.9)	(22.9)
Fair value of investment properties	(26.5)	(23.1)
Fair value of financial instruments	(0.8)	(3.1)
Net property income on a percentage-of-completion basis	(16.6)	2.4
Other timing differences	(0.9)	(3.7)
NET DEFERRED TAX ON THE BALANCE SHEET	**80.4**	**123.7**

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

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

Deferred taxes are calculated (for French companies which are part of the Group's main consolidation scope) at the rate of 34,43%, as currently applicable in France. The 2017 Finance Act provides for a decrease in the rate of the corporate income tax, which would be set to 28.92% as of 1 January 2019 for the Altareit Group; accordingly, a discount was applied to the tax calculated based on the items the Group does not expect to be cleared before this date, *i.e.* Cogedim and Pitch brands (deferred tax liability) on the one hand, and a fraction of the equity loss carry-forwards that was not consumed in Alta Faubourg and Cogedim (deferred tax assets).

5.4 Earnings per share

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

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

At 31 December 2016, as in 2015, dilution derived only from the granting of rights to free shares in Altarea SCA to employees or corporate officers of the Group.

The average number of shares in 2015 was corrected in order to take account of the capital increase carried out with preferential subscription rights, in accordance with IAS 33.

Pursuant to IAS 33, the preferential subscription right corresponds to a value freely allocated to the shareholders which is not representative of a result and which results in an upward adjustment of the average number of shares in order to reflect this loss of substance.

(€ millions)	31/12/2016	31/12/2015
Numerator		
Net income from continuing operations, Group share	165.5	180.7
Net income from discontinued operations, Group share	2.3	(72.3)
Net income, Group share	167.8	108.4
Denominator		
Weighted average number of shares before dilution	13,994,904	12,628,560
Effect of potentially dilutive shares		
Stock options	*0*	*0*
Rights to free share grants	*125,499*	*75,100*
Total potential dilutive effect	125,499	75,100
Weighted diluted average number of shares	14,120,403	12,703,660
Basic net income per share attributable to Group shareholders from continuing operations *(in €)*	**11.83**	**14.31**
Basic net income per share attributable to Group shareholders from discontinued operations *(in €)*	0.16	(5.72)
BASIC NET INCOME PER SHARE ATTRIBUTABLE TO GROUP SHAREHOLDERS *(in €)*	**11.99**	**8.58**
Diluted net income per share attributable to Group shareholders from continuing operations *(in €)*	**11.72**	**14.23**
Diluted net income per share attributable to Group shareholders from discontinued operations *(in €)*	0.16	(5.69)
DILUTED NET INCOME PER SHARE ATTRIBUTABLE TO GROUP SHAREHOLDERS *(in €)*	**11.88**	**8.53**

NOTE 6 LIABILITIES

6.1 Equity

6.1.1 Share capital, share-based payments and treasury shares

Capital

Altarea SCA share capital (in €)

(number of shares and in €)	Number of shares	Nominal	Share capital
Number of shares outstanding at 31 December 2014	**12,515,497**	**15.28**	**191,244,972**
Number of shares outstanding at 31 December 2015	**12,515,497**	**15.28**	**191,244,972**
authorisations to issue ordinary shares to shareholders of Pitch Group	190,000	15.28	2,903,200
conversion of dividends into shares	821,762	15.28	12,556,523
capital increase of 13 June 2016	1,503,028	15.28	22,966,268
NUMBER OF SHARES OUTSTANDING AT 31 DECEMBER 2016	**15,030,287**	**15.28**	**229,670,964**

Capital management

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

The Company's policy is to maintain its LTV ratio below 45%, excluding temporarily exceeding that level or exceptional transactions. The Corporate loan agreement clauses specifically stipulate that the Group must maintain an LTV ratio below 60%.

Share-based payments

The gross expense recorded on the income statement for share-based payments was €16.4 million in 2016 compared to €1.9 million in 2015.

Stock option plan

No stock option plan was underway at 31 December 2016.

Free share grants

On existing plans as of 31/12/2015, in 2016:

- 1,102 rights were canceled;
- 64,698 shares were delivered.

In addition, following the "All in action! (*Tous en actions !*)" wage policy of Altarea Cogedim Group implemented in 2016, 258,803 free shares were allocated to the Group's employees.

	31/12/2015			31/12/2016			
Award date	Number of rights awarded	Vesting date	Rights in issue	Awarded	Delivery	Rights cancelled[a]	Rights in issue
Stock grant plans on Altarea shares							
18 February 2013	82,900	18 February 2016	62,800		(61,698)	(1,102)	–
17 June 2013	3,000	17 April 2016	3,000		(3,000)		–
1 February 2016	32,975	1 February 2017	–	32,975		(2,495)	30,480
8 February 2016	30,864	8 February 2017	–	30,864		(810)	30,054
25 February 2016	19,050	25 February 2017	–	19,050		(350)	18,700
31 March 2016	33,210	31 March 2018	–	33,210		(440)	32,770
7 April 2016	8,506	7 April 2017	–	8,506		(10)	8,496
15 April 2016	5,225	15 April 2017	–	5,225		(185)	5,040
11 July 2016	5,250	11 July 2017	–	5,250		–	5,250
25 July 2016	4,775	25 July 2017	–	4,775		(355)	4,420
19 October 2016	5,500	30 March 2018	–	5,500		–	5,500
10 November 2016	7,927	30 March 2018	–	7,927		(250)	7,677
10 November 2016	12,450[b]	11 April 2019	–	12,450		–	12,450
14 December 2016	33,365[b]	10 April 2019	–	33,365		–	33,365
15 December 2016	26,490	1 February 2018	–	26,490		–	26,490
16 December 2016	33,216	1 February 2018	–	33,216		–	33,216
TOTAL	**344,703**		**65,800**	**258,803**	**(64,698)**	**(5,997)**	**253,908**

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

Valuation parameters for new free share grants

	31/12/2016
Expected dividend rate	6.50%
Expected volatility[a]	21.26% for Altarea share price and 16.83% for IEIF Immobilier France index
Risk-free interest rate	0.00%
Model used	Cox Ross Rubinstein binomial model/Monte-Carlo method[a]

(a) Only for grants subject to performance criteria.

Treasury shares

The acquisition cost of treasury shares was €29.9 million at 31 December 2016 for 188,555 shares (including 187,712 shares intended for allotment to employees under free share grant or stock option plans and 843 shares allocated to a liquidity contract), compared with €22.6 million at 31 December 2015 for 169,263 shares (including 167,762 shares intended for allotment to employees under free share grant or stock option plans and 1,501 shares allocated to a liquidity contract). Treasury shares are eliminated and offset directly in equity.

In addition, a net loss on disposal and/or free share grants of treasury shares to Company employees was recognised directly in equity in the amount of €7.5 million before tax at 31 December 2016 (€4.9 million after tax) compared with €2.7 million at 31 December 2015 (€1.7 million before tax).

The negative impact on cash flow from purchases and disposals over the period came to €14.8 million at 31 December 2016 compared to €5.7 million at 31 December 2015.

Dividends proposed and paid

In respect of financial year 2016, payment of a cash dividend of €11.50 per share, representing a total of €170.5 million (based on the number of shares outstanding at the closing date less treasury shares), will be put to a vote at the forthcoming General Meeting on 11 May 2017, called to approve the financial statements for the year ended 31 December 2016. It will be accompanied by a proportional payment to the sole General Partner, Altafi 2, of €2.6 million, representing 1.5% of the amount paid to limited partners.

At the same meeting, the shareholders will be offered the option to receive payment of the ordinary dividend in cash or in shares to be created by the Company. The issue price of new shares delivered in payment of the dividend will be set at no less than 90% of the average of the opening prices quoted on the 20 trading sessions preceding the date of the General Meeting, less the amount of the dividend per share of €11.50, which will be decided by the General Meeting.

In respect of financial year 2015, the General Meeting of the Shareholders of 15 April 2016 voted, on a proposal by the Supervisory Board, for the payment of a dividend of €11 per share, representing a total of €138.4 million based on the securities entitled to a dividend on the date of its effective payment. It will be accompanied by a proportional payment to the sole General Partner, Altafi 2, of €2.1 million, representing 1.5% of the amount paid to limited partners.

At the General Meeting, shareholders were offered the option to receive the payment in cash or in shares to be created by the Company. The issue price of new shares was set at €154,51, which corresponds to 90% of the average of the opening prices quoted on the 20 trading sessions preceding the date of the General Meeting, less the amount of the dividend per share of €11.

The option period began on 19 April 2016 and ended on 26 April 2016. The option to have a dividend paid in shares was subscribed at a rate of 91,69% of the total of outstanding shares and led to the creation of 821,762 new shares on 6 May 2016.

Payment of the cash dividend also took place on 6 May 2016, for €11.5 million. Payment of the dividend to the partner took place on the same date, for €2.1 million.

6.2 Net financial debt and guarantees

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

			"Non cash" change				
	31/12/2015	Cash flow	Spreading of issue costs	Change in scope of consolidation	Present value adjustment	Other impacts	31/12/2016
Bonds (excluding accrued interest)	477.8	15.7	0.5	34.0	–	–	528.0
Treasury bills	60.5	298.1	–	–	–	–	358.6
Bank borrowings, excluding accrued interest and overdrafts	2,153.1	(216.1)	5.8	58.9	–	–	2,001.7
Net bond and bank debt, excluding accrued interest and overdrafts	**2,691.4**	**97.7**	**6.3**	**92.9**	**–**	**–**	**2,888.3**
Accrued interest on bond and bank borrowings	11.4	0.6	–	1.2	–	–	13.1
BOND AND BANK DEBT, EXCLUDING OVERDRAFTS	**2,702.7**	**98.3**	**6.3**	**94.1**	**–**	**–**	**2,901.4**
Cash and cash equivalents	(266.0)	(177.4)	–	(35.0)	–	0.0	(478.4)
Bank overdrafts	4.9	(2.4)	–	0.1	–	–	2.5
Net cash	**(261.1)**	**(179.8)**	**–**	**(35.0)**	**–**	**0.0**	**(475.9)**
NET BOND AND BANK DEBT	**2,441.6**	**(81.6)**	**6.3**	**59.1**	**–**	**0.0**	**2,425.5**
Equity loans and shareholders' advances[a]	103.6	73.4	–	(7.3)	–	0.2	169.9
Accrued interest on shareholders' advances	5.8	1.1	–	–	–	(0.2)	6.7
NET FINANCIAL DEBT	**2,551.0**	**(7.0)**	**6.3**	**51.8**	**–**	**0.0**	**2,602.1**

(a) o/w appropriation of income to current accounts for €9.1 million.

At 31 December 2016, bank borrowings excluding accrued interest and bank overdrafts include a finance lease debt in the amount of €40.1 million, compared to €36.0 million at 31 December 2015. This debt is financing, among other things, investment properties valued at €88.9 million at the end of December 2016.

During the financial year, the Group notably:

- finalised its mortgage refinancing (framework agreement signed in July 2015, concerning 16 assets, for €854 million) for a total of €192.8 million on 5 assets;
- refinanced the existing Corporate loans by extending their duration and, for some, by increasing their ceiling for €496 million (including 100 million of additional resources);
- implemented Corporate (bank or bond) financing for €314 million;
- implemented asset financing or refinancing for €78.4 million.

All financing was not fully drawn at 31 December 2016.

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

Borrowing costs are analysed in the note on earnings.

Net cash

Marketable securities classified as cash equivalents are recognised at fair value at each reporting date (see § 2.3.11. of Accounting principles and methods).

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

Breakdown of bank and bond debt by maturity

(€ millions)	31/12/2016	31/12/2015
< 3 months	299.3	28.7
3 to 6 months	218.0	226.1
6 to 9 months	30.0	94.3
9 to 12 months	158.6	55.9
Less than 1 year	**705.8**	**405.1**
2 years	175.3	435.5
3 years	243.2	143.0
4 years	265.3	499.6
5 years	615.9	48.7
1 to 5 years	**1,299.6**	**1,126.8**
More than 5 years	**926.4**	**1,202.3**
Issuance cost to be amortised	(27.9)	(26.6)
TOTAL GROSS BOND AND BANK DEBT	**2,903.9**	**2,707.6**

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

Breakdown of bank and bond debt by guarantee

(€ millions)	31/12/2016	31/12/2015
Mortgages	1,145.1	1,312.4
Mortgage commitments	249.6	144.2
Moneylender lien	27.0	19.9
Pledging of receivables	6.5	–
Pledging of securities	355.0	391.0
Altarea SCA security deposit	159.0	200.0
Not Guaranteed	989.5	666.7
TOTAL	**2,931.8**	**2,734.2**
Issuance cost to be amortised	(27.9)	(26.6)
TOTAL GROSS BOND AND BANK DEBT	**2,903.9**	**2,707.6**

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

Breakdown of bank and bond debt by interest rate

	Gross bond and bank debt		
(€ millions)	Variable rate	Fixed rate	Total
At 31 December 2016	2,016.8	887.1	2,903.9
At 31 December 2015	1,948.3	759.4	2,707.6

The market value of fixed rate debt stood at €912.2 million at 31 December 2016 compared to €787.0 million at 31 December 2015.

Schedule of future interest expenses

(€ millions)	31/12/2016	31/12/2015
< 3 months	14.8	10.5
3 to 6 months	9.6	10.3
6 to 9 months	10.6	10.0
9 to 12 months	10.5	9.4
LESS THAN 1 YEAR	**45.5**	**40.1**
2 years	58.1	38.2
3 years	55.4	49.5
4 years	46.6	41.5
5 years	34.5	29.1
1 TO 5 YEARS	**194.7**	**158.3**

These future interest expenses concern borrowings and financial instruments.

6.3 Provisions

(€ millions)	31/12/2016	31/12/2015
Provision for benefits payable at retirement	9.5	8.7
Other provisions	10.5	8.8
TOTAL PROVISIONS	**20.0**	**17.4**

Provision for benefits payable at retirement was measured, as in previous financial years, by an external actuary. Valuation and accounting principles are detailed in the accounting principles and methods of the Company, § 2.3.15. "Employee benefits". The main assumptions used when evaluating this commitment are turnover, the discount rate and the rate of salary increase: a change of +/-0.50% in the last two criteria would not have any significant impacts.

Other provisions primarily cover:

- the risk of payment of rent guarantees granted upon the sale of shopping centres, along with disputes with tenants;
- 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 Investment properties

(€ millions)	Investment properties measured at fair value	Investment properties measured at cost	Total investment properties
At 1 January 2015	**2,974.4**	**189.2**	**3,163.6**
Subsequent investments and expenditures capitalised	131.9	124.4	256.3
Change in spread of incentives to buyers	(8.9)	–	(8.9)
Disposals/repayment of down payments made	(2.1)	(0.1)	(2.2)
Net impairment/project discontinuation	–	5.2	5.2
Transfers to assets held for sale or to or from other categories	–	(7.1)	(7.1)
Change in fair value	113.5	–	113.5
Change in scope of consolidation	244.8	(5.6)	239.2
At 31 December 2015	**3,453.6**	**306.0**	**3,759.6**
Subsequent investments and expenditures capitalised	151.5	123.9	275.4
Change in spread of incentives to buyers	7.5	–	7.5
Disposals/repayment of down payments made	(2.8)	–	(2.8)
Net impairment/project discontinuation	–	–	–
Transfers to assets held for sale or to or from other categories	9.9	29.2	39.1
Change in fair value	177.2	–	177.2
Change in scope of consolidation	–	–	–
AT 31 DECEMBER 2016	**3,797.0**	**459.0**	**4,256.0**

During 2016, interest expenses amounting to €2.9 million were capitalised in respect of projects under development and construction (whether recognised at value or at cost).

Investment properties at fair value

The primary movements for 2016 concern:

- investments and expenditures associated with:
  - the L'Avenue 83 centre in La Valette-du-Var, opened on 13 April 2016,
  - redevelopments of the existing part of the Cap 3000 centre,
  - acquisition of co-ownership units in Sant Cugat, in Spain;
- Changes in fair value of shopping centres in operation.

Investment properties valued at cost

Assets in development or under construction carried at cost mainly concern projects for the extension of the Cap 3000 centre in Saint Laurent du Var and the redevelopment of the shopping centres in the Paris region.

Value Measurement – IFRS 13

In accordance with IFRS 13 – "Fair Value Measurement" and the EPRA's recommendation on IFRS 13, "EPRA Position Paper on IFRS 13 – Fair Value Measurement and Illustrative Disclosures, February 2013", Altarea Cogedim chose to present additional parameters used to determine the fair value of its property portfolio.

The Altarea Cogedim Group found that classifying its assets in level 3 was most appropriate. This treatment reflects the primarily unobservable nature of the data used in the assessments, such as rents from rental statements, capitalisation rates and average annual growth rate of rents. The tables below thus present a number of quantitative parameters used to determine the fair value of Altarea Cogedim's property portfolio. These parameters apply only to shopping centres controlled exclusively by Altarea Cogedim Group (and therefore do not include assets consolidated under the equity method) and which are measured at fair value by the expert appraisers.

		Initial capitalisation rate(a)	Rent in € per m²(b)	Discount rate(c)	Capitalisation rate at exit(d)	Average annual growth rate of net rental income(e)
France	Maximum	8.4%	782	8.2%	7.3%	6.0%
	Minimum	3.9%	94	5.4%	3.8%	1.5%
	Weighted average	**4.7%**	**377**	**5.9%**	**4.4%**	**2.8%**
International	Maximum	6.7%	404	7.3%	6.7%	2.2%
	Minimum	5.6%	187	7.0%	5.5%	1.6%
	Weighted average	**6.3%**	**309**	**7.1%**	**6.0%**	**1.9%**

(a) The initial capitalisation rate is the net rental yield relative to the appraisal value excluding transfer duties.
(b) Annual average rent (minimum guaranteed rent and variable rent) per asset and m².
(c) Rate used to discount the future cash flows.
(c) Capitalisation rate to discount the income in the exit year to calculate exit value.
(e) Average Annual Growth Rate (AAGR) of net rental income.

Based on a Group weighted average capitalisation rate, a 0.25% increase in capitalisation rates would lead to a reduction of €159.0 million in the value of investment properties (-4.32%), while a 0.25% decrease in capitalisation rates would increase the value of investment properties by €178.2 million (4.84%).

Depreciation – Investment assets under development and construction valued at cost

The principal uncertainties surrounding the development and construction of these assets are linked to the award of administrative authorisations and to delays in the start-up or marketing of projects when economic conditions become less favourable.

Investment assets under development and construction are monitored by the Company depending on whether the project is at the study stage, "secured" (a project is completely secured when the property is under contract), has obtained administrative authorisation (CNEC and CDAC commercial authorisations, building permits) or is in leasing and under construction. The projected value is determined on the basis of internal five-year business plans that are reviewed by management at regular intervals. The methods used are rental income capitalisation or discounted cash flow.

Net impairment losses on investment properties at cost correspond to the impairment of shopping centre or office projects that were discontinued, abandoned or delayed because of local market conditions that were more difficult than expected.

Investment working capital requirement

(€ millions)	Receivables on fixed assets	Amounts due on non-current assets	Investment WCR
AT 31 DECEMBER 2015	**4.4**	**(84.9)**	**(80.6)**
Change	(0.4)	(54.4)	(54.8)
Present value adjustment	0.0	(0.2)	(0.2)
Transfers	–	–	–
Change in scope of consolidation	–	–	–
AT 31 DECEMBER 2016	**3.9**	**(139.6)**	**(135.6)**
Change in WCR at 31 December 2016	**(0.4)**	**(54.4)**	**(54.8)**

Net acquisitions of assets and capitalised expenditures

(€ millions)	31/12/2016	31/12/2015
Type of non-current assets acquired:		
Intangible assets	(3.6)	(3.0)
Property, plant and equipment	(3.6)	(1.6)
Investment properties	(238.9)	(233.1)
TOTAL	**(246.1)**	**(237.7)**

7.2 Intangible assets and goodwill

(€ millions)	Gross	Amortisation and/or impairment	31/12/2016	31/12/2015
Goodwill	**394.9**	**(239.6)**	**155.3**	**128.7**
Brands	**89.9**	**–**	**89.9**	**66.6**
Customer relationships	**191.7**	**(186.2)**	**5.5**	**–**
Software	25.3	(18.5)	6.8	6.2
Leasehold Right	2.5	(2.2)	0.4	0.5
Other	0.7	(0.7)	0.0	0.0
Other intangible assets	**28.5**	**(21.3)**	**7.2**	**6.7**
TOTAL	**705.0**	**(447.1)**	**257.9**	**202.1**

(€ millions)	31/12/2016	31/12/2015
Net values at beginning of the period	**202.1**	**244.7**
Acquisition of intangible assets	3.6	3.0
Disposals and write-offs	(0.1)	(1.4)
Change in scope of consolidation and other[(a)]	59.8	(41.4)
Net allowances for depreciation	(7.5)	(2.9)
NET VALUES AT THE END OF THE PERIOD	**257.9**	**202.1**

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

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

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

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

Goodwill from the acquisition of Cogedim and Pitch Promotion

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

As per the accounting principles and methods applied by the Group (§ 2.3.3 and 2.3.8), goodwill was tested for impairment as of 31 December 2016. On the basis of these assumptions, the fair value determined of the economic assets in the Residential and Office Property segments as calculated do not require recognition of impairment.

Goodwill of €15 million was allocated to the brick-and-mortar retail segment to reflect synergies from the Cogedim acquisition. For the segment's going-concern net asset value, this goodwill was tested separately for impairment.

Goodwill recognised in the acquisition of Cogedim and Pitch Promotion thus remains unchanged at €154.6 million at 31 December 2016.

Brands

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

7.3 Operational working capital requirement

Summary of components of operational working capital requirement

			Flows	
(€ millions)	31/12/2016	31/12/2015	Created by the business	Changes in scope of consolidation and other
Net inventories and work in progress	**978.1**	**711.5**	**137.5**	**129.2**
Net trade receivables	192.1	149.3	28.9	13.9
Other operating receivables – net	328.0	321.3	(44.5)	51.2
Trade and other operating receivables – net	**520.1**	**470.6**	**(15.6)**	**65.1**
Trade payables	(416.8)	(302.7)	(63.1)	(51.0)
Other operating payables	(553.5)	(450.0)	10.7	(114.2)
Trade payables and other operating payables	**(970.3)**	**(752.7)**	**(52.4)**	**(165.2)**
OPERATIONAL WORKING CAPITAL REQUIREMENT	**527.9**	**429.3**	**69.5**	**29.0**

The Group's operational working capital requirement (presentation excluding payables and receivables on the sale or acquisition of fixed assets) is essentially linked to the property development operating segment. Changes in scope of consolidation are due primarily to the acquisition of control of Pitch Promotion Group.

7.3.1 Inventories and work in progress

(€ millions)	Gross inventories	Impairment	Net inventories
At 1 January 2015	**623.9**	**(6.0)**	**617.9**
Change	127.4	–	127.4
Increases	–	(0.6)	(0.6)
Reversals	0.1	0.1	0.1
Transfers to or from other categories	7.1	–	7.1
Reclassification of the operation held for sale[a]	(41.2)	0.8	(40.4)
At 31 December 2015	**717.2**	**(5.8)**	**711.5**
Change	137.0	0.1	137.1
Increases	–	(0.5)	(0.5)
Reversals	–	0.9	0.9
Transfers to or from other categories	(38.6)	(0.1)	(38.8)
Change in scope of consolidation	166.4	1.5	168.0
AT 31 DECEMBER 2016	**982.0**	**(3.8)**	**978.1**

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

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

7.3.2 Trade and other receivables

(€ millions)	31/12/2016	31/12/2015
Gross trade receivables	**211.9**	**168.2**
Opening impairment	**(18.9)**	**(23.7)**
Increases	(6.1)	(7.2)
Changes in scope of consolidation	(0.0)	2.3
Reversals	5.1	4.6
Reclassification of the operation held for sale	0.0	5.2
Closing impairment	**(19.8)**	**(18.9)**
NET TRADE RECEIVABLES	**192.1**	**149.3**
Advances and down payments paid	36.0	32.7
VAT receivables	194.1	232.4
Sundry debtors	54.0	25.1
Prepaid expenses	29.0	18.3
Principal accounts in debit	24.8	21.1
Total other operating receivables – gross	**338.0**	**329.6**
Opening impairment	**(8.3)**	**(6.5)**
Increases	(1.7)	(2.3)
Reversals	0.1	0.6
Other changes	(0.0)	0.0
Closing impairment	**(9.9)**	**(8.3)**
NET OPERATING RECEIVABLES	**328.0**	**321.3**
TRADE RECEIVABLES AND OTHER OPERATING RECEIVABLES	**520.1**	**470.6**
Receivables on sale of assets	3.9	4.4
TRADE RECEIVABLES AND OTHER OPERATING RECEIVABLES	**524.0**	**475.0**

Depreciation allowances for net trade receivables mainly concern impairment of certain customers regarding recovery of rents.

Trade receivables

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

Breakdown of trade receivables due:

(€ millions)	31/12/2016
Total gross trade receivables	**211.9**
Impairment of trade receivables	(19.8)
TOTAL NET TRADE RECEIVABLES	**192.1**
Trade accounts to be invoiced	(22.4)
Receivables lagging completion	60.7
TRADE ACCOUNTS RECEIVABLE DUE	**230.4**

(€ millions)	Total	On time	30 days	60 days	90 days	More than 90 days
Trade accounts receivable due	230.4	176.1	2.7	18.0	3.2	30.4

Advances and down payments paid

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

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

Principal accounts in debit

As part of its property management business and real estate transactions, the Group presents the cash balance it manages for third parties on its balance sheet.

7.3.3 Accounts payable and other operating liabilities

(€ millions)	31/12/2016	31/12/2015
Trade payables and related accounts	416.8	302.7
TRADE PAYABLES AND RELATED ACCOUNTS	**416.8**	**302.7**
Advances and down payments received from clients	333.6	233.6
VAT collected	75.0	110.7
Other tax and social security payables	49.9	39.8
Prepaid income	2.9	2.9
Other payables	67.3	41.9
Principal accounts in credit	24.8	21.1
OTHER OPERATING PAYABLES	**553.5**	**450.0**
Amounts due on non-current assets	139.6	84.9
ACCOUNTS PAYABLE AND OTHER OPERATING LIABILITIES	**1,109.9**	**837.7**

Advances and down payments received from clients

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

Payables on acquisition of assets

Payables on acquisition of assets correspond mainly to debts to suppliers for shopping centres just completed or under development.

NOTE 8 FINANCIAL RISK MANAGEMENT

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

8.1 Carrying amount of financial instruments by category in accordance with IAS 39

At 31 December 2016

			Financial assets and liabilities carried at amortised cost		Financial assets and liabilities carried at fair value				
(€ millions)	Total carrying amount	Non-financial assets	Loans Receivables	Liabilities at amortised cost	Assets available for sale	Assets and liabilities at fair value through profit and loss	Level 1[a]	Level 2[b]	Level 3[c]
NON-CURRENT ASSETS	**421.1**	**218.0**	**202.3**	**–**	**0.8**	**–**	**–**	**–**	**0.8**
Securities and investments in equity affiliates and unconsolidated interests	412.0	218.0	193.2	–	0.8	–	–	–	0.8
Loans and receivables (non-current)	9.1	–	9.1	–	–	–	–	–	–
CURRENT ASSETS	**1,059.1**	**–**	**1,037.2**	**–**	**–**	**21.8**	**11.7**	**10.2**	**–**
Trade and other receivables	524.0	–	524.0	–	–	–	–	–	–
Loans and receivables (current)	46.4	–	46.4	–	–	–	–	–	–
Derivative financial instruments	10.2	–	–	–	–	10.2	–	10.2	–
Cash and cash equivalents	478.4	–	466.8	–	–	11.7	11.7	–	–
NON-CURRENT LIABILITIES	**2,312.3**	**–**	**–**	**2,312.3**	**–**	**–**	**–**	**–**	**–**
Borrowings and financial liabilities	2,280.7	–	–	2,280.7	–	–	–	–	–
Deposits and security interests received	31.7	–	–	31.7	–	–	–	–	–
CURRENT LIABILITIES	**1,985.1**	**–**	**–**	**1,909.8**	**–**	**75.3**	**–**	**75.3**	**–**
Borrowings and financial liabilities	799.9	–	–	799.9	–	–	–	–	–
Derivative financial instruments	75.3	–	–	–	–	75.3	–	75.3	–
Accounts payable and other operating liabilities	1,109.9	–	–	1,109.9	–	–	–	–	–
Amount due to shareholders	0.0	–	–	0.0	–	–	–	–	–

(a) Financial instruments quoted 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.

Non-consolidated securities classified as assets available for sale are measured at their fair value, previously determined on the basis of their net worth, without determining valuation assumptions.

Cash and cash equivalents breakdown between cash presented under receivables and marketable securities presented as financial assets within Level 1 of the fair value hierarchy.

At 31 December 2015

(€ millions)	Total carrying amount	Non-financial assets	Financial assets and liabilities carried at amortised cost: Loans Receivables	Financial assets and liabilities carried at amortised cost: Liabilities at amortised cost	Financial assets and liabilities carried at fair value: Assets available for sale	Financial assets and liabilities carried at fair value: Assets and liabilities at fair value through profit and loss	Level 1[a]	Level 2[b]	Level 3[c]
NON-CURRENT ASSETS	**403.9**	**196.9**	**206.6**	**–**	**0.4**	**–**	**–**	**–**	**0.4**
Securities and investments in equity affiliates and unconsolidated interests	361.0	196.9	163.7	–	0.4	–	–	–	0.4
Loans and receivables (non-current)	42.9	–	42.9	–	–	–	–	–	–
CURRENT ASSETS	**790.2**	**–**	**659.1**	**–**	**–**	**131.1**	**111.0**	**20.0**	**–**
Trade and other receivables	475.0	–	475.0	–	–	–	–	–	–
Loans and receivables (current)	29.2	–	29.2	–	–	–	–	–	–
Derivative financial instruments	20.0	–	–	–	–	20.0	–	20.0	–
Cash and cash equivalents	266.0	–	155.0	–	–	111.0	111.0	–	–
NON-CURRENT LIABILITIES	**2,396.3**	**–**	**–**	**2,396.3**	**–**	**–**	**–**	**–**	**–**
Borrowings and financial liabilities	2,366.4	–	–	2,366.4	–	–	–	–	–
Deposits and security interests received	29.8	–	–	29.8	–	–	–	–	–
CURRENT LIABILITIES	**1,325.6**	**–**	**–**	**1,288.8**	**–**	**36.7**	**–**	**36.7**	**–**
Borrowings and financial liabilities	450.6	–	–	450.6	–	–	–	–	–
Derivative financial instruments	37.3	–	–	0.6	–	36.7	–	36.7	–
Accounts payable and other operating liabilities	837.7	–	–	837.7	–	–	–	–	–
Amount due to shareholders	0.0	–	–	0.0	–	–	–	–	–

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

8.2 Interest rate risk

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

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

Derivatives are carried at fair value.

In compliance with IFRS 13, these instruments are measured by taking into account the credit valuation adjustment (CVA) when positive, and the debit valuation adjustment (DVA) when negative.

This adjustment measures, by application on each cash flow date of the valuation of a probability of default, the counterparty risk defined as an obligation to replace a hedging operation at the market rate in force following the default by one of the counterparties. CVA, calculated for a given counterparty, takes into account the probability of default for this counterparty. DVA, based on the Company's credit risk, corresponds to the counterparty's exposure to loss in the event of the Company's default.

The resulting impact is a positive change in the fair value of derivative financial instruments of €3.5 million on net income for the period.

Position in derivative financial instruments

(€ millions)	31/12/2016	31/12/2015
Interest-rate swaps	(69.0)	(18.6)
Interest-rate collars	–	(2.1)
Interest-rate caps	0.3	0.5
Accrued interest not yet due	3.6	3.4
Premiums and balancing cash payments payable	–	(0.6)
TOTAL	**(65.1)**	**(17.3)**

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

Maturity schedule of derivative financial instruments (notional amounts)

At 31 December 2016

	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
ALTAREA – pay fixed – swap	690.9	1,467.4	2,147.2	2,020.7	2,216.5	1,990.2
ALTAREA – pay floating rate – swap	330.0	230.0	230.0	230.0	230.0	–
ALTAREA – pay fixed – collar	–	–	–	–	–	–
ALTAREA – pay fixed – cap	958.0	940.5	181.5	75.0	75.0	–
TOTAL	**1,978.9**	**2,637.9**	**2,558.7**	**2,325.7**	**2,521.5**	**1,990.2**
Average hedge ratio	0.10%	0.70%	1.16%	1.00%	1.02%	1.04%

At 31 December 2015

	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020
ALTAREA – pay fixed – swap	1,312.5	1,349.7	1,465.7	1,720.6	1,487.8	1,486.5
ALTAREA – pay fixed – collar	50.0	–	–	–	–	–
ALTAREA – pay fixed – cap	187.0	148.9	75.0	75.0	75.0	75.0
TOTAL	**1,549.5**	**1,498.6**	**1,540.7**	**1,795.6**	**1,562.8**	**1,561.5**
Average hedge ratio	0.62%	0.54%	1.01%	1.44%	1.16%	1.16%

Management position

At 31 December 2016

	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
Fixed-rate bond and bank loans	(891.2)	(679.1)	(676.4)	(523.6)	(520.9)	(288.2)
Floating-rate bank loans	(2,012.7)	(1,519.0)	(1,346.5)	(1,256.0)	(993.5)	(611.9)
Cash and cash equivalents (assets)	478.4	–	–	–	–	–
Net position before hedging	**(2,425.5)**	**(2,198.1)**	**(2,022.8)**	**(1,779.7)**	**(1,514.4)**	**(900.1)**
Swap	1,020.9	1,697.4	2,377.2	2,250.7	2,446.5	1,990.2
Collar	–	–	–	–	–	–
Cap	958.0	940.5	181.5	75.0	75.0	–
Total derivative financial instruments	**1,978.9**	**2,637.9**	**2,558.7**	**2,325.7**	**2,521.5**	**1,990.2**
NET POSITION AFTER HEDGING	**(446.6)**	**439.9**	**535.8**	**546.1**	**1,007.1**	**1,090.1**

At 31 December 2015

	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020
Fixed-rate bond and bank loans	(762.7)	(751.9)	(550.0)	(548.1)	(396.2)	(394.2)
Floating-rate bank loans	(1,944.9)	(1,550.6)	(1,317.0)	(1,176.0)	(828.3)	(783.3)
Cash and cash equivalents (assets)	266.0	–	–	–	–	–
Net position before hedging	**(2,441.6)**	**(2,302.5)**	**(1,867.0)**	**(1,724.0)**	**(1,224.4)**	**(1,177.5)**
Swap	1,312.5	1,349.7	1,465.7	1,720.6	1,487.8	1,486.5
Collar	50.0	–	–	–	–	–
Cap	187.0	148.9	75.0	75.0	75.0	75.0
Total derivative financial instruments	**1,549.5**	**1,498.6**	**1,540.7**	**1,795.6**	**1,562.8**	**1,561.5**
NET POSITION AFTER HEDGING	**(892.1)**	**(803.9)**	**(326.3)**	**71.6**	**338.3**	**384.0**

Analysis of interest-rate sensitivity

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

	Increase/decrease in interest rates	Impact of the gain or loss on pre-tax profit	Impact on the value of the portfolio of financial instruments
31/12/2016	+50 bps -50 bps	-€4.0 million +€0.1 million	+€72.3 million -€74.9 million
31/12/2015	+50 bps -50 bps	-€2.6 million +€2.6 million	+€58.9 million -€61.6 million

8.3 Liquidity risk

Cash

The Group had a positive cash position of €478.4 million at 31 December 2016, compared to €266 million at 31 December 2015. This represents its main tool for management of liquidity risk.

Part of this cash is classified as restricted for the Group, but is available for those subsidiaries that carry it: at 31 December 2016, the amount of this restricted cash was €147.2 million.

On this date, in addition to the available cash of €331.3 million, the Group also had €542.4 million of additional available cash and cash equivalents (in confirmed corporate credit lines that had not been used and were not assigned to projects) and €149.4 million of available cash and cash equivalents for projects.

Covenants

The covenants (financial ratios) with which the Group must comply concern the listed Corporate bond and banking credits, for €1,052.3 million, including the €235 million banking credit subscribed by Cogedim SAS.

The covenants with which Foncière Altarea's consolidated companies must comply (holding company for the brick-and-mortar retail business with the exception of the shopping centres directly held by Altarea SCA or via its Altablue subsidiary for Cap 3000) concern the Corporate banking credits subscribed by Altarea SCA (€163.3 million) and the private bond credit subscribed by Foncière Altarea (€150 million).

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

	Altarea Group covenants	31/12/16	Consolidated Altarea land covenants	31/12/16	Consolidated Cogedim covenants	31/12/16
***Loan To Value* (LTV)**						
Net bond and bank financial debt/re-assessed value of the Company's assets	< 60%	37.2%	< 50%	26.9%		
***Interest Cover Ratio* (ICR)**						
Operating income (FFO column or cash flow from operations)/Company's net borrowing cost (FFO column)	> 2	7.4	> 1.8	9.5		
Leverage						
Leverage: Net financial Debt/EBITDA					<= 5	3.5
Gearing: Net financial debt/Equity					<= 3	0.7
ICR: EBITDA/Net interest expenses					>= 2	6.8

The covenants specific to mortgage loans to finance shopping centres in operation:

- DSCR = net rental income of the Company/cost of net financial debt plus principal repayment > normally 1.50 (or a lower ratio);
- LTV ratio in operation = Loan To Value = Company net debt/ Company net asset value is normally < 70%;
- The covenants specific to mortgage loans for shopping centres under development or redevelopment may be more restrictive than to loans for centres in operation, within the limit of the following values: DSCR > 2.0 and LTV < 60%.

At 31 December 2016, the Company met all its covenants. In the highly likely event that certain mortgage debt may be required to be partially repaid at a subsequent date, the amount of these repayments is recognised under current liabilities until the maturity date.

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 Altarea SCA

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

	31/12/2016		31/12/2015	
(in percentage)	% share capital	% voting rights	% share capital	% voting rights
Founding shareholders and the expanded concert party[(a)]	46.45	47.04	47.75	48.40
Crédit Agricole Assurances	26.57	26.91	27.32	27.70
ABP	8.19	8.30	8.27	8.38
Opus Investment BV[(b)]	1.32	1.33	1.33	1.34
Treasury shares	1.25	–	1.35	–
Public + employee investment mutual fund	16.22	16.42	13.98	14.18
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**

(a) Alain Taravella and Jacques Nicolet, the founding shareholders in their own name (or the name of relatives) or via legal entities that they control, and Gilles Boissonnet and Stéphane Theuriau acting in concert.
(b) and related party.

Related party transactions

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

- AltaGroupe, AltaPatrimoine and Altager, represented by Alain Taravella;
- JN Holding, represented by Jacques Nicolet.

Company Management consists of Alain Taravella and Altafi 2, of which Alain Taravella is Chairman, and Atlas, of which Alain Taravella is Chairman and Gilles Boissonnet and Stéphane Theuriau are Chief Executive Officers.

Transactions with these related parties mainly relate to services rendered by Altafi 2 as Co-Manager of the Company and, to a lesser extent, services and rebillings by the Company to Altafi 2.

Management compensation

Altarea and its subsidiaries remunerate the Management – Altafi 2, as Co-Manager, represented by Alain Taravella as of 2016 according to the fifth resolution of the General Meeting of 15 April 2016, and previously according to the sixth resolution of the General Meeting of 27 June 2013. In this respect, the following expense was recognised:

	Altafi 2 SAS	
(€ millions)	31/12/2016	31/12/2015
Fixed Management compensation	2.6	2.5
▪ *o/w amount recognised in other Company overhead costs*	*2.6*	*2.5*
Variable Management compensation[a]	1.2	1.8
TOTAL	**3.8**	**4.3**

(a) The variable compensation of Management is calculated in proportion to net income (FFO) for the year 2015, and to the net income (FFO), Group share for 2016.

Assistance services and rebilling of rents

Assistance services and rebilling of rents and other items are recognised as a deduction from other Company overhead costs in the amount of €0.1 million. Services invoiced to related parties by the Altarea Group are invoiced on an arm's length basis.

Assets and liabilities toward related parties

	Altafi 2 SAS	
(€ millions)	31/12/2016	31/12/2015
Trade and other receivables	0.0	0.1
TOTAL ASSETS	**0.0**	**0.1**
Accounts payable and other operating liabilities[a]	1.4	2.5
TOTAL LIABILITIES	**1.4**	**2.5**

(a) Mainly corresponds to part of variable Management compensation.

Compensation of the founding shareholder-managers

Alain Taravella does not receive any compensation from Altarea SCA or its subsidiaries in his capacity as Manager. Alain Taravella receives compensation from holding companies that own a stake in Altarea.

Christian de Gournay, in his capacity as Chairman of Altarea SCA's Supervisory Board, as from 2 June 2014, received gross compensation directly from Altarea SCA, which is included in the compensation paid to the Group's main Managers stated below.

No share-based payments were made by Altarea SCA to its founding shareholder-managers. No other short-term or long-term benefits or other forms of compensation and benefits were granted to the founding shareholder-managers by Altarea SCA.

Compensation of the Group's senior executives

(€ millions)	31/12/2016	31/12/2015
Gross salaries[a]	5.2	5.7
Social security contributions	2.0	2.4
Share-based payments[b]	2.9	1.2
Number of shares delivered during the period	24,000	23,000
Post-employment benefits[c]	0.0	0.0
Other short- or long-term benefits and compensation[d]	0.0	0.0
Termination indemnities[e]	–	1.0
20% employer contribution for free share grants	0.7	–
Loans	–	-
Post-employment benefit commitment	0.3	0.5

(a) Fixed and variable compensation; variable compensation corresponds to performance-related pay.
(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.
(e) Post-employment benefits, including social security costs.

(in number of rights in circulation)	31/12/2016	31/12/2015
Rights to Altarea SCA's free share grants	50,028	24,000
Altarea share subscription warrants	–	–
Stock options on Altarea shares	–	–

"Executive officers" include members of the Company's Group Executive Committee and members of Altarea's Supervisory Board who receive compensation from Altarea or its subsidiaries.

NOTE 10 GROUP COMMITMENTS AND CONTIGENT LIABILITIES

10.1 Off-balance sheet commitments

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

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

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

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

All other material commitments are set out below:

(€ millions)	31/12/2015	31/12/2016	Less than 1 year	1 to 5 years	More than 5 years
Commitments received					
Commitments received relating to financing (excl. borrowings)	**–**	**–**	**–**	**–**	**–**
Commitments received relating to company acquisitions	**55.2**	**17.5**	**2.2**	**12.0**	**3.3**
Commitments received relating to operating activities	**126.6**	**144.2**	**77.1**	**51.0**	**16.1**
Security deposits received from FNAIM (Hoguet Act)	55.0	55.0	55.0	–	–
Security deposits received from tenants	14.9	19.4	1.1	4.0	14.3
Payment guarantees received from customers	56.2	69.3	20.8	47.0	1.5
Unilateral land sale undertakings received and other commitments	0.4	0.4	0.1	–	0.3
Other commitments received relating to operating activities	0.2	0.2	0.2	0.0	–
TOTAL	**181.8**	**161.8**	**79.3**	**63.0**	**19.5**
Commitments given					
Commitments given relating to financing (excl. borrowings)	**11.0**	**11.0**	**5.0**	**–**	**6.0**
Commitments given relating to company acquisitions	**186.4**	**181.8**	**8.9**	**136.5**	**36.5**
Commitments given relating to operating activities	**793.6**	**1,004.8**	**339.8**	**629.8**	**35.2**
Construction work completion guarantees (given)	500.3	725.2	186.9	534.5	3.9
Guarantees given on forward payments for assets	191.6	153.2	105.5	47.2	0.5
Guarantees for loss of use	41.9	69.0	32.1	36.7	0.2
Other sureties and guarantees granted	59.7	57.4	15.3	11.5	30.6
TOTAL	**991.0**	**1,197.6**	**353.6**	**766.3**	**77.7**

Commitments received

Commitments received relating to acquisitions/disposals

The Group is covered by representations and warranties in connection with acquisitions of subsidiaries and equity interests, and in particular for the acquisition of Altareit. Relating to the latter, Altarea received a guarantee from the seller Bongrain that it shall be entitled to compensation for a period of ten years, through a reduction in the selling price of the 100% share block, for any damage or loss originating from the business activities effectively incurred by Altareit with a cause or origin predating 20 March 2008 (non-costed commitment).

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

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

Commitments received relating to operating activities

Security deposits
Under France's "Hoguet Act", Altarea holds a security deposit received from FNAIM in an amount of €55 million as a guarantee covering its property management and sales activity.

Altarea also receives security deposits from its tenants to guarantee that they will pay their rent.

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 retail and office property development operations.

Unilateral land sale undertakings received and other commitments
Other guarantees received consist mainly of commitments received from property sellers.

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 financing activities

Altarea provided guarantees of €11 million to cover overdraft facilities granted to its subsidiaries.

Commitments given relating to acquisitions

The Group makes representations and warranties or contingent consideration when disposing of shares in subsidiaries and affiliates. When the Group considers that it is probable that there will be a cash outlay under the terms of these guarantees, it sets aside allowances to provisions and their amount is re-assessed at each closing date.

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

The main commitments concern an undertaking to subscribe for the capital of companies comprising the AltaFund investment fund in the amount of €100.6 million (including a firm commitment for €43.3 million and €57.2 million unused).

Representations and warranties after the partner Allianz acquired a stake in certain shopping centres were given at year-end 2013. These representations and warranties amount to €35 million as of 3 December 2015, and until their maturity. Following the disposal of the Italian assets (in 2015) and the disposal of Rue du Commerce, representations and warranties were given, respectively, for €35 million and €6 million.

The shares of Altablue, Aldeta, Alta Crp Gennevilliers, Alta Crp La Valette, Alta Gramont, Toulouse Gramont, Bercy Village and Société d'Aménagement de la Gare de l'Est as well as assets held by these companies, are for a limited period subject to conditions for sale contingent on the agreement of each of the partners of these companies.

Commitments given relating to operating activities

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

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

Guarantees on forward payments for assets
These guarantees mainly cover purchases of land or buildings for the Property Development business (including AltaFund, the office property investment fund).

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

Other sureties and guarantees granted
The other sureties and guarantees granted relate primarily to the Group's involvement in AltaFund, the office property investment fund, the sureties granted in connection with its property development activity, as well as the REIT business in Italy for guarantees granted by companies to the Italian government regarding their VAT position.

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 transactions. The Group signs bilateral sales agreements with landowners: the owner undertakes to sell their land and the Group commits to buy it if the (administrative and/or marketing) conditions precedent are met.

Other commitments

In the conduct of its proprietary shopping centre development business, Altarea has made commitments to invest in projects initiated and controlled by the company.

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

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

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

Minimum future rents to be paid or received

Minimum future rents to be received

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

	31/12/2016	31/12/2015
Less than 1 year	162.5	142.5
Between 1 and 5 years	327.2	237.3
More than 5 years	99.6	71.4
GUARANTEED MINIMUM RENT	**589.2**	**451.2**

Rents receivable relate only to shopping centres owned by the Group.

Minimum future rents to be paid

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

	31/12/2016	31/12/2015
Less than 1 year	14.0	10.9
Between 1 and 5 years	14.5	14.5
More than 5 years	0.3	0.3
MINIMUM FUTURE RENTS TO BE PAID	**28.8**	**25.7**

Rents to be paid concern:

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

10.2 Contigent liabilities

No new litigation or governmental, legal, or arbitration proceedings that are likely to have significant effects on the Company's financial position or profitability arose in 2016 other than those for which a provision has been recognised (see Note 6.3 "Provisions") or that have been effectively challenged or are being challenged by the Company (see Note 5.2 "Corporate income tax" or 6.3 "Provisions").

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

NOTE 11 POST-CLOSING EVENTS

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

3.7 AUDITORS' FEES

	E&Y				Grant Thornton				Other				Total			
	Amount		%		Amount		%		Amount		%		Amount		%	
(in millions of euros)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Statutory audit, certification, examination of individual and consolidated financial statements																
▪ Altarea SCA	0.2	0.3	19%	22%	0.3	0.3	34%	32%	-	-	0%	0%	0.5	0.6	23%	28%
▪ Fully consolidated subsidiaries	0.9	0.9	71%	70%	0.5	0.6	56%	65%	0.1	-	100%	0%	1.5	1.4	68%	68%
Services other than the certification of the financial statements																
▪ Altarea SCA	0.1	0.1	5%	5%	0.1	0.0	9%	1%	-	-	0%	0%	0.1	0.1	6%	3%
▪ Fully consolidated subsidiaries	0.1	0.0	4%	3%	0.0	0.0	1%	3%	-	0.0	0%	100%	0.1	0.0	3%	1%
TOTAL	**1.3**	**1.3**	**100%**	**100%**	**0.8**	**0.9**	**100%**	**100%**	**0.1**	**0.0**	**100%**	**100%**	**2.2**	**2.1**	**100%**	**100%**

3.8 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(For the financial year ended 31 December 2016)

To the Shareholders,

In accordance with our appointment as Statutory Auditors by your General Meeting, we hereby present you with our report for the financial year ended 31 December 2016 on:

- our audit of Altarea's consolidated financial statements as attached to this report;
- the justification of our assessments;
- the specific verifications required by law.

These consolidated financial statements have been approved by Management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit consists of examining, on the basis of sampling and other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall presentation of the financial statements. We believe that the information we obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the companies and entities included in the consolidated group in accordance with IFRS standards as adopted by the European Union.

2. BASIS FOR OUR ASSESSMENT

In accordance with Article L. 823-9 of the French Commercial Code concerning the justification of our assessments, we bring to your attention the following items:

- as indicated in Note 2.3.6, "Investment Properties," of the Notes to the consolidated financial statements, the fair value of investment properties in operation is determined on the basis of primarily external appraisals. Our work consisted of examining the evaluation method used by both the external experts and your own group, reading their evaluations and ensuring that the determination of the fair value of Investment Properties as shown in the balance sheet was made on the basis of these assessments;
- as stated in Note 2.3.11, "Financial assets and liabilities (excluding trade receivables and other receivables)" of the Notes to the consolidated financial statements, financial assets and liabilities are carried at fair value. Fair value is determined with reference to published market prices for listed shares and according to valuation models that are commonly accepted and used by actuaries for other items. We verified that the fair value of financial instruments as presented in the balance sheet and in Note 8, "Management of financial risks" of the Notes to the consolidated financial statements, had been determined on the basis of market values or actuarial valuations;
- as indicated in Note 2.3.17, "Taxes," in the Notes to the consolidated financial statements, estimates are used in determining the recoverable amount of deferred tax assets. As part of our assessment, we acknowledged the assumptions used by Management and determined whether the estimates based on these assumptions were reasonable;
- as stated in Note 2.3.18, "Revenue and related expenses," section b) "Net property income" in the Notes to the consolidated financial statements, property revenue and net property income for the development business are measured using the percentage-of-completion method. They thus depend on the value at completion estimated by your Group as described in the above-mentioned section b) of the notes. As part of our assessment, we examined whether the assumptions on which these estimates were based were reasonable, and we reviewed the calculations performed by your group;
- as indicated in Notes 2.3.8 "Monitoring the value of non-current assets (excluding financial assets and investment properties) and impairment" and 7.2 "Intangible assets and goodwill" of the notes to the consolidated financial statements, your Group has made use of certain estimates in monitoring the value of goodwill and trademarks. Our work consisted of assessing the data and assumptions on which those estimates are based, reviewing the calculations made by your Group and its experts, if applicable, and verifying that the notes to the consolidated financial statements provide appropriate information on the assumptions used.

Our assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore assisted us in reaching our opinion as expressed in the first part of this report.

3. SPECIFIC VERIFICATION

We also carried out specific verification, as required by law, of information relating to the Group provided in the 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.

Neuilly-sur-Seine and Paris-La Défense, 10 March 2017

The Statutory Auditors

Grant THORNTON French member of Grant Thornton International	**ERNST & YOUNG et Autres**
Laurent BOUBY	**Anne HERBEIN**

4

PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4.1 INCOME STATEMENT

Income statement

(€ thousands)	2016	2015
Sale of goods	-	-
Sold production (goods and services)	19,371.3	29,426.2
Net revenue	**19,371.3**	**29,426.2**
Production held in inventory	-	-
Production held in inventory	(210.4)	425.4
Operating grants	-	-
Reversals of provisions (and depreciation/amortisation), expense reclassifications	2,194.5	1,903.5
Other income	4.7	2,112.2
Operating income	**21,360.0**	**31,894.5**
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	17,066.3	21,372.5
Taxes, duties and equivalent payments	858.4	590.3
Salaries and wages	917.0	1,029.3
Social security contributions	1,800.2	1,503.2
Operating allowances		
Non-current assets: allowances for depreciation and amortisation	4,678.7	4,279.4
Non-current assets: allowances for impairment	-	-
Current assets: allowances for impairment	588.8	469.3
Contingencies and expenses: allowances for provisions	318.7	876.0
Other expenses	216.5	751.5
Operating expenses	**26,444.6**	**30,871.4**
OPERATING INCOME/(LOSS)	**(5,084.6)**	**1,023.2**
Joint transactions	**-**	**-**
Profits or transferred losses	-	-
Losses or transferred profits	-	-
Financial income	**-**	**-**
Financial income from investments	45,732.5	84,124.2
Income from other marketable securities and receivables on non-current assets	4,193.3	3,874.8
Other interest and similar income	7,017.4	3,846.7
Reversals of provisions, impairment and expense reclassifications	8,193.7	-
Foreign exchange gains	-	-
Net gains on the disposal of marketable securities	-	-
Financial income	**65,136.9**	**91,845.8**
Allowances for amortisation, impairment and provisions	-	-
Interest and similar expenses	53,069.4	86,946.7
Foreign exchange losses	-	-
Net losses from the disposal of marketable securities	-	-
Financial expenses	**53,069.4**	**86,946.7**
FINANCIAL INCOME	**12,067.4**	**4,899.1**
PROFIT BEFORE TAX	**6,982.9**	**5,922.2**

Income statement (continued)

(€ thousands)	2016	2015
Exceptional income from non-capital transactions	440.7	-
Exceptional income from capital transactions	6,838.8	2,349.1
Reversals of provisions, impairment and expense reclassifications	-	-
Exceptional income	**7,279.5**	**2,349.1**
Exceptional expenses on non-capital transactions	417.4	0.2
Exceptional expenses on capital transactions	6,190.0	2,566.0
Allowances for amortisation, impairment and provisions	-	-
Exceptional expenses	**6,607.4**	**2,566.2**
EXCEPTIONAL INCOME	**672.1**	**(217.1)**
Employee profit-sharing	-	-
Income tax	(34.5)	(346.1)
Total income	**93,776.4**	**126,089.4**
Total expenses	**86,086.9**	**120,038.1**
PROFITS OR LOSSES	**7,689.4**	**6,051.2**

4.2 BALANCE SHEET

Assets

(€ thousands)	Gross	Amortisation Provisions	31/12/2016	31/12/2015
Uncalled subscribed capital	-	-	-	-
Intangible assets				
Start-up costs	-	-	-	-
Research and development expenditures	-	-	-	-
Concessions, patents, licences, trademarks, procedures, software, rights and similar items	1,399.0	769.6	629.4	502.9
Goodwill	-	-	-	9,417.0
Intangible assets in progress	26.3	-	26.3	147.3
Advances and down payments	-	-	-	-
Property, plant and equipment				
Land	22,395.1	90.6	22,304.5	22,299.4
Buildings	104,292.1	39,799.0	64,493.2	68,402.5
Technical installations, plant and industrial equipment	-	-	-	-
Others	140.5	123.6	16.9	37.6
Property, plant and equipment in progress	36.7	-	36.7	126.1
Advances and down payments	-	-	-	-
Non-current financial assets				
Investments	1,352,430.5	14,745.8	1,337,684.7	1,266,308.4
Investment-related receivables	296,219.5	-	296,219.5	260,490.9
Other long-term investments	-	-	-	-
Loans	272,418.4	105,305.0	167,113.4	131,656.4
Other non-current financial assets	4,007.6	-	4,007.6	3,697.2
LONG-TERM ASSETS	**2,053,365.8**	**160,833.5**	**1,892,532.3**	**1,763,085.7**
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	6,003.5	1,680.0	4,323.5	17,723.4
Other	19,481.8	-	19,481.8	10,868.7
Called, unpaid subscribed capital	-	-	-	-
Marketable securities				
Marketable securities (of which treasury stocks: 29,892,703.96)	29,892.7	-	29,892.7	22,610.2
Cash at bank and in hand	35,082.1	-	35,082.1	1,627.9
Prepaid expenses	244.0	-	244.0	254.0
CURRENT ASSETS	**90,704.2**	**1,680.0**	**89,024.2**	**53,084.3**
Deferred expenses	-	-	-	-
Redemption premiums	-	-	-	-
Translation differences – assets	-	-	-	-
TOTAL	**2,144,070.0**	**162,513.5**	**1,981,556.5**	**1,816,170.0**

Liabilities

(€ thousands)	2016	2015
Share capital (incl. paid-in 229,670,964)	229,671.0	191,245.0
Discounts, merger premiums, contribution premiums	588,267.4	396,550.0
Revaluation differences	-	-
Legal reserve	18,203.9	17,901.3
Statutory and contractual reserves	-	-
Regulated reserves	-	-
Others	-	-
Retained earnings	-	-
Net income (loss) for the year	**7,689.4**	**6,051.2**
Investment grants	-	-
Regulated provisions	-	-
TOTAL EQUITY	**843,831.7**	**611,747.5**
Provisions for contingencies	266.8	1,719.4
Provisions for expenses	-	-
PROVISIONS	**266.8**	**1,719.4**
Proceeds from issue of equity securities	195,078.3	195,078.3
Conditional advances	-	-
OTHER EQUITY	**195,078.3**	**195,078.3**
Financial liabilities		
Convertible bond issues	-	-
Other bond issues	384,400.8	334,336.1
Borrowings from credit institutions	279,120.3	427,761.2
Other borrowings and financial liabilities	272,095.5	232,859.1
Advances and down payments made for orders in progress	0.8	0.9
Operating payables		
Trade payables and related accounts	3,151.0	6,249.3
Tax and social security payables	1,272.3	3,736.6
Other payables		
Amounts due on non-current assets and related accounts	1,242.0	1,560.6
Other payables	1,097.0	837.5
Accruals		
Prepaid income	-	283.5
PAYABLES	**942,379.6**	**1,007,624.8**
Translation differences – liabilities	-	-
TOTAL	**1,981,556.5**	**1,816,170.0**

4.3 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 26 December 2016.

Altarea is a *société en commandite par actions* (a French partnership limited by shares), the shares of which have been traded since 2004 on the Eurolist of Euronext Paris S.A. regulated market (Compartment A). Its registered office is located at 8, avenue Delcassé in Paris, 75008.

Altarea chose the SIIC corporate form (*société d'investissement immobilier cotée*) as of 1 January 2005. Altarea prepares consolidated financial statements.

These notes are presented in thousands of euros. These annual financial statements were approved by Management at its meeting on 22 February 2017 following review by the Supervisory Board.

4.3.1 Major events during the financial year

Following various transactions on the capital, approved by Management on 26 February, 15 April and 18 May 2016, the share capital of Altarea was brought to €229,670,964, allowing the creation of 2,514,790 new shares over the 2016 financial year. These capital increases in cash allowed to increase the capital by €38,426 thousand and the issue premium by €191,717 thousand.

4.3.2 Significant accounting policies

4.3.2.1 COMPLIANCE STATEMENT AND COMPARABILITY OF INFORMATION

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 26 December 2016.

The accounting policies are identical to those used to prepare the annual financial statements for the year ended 31 December 2015. There have been no changes to the presentation of the financial statements.

4.3.2.2 ACCOUNTING PRINCIPLES AND METHODS

Intangible assets

Intangible assets are measured on initial recognition at acquisition cost.

Intangible assets consist mainly of software acquired, which is usually amortised on a straight-line basis over three years.

Intangible assets may be written down when their carrying amount differs significantly from their value in use, as defined under French GAAP.

Property, plant and equipment

Property, plant and equipment mainly consist of property assets, and more specifically shopping centres or business premises.

Gross value of buildings

Buildings are initially recognised at acquisition cost. For contributed property, this is the contribution value excluding purchase costs and for new property, it is the construction or refurbishment cost. As a general rule, purchase costs (transfer duties, expert fees, commissions, and stamp duties) are recognised as expenses.

Buildings are broken down into major components with specific uses and replacement rates. In accordance with the recommendations of the FSIF (*Fédération des Sociétés Immobilières et Foncières*), four property components are used: structural work, facades and weatherproofing, technical equipment and fixtures and fittings.

Building depreciation

Building components are depreciated on a straight-line basis over the following useful lives:

Components	Useful life (shopping centres)	Useful life (business sites)
Structural work (structures, road and utilities works)	50 years	30 years
Facades, weatherproofing	25 years	30 years
Technical equipment	20 years	20 years
Fixtures and fittings	15 years	10 years

Building impairment

Property assets are appraised twice a year at market value by external appraisers (Cushman & Wakefield and Jones Lang LaSalle).

The Company considers that the present value of property is value in use equivalent to the appraisal value including transfer duties. If there is any near-term development potential not included in the appraisal, the appraisal value is increased by estimated unrealised capital gains. Where there is a preliminary sales agreement or a firm sale commitment for the property, its present value is the value stated in the agreement or commitment excluding transfer duties.

The Company recognises an impairment loss for the difference whenever the present value of a property asset (the higher of market value and value in use) falls significantly below its carrying amount.

Other property, plant and equipment

Other property, plant and equipment are initially recognised at acquisition cost.

Vehicles, along with office and computer equipment are depreciated over five years.

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.

Investment and loan-related receivables

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

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.

Receivables

The company's receivables are carried at nominal value. They consist of Group receivables and trade receivables from shopping centres.

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, if held for the 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.

Treasury shares are recognised on the balance sheet at acquisition cost. The FIFO method is used to determine the gross value of treasury shares that are 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

Marketable securities are stated in the balance sheet at acquisition cost. The FIFO method is used to determine the gross value of Sicav mutual fund holdings sold.

A provision is recognised on marketable securities when their realisable value falls below the net carrying amount.

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.

Post-employment benefits

No provisions are recorded for severance benefits payable on retirement. These items are presented in the notes to the financial statements under off-balance sheet commitments.

Loan arrangement costs

Loan arrangement costs are expensed.

Rental income and expenses

Rental income comprises income from the rental of property assets. Invoice amounts are recognised over the relevant rental period.

Income is not recognised for any rent holidays granted to tenants over the period during which the rent holiday is in effect.

Initial lease payments paid by tenants or stepped rents and rent holidays granted to tenants are not spread over the lease term.

Marketing costs

Marketing fees for letting, lease renewals and re-letting are recognised as expenses.

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. Any premiums or commissions paid when contracts are executed are fully expensed.

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.

Tax

Altarea adopted the SIIC status on 1 January 2005. Under this status, there are two separate categories with respect to tax treatment:

- an SIIC category exempt from French corporate income tax, capital gains tax on property sales and tax on dividends received under the SIIC category;
- a taxable category comprising all the Company's other operations not eligible for SIIC treatment.

Altarea must comply with the following three rules to be eligible for exemptions from French corporate income tax and notably an obligation to distribute:

- 95% of earnings from property rentals during the financial year following the year in which the earnings were generated;
- 60% of any gains on the sale of property, participating interests in tax transparent companies with the same corporate purpose as an SIIC, or interests in subsidiaries subject to French corporate income tax which have chosen the SIIC status, before the end of the second financial year after the year in which the gains were generated;
- all dividends from subsidiaries having chosen an SIIC status during the financial year following the year in which the dividends were received.

Under the provisions applicable to the SIIC status, the Company must adhere to a ratio of activities eligible for the plan and no single shareholder or group of shareholders acting in concert can own more than 60% of the Company's shares or voting rights.

4.3.3 Notes to the financial statements

4.3.3.1 NOTES RELATED TO THE BALANCE SHEET – ASSETS ITEMS

Intangible assets

Gross intangible assets

Intangible assets *(€ thousands)*	31/12/2015	Increase	Decrease	31/12/2016
Software	1,131.0	268.0	-	1,399.0
TOTAL	**1,131.0**	**268.0**	**-**	**1,399.0**

Amortisation of intangible fixed assets

Amortisation *(€ thousands)*	31/12/2015	Allowances	Reversals	31/12/2016
Software	628.1	141.5	-	769.6
TOTAL	**628.1**	**141.5**	**-**	**769.6**

Other intangible assets

Other intangible assets *(€ thousands)*	31/12/2015	Increase	Decrease	31/12/2016
Merger loss	9,417.0	-	9,417.0	-
Intangible assets in progress	147.3	-	121.1	26.3
TOTAL	**9,564.3**	**-**	**9,538.1**	**26.3**

The merger loss in the amount of €9,417 thousand was reallocated in investment interests.

Property, plant and equipment

Gross property, plant and equipment

Property, plant and equipment *(€ thousands)*	31/12/2015	Acquisition Contribution	Sale Sale	31/12/2016
Land	**22,376.6**	**18.4**	-	**22,395.1**
Buildings	**103,698.2**	**593.9**	-	**104,292.1**
Structural work (structures, road and utilities works)	41,449.2	-	-	41,449.2
Facades, weatherproofing	10,362.3	-	-	10,362.3
Technical equipment	31,086.9	-	-	31,086.9
Fixtures and fittings	20,799.9	593.9	-	21,393.7
Other property, plants and equipment	**140.5**	**-**	**-**	**140.5**
Technical installations, plant and industrial equipment	-	-	-	-
General installations, various fittings	-	-	-	-
Vehicles	114.5	-	-	114.5
Office and computer equipment, furniture	26.0	-	-	26.0
Recoverable packaging and related items	-	-	-	-
Property, plant and equipment in progress	**126.1**	**-**	**(89.3)**	**36.7**
Land	4.8	-	-	4.8
Buildings	100.6	-	(77.5)	23.1
Other	20.7	-	(11.8)	8.9
TOTAL	**126,341.5**	**612.3**	**(89.3)**	**126,864.5**

Amortisation of property, plant and equipment

Amortisation *(€ thousands)*	31/12/2015	Increases	Reversals	31/12/2016
Land	**77.2**	**13.3**	**-**	**90.6**
Buildings	**35,295.8**	**4,503.2**	**-**	**39,799.0**
Structural work (structures, road and utilities works)	6,990.0	842.1	-	7,832.1
Facades	3,478.6	422.5	-	3,901.0
Technical equipment	13,082.1	1,595.3	-	14,677.4
Fixtures and fittings	11,745.1	1,643.4	-	13,388.5
Other property, plants and equipment	**102.9**	**20.7**	**-**	**123.6**
Technical installations, plant and industrial equipment	-	-	-	-
General installations, various fittings	-	-	-	-
Vehicles	78.1	20.7	-	98.8
Office and computer equipment, furniture	24.8	-	-	24.8
Recoverable packaging and related items	-	-	-	-
TOTAL	**35,475.9**	**4,537.2**	**-**	**40,013.1**

No impairment was recognised on property, plant and equipment.

Non-current financial assets

Gross non-current financial assets

Non-current financial assets (€ thousands)	31/12/2015	Increase	Decrease	31/12/2016
Participating interests	**1,281,054.2**	**71,376.3**	**-**	**1,352,430.5**
Financial receivables	**509,341.5**	**139,347.8**	**76,043.7**	**572,645.6**
Investment-related receivables	260,490.9	109,261.3	73,532.6	296,219.5
Loans and other fixed assets	248,850.6	30,086.5	2,511.1	276,426.0
TOTAL	**1,790,395.7**	**210,724.1**	**76,043.7**	**1,925,076.1**

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

The change in participating interests is mainly due to the increase in Alta Blue participating shares following the subscription to the capital increase of that company.

The change in financial receivables is mainly due to the increase in loans and advances granted to direct and indirect subsidiaries of Altarea SCA.

Provisions for non-current financial assets

		Increases during the year	Decreases during the year		
Provisions for impairment (€ thousands)	31/12/2015	Allowance	Reversal of unused provisions	Provisions used in the period	31/12/2016
Impairment of equity securities	14,745.8	-		-	14,745.8
Impairment of other non-current financial assets	113,497.0	-	8,192.0	-	105,305.0
TOTAL	**128,242.8**	**-**	**8,192.0**	**-**	**120,050.8**

Receivables

These items consist of Group receivables, trade receivables from shopping centres and tax receivables.

Impairment losses are recognised through provisions when there is evidence that the Company will not be able to collect all amounts due.

Receivables

Receivables (€ thousands)	Gross 2016	Provision	Net 2016	Net 2015
Trade receivables and related accounts	**6,003.5**	**1,680.0**	**4,323.5**	**17,723.4**
Other receivables	**19,481.8**	**-**	**19,481.8**	**10,868.7**
Personnel and related accounts	146.2	-	146.2	180.8
Advances and down payments	-	-	-	-
Government, other authorities: corporate income tax	361.7	-	361.7	-
Government, other authorities: value-added tax	1,614.5	-	1,614.5	2,030.1
Government, other authorities: sundry receivables	111.3	-	111.3	184.0
Group and partners	15,075.7	-	15,075.7	6,698.2
Sundry debtors	2,172.4	-	2,172.4	1,775.6
TOTAL	**25,485.4**	**1,680.0**	**23,805.4**	**28,592.1**

Breakdown of receivables by maturity date

Receivables *(€ thousands)*	Gross 2016	up to 1 year	1 to 5 years	More than 5 years
Trade receivables and related accounts	6,003.5	6,003.5	-	-
Personnel and related accounts	146.2	146.2	-	-
Advances and down payments	-	-	-	-
Government, other authorities: corporate income tax	361.7	361.7	-	-
Government, other authorities: value-added tax	1,614.5	1,614.5	-	-
Government, other authorities: sundry receivables	111.3	111.3	-	-
Group and partners	15,075.7	15,075.7	-	-
Sundry debtors	2,172.4	2,172.4	-	-
TOTAL	**25,485.4**	**25,485.4**	**-**	**-**

Accrued income

Accrued income included in the balance sheet line items *(€ thousands)*	31/12/2016	31/12/2015
Loans	3,912.5	3,602.0
Government – accrued income	111.3	184.0
Trade receivables	2,245.4	12,300.6
Other sundry debtors	92.0	147.7
TOTAL	**6,361.1**	**16,234.3**

Marketable securities

Marketable securities consist entirely of treasury shares for an amount of €29.9 million.

(€ thousands)	31/12/2015	Increase	Decrease	Provision	31/12/2016
Treasury shares	22,611.9	16,743.0	9,462.2	-	29,892.7
TOTAL	**22,611.9**	**16,743.0**	**9,462.2**	**-**	**29,892.7**
Number of shares	169,263	93,796	74,504	-	188,555

At 31 December 2016, treasury shares consisted in part of shares intended to provide liquidity for trading in the shares and in part of shares intended for grant to employees of the Company's subsidiaries.

Impairment

		Increases during the year	Decreases during the year		
Provisions for impairment *(€ thousands)*	**31/12/2015**	**Allowance**	**Reversal of unused provisions**	**Provisions used in the period**	**31/12/2016**
Impairment of equity securities	14,745.8	-	-	-	14,745.8
Impairment of other non-current financial assets	113,497.0	-	8,192.0	-	105,305.0
Impairment of inventory and pipeline products	-	-	-	-	-
Impairment of trade receivables	1,273.9	588.8	182.8	-	1,680.0
Other impairment	1.7	-	1.7	-	-
TOTAL	**129,518.4**	**588.8**	**8,376.5**	**-**	**121,730.8**

4.3.3.2 NOTES TO THE BALANCE SHEET – LIABILITIES

Shareholder's equity and equity equivalents

Changes in equity

Equity *(€ thousands)*	31/12/2015	Appropriation	Capital, reduction issue costs	Capital increase and contributions	Change in 2016	31/12/2016
Share capital	191,245.0	-	-	38,426.0	-	229,671.0
Share premium/additional paid-in capital/ revaluation differences	396,550.0	-	(134,758.5)	326,475.9	-	588,267.4
Legal reserve	17,901.3	302.6	-	-	-	18,203.9
General reserve	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-
Net income for the year	6,051.2	(302.6)	(5,748.7)	-	7,689.4	7,689.4
Investment grants	-	-	-	-	-	-
Regulated provisions	-	-	-	-	-	-
TOTAL	**611,747.5**	**-**	**(140,507.1)**	**364,901.9**	**7,689.4**	**843,831.7**

After appropriating 5% of net income for the year (€302.6 thousand) to the legal reserve, the Combined Ordinary and Extraordinary General Meeting of 15 April 2016 decided to pay a dividend of €11.00 per share for the financial year ended 31 December 2015, or a total of €138.4 million to the limited partners, and a priority dividend of €2.1 million to the General Partner.

At 31 December 2016, share capital stood at €229.7 million divided into 15,030,287 shares with a par value of €15.28 each and ten General Partner shares with a par value of €100 each.

At 31 December 2016, the amount of Subordinated Perpetual Notes was €195 million.

Provisions

Changes in provisions

Provisions for contingencies and expenses *(€ thousands)*	31/12/2015	Increases during the year Allowance	Decreases during the year Reversal of unused provisions	Decreases during the year Provisions used in the period	31/12/2016
Provisions for litigation	-	-	-	-	-
Other provisions for contingencies and expenses	1,719.4	-	-	1,452.5	266.8
TOTAL	**1,719.4**	-	-	**1,452.5**	**266.8**

Provisions for contingencies and expenses mainly concern employees' rights to bonus share grants.

Borrowings and other financial liabilities

Breakdown of payables by maturity date

Borrowings and other financial liabilities (€ thousands)	31/12/2016	up to 1 year	1 to 5 years	More than 5 years	31/12/2015
Financial liabilities	**935,617.3**	**375,948.9**	**353,934.5**	**205,733.9**	**994,957.3**
Other bond issues	384,400.8	104,400.8	230,000.0	50,000.0	334,336.1
Bank borrowings	499,071.4	221,561.7	123,934.5	153,575.2	469,323.5
Deposits and security interests received	2,158.8	-	-	2,158.8	2,109.4
Group and partners	49,985.7	49,985.7	-	-	189,187.4
Other payables	0.8	0.8	-	-	0.9
Accounts payable and other liabilities	**6,762.3**	**6,762.3**	**-**	**-**	**12,667.5**
Suppliers and related accounts	3,151.0	3,151.0	-	-	6,249.3
Employee-related and social security payables	342.2	342.2	-	-	354.5
Tax payables	930.1	930.1	-	-	3,382.1
Amounts due on non-current assets and related accounts	1,242.0	1,242.0	-	-	1,560.6
Other payables	1,097.0	1,097.0	-	-	837.5
Prepaid income	-	-	-	-	283.5
TOTAL	**942,379.6**	**382,711.2**	**353,934.5**	**205,733.9**	**1,007,624.8**

During the financial year, Altarea SCA negotiated €334 million in new lines of bank loans and bonds, in line of credit with its usual banks. At 31 December 2016, bank borrowings excluding accrued interest amounted to €278 million.

Accrued expenses

Expenses included in the balance sheet line items (€ thousands)	31/12/2016	31/12/2015
Borrowings and financial liabilities	4,875.6	5,651.9
Suppliers and related accounts	1,201.8	777.0
Amounts due on non-current assets and related accounts	1,240.7	1,151.5
Taxes, duties and equivalent payments	33.1	33.2
Group and partners	1,793.9	5,287.4
Miscellaneous	1,097.0	97.5
TOTAL	**10,242.2**	**12,998.4**

4.3.3.3 NOTES TO THE INCOME STATEMENT

Revenue

The Company's revenue consists of rental income, service charges and costs of works billed to tenants of portfolio shopping centres and revenue from services rendered by Altarea to its subsidiaries under the terms of agreements related to ordinary operating activities.

Revenue (€ thousands)	31/12/2016	31/12/2015
Rent and re-invoiced leasing costs	12,694.4	16,713.8
Initial lease payments	-	265.3
Services	4,633.3	6,745.8
Other	2,043.5	5,701.4
TOTAL	**19,371.3**	**29,426.2**

Other operating income

Operating income *(€ thousands)*	**31/12/2016**	**31/12/2015**
Production held in inventory	(210.4)	425.4
Reversals of provisions and depreciation	1,953.9	1,685.0
Intra-group chargebacks and expense reclassifications	240.6	218.5
Other	4.7	139.4
TOTAL	**1,988.7**	**2,468.3**

Reversals of provisions primarily relate to grants under free share grants.

Operating expenses

Operating expenses reflect expenses incurred by Altarea in respect to its REIT business (rental costs, property taxes, allowances for depreciation and amortisation) and to its services provided to subsidiaries.

Operating expenses *(€ thousands)*	**31/12/2016**	**31/12/2015**
Rental and co-ownership costs[a]	1,934.5	1,403.3
Maintenance and repairs	292.2	523.1
Insurance premiums	81.3	74.8
Sales commissions and professional fees[b]	9,401.5	8,532.1
Advertising and public relations	663.3	563.5
Banking services and related accounts[c]	4,042.9	8,035.4
Taxes and duties	858.4	590.3
Personnel costs	2,717.2	2,532.4
Allowances for depreciation and impairment	5,586.2	5,624.7
Capitalised purchases[d]	(89.3)	549.8
Lessee termination and early termination fees	-	338.8
Other expenses	956.4	2,103.1
TOTAL	**26,444.6**	**30,871.4**

(a) Nearly all of these rental costs are passed on to tenants.
(b) Fees include shopping centre management and marketing fees, Statutory Auditors' fees, expenses relating to certain projects and service fees, as well as compensation paid to Management.
(c) Bank service fees correspond essentially to loan fees, which are reinvoiced to refinanced companies, as provided for in the framework agreement.
(d) In 2016, capitalised purchases related to work carried out on portfolio assets were recognised under assets with an offsetting entry in other operating income.

Financial income

Financial income *(€ thousands)*	31/12/2016	31/12/2015
Financial income	**65,136.9**	**91,845.8**
Dividend	*42,779.8*	*79,873.6*
Interest on loans	*4,193.3*	*3,874.8*
Income from current accounts	*2,188.9*	*2,029.7*
Other financial income/swaps	*2,211.7*	-
Commissions on guarantees	*4,193.5*	*3,592.0*
Paid by subsidiaries	*763.9*	*2,220.9*
Reversals from provisions for impairment of non-current financial assets	*8,192.0*	-
Reversals from provisions for impairment of marketable securities	*1.7*	-
Other financial income	*611.9*	*254.5*
Net gains on the disposal of marketable securities	*0.3*	*0.2*
Financial expenses	**53,069.4**	**86,946.7**
Allowances for amortisation, impairment and provisions	-	-
Allowances for impairment of marketable securities	-	-
Interest on external borrowings	*17,608.6*	*16,069.4*
Expenses on current account balances	*1,451.9*	*2,823.2*
Expenses on financial instruments (Swaps, Caps)	*24,444.7*	*61,872.5*
Bank interest	*5,605.1*	*5,417.5*
Paid by subsidiaries	*3,959.1*	*764.1*
Other financial expenses	-	-
TOTAL	**12,067.4**	**4,899.1**

Dividends essentially comprise distributions by Alta Blue and Foncière Altarea.

Accrued expenses on financial instruments include interest paid by Altarea during the year and balancing cash payments incurred in 2016.

Exceptional income

Exceptional income *(€ thousands)*	31/12/2016	31/12/2015
Exceptional income	**7,279.5**	**2,349.1**
Exceptional income from non-capital transactions	*440.7*	-
Exceptional income from capital transactions	*6,838.8*	*2,349.1*
Incl. proceeds from disposal of assets	*23.3*	*683.7*
Incl. re-invoicing of delivery of free shares to employees	*6,815.5*	*1,665.4*
Reversals of provisions and expense reclassifications	-	-
Incl. reversal of provisions for rental guarantees	-	-
Exceptional expenses	**6,607.4**	**2,566.2**
Exceptional expenses on non-capital transactions	*417.4*	*0.2*
Incl. tenant construction	-	-
Incl. provisions for rental guarantees	-	-
Exceptional expenses on capital transactions	*6,190.0*	*2,566.0*
Exceptional allowances for depreciation, amortisation and impairment	-	-
Incl. provisions for rental guarantees	-	-
TOTAL	**672.1**	**(217.1)**

Corporate income tax

In 2005, Altarea Group opted to adopt the special tax-exempt status established for publicly traded real estate investment companies (*Sociétés d'Investissement Immobilier Cotées* or SIIC) under Article 208 C of the French General Tax Code.

Breakdown of tax expenses

	Profit before tax			Tax	Net income		
(€ thousands)	Tax-exempt sector	Taxable sector	Total	Taxable sector	Tax-exempt sector	Taxable sector	Total
Operating income/(loss)	(282.9)	(8,659.8)	(8,942.7)	-	(282.9)	(8,659.8)	(8,942.7)
Financial income	1,214.7	2,519.4	3,734.1	-	1,214.7	2,519.4	3,734.1
Exceptional income	440.7	4,660.3	5,101.0	-	440.7	4,660.3	5,101.0
TOTAL	**1,372.5**	**(1,480.0)**	**(107.5)**	**-**	**1,372.5**	**(1,480.0)**	**(107.5)**

Changes in deferred tax liabilities

		Change		
(€ thousands)	31/12/2015	+	-	31/12/2016
Reductions				
▪ *Organic*				
▪ *Tax loss*	*(384,504.2)*	*(1,394.5)*	-	*(385,898.7)*
Total base	(384,504.2)	(1,394.5)	-	(385,898.7)
TAX OR TAX SAVINGS (33.33%)	**(127,895.3)**	**(464.8)**	**-**	**(128,632.9)**

Tax audit

The Company received an adjustment notice regarding FY 2011 to 2013. In accordance with the recommendations of its counsel, Altarea SCA is challenging this adjustment. At the date of the financial statements, contingent liabilities for this adjustment stood at €0.850 million.

4.3.3.4 OTHER INFORMATIONS

Related company transactions

Balance sheet line item *(€ thousands)*	Balance sheet amount	of which related companies
Assets		
Shareholdings and other securities	1,352,430.5	1,352,430.5
Investment-related receivables	296,219.5	296,219.5
Loans	272,418.4	272,418.4
Trade receivables and related accounts	6,003.5	1,837.1
Other receivables	19,481.8	15,075.7
Cash and prepaid expenses	65,218.8	-
Amortisation and provisions	162,513.5	120,050.8
Liabilities		
Provisions	266.8	-
Borrowings and financial liabilities	935,616.6	49,985.7
Trade payables	4,392.9	1,828.0
Tax and social security payables	1,272.3	-
Other payables and prepaid income	1,097.0	598.4

Items concerning the income statement (€ thousands)	Net amount to income	of which related companies
Operating income		
Sale of goods held for resale and properties	-	-
Sold production (goods and services)	19,371.3	6,697.1
Reversals and expense reclassifications	2,194.5	-
Other income	4.7	-
Operating expenses		
Purchases and external costs	17,066.3	3,990.0
Allowances for amortisation, impairment and provisions	5,586.2	-
Other expenses	216.5	-
Financial income		
Financial income from investments	45,732.5	45,732.5
Other interest and financial income	7,017.4	4,193.8
Reversals and expense reclassifications	8,193.7	8,192.0
Financial expenses		
Share of losses from subsidiaries	-	-
Allowances for amortisation, impairment and provisions	-	-
Interest and similar expenses	53,069.4	5,411.0
Exceptional income		
Exceptional income from non-capital transactions	440.7	-
Exceptional income from capital transactions	6,838.8	6,190.0
Reversals and expense reclassifications	-	-
Exceptional expenses		
Exceptional expenses on non-capital transactions	417.4	-
Exceptional expenses on capital transactions	6,190.0	6,190.0
Exceptional allowances for depreciation, amortisation and impairment	-	-

Transactions by the Company with related parties 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.

Off-balance sheet commitments

Financial instruments

Altarea holds a portfolio of swaps and caps to hedge interest rate risk for a portion of its current and future floating- and fixed-rate debt and that of its subsidiaries.

Financial instruments (€ thousands)	2016	2015
Swaps/Total (Nominal)	380,000.0	590,500.0
Caps/Total (Nominal)	865,500.0	-
TOTAL	**1,245,500.0**	**590,500.0**

The fair value of the hedging instruments represented a negative amount of €62 million at 31 December 2016.

Impact on the income statement

Impact on the income statement (€ thousands)	2016	2015
Interest income	2,211.7	-
Interest expense	581.2	488.9
Other impacts related to financial instruments	23,863.5	61,383.5
TOTAL	**(22,233.0)**	**(61,872.5)**

Swaps and Caps at 31 December

Swap and cap maturities *at* 31 December (*€ thousands*)	2016	2017	2018	2019	2020	2021
Swap	380,000.0	1,160,000.0	1,860,000.0	1,885,000.0	2,085,000.0	1,880,000.0
Cap	865,500.0	865,500.0	106,500.0	-	-	-
TOTAL	**1,245,500.0**	**2,025,500.0**	**1,966,500.0**	**1,885,000.0**	**2,085,000.0**	**1,880,000.0**

The benchmark rate used is 3-month EURIBOR.

Use of derivatives as hedging instruments could expose the Group to the risk of counterparty default. The Group mitigates this risk by selecting only major financial institutions as counterparties in hedging transactions.

Employee benefit obligations

Commitments to employees relating to retirement benefits are estimated at €92 thousand as of 31 December 2016.

Commitments given

Certain loans from Altarea SCA are guaranteed by unregistered mortgages on assets, as well as the assignment of some business receivables on present or future leases. In addition, the guarantees are subject to covenants, of which the two principal criteria are an LTV ratio of below 60% and a ratio of net interest expense cover by recurring EBITDA above 2.0.

Altarea SCA has guaranteed loans to other Group companies for an amount of €1,005 million. These commitments mainly comprise joint and several guarantees and first demand guarantees granted by Altarea SCA to its subsidiaries.

Specific covenants for Corporate loans held by Altarea SCA represent a maximum authorised amount of €1,074 million (including €415 million in undrawn funds on the Corporate debt) are as follows:

- counterparty: NATIXIS/BECM/LCL/Société Générale/AMUNDI (fixed-rate debt)/HSBC/BNP/Bank of China/La Banque Postale/CACIB;
- principal covenants covering Altarea Group:
  - ratio of Company net financial debt to net asset value (Consolidated Altarea LTV ratio) < 60% (37.2% at 31 December 2016),
  - operating income (FFO column)/Net borrowing costs (FFO column) of the Company ≥ 2 (Interest Cover Ratio or Altarea Consolidated ICR) (7.4 at 31 December 2016).

Bonus share plans

	31/12/2015			31/12/2016			
Award date	**Number of rights awarded**	**Vesting date**	**Rights in issue**	**Awarded**	**Delivery**	**Rights cancelled[a]**	**Rights in issue**
Stock grant plans on Altarea shares							
18 February 2013	82,900	18 February 2016	62,800	-	(61,698)	(1,102)	-
17 June 2013	3,000	17 April 2016	3,000	-	(3,000)	-	-
1 February 2016	32,975	1 February 2017	-	32,975	-	(2,495)	30,480
8 February 2016	30,864	8 February 2017	-	30,864	-	(810)	30,054
25 February 2016	19,050	25 February 2017	-	19,050	-	(350)	18,700
31 March 2016	33,210	31 March 2018	-	33,210	-	(440)	32,770
7 April 2016	8,506	7 April 2017	-	8,506	-	(10)	8,496
15 April 2016	5,225	15 April 2017	-	5,225	-	(185)	5,040
11 July 2016	5,250	11 July 2017	-	5,250	-	-	5,250
25 July 2016	4,775	25 July 2017	-	4,775	-	(355)	4,420
19 October 2016	5,500	30 March 2018	-	5,500	-	-	5,500
10 November 2016	7,927	30 March 2018	-	7,927	-	(250)	7,677
10 November 2016	12,450[b]	11 April 2019	-	12,450	-	-	12,450
14 December 2016	33,365[b]	10 April 2019	-	33,365	-	-	33,365
15 December 2016	26,490	1 February 2018	-	26,490	-	-	26,490
16 December 2016	33,216	1 February 2018	-	33,216	-	-	33,216
TOTAL	**344,703**		**65,800**	**258,803**	**(64,698)**	**(5,997)**	**253,908**

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

Commitments received

In connection with the acquisition of Altareit, Altarea received a guarantee from the seller Bongrain that it shall be entitled to compensation for a period of ten years, through a reduction in the selling price of the 100% share block, for any damage or loss originating from the business activities effectively incurred by Altareit with a cause or origin predating 20 March 2008.

Headcount

The Company's average headcount was two employees at 31 December 2016.

Post-closing events

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

Disclosures on business combinations

No merger or similar transaction was completed in the 2016 financial year.

4.3.3.5 SUBSIDIARIES AND AFFILIATES

Companies	Capital	Equity other than share capital	Group share	Securities, gross	Securities, net	Loans and advances granted	Loans and advances, net	Sureties and guarantees	Earnings in the financial year	Dividends received by the Company	Revenues excl. tax
Subsidiaries (+50%)											
SAS FONCIÈRE ALTAREA – 353,900,699	7,783.7	492,613.3	99.99%	779,239.8	779,239.8	165,435.0	165,435.0	-	24,035.5	31,013.2	(15.8)
SCA ALTAREIT – 553,091,050	2,626.7	250,882.0	99.63%	91,635.0	91,635.0	45,211.5	45,211.5	-	13,345.4	-	694.6
SNC ALTAREA MANAGEMENT – 509,105,537	10.0	(3,339.1)	99.99%	10.0	10.0	-	-	-	(3,339.1)	-	21,113.6
SAS ALTA DÉVELOPPEMENT ITALIE – 444,561,476	12,638.2	(67,033.4)	99.80%	14,745.8	-	54,854.9	54,854.9	-	(987.9)	-	-
SAS ALTA BLUE – 522,193,796	306,102.0	297,144.1	61.77%	437,688.9	437,688.9	-	-	-	(78.1)	11,766.6	-
SARL SOCOBAC – 352,781,389	8.0	152.5	100.00%	0.0	0.0	-	-	-	(0.3)	-	-
SARL ALTALUX SPAIN	1,100.0	(88.4)	100.00%	10,517.0	10,517.0	4,367.7	4,367.7	-	(15.8)	-	-
SNC BEZONS CŒUR DE VILLE COMMERCES – 819,866,500	10.0	9.4	99.99%	10.0	10.0	-	-	-	(0.6)	-	-
Affiliates (10% to 50%)											
BERCY VILLAGE 2	1,633.6	1,052.0	15.00%	18,560.0	18,560.0	209.9	209.9	-	1,052.0	-	-
SCI ISSY PONT	40.0	(2,476.4)	25.00%	10.0	10.0	25,793.2	25,793.2	-	(2,476.4)	-	-
SCI AF INVESTCO 4	1.0	(5,534.8)	50.00%	0.0	0.0	6,017.9	6,017.9	-	(2,576.4)	-	-
TOTAL AFFILIATES > 10%				**1,352,416**	**1,337,671**	**301,890**	**301,890**				

Registered offices of subsidiaries and equity investments: 8, avenue Delcassé, Paris, 75008.

4.4 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

To the Shareholders,

In accordance with our appointment as Statutory Auditors by your General Meeting, we hereby present you with our report for the financial year ended 31 December 2016 on:

- our audit of the accompanying financial statements of **Altarea**, as attached to this report;
- the justification of our assessments;
- the specific verifications and information required by law.

These annual financial statements have been approved by Management. Our responsibility is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit consists of examining, on the basis of samples and other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall presentation of the financial statements. We believe that the information we obtained provides a reasonable basis for our opinion given below.

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 accounting principles generally accepted in France.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with Article L. 823-9 of the French Commercial Code concerning the justification of our assessments, we bring to your attention the following items:

- as indicated in Note 4.3.2.2, "Accounting principles and methods" under "Building impairment" of the notes to the annual financial statements, the Company's property assets are subject to an external expert appraisal to identify and estimate any potential impairment. Our work particularly consisted of examining the assessment methodology used by the experts, reading their evaluations and evaluating the data and assumptions used by Management to determine the present value of properties. We also verified that the resulting estimates were reasonable in nature;
- equity investments and the loans and receivables related thereto are evaluated as indicated in Note 4.3.2.2, "Accounting principles and methods," in paragraphs "Participating interests" and "Investment and loan-related receivables" of the notes to the annual financial statements. Our assessment of these evaluations is based on the process set up by your company to determine the useful value of equity securities and the recoverability of receivables related to investments and loans. Our work consisted of assessing the data used by your Company to determine the value of its subsidiaries as well as the recoverability of receivables and related loans. On this basis, we assessed whether or not these estimations and resulting impairments were reasonable.

Our assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore assisted us in reaching our opinion as expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION REQUIRED BY LAW

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

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.

As regards the information provided in accordance with Article L. 225-102-1 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.

In accordance with the 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.

Neuilly-sur-Seine and Paris-La Défense, 10 March 2017

The Statutory Auditors

Grant Thornton
French member of Grant Thornton International

Laurent Bouby
Partner

ERNST & YOUNG et Autres

Anne Herbein
Partner

4.5 STATUTORY AUDITORS' SPECIAL REPORT

ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

General Meeting called to approve the financial statements for the year ended 31 December 2016

To the Shareholders,

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. These measures consisted of verifying that the information provided to us is consistent with the documents from which it was taken.

1. AGREEMENTS AND COMMITMENTS SUBMITTED TO THE GENERAL MEETING FOR APPROVAL

Agreements and commitments authorised during the past financial year

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.

2. AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved in past years and remaining in effect during this financial year:

In accordance with Article R. 226-2 of the French Commercial Code, we have been informed that the performance of the following agreements and commitments, which were approved by General Meetings in prior years, remained in effect during the past financial year.

2.1 With APG Strategic Real Estate Pool

Shareholder concerned

APG Strategic Real Estate Pool, represented by Alain DASSAS, Supervisory Board member.

Type and purpose

By the subscription contract on 11 December 2012, Subordinated Perpetual Notes (*Titres Subordonnés à Durée Indéterminée* – TSDI) were issued for a nominal value of €109 million, entirely subscribed by APG Strategic Real Estate Pool (transaction authorised by the Supervisory Board on 11 December 2012).

By addendum to the subscription contract on 29 December 2014, the face value of Subordinated Perpetual Notes (*Titres Subordonnés à Durée Indéterminée* – TSDI), was increased to €130 per TSDI, representing a total amount of €195.1 million entirely subscribed by APG Strategic Real Estate Pool (transaction authorised by the Supervisory Board on 29 December 2014).

Conditions

In compensation for the securities, the Company assumed a financial expense during the financial period ended 31 December 2016 in the amount of €5,416,550.

Neuilly-sur-Seine and Paris-La Défense, 10 March 2017

The Statutory Auditors

Grant THORNTON French member of Grant Thornton International	**ERNST & YOUNG et Autres**
Laurent BOUBY Partner	Anne HERBEIN Partner

5

CORPORATE SOCIAL RESPONSIBILITY (CSR)

5.1 EDITORIAL

The world is currently going through a time of major transformation. We are living through a period of **strong demographic growth, generalised metropolisation** (nearly seven billion people will live in cities by 2050) and of **environmental crisis** which require that we rethink our ways of being, acting, working, thinking, and the way we live, travel, produce and consume. These changes are paralleled by a **profound evolution in the way buildings are used**. For example, we are seeing the development of shared habitats, modular and upgradeable spaces, co-working spaces, ephemeral points-of-sale... and our lifestyles are being overhauled by the **digital revolution**. Digitisation is an everyday fact of life and technological advances impact our daily practices. **These in-depth transformations require a rethinking of the dynamics of metropolitan regions. They need to become high density areas where it is agreeable to live and which are resilient, connected and providers of solutions for new lifestyles.**

Faced with the extent and urgency of the challenges created by these **changes**, and given the significant environmental impact of the real estate sector, it is absolutely necessary to **think about the city of tomorrow** in terms of **quick, effective and sustainable solutions** for greater urban density, diversified locations, mobility, functional diversity, generational diversity and social diversity and the integration of progress generated by digital and new technologies. **These solutions have significant consequences for regional planning, but are a prerequisite for revitalising cities and construction.**

It is no longer enough to simply update current models. It is imperative that the paradigm be changed and that **new models for development and living together be developed**, taking into account evolving lifestyles.

As the leading urban property developer, Altarea Cogedim is present throughout the entire value chain. It intends to provide some of the solutions by **contributing new urban experiences** at its own scale.

The Group repositioned its CSR approach in line with the new challenges. It carried out a new **materiality analysis** in 2016 based primarily on the **contributions of its priority stakeholders**, which were consulted for this purpose. The **new CSR approach** is **structured around three themes**:

- **Assisting CLIENTS and PARTNERS** thanks to a real **focus** on people and **maintaining an ongoing dialogue.** Altarea Cogedim intends to strengthen its relationship of trust with its clients, users, visitors, tenants and all of its partners. To do so, Altarea Cogedim will put the **well-being of occupants** at the heart of its activities by better understanding their expectations for **new building uses**;
- **A partnership with CITIES and METROPOLITAN AREAS** for the **collective study of the sustainable city of tomorrow**. Altarea Cogedim wants to continue to develop real estate solutions with a **positive footprint** in the regions, promoting **high-quality residential areas that are denser, more diversified and connected to the urban fabric** and to **employment zones**;
- Altarea Cogedim believes that **TALENT development** is a perfect **way to achieve the goals** of the first two themes. To do so, the Group intends to **develop the skills** of its employees, **improve the quality of life at work** and **promote intrapreneurship** by making all employees shareholders of the Company.

Altarea Cogedim is fully committed to contributing to the success of the environmental, social and societal transition of cities. By anticipating change, updating its vision of the city of tomorrow, ensuring that everyone benefits from the power of innovation, and reinventing its businesses, Altarea Cogedim wants to grow with conviction within the framework of Corporate Social Responsibility and act as a partner in the public interest.

5.2 CSR CONTEXT, GOVERNANCE AND STRATEGY

5.2.1 The real estate sector in France

5.2.1.1 ENVIRONMENT AND REGULATIONS

The implementation of environmental constraints and regulations has been accelerating at the international, European and national levels. At the global level, COP 21 in 2015 saw 195 countries agreeing on the need to contain global warming "well under 2°C". In France, the 2007 Grenelle Environment Round Table and the 2015 energy transition law for green growth are two key elements which have a significant impact on the Group's activities.

The Grenelle law implemented thermal regulations (RT 2012) and the future Responsible Building Regulations (RBR 2020) for new buildings. The renovation of existing private and public service buildings between now and 2020 is addressed in the Grenelle law.

The energy transition law for green growth sets a goal for a reduction in greenhouse gas emissions of 40% by 2030 compared to their 1990 levels. It also sets a goal to reduce final energy consumption by 50% by 2050 compared to 2012 levels with the following objectives for the building sector: "renovate buildings to save energy, lower bills, and create jobs."

Lastly, Article 225 of the Grenelle II Law of July 2010 requires that Altarea, as a listed company, publish non-financial information in its Registration Document and have it verified by an independent third party organisation.

Altarea contracted Ernst & Young, one of its Statutory Auditors, to carry out the following:

- verification of the presence of the required CSR information;
- verification of the truthfulness of the information published.

The information selected for verification is detailed in the chapter on reporting methodologies, in paragraph 5.7.1.

5.2.1.2 SUSTAINABLE DEVELOPMENT, A VALUE CREATION OPPORTUNITY

Working at the heart of a particularly dynamic sector, Altarea Cogedim looks to turn sustainable development into an opportunity by fostering "green value" in its REIT and Property Development businesses.

As a property developer, the Group has established societal and environmental performance as one of its quality requirements for all production. As such, its positioning and the development of its business lines and teams are grounded in complementary areas of progress, covering direct and indirect responsibility:

- improving the comfort of use of new projects by choosing certifications and environmental profiles adapted to each type of asset;
- extending the durability of development projects by reducing their energy requirements and protecting them from energy price increases;
- promoting best practices by applying stringent criteria to the choice of sites and locations with regard to services and public transportation, as well as the support of indirect local jobs during construction;
- reducing the environmental footprint of the construction and end of life of new projects by encouraging more energy-efficient construction materials and processes that produce fewer greenhouse gas (GHG) emissions.

Altarea Cogedim provides its stakeholders with clear and comparable information to help them evaluate the environmental and societal performance of new projects under development.

For its REIT business, the Group gears its strategy toward managing and improving the environmental footprint and societal performance of its assets. It reports on the performance of its assets using specific, transparent indicators in line with sector recommendations to ensure their comparability.

Altarea Cogedim seeks to limit the environmental impact of its assets, as well as its technical and energy obsolescence and vulnerability to future environmental regulations. Altarea Cogedim will thus boost the appeal and liquidity of its shopping centres for investors while maintaining their appraisal value.

Since 2011, Altarea Cogedim has called upon an independent auditor to verify the main environmental, social and societal indicators applied to its assets in order to improve its reporting process and the reliability of the data.

5.2.1.3 CHALLENGES AND OUTLOOK 2016-2020

Altarea Cogedim began in-depth work to update its CSR approach in 2016.

While pursuing its continuous approach to reporting, management and improvement of its environmental and social footprint and its social action, the Group worked on updating its material challenges in order to focus its future efforts on the most relevant topics and update its goals for the 2016-2020 period. To do so, the Group updated its 2013 materiality matrix by consulting its internal and external stakeholders. Thirteen meetings were held with investors, elected officials, brands, users, CSR experts and the representatives of professional bodies. In-house, the stakes of the matrix were challenged by the CSR committee consisting of 16 employees representing different Group businesses.

The monitoring of initiatives, objectives and indicators is set out in the tracking table included in paragraph 5.3.1.

5.2.2 CSR governance structure and model

The CSR Department is part of the Institutional Relations, Communication and CSR Department. It comprises three employees and reports to a member of the Executive Committee.

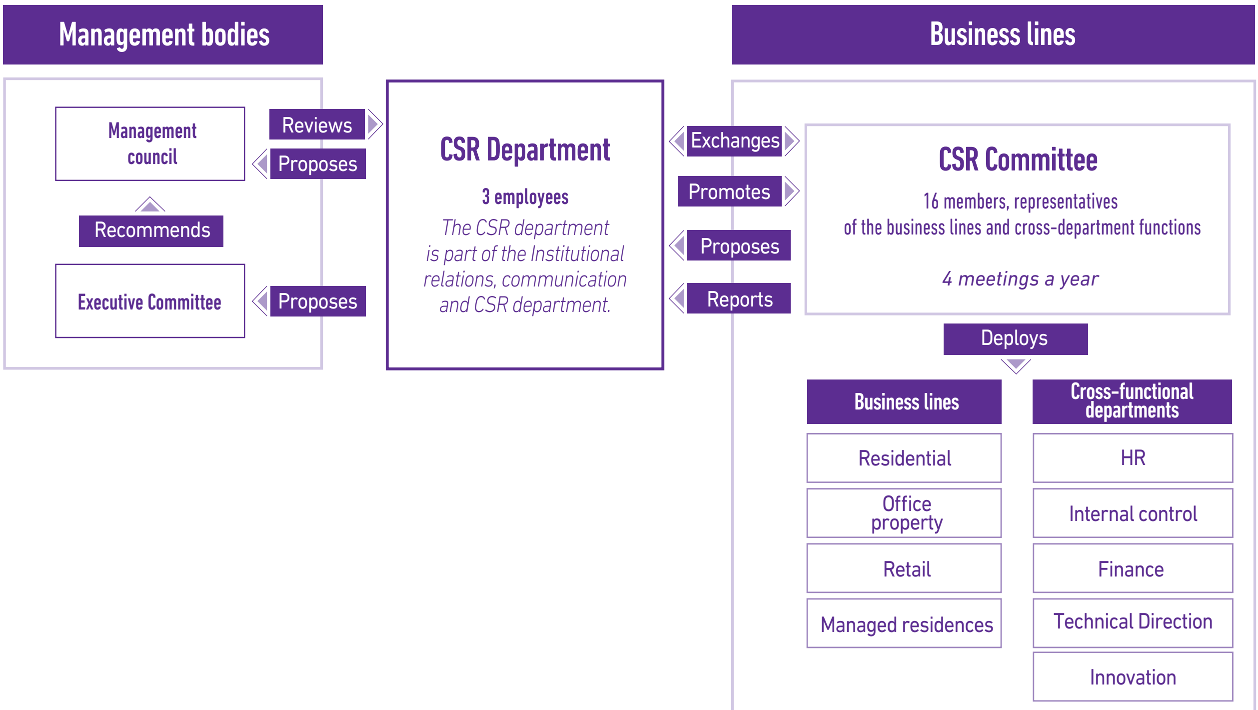
The department advises the Management Council and the Executive Committee on defining Altarea Cogedim's social, societal and environmental responsibility approach. It relies on a network of 16 CSR coordinators who represent each of the Group's business areas, both business line and cross-functional, at CSR committee meetings held four times a year. The committees were launched in 2016 and two meetings were held during the year as part of the updating of the Group's CSR approach.

Ad hoc working groups are also formed to focus on targeted and operational topics with particular coordinators and other participants. In 2016, working groups were created on the topics of the carbon footprint, biodiversity and environmental reporting.

This structure makes it possible to significantly advance the Group's sustainable development approach and to facilitate the exchange of information and operational deployment within the business, drawing on a cross-cutting network of coordinators.

Contact: developpementdurable@altareacogedim.com

STRUCTURE OF ALTAREA COGEDIM'S CSR GOVERNANCE



5.2.3 CSR strategy

5.2.3.1 RELATIONS WITH STAKEHOLDERS

The Altarea Cogedim Group's development model exposes it to a wide range of stakeholders who are concerned with understanding the real performances of the new projects, of existing real estate assets and, more generally, of the Group's operations, all of which provide opportunities to demonstrate the relevance of the sustainable development approach implemented by Altarea Cogedim.

The Group's stakeholders are described in the diagram below:

MAPPING OF ALTAREA COGEDIM'S PRIMARY STAKEHOLDERS

5.2.3.2 CSR MATERIALITY MATRIX

In 2016, the Altarea Cogedim Group committed to updating its materiality matrix in order to establish its medium-term action priorities.

The matrix positions the CSR issues based on two factors:

- the impact of the issue on the Company's business model;
- the level of expectation of internal and external stakeholders;
- as presented in the graph below.

Altarea Cogedim created its new matrix in 2016 thanks to a three-step process:

- a detailed analysis of the regulatory environment and trends;
- interviews of a panel of a dozen external stakeholders: investors, clients, retail brands, local authorities, etc.;
- consultation with the internal CSR committee.

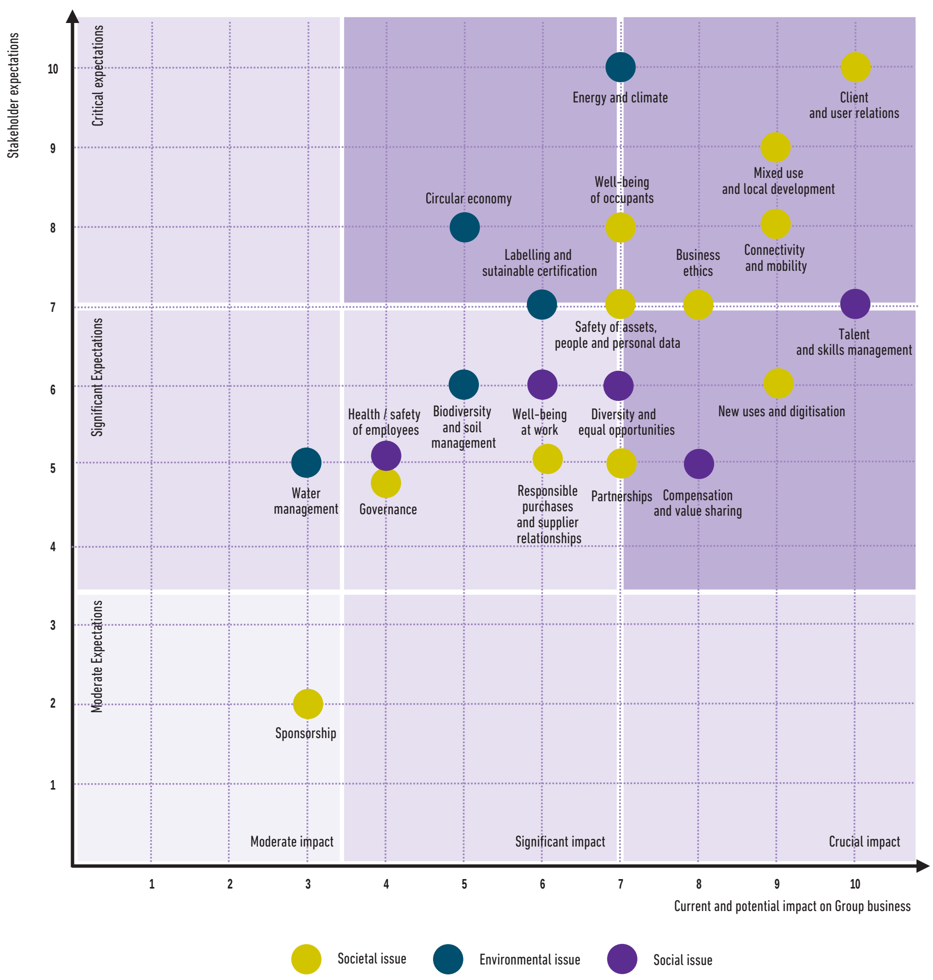
The matrix drawn up was validated by the Management Committee at the end of 2016 and will enable the establishment of the Group's medium-term CSR priorities.

It enabled the selection of 14 issues material to the Group out of 21 which are at the top right hand corner of the matrix:

- 8 societal issues;
- 3 environmental issues;
- 3 social issues.

The issues and Altarea Cogedim's actions with respect to each are summarised in the tracking table (paragraph 5.3.1).

ALTAREA COGEDIM'S MATERIALITY MATRIX



5.2.3.3 DEPLOYMENT OF THE CSR STRATEGY: GENERAL MANAGEMENT SYSTEM (GMS)

For the operational aspects of each business line and in order to disseminate the best practices for all of its activities, Altarea Cogedim has implemented management systems suited to each of the Group's business lines which, overall, constitute the General Management System of the Group.

The implementation of this GMS facilitates access to the requirements of qualitative and environmental certification guidelines while developing employee skills.

ALTAREA COGEDIM'S GENERAL MANAGEMENT SYSTEM

PROPERTY DEVELOPMENT		REIT
Residential	Retail and Offices	Retail
Guide to best practices for residential properties **NF Habitat** **NF Habitat HQE™**	SME *Altagreen*® commercial projects **BREEAM®, LEED®,** **NF HQE™ Bâtiments tertiaires**	SME *Altagreen*® Patrimoine **BREEAM® In-use**

5.2.3.3.1 Environmental Management System (EMS) for residential development certifications

As a residential property developer, Altarea Cogedim has integrated a certification approach in its development and construction process: the "Guide to best practices for residential properties."

As of 30 June 2016, all residential property production is certified NF Habitat (excluding co-development, rehabilitations and serviced residences). Altarea Cogedim exceeds NF Habitat requirements for some of its buildings, notably in the Paris Region, and has committed to the higher-level HQE™ environmental approach providing additional benefits to residents such as more comfort in use, lighter and better thermal performance.

5.2.3.3.2 Environmental Management System (EMS) for office development certifications

In parallel, starting in 2010, the Group designed "SME Altagreen® *Projets Tertiaires*" (Altagreen® Office Development Projects EMS). It provides each developer or operations staff with a tool to meet all requirements for NF HQE™ *Bâtiments tertiaires* (office buildings), BREEAM® (Building Research Establishment Environmental Assessment Method) or LEED® (Leadership in Energy and Environmental Design) certifications at every stage of the project, as well as guidance for development and construction of the Group's office operations (Retail, Offices and Hotels).

5.2.3.3.3 Environmental Management System (EMS) operations for certification

In 2016, the Group continued to use "SME Altagreen® *Patrimoine*", which was developed in 2014. Altarea Cogedim was therefore able to maintain the BREEAM® In-Use certification for all of its shopping centres managed in France. This structuring approach makes it possible to continually improve operations while also making the reported environmental data more reliable.

5.2.4 CSR ratings

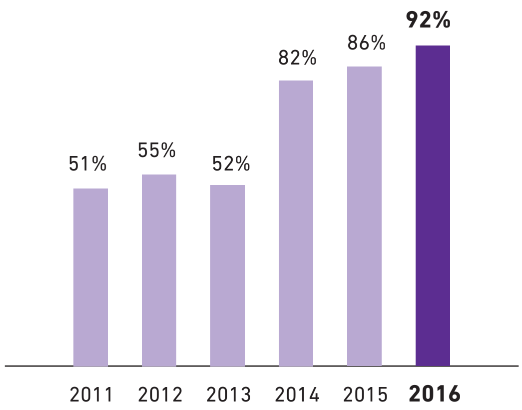
5.2.4.1 GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK (GRESB)

The Group voluntarily participates in the GRESB (Global Real Estate Sustainability Benchmark), the reference in the real estate sector for sustainable development with 733 companies and funds evaluated around the world in 2016.

Altarea Cogedim continued to improve in 2016, maintaining its Green Star status and becoming Sector Leader thanks to a 92% score. As such:

- Altarea Cogedim was ranked first worldwide among retail REITs, out of 129 listed and non-listed players;
- Altarea Cogedim ranked first in Europe among all 84 listed companies involved in real estate (*i.e.* 2nd place among 197 listed companies globally).

EVOLUTION OF ALTAREA COGEDIM'S GRESB SCORE



5.2.4.2 CARBON DISCLOSURE PROJECT (CDP)

In 2016, Altarea Cogedim again voluntarily participated in the CDP (Carbon Disclosure Project), the benchmark international ranking of carbon strategies of major corporations. Altarea Cogedim received a grade of A- for the second consecutive year which confirmed its commitment over the long term.

5.2.5 External commitments

5.2.5.1 PARTICIPATION IN SECTOR-SPECIFIC ORGANISATIONS

Altarea Cogedim participates in external committees and working groups, particularly in order to anticipate regulatory trends in sustainable development, and to share best practices in the sector.

Accordingly, in the area of sustainable development, the Group is an active member of in the following organisations:

- CNCC (*Conseil National des Centres Commerciaux*), the French industry federation of shopping centres;
- 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;
- Alliance HQE-GBC;
- *Charte tertiaire du Plan Bâtiment Durable* (sustainable building plan charter for office buildings);
- *Association BBCA* (*Bâtiment Bas Carbone*, or Association for Low-Carbon Construction).

In addition, Altarea Cogedim is a founding member of the *Observatoire de l'Immobilier Durable* (Sustainable Real Estate Observatory – OID) and serves as its vice-president. This is an independent association made up of public and private players in the office real estate sector and which aims to promote sustainable development in real estate.

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

5.2.5.2 EXTERNAL COMMITMENTS

Altarea Cogedim renewed its commitment in two major areas in 2016:

- Altarea Cogedim renewed its commitment to the City of Paris and its Energy Climate Plan by again signing the Paris Climate Action charter, under which the Group sets quantified, measurable objectives for reducing greenhouse gases and energy consumption between now and 2020. The following pledges have been made:
  - between 2010 and 2020, in the portfolio of shopping centres managed in France:
    - 50% reduction in greenhouse gas emissions,
    - 40% reduction in energy consumption;
  - for new projects in Paris, improve energy performance in relation to the applicable thermal regulations:
    - on new residential property: by 10%,
    - on new and renovated offices: by 40%.
- Altarea Cogedim also became a member of CIBI, the *Conseil International Biodiversité & Immobilier* (International Biodiversity and Property Council). The purpose of the Council, consisting of real estate industry players, is to promote best practices in terms of urban biodiversity during building programming, design and construction.

5

5.3 TRACKING TABLE AND SCOPE

5.3.1 Tracking table

The table below presents our performance and objectives over all of the material issues identified by the Group in its materiality matrix.

The information in the tracking table was reviewed by the Statutory Auditors.

SOCIETAL

Scope	Commitments	Main results 2016	Comments
Client and user relations			
REIT	Continually improve and enrich the client's visit experience	**7.6/10** Visitor satisfaction index	The satisfaction index of shopping centre patrons is stable and testifies to the efforts made to keep the sites appealing and welcoming and increase leisure offerings.
REIT	Continuously increase the green lease coverage rate and exceed 65% starting in 2015	**73.6%** of green leases signed compared to the total number of leases	The number of green leases signed and in effect at 31/12/2016 compared to the total number of leases is increasing consistently.
Property Development	Achieve an 85% recommendation rate by 2018	**+7 points** in customer satisfaction between 2015 and 2016	The Group continues to improve its relationship with its customers at each contact point and in 2016 opened a dedicated client area called the Cogedim Store. It carries out satisfaction surveys and uses mystery shoppers to assess its progress.
Residences	Manage a continuous improvement system based on direct exchange with the residents of senior residences	**At least 1 plenary meeting** with the residents of each residence	Between December 2016 and January 2017, the Group offered to meet with all of its residents to understand their satisfaction levels and their expectations.
Connectivity and mobility			
Property Development	Consistent selection of new plots of land located less than 500m from a public transport network (bus, tramway, metro, RER suburban train, mainline train)	**Retail: 100%** **Offices/Hotels: 92%** **Residential: 97%** of surface area is located less than 500m from a public transport network	The Altarea Cogedim Group develops well-connected operations located near sustainable, practical and economical mobility solutions. In Office space, the Group systematically offers its buyers equipment for car sharing.
REIT	For our shopping centres: improve accessibility to public transport and to soft mobility	**74%** of sites located less than 500m from a transport network with a maximum frequency factor of under 20 minutes	In spite of the growing use of eco-friendly transportation, Altarea Cogedim is aware that many of its customers will always travel by car to its shopping centres. The Group is therefore equipping its new projects with parking spaces dedicated to hybrid and electric vehicles.
Mixed-use and local development			
Group	Measure and improve the extended employment footprint for all of the Group's activities	An overall employment footprint of nearly **24,000 jobs**	The Group has been calculating its footprint for 3 years, including direct, indirect, related and ancillary jobs. It intends to increase its impact on local employment.
Property Development	Design mixed-use projects to contribute to regional development	**10 mixed-use operations** in progress	The neighbourhood creation dynamic accelerated in 2016 and the Group is now present in 10 mixed-use operations throughout France, enabling it to engage with local authorities about the issues of urban redevelopment.

Scope	Commitments	Main results 2016	Comments
Well-being of occupants			
Group	Deploy a well-being approach throughout the business lines, putting users at the centre	**Over 400,000 m²** of projects currently being WELL certified	In addition to a well-integrated environmental approach, the Group decided to incorporate the WELL label to design and operate responsible buildings.
REIT	Increase comfort and leisure options in shopping centres to provide a unique buying experience	**1 test** in progress for WELL retail certification	Altarea Cogedim is also currently testing the WELL standard at one of its shopping centres to identify the priority good practices it should improve throughout its assets.
New uses and digitisation			
Group	Support the Group during digital transformation	**1 Digitisation and Innovation Department** created in 2016	This cross-functional department includes a watch unit and a system to provide support for innovative initiatives in the Group. Three key work areas were identified: anticipate the reversibility of buildings, increase the usage density of space and provide services to occupants.
Group	Deploy a culture of innovation in each business line	**1 internal knowledge-sharing platform** 13 events organised	The platform is a tool that centralises the latest Group Innovations, trends, competitor news and potential partnerships with start-ups. Thirteen events were organised over the year (conferences, innovation committees, learning expeditions…).
Partnerships			
Group	Develop our partnerships with *start-ups* specialised in real estate	**2 partnerships** with incubators	Altarea Cogedim has deployed an open innovation approach and is a member of two start-up incubators: Paris&Co and Immowell Lab, specialised in well-being through real estate.
Business ethics			
Group	Train and raise the awareness of employees identified as the most exposed/at risk in terms of corruption and fraud	Dissemination of awareness-raising messages about fraud to the most exposed groups	Awareness-raising campaigns about different types of fraud will be implemented at least twice a year in future.
Safety of assets, people and personal data			
Group	Implement a culture of safety in all business lines	Implement a CNIL working group and involvement in new projects	Altarea Cogedim has had an IT and freedoms contact person since 2015 who monitors the Group's legal and IT security.

SOCIAL

Unless otherwise stated, all data are presented excluding Pitch Promotion

Scope	Objectives/Commitments	Indicators	2016 data	2016/2015 change	Comments
Talent and skills management					
Group	Support Group growth	Total headcount (including Pitch Promotion)	1,394	+33%	2016 saw significant growth and the Group confirmed its commitment to employment by hiring under permanent contracts.
		Permanent recruits	316	+71%	
	Support employee development in line with the Company's strategy	Hours of training	10,822	+24%	The Group decided to make training a major aspect of its HR policy with a new strategic plan for 2017.
Diversity and equal opportunities					
Group	Increase the proportion of women in management bodies	Percentage of women on the Committee of Managers	28.7%	+9%	The share of women in management is increasing.
		Share of women on the Expanded Executive Committee	2	+100%	
	Promote youth employment	Number of young people on work-study contracts	124	+27%	The Group is continuing to deploy an aggressive work-study policy.
Compensation and value sharing					
Group	Continue the "Tous en actions" initiative which involves employees in the Group's growth and results.	Share of employees with Company shares	100% of employees are shareholders		All employees on permanent contracts present in the Company on 1 February 2016 received free shares. All employees on permanent contracts present in the Company on 1 November 2016 were eligible for the second part of the plan and 94% joined.
		Plan results	Over 113,000 free shares were distributed for a total amount of over €20 million		

ENVIRONMENT

Scope	Objectives/Commitments	Indicators	2016 data	Change	Trend	Comments
Energy and climate						
REIT	Lower the portfolio's primary energy consumption by 40% between 2010 and 2020 on a like-for-like basis	Primary energy consumption of retail assets (on a like-for-like basis and constant climate) (kWhPE/m^2)[(a)]	**160**	**-34.5%** compared to 2010	■■■■	Consumption is continuously decreasing thanks to the implementation of recommendations from energy audits and the EMS.
REIT	Reduce greenhouse gas emissions from the portfolio's energy consumption by 50% between 2010 and 2020 on a like-for-like basis	Emissions from retail asset energy consumption (like-for-like basis and constant climate) ($kgCO_2e/m^2$)[(a)]	**3.2**	**-64.7%** compared to 2010	■■■■	Consumption is decreasing continuously thanks to lower energy consumption and the purchase of green energy as of 2016.
Property Development	Retail: Systematically perform Dynamic Thermal Simulations	Percentage of surface area exceeding the thermal regulation energy requirements applicable to each operation	**97%**	**Stable** compared to 2015	■■■■	Dynamic Thermal Simulations have been carried out on 65% of operations (in surface area).
Property Development	Offices: Develop all RT 2012 projects -10% *minimum*		**100%**	**Stable** compared to 2015	■■■■	Objective exceeded: 99% of Office projects (in surface area) exceed thermal regulation requirements by at least 30%.
Property Development	Residential: Maintain a high level of energy performance		**29%**	**-26%** compared to 2015	■■□□	The Group's production has good energy performance levels although increasing regulatory requirements make it more difficult to exceed them (a majority of residential operations subject to RT 2012 in the scope of *reporting*).
Group	Conduct the Bilan Carbone® assessment, Group scopes 1, 2, 3, and implement a carbon road map	Total CO_2 emissions in $t.CO_2e$	**2,350,000**	NA	■■■■	The calculation methodology was enriched in 2016 and integrated new emissions items (transport used and energy consumed by the users of the residential and office properties sold). The Group is studying a carbon road map that includes commitments on the 3 scopes.
		▪ on Scope 3	2,346,000	NA		
		▪ on Scope 2	2,000	NA		
		▪ on Scope 1	2,000	NA		
The circular economy						
Property Development	Standardise a recovery objective of 70% for construction waste from new projects	Actual recovery rate of waste from construction in progress over the year (Retail) (excluding demolition waste)	**78%**	NA	■■■■	The goal is being met on average. For 2 operations, the rate is even above 95%.
Property Development	Implement renovation projects	Percentage of Office projects under renovation in the Paris Region (in surface area)	**47%**	NA	■■■□	A significant portion of the Group's activities are renovations which perform better in terms of resources and waste than demolition-construction. The Histoire et Patrimoine subsidiary (not consolidated in this indicator) is dedicated to building redevelopment.
REIT	Sort over 50% of waste	Percentage of managed waste sorted from retail assets within the scope of current reporting[(a)]	**39%**	**+29%** compared to 2010	■■■□	The sites are adding more sorting categories (for example, recovery of hangers and plastics).
REIT	Recover over 80% of waste	Recovery rate of managed waste from retail assets within the scope of current reporting(a)	**92%**	**+12%** compared to 2010	■■■■	Waste recovery is promoted, notably with the implementation of composting for restaurants.

Scope	Objectives/Commitments	Indicators	2016 data	Change	Trend	Comments
Labelling and sustainable certification						
Property Development	Retail: Certify 100% of new Retail projects as BREEAM® "Excellent" minimum	Environmental Management System: Area certified or in the process of certification	**100%**	**Stable** compared to 2015	■■■■	A high certification level is consistently expected for projects under development.
	Offices: Certify 100% of new Office projects NF HQE™ Bâtiments tertiaires (office buildings) "Excellent" and BREEAM® "Very Good" minimum(b)		**100%**	**Stable** compared to 2015	■■■■	Constant improvement with: ▪ 80% of new Office projects NF HQE™ Bâtiments tertiaires (office buildings) "Excellent" minimum. ▪ 100% of new Office projects BREEAM® "Very Good" minimum (including 91% "Excellent").
	Residential: Certify 100% of new residential projects NF Habitat in France Certify 100% of new Residential projects in the D range or higher as NF Habitat HQE™ in the Paris Region(c)		**46% of environmental certifications 100% NF Habitat starting in July 2016**		■■■□	The Group is working to obtain qualitative certifications and received NF Habitat certification in 2016. It plans to strengthen its actions to increase comfort and well-being.
REIT	Certify 100% of the portfolio as BREEAM® In-Use Obtain "Very Good" or higher for the following reassessments for the "Management" category	Environmental Management System: Percentage of sites with BREEAM® In-Use certification(a)	**100%**	**Stable** compared to 2015	■■■■	Altarea Cogedim has been certified 100% BREEAM® In-Use since 2015. The BREEAM® In-Use score of 11 sites was reassessed in 2016. All obtained "Very Good" or "Excellent" certification thanks to their improved environmental practices.

Note: coverage rate is 100% unless stated otherwise below:
(a) 81% of the scope of reporting.
(b) Unless technically impossible or not approved by the investor.
(c) Excluding co-development, rehabilitations and managed residences.

5.3.2 Scope of reporting and guidelines

With the aim of comprehensively measuring the societal, social and environmental impact of its business within the broadest possible scope, Altarea Cogedim defines and specifies all of its scopes and reporting periods, thus making it easier to fully understand its reporting. For greater transparency and ease of comparison, the Group bases its reporting on the major national and international indicators and guidelines (GRI G4 Construction and Real Estate Sector Supplement, EPRA, etc.).

5.3.2.1 COMPREHENSIVENESS OF REPORTING SCOPES AND GUIDELINES USED

Reporting covers nearly all of Altarea Cogedim's REIT and Property Development activities, as well as the operations of its registered office. CSR reporting coverage rates provide an appreciation of its comprehensiveness compared to financial reporting.

COMPREHENSIVENESS OF ALTAREA COGEDIM'S NON-FINANCIAL REPORTING

	ENVIRONNEMENT					SOCIAL
	CORPORATE	DEVELOPMENT			REIT	CORPORATE
GUIDELINES	GRI CRESS	Internal definition ("Methodology" chapter and table of indicators)			GRI CRESS EPRA recommendations	GRI CRESS
PERIOD	1 September, year N-1 31 August, year N	RESIDENTIAL, OFFICES & HOTELS at 30 September year N		RETAIL 1 January, year N 31 December, year N	1 January, year N 31 December, year N	1 January, year N 31 December, year N
SCOPE	HEAD OFFICE 9,631 m² usable area	RESIDENTIAL 184 operations 16,636 residential	OFFICES & HOTELS 21 operations 321,016 m² "hors œuvre nette" (net surface area) or floor area	RETAIL 6 operations 260,317 m² "hors œuvre nette" (net surface area) or floor area	RETAIL 540,073 m² GLA	GROUP 1,211 employees (excluding Pitch Promotion)
REPORTING COVERAGE	100%	100%	100%	100%	90.6% (in surface area) 85.3% (in value terms)	100%

5.3.2.1.1 Compliance of reporting with national and international guidelines

In its drive to ensure transparency and a durable environmental reporting process, Altarea Cogedim used the sector-specific CSR reporting guide of the CNCC (*Conseil National des Centres Commerciaux*), the French industry federation of shopping centres, to establish its internal reporting guidelines and non-financial communication.

The CNCC guide, published on 9 July 2013, sets out reporting recommendations suited to the shopping centre industry following publication of Article 225 of the Grenelle II Law governing corporate non-financial communication. These recommendations are entirely compatible with the "Best Practice Recommendations for Sustainability Reporting" of the European Public Real Estate Association (EPRA), released in September 2011, as well as with the sector-specific GRI G4 CRESS (Construction & Real Estate Sector Supplement).

5.3.2.1.2 Reporting period

To ensure consistency with financial reporting, the Group chose, whenever possible, to base its non-financial reporting on the same period.

For the REIT activity, the value and area data of the portfolio are considered as of 31 December of the reference year. However, since 2016, for reasons related to the availability of data, the reporting for footfall, revenue and all environmental data has been provided over a rolling year running from 1 November of the year preceding the reporting year through 31 October of the reporting year.

However, for societal data related to Group procurement of goods and services (particularly indirect jobs) and the environmental data of the Altarea Cogedim registered office, the length of the calculation processes require that the Group use a staggered reporting period as detailed below.

5.3.2.2 INFORMATION ABOUT THE REPORTING SCOPE

The activities of Histoire et Patrimoine, of which Altarea Cogedim acquired 55% of the capital in 2014, are equity-accounted and are not included in the reporting.

Altarea Cogedim acquired 100% of the capital of Pitch Promotion in 2016. As it was acquired during the year, its activities are not included in the environmental and societal reporting. Partial consolidation was done for the social aspect.

5.3.2.3 INFORMATION ABOUT THE SCOPE OF SOCIAL REPORTING

The scope of social reporting includes all of the Group's legal entities with full financial consolidation and a payroll that is not nil. As a result, the workforce of Pitch Promotion, acquired during 2016, were partially consolidated with the social data for the year.

5.3.2.4 DESCRIPTION OF ENVIRONMENTAL REPORTING SCOPES

5.3.2.4.1 Scope of reporting for Corporate activities

The scope of Corporate reporting includes the environmental data for Altarea Cogedim's registered office, which is located at 8, avenue Delcassé in Paris.

5.3.2.4.2 Information about the scope of reporting for the Property Development division (new projects under development)

The Group developed indicators for its Property Development division which are more representative of its real estate development activities.

Method for accounting for Retail projects under development in the scope of reporting

The annual reporting for Retail projects under development includes 100% of the operations:

- initiated after receiving a building permit;
- under construction, initiated in prior financial years which will be delivered in a future financial year;
- which were delivered during the year.

Method for accounting for new Office and Hotel projects under development in the scope of reporting

Because there are few Hotel projects under development, the Office and Hotel data were combined.

In order to ensure the quality and comparability of the information provided given the Group's strong business growth, the methodology for defining the scope was adjusted this year: the scope of operations taken into account is now based on the financial scope. More precisely, it includes 100% of operations included in the financial scope at 30 September and:

- for which the land was acquired;
- under construction;
- which will be delivered within the year.

Two operations in progress but facing specific legal issues were manually added to the scope sent by the financial teams to ensure better representation by the reporting: Richelieu et Nework – Cœur de Quartier. The 2015 data were restated to ensure data comparability.

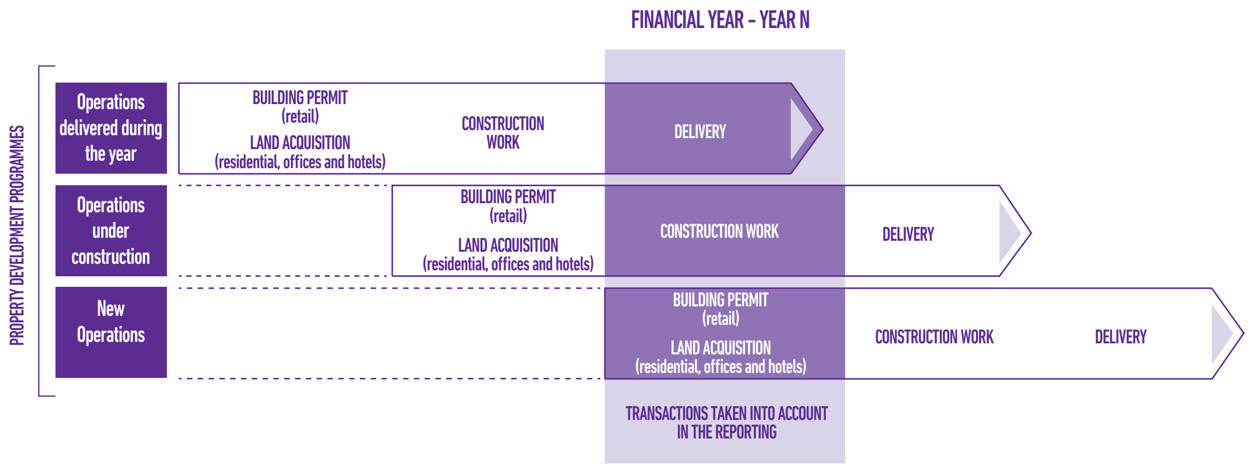
Method used to take into account new Residential projects under development in the scope of reporting

In order to ensure the quality and comparability of the information provided given the Group's strong business growth, the methodology for defining the scope was adjusted this year: the scope of operations taken into account is now based on the financial scope. More precisely, it includes 100% of operations included in the financial scope at 30 September and:

- for which the land was acquired;
- under construction;
- which were delivered within the year.

The 2015 data were restated to ensure data comparability.

SUMMARY OF THE METHODS FOR ACCOUNTING FOR NEW PROJECTS UNDER DEVELOPMENT IN THE SCOPE OF REPORTING



In order to facilitate understanding of the indicators related to the property development operations, the Group opted to retain the same accounting method for each category, each environmental certification and each energy label (however, the key dates for obtaining certification vary based on each asset category and each environmental certification).

5.3.2.4.3 Information about the scope of reporting for REIT activities (existing portfolio)

Scope of ownership

The scope of ownership includes all assets in which Altarea Cogedim ownership is not nil.

Scope of reporting

The assets included in this scope are the French assets of the scope that have been held for at least 12 months in the reference year. As a result, any acquisitions or disposals made during the reference year are excluded from the scope of reporting.

Sites undergoing construction during the reference year are included in this scope unless they are completely closed for at least one month in the reference year or if creation of GLA (gross leasable area) exceeds 20%. If the creation of GLA (gross leasable area) exceeds 20%, it is nonetheless included if overconsumption related to construction can be isolated.

Scope of current reporting

The assets included in the current scope of reporting are those included in the scope of reporting with the exception of:

- sites not managed by Altarea Cogedim and therefore over which the Group has no operational control;
- sites on which no Altarea Cogedim representative carries out on-site management.

Scope of overall reporting

The like-for-like basis consists of two phases:

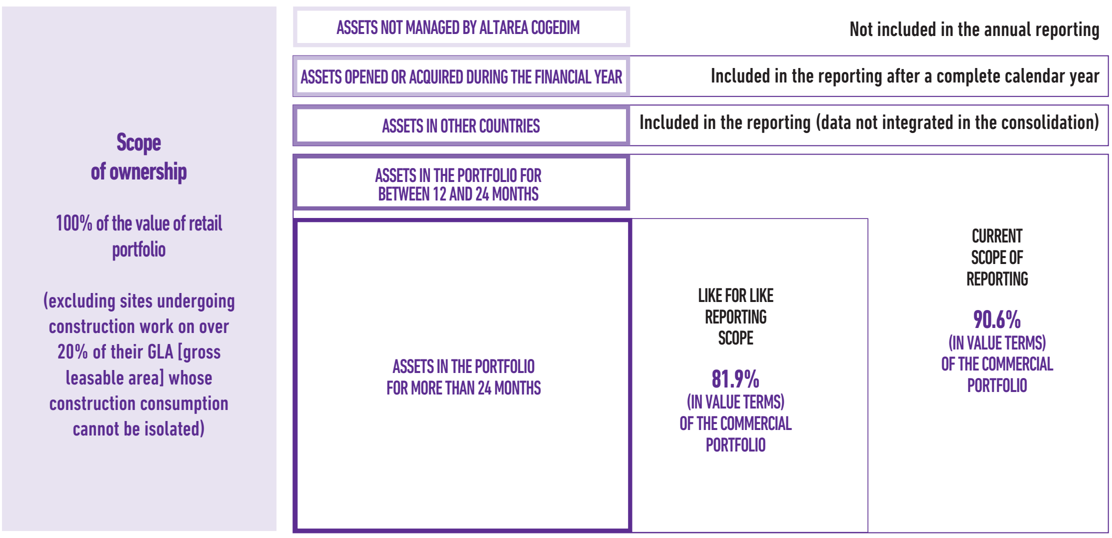
- between 2010 and 2015, it includes all assets in the scope of reporting held throughout the period. Given its share in the total portfolio, the Cap 3000 centre, which was acquired in 2010, was reintegrated in the 2010-2015 scope on a like-for-like basis. The data previous to the acquisition of the centre are generally known, limiting the data which needs to be estimated;
- due to disposals and acquisitions of sites since 2010, a new like-for-like basis was established for the 2015-2020 period to reflect the Group's portfolio as accurately as possible. It includes all of the assets in the scope of reporting held throughout the 2015-2020 period.

Changes in Group indicators between 2010 and 2020 are calculated by adding the changes seen between 2010 and 2015 on the 2010-2015 like-for-like basis and those seen between 2015 and 2020 on the 2015-2020 like-for-like basis.

All assets included in the scope of current reporting and the overall scope – including partially owned assets – are recognised in full if Altarea Cogedim manages them directly. Assets directly managed but not owned by the Altarea Cogedim Group are excluded from the scope of current and overall reporting.

For indicators covering all assets (shopping centres, Lifestyle Centers, Family Villages and Retail Parks), we specify the portion of the current or like-for-like basis of reporting covered by the indicator, compared with the Group's scope of reporting for the reference year. The indicator for this scope is expressed as a percentage of the value of the assets within Altarea Cogedim's scope of reporting.

REPORTING SCOPES FOR THE REIT DIVISION



We include only consumption managed or paid for directly by Altarea Cogedim within the current and overall scopes. As a result, environmental data that are directly managed by tenants are excluded, except for centres for which a specific collection process for merchant consumption has been implemented this year. This approach is described in paragraph 5.6.1.2.2.

5.4 SOCIETAL PERFORMANCE

5.4.1 Customer and user relations

MATERIALITY LEVEL	CAPITAL

5.4.1.1 CUSTOMER SATISFACTION

Altarea Cogedim has made the satisfaction and well-being of its customers a priority: in every area, Altarea Cogedim centres its strategy on its customers.

In Residential, this means an in-depth reorganisation of the business started in 2015 to better support customers and maintain and exchange with them. For the Retail business, it means providing a unique buying experience that combines shops and leisure; Altarea Cogedim is also strengthening the bond with its tenants, notably via the green lease. For the Office business, the Group is listening to the needs of companies and employees to anticipate changes in use and practices.

These efforts have been rewarded: In 2016, Altarea Cogedim rose over 160 places in HCG's 26th *Relation Client* (customer relationship) ranking which includes 200 companies.

5.4.1.1.1 Customer satisfaction in the Residential Property Development division

In order to reaffirm its commitment to customer satisfaction, together with its "You'll see the difference with Cogedim" marketing campaign, Altarea Cogedim added a dedicated customer unit in 2015 which implemented an overall customer approach for the Residential business in France:

- implementation of dedicated processes in-house;
- actions to strengthen customer relations at every point of contact;
- the creation in 2016 of a location dedicated to customers in the Paris Region called the Cogedim Store.

This Customer unit also plays a mediation role to assist local departments in the event of conflict with buyers in order to ensure comparable treatment throughout the country.

A dedicated customer process

The unit implemented a dedicated customer management process in 2015 which takes two forms:

- a single point of contact for each customer: for each sale of residential property, a customer relations Manager is appointed and becomes the sole point of contact for the purchaser throughout the process which lasts several years, from the reservation agreement through delivery;
- a dedicated customer page: buyers have access to a personalised online customer page from which they can learn about the steps involved in the buying process and get answers to their questions via forums and FAQs (*e.g.* alteration work, construction status, visits, etc.).

A national after-sales department was also set up to take over as the single point of contact after delivery to ensure continuity in customer support.

Improve the customer relationship

In addition to these processes, the Group wants to improve its relationship with its customers at each contact point: on the website, in sales offices, on the telephone… To better understand the challenges, the Group has sent out mystery shoppers around the country with tests carried out both on visits in person to sales offices and through exchanges by mail and social networks. The results of these surveys provide information to the Customer unit and enable continuous improvement in our ability to better support our customers.

Altarea Cogedim also wants to take advantage of the innovations it develops to increase the number of opportunities for exchange with its customers. For its connected residential project in the Paris Region, the Pixel programme in Vitry, the Group implemented a welcome point and in-depth awareness-raising for customers: the services offered are intended to provide customers with a sense of comfort and peacefulness. Altarea Cogedim provides both information and technical support and takes into account the feedback it receives from its customers.

Measurement and progress

To measure its progress and obtain detailed data about customer satisfaction throughout the country, the Customer division deploys a far-reaching system of annual satisfaction surveys with the help of KANTAR TNS. The purpose of these surveys was to measure customer satisfaction at different stages of the buying process: first, upon signature of the purchase deed, then four months after delivery of the property.

More than 1,300 buyers answered the survey in 2016 (more than twice as many as in 2015), thus providing a broad set of data for France. The information was consolidated at the national and regional levels in order to enable the Group and the regional offices to better understand customer expectations and the possible shortcomings encountered during the buying process. Another role of the Customer division is to suggest improvement plans and to use these surveys to measure the effectiveness of the actions that are implemented.

The questions asked by the surveys covered a wide spectrum including the level of customer trust at purchase time, their satisfaction at delivery, recommendation rates, etc. The likelihood to recommend is the indicator that is considered to best express customers' experience because it makes it possible to measure their attachment to the brand by qualifying their likelihood to recommend Cogedim to friends, family or colleagues. Hence Altarea Cogedim has set a goal of achieving an 85% positive rating on this indicator within three years. The approach began to bear fruit in 2015 and 2016 and the rate has already increased by seven points.

A unique place dedicated to new housing

Lastly, in 2016, Altarea Cogedim established a unique location dedicated to its customers: The Cogedim Store, at the heart of the Bercy Village shopping centre. In order to respond to all of its customers' questions and provide personalised support, this location implements a complete process explaining everything about new properties. It is very different from traditional sales offices which simply show photos or models.

This innovative and avant-garde space of over 600 m² enables buyers and visitors to discover flats reproduced in actual size, a room of their choice and personalisation packs. It also provides immersive digital experiences… The Cogedim Store intends to bring the magic back to buying a flat, facilitate the buying process and rethink support and the customer relationship.

The Group is now studying the deployment of the concept to major regional metropolitan areas.

5.4.1.1.2 Serviced Residence customer satisfaction

Under the Cogedim Club® brand, Altarea Cogedim Group designs and develops senior residences ensuring that they meet the expectations of senior citizens in terms of architecture, atmosphere, location, services and budget. Each of the residences has a team on site to meet the needs of residents.

In addition, in 2016, the Group implemented an in-depth system for exchange with residents to be able to better take into account their expectations and their needs within the framework of the law on adapting society to an ageing population.

A plenary meeting is organised in each of the residences once or twice a year at which the following topics are discussed:

- the opening of residences and support team organisation;
- life in the flats;
- life in the communal areas;
- meals;
- the activities available;
- overall satisfaction level.

The goal for the Group is to understand the satisfaction level of residents in each area and their use of the facilities and to identify their expectations for change.

The latest session was carried out for all of the residences between December 2016 and January 2017. The Group is analysing all of the comments received to implement any action necessary.

The information about the residences is reported to the teams in question in order to integrate it into specifications and adapt the product on a continuous basis.

5.4.1.1.3 Customer satisfaction in the REIT division

Altarea Cogedim designs shopping centres in which retail is combined with leisure, restaurants and services to meet the needs of consumers or to anticipate them.

In this respect, the Group deployed several leisure facilities in its centres in 2016. One iconic example is the 100 m² immersive screen, standing five metres high at Cap 3000. The facility includes an integrated events area which enables visitor immersion in literary or advertising content. It enables the setup of pop-up stores, ephemeral corners, vehicle exhibitions and augmented reality or interactive events.

Altarea Cogedim wants to offer its customers new shared and connected consumption and leisure experiences. The Group has been monitoring a dedicated consolidated indicator since 2014 to measure the overall satisfaction of visitors with the shopping centres.

To this end, quantitative and qualitative customer surveys are conducted for the centres to understand customer behaviour and expectations, measure their satisfaction level and the centre's appeal and reputation, and to determine ways to attract customers and strengthen loyalty… Studies are done at new sites every year for the first three years. For established centres, a study is generally carried out once every three years.

Before beginning the study, the key challenges facing the centre are identified and shared by all the teams (operation, leasing, marketing and asset management) in order to create a questionnaire that can provide operational and actionable results. Following the results of the study, the teams work together on an operational action plan, which they then share with Executive Management.

For 2016, the customer satisfaction rate was 7.6/10. It was calculated using on-site customer surveys conducted at five shopping centres representing 45.2% of the scope of current reporting by value.

This index is stable compared to 2015. It is a testament to the efforts made by the centres' teams to ensure that the sites are always appealing and pleasant, even during redevelopment work.

5.4.1.2 RELATIONS WITH BRANDS: DEPLOYMENT OF THE GREEN LEASE

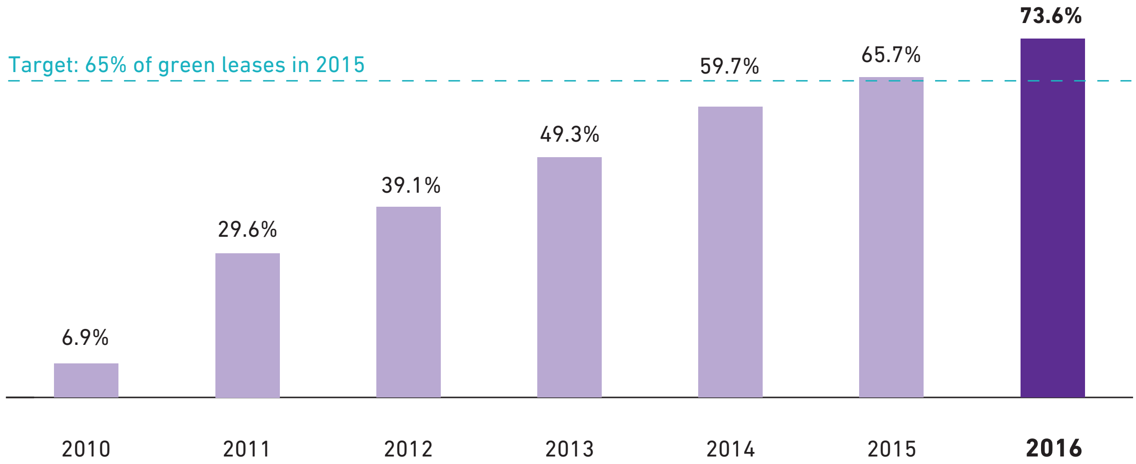
Altarea Cogedim intends to work more closely with all tenants in developing environmentally friendly practices. The ultimate goal is to extend environmental reporting to tenants' environmental data and to improve sites' overall environmental performance.

As a result, the Group standardised the application of green leases in 2010, where possible from the very first square metre (excluding lease renewal under leasehold assignment, building leases and exempted leases).

Furthermore, as of 14 July 2013, Grenelle II has made the attachment of environmental notes mandatory for all existing leases over 2,000 m². In response to this new requirement, the Group has sent environmental notes to all affected retailers.

At 31 December 2016, 993, or 73.6% of the Group's 1,349 leases, were green leases.

GREEN LEASE COVERAGE RATE



The Group's goal of converting 65% of its leases to green leases was exceeded by 2015. In coming years, all leases which aren't yet green will be converted on renewal. The rate will therefore continue to increase constantly.

This type of lease is a formalised framework that imposes commitments on both the owner and tenants: it stipulates the regular sharing of environmental and energy information and the creation of an environmental committee that includes owners, tenants and all the stakeholders at each site.

Under a green lease on assets subject to such environmental certification, tenants undertake to comply with a set of technical, architectural and environmental guidelines that provide maximum power thresholds for any equipment they may install and recommendations regarding interior materials. To ensure compliance with these guidelines, they must submit their planning documents to the Environment Works Management assistant before undertaking any interior finishing work.

As indicated in paragraph 5.6.1.2.2, Altarea Cogedim has been collecting energy consumption data from the tenants of the highest-impact shopping centres in the portfolio in terms of energy consumption annually since 2014. They accounted for 339,088 GLA in m^2 in 2016. This study applied especially to the green leases of these centres, given that they provide a legal framework that makes it possible to report the information.

This allowed us to better understand lessee energy consumption from a representative sample of the Group's assets. These studies also made it possible to learn about the shopping centres' total consumption and to make comparisons between centres, independently of the distributions among common areas and private-use areas.

The initiative will continue in the coming years, with the goal of working to reduce sites' overall energy consumption.

In addition, in 2016, the Group sent over 1,000 tenants a guide describing the Group's sustainable development approach as it applies to shopping centres and how tenants can make a concrete contribution to reducing the environmental footprint of sites. This document aims to improve interactions between lessor and lessee on environmental questions.

5.4.2 Local development

MATERIALITY LEVEL	CAPITAL

Altarea Cogedim partners with metropolises throughout the entire real estate value chain. It offers tailored property solutions and creates mixed-use projects which generate urban cohesion. The Group wants to contribute to the development of regions by creating neighbourhoods with high functional diversity and by contributing to employment.

In order to further its study to quantify its local impact and its added value in cities, Altarea Cogedim has taken part in a study group on cross-pollinating companies since the end of 2016. The purpose of the group of companies is to work on the development of the local economy and co-construction with the regions.

5.4.2.1 URBAN MIXED-USE DEVELOPMENT

5.4.2.1.1 The development of "complete neighbourhoods"

The Group's values include its desire to put mixed-use development at the heart of its offering.

Thanks to its multi-product know-how, Altarea Cogedim implements innovative mixed-use neighbourhood projects which create urban units combining residential, offices, hotels and retail. The Company designs real "complete neighbourhoods" within urban development projects which combine mixed use and diverse functionality.

Altarea Cogedim won five mixed-use projects in France in 2015. The process accelerated in 2016 and the Group is now present in ten mixed-use operations across France. The projects enable the Group to engage with local authorities about complex urban redevelopment issues and the reinvention of the city.

In addition, by creating the first shopping centres in French train stations (Gare du Nord, Gare de l'Est, Gare Montparnasse, Gare d'Austerlitz), Altarea Cogedim has imagined and created a new offering in transportation hubs. In addition to the locations traditionally dedicated to retail, this offering creates mixed use and is adapted to new consumer habits and mobile lifestyles.

5.4.2.1.2 New projects

Following a call for tenders, the Group was selected as the operator-investor for the 100,000 m² "Issy Cœur de Ville" project in Issy-les-Moulineaux. The unit will create a true city centre revolving around an urban park of 13,000 m², a new generation commercial offering of 15,000 m², a digital creation centre, 40,000 m² of housing and 40,000 m² of office space as well as public facilities including a school and a daycare centre.

The neighbourhood aims at exemplary environmental performance: 100% soft mobility and multiple certifications: NF Habitat HQE™ for residential, BEPOS, NF HQE™ *Bâtiments tertiaires* (office buildings), and BREEAM® for office buildings and retail. Going even further, the BiodiverCity® label will be applied for and, a first in France, Cœur d'Issy will be certified WELL® at the neighbourhood level to reward the project's health and well-being approach.

Altarea Cogedim was appointed sole investor-operator for the redevelopment project for the Bobigny city centre. Over 100,000 m² will be developed, including housing, a shopping & leisure area and offices, thereby upgrading the neighbourhood.

The Hospices Civils de Lyon selected Altarea Cogedim to redevelop the Blanchisserie Centrale site in Lyon's 6th arrondissement. The redevelopment project in the heart of the city will include 17,500 m² of affordable housing, social housing for families, a senior residence, a residence for young working people, and approximately 3,400 m² of high-street retail, activities and services at street level.

The project proposed by Cogedim, Pitch Promotion and Nexity for Bordeaux won the competition to develop the Belvédère neighbourhood. The goal is to build an innovative project with "very high quality of life". Located at the Pont Saint-Jean, the new Belvédère project will consist of 140,000 m² of buildable floor space and will host offices, housing, retail, services, business premises, a hotel, a business hotel residence, an emergency accommodation centre for highly vulnerable people and cultural and events facilities of metropolitan scope.

5.4.2.2 EMPLOYMENT FOOTPRINT

In an uncertain economic context in France that places a long-lasting strain on job creation, Altarea Cogedim has committed to quantifying and developing its indirect economic contribution to job creation and local development. The Group carries out its Property Development and REIT activities almost exclusively in France. Consequently, it is innovating by developing quantitative indicators to annually measure its wider employment footprint in France as an owner and Manager of shopping centres that host retailers, as well as through its purchases of goods and services.

Altarea Cogedim's employment footprint

Altarea Cogedim's real estate development business positions it as an important backer of goods and services. This unique position gives Altarea Cogedim a much higher direct/indirect employee ratio than that of a group centred exclusively on REIT.

Altarea Cogedim quantifies its extended employment footprint in France using an approach introduced in 2013 with the help of an external firm. This footprint is calculated in detail every three years and updated in the intervening years through extrapolation.

The analysis reveals an ongoing increase in jobs at the Group, primarily resulting from the growth in property development activities.

Related jobs

Related jobs are those created by the consumption of direct and indirect employees in France.

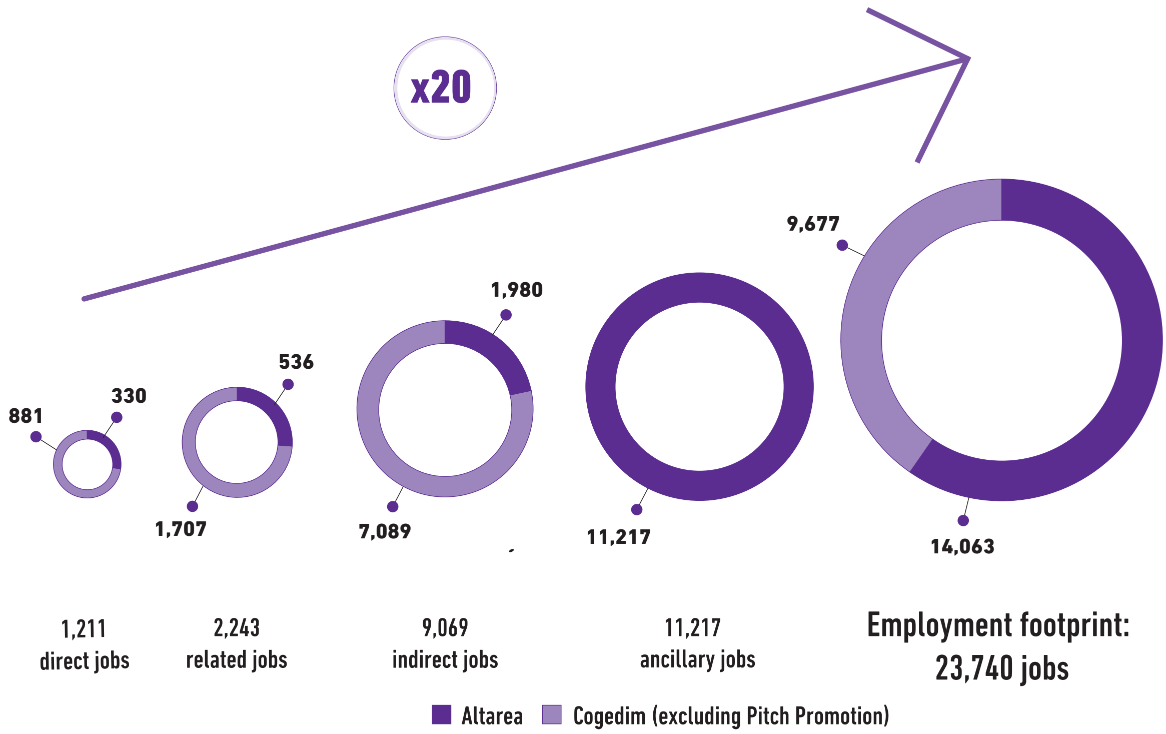
Indirect jobs

Indirect jobs are those directly related to purchases of goods and services by the different Group entities.

Ancillary jobs

Ancillary jobs are those hosted (tenants) in the shopping centres owned and managed by Altarea Cogedim.

THE ALTAREA COGEDIM GROUP'S EMPLOYMENT FOOTPRINT



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.

The approach was developed for the opening of L'Avenue 83 shopping & leisure centre in April 2016: Altarea Cogedim signed a charter with the Pôle Emploi employment agency of Var aiming to encourage residents of the Toulon region to join the workforce. The agreement notably included the implementation of a team of Pôle Emploi counsellors dedicated to supporting hiring by the shops that would set up in the shopping centre. Altarea Cogedim and Pôle Emploi also organised actions to promote employment opportunities at the shopping centre with as many people as possible (job information meetings, focus on the employment systems implemented by the public authorities, etc.). The agreement encompasses the securing of processes for job seekers, notably by mobilising assistance to help people return to long-term employment (*e.g.* training to adapt to positions, professional immersion, etc.). Recruiting for over 1,100 positions in sales, restaurants and leisure was entrusted to Pôle Emploi for L'Avenue 83 in early 2016.

Similarly, in December 2015, the Group signed a responsible jobs charter with the mayor's office of Paris's 19th arrondissement for the opening of Les Parks in Paris, for which Altarea Cogedim is the developer and marketer. The goal is to give Parisians a chance to benefit from all the job opportunities available.

Lastly, in the city of Lille, the Altarea Cogedim "Promenade de Flandre" shopping centre should result in the creation of 750 new jobs in the municipalities of Neuville en Ferrain, Roncq and Tourcoing.

5.4.3 Connectivity and mobility

MATERIALITY LEVEL	CAPITAL

Location and a good connection to the transport network are key in real estate. This is becoming even more important at a time of massive development of sustainable mobility and of questions about the future of urban planning and the purpose of personal vehicles.

For Altarea Cogedim, the main topics of study related to mobility are the movements of the occupants of the residential and office buildings sold as well as the movements of visitors to the shopping centres it manages. The transport modes used to reach Altarea Cogedim's buildings are the Group's principal source of indirect greenhouse gas emissions.

For its new projects, in all business lines (Residential, Office, Hotel, Retail), Altarea Cogedim has been committed for several years to ensuring the proximity of local public transport networks and to providing sustainable, practical and economical mobility solutions. The Group is convinced that current buildings must provide alternative solutions to increase the use of public transport and parking spaces: car sharing, shared parking, etc. . Altarea Cogedim is therefore committed to providing significant connectivity for its new projects in order to link different living spaces.

5.4.3.1 CONNECTIVITY AND ACCESSIBILITY TO TRANSPORT FOR THE PROPERTY DEVELOPMENT DIVISION

5.4.3.1.1 Transportation accessibility – Property Development division

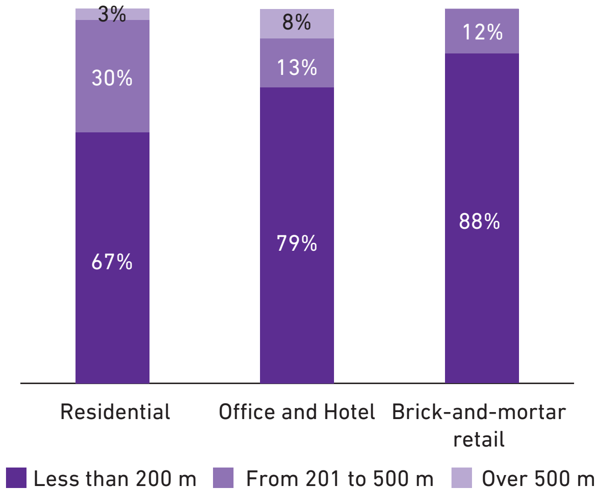
The Group has chosen to be transparent regarding the proximity of transport networks for all of its projects under development.

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

With this approach, the Group can foster a more sustainable and comfortable use and lifestyle for its customers and users, and for society in general.

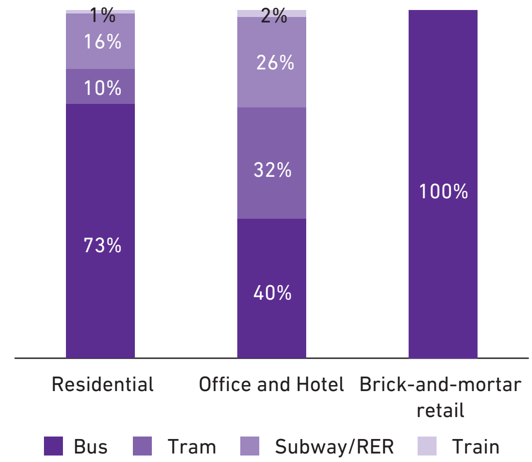
To report this commitment, the distance by foot to the closest public transport stop and the type of transport available are analysed for each project under development.

BREAKDOWN OF THE PROXIMITY OF PROJECTS UNDER DEVELOPMENT TO A PUBLIC TRANSPORT SYSTEM



Office, Hotel, Brick-and-mortar retail scope: 100%
Residential scope: 99.2%

BREAKDOWN OF THE PUBLIC TRANSPORT MODES CLOSEST TO PROJECTS UNDER DEVELOPMENT



Office, Hotel, Brick-and-mortar retail scope: 100%
Residential scope: 99.2%

These numbers are stable compared to 2015.

The Group is also taking the following steps for its Retail projects under development:

- real-time information on the passing of public transportation lines and traffic conditions;
- alternative modes of transportation (carpooling, pedestrian and cyclist infrastructure, charging stations for electric vehicles, etc.).

5.4.3.1.2 Relationship between projects under development and their environment

Altarea Cogedim strives to promote projects that respect sites' neighbours and environment.

An impact analysis is carried out prior to studies for all Group projects under development. This analysis addresses the following subjects: visual, olfactory, acoustic and electromagnetic disturbances; access to the sun and light; construction site pollution; road and parking lot congestion around the plot.

During the construction phase, construction site charters are applied to all new Group projects under development to provide for effective communication with local residents. Through mailings or poster campaigns, this charter describes the project and its architecture, specifies the construction work to be undertaken, puts forth a provisional schedule and provides a way to contact the Group directly. Information meetings may also be held with local residents at the start of construction.

To monitor the impact of construction sites, the contractor follows up on and is obligated to respond to any possible complaints.

5.4.3.1.3 New uses

The Group studies innovative mobility solutions for its operations and is carrying out tests on several programmes.

For the Clichy En vue project, a mixed-use housing, office and retail operation in the Paris Region, Altarea Cogedim has developed a partnership with ZIPCAR to provide an innovative car sharing service for all of its users, who will have two shared vehicles at their disposal. The occupants of the offices and housing will be provided with free trial time to explore the service.

5.4.3.2 CONNECTIVITY AND ACCESSIBILITY TO TRANSPORT FOR THE REIT DIVISION

Since 2012, Altarea Cogedim's reporting on the connectivity of the shopping centres in its portfolio and customers' modes of transportation has made it possible to calculate three indicators representing the connectivity of the Group's portfolio:

- proximity to public transportation: percentage of sites with at least one line less than 200 metres away;
- availability of public transportation: number of available lines less than 500 metres away per site on average;
- frequency of public transportation: percentage of sites with at least one line less than 500 metres away and a frequency factor of less than 20 minutes.

Furthermore, the Group continues to assess visitors' modes of transportation to its centres, via on-site surveys for the main sites in the portfolio.

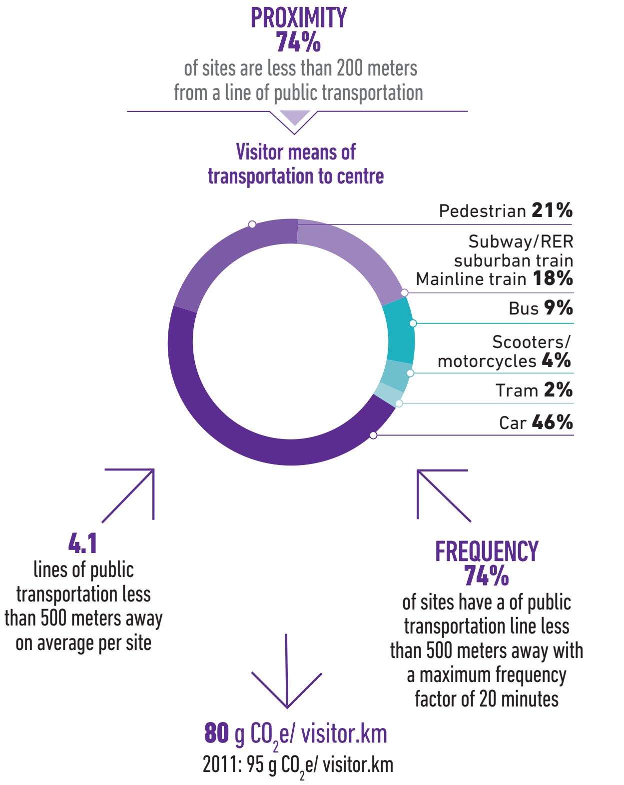
The indicator used to track emissions resulting from this travel, expressed in g CO_2e/(visitor.km), dropped 16% between 2011 and 2016.

In spite of the growing use of eco-friendly transportation, Altarea Cogedim is aware that many of its customers will always travel by car to its shopping centres. The Group is therefore equipping its new projects, and its existing centres as soon as possible, with parking spaces dedicated to hybrid and electric vehicles. This is another way to encourage less carbon-intensive and more economical travel in the long term.

The distance, number of lines and frequency factor are calculated for 100% of the sites in the scope of current reporting, as detailed in paragraph 5.3.2.4.3.

The distribution of visitors' transportation modes is based on customer surveys carried out on-site on 64.9% (in value terms) of the scope of current reporting.

CONNECTIVITY AND CARBON FOOTPRINT OF CUSTOMER TRAVEL TO SHOPPING CENTRES



5.4.4 Well-being of occupants

MATERIALITY LEVEL	CAPITAL

Altarea Cogedim sees the challenge of well-being as an important added value which the Group can provide to its customers, visitors, tenants and occupants in all of its business areas.

With respect to its Office Property business, Altarea Cogedim is convinced that buildings designed taking into account the well-being of future occupants will be buildings that promote productivity and contribute to providing tenant companies with greater appeal.

Residential buildings which promote social bonds and conviviality are appealing for local authorities and provide a guarantee of asset value for buyers which will not deteriorate over time.

In the Retail business, Altarea Cogedim believes in appealing shopping areas where customers feel at ease, where a community can develop and where leisure and shopping come together. The Group therefore intends to strengthen its bonds with visitors.

The Group deploys systems intended to improve the customer's well-being experience in each of its business areas. It goes beyond Health and Safety regulations to offer a real benefit to users.

5.4.4.1 WELL-BEING AND CUSTOMER BENEFITS

5.4.4.1.1 Well-being and health labelling

The Group decided to incorporate the WELL® label to design and operate responsible buildings, in addition to the environmental approach which is already well integrated at the Group.

This new standard, promoted by the International Well Building Institute (IWBI), puts the user at the heart of real estate projects. It promotes the implementation of comfortable, high-quality facilities in seven key areas (air, water, light, comfort, fitness, food and spirit).

Altarea Cogedim is deploying the certification and, by the end of 2016, had more than 400,000 m² of projects in the process of being certified, in office, retail and mixed-use neighbourhoods.

In its Retail real estate business, Altarea Cogedim has been implementing comfort and well-being actions for its visitors for several years now, notably via its management system based on BREEAM® In-Use.

The centres obtained an average rating of 64% in 2016 for the comfort aspect of the certification (58% in 2013).

Action is taken at the centres to continuously increase their comfort. For example, the Qwartz shopping centre in Villeneuve-la-Garenne provides its visitors with a "baby area", relaxation areas and a photo developing service. The L'Avenue 83 centre at La Valette-du-Var provides a wheelchair service, package withdrawal kiosks and a motorcycle helmet check room.

In order to further these actions, Altarea Cogedim is also currently testing the WELL® guidelines for the Qwartz shopping centre in order to identify priority good practices which should be strengthened throughout the portfolio.

5.4.4.1.2 Biophilic design

Altarea Cogedim is convinced that biophilic design – *i.e.* the integration of elements from nature in buildings – is a tool to promote the well-being of occupants. Recent studies have demonstrated that design which imitates nature has a positive impact on health, creativity and stress reduction.

The Group has therefore explored this approach in three Office operations, carrying out audits to analyse the degree of integration of biophilic design principles in the buildings (notably visual and auditory connections with nature, lighting in line with circadian rhythms, water, forms and motifs inspired by nature, the presence of "cocoon" spaces for isolation, etc.).

The Pont d'Issy office operation developed by the Group integrates all of these principles of biophilic design. The upgrading of the Cap 3000 shopping centre also includes many aspects of biophilic design with, notably, views on nature and water, landscaping with a wide strip of greenery, rounded forms reproducing nature and many views.

In future, AltaFund, the Group's Office investment fund, will systematise biophilic audits for its operations.

5.4.4.1.3 Well-being and NF Habitat

All of the new construction and residential buildings built by the Group are eligible for NF Habitat certification and its HQE™ approach (see explanation in paragraph 5.6.2), for which the concept of quality of life is essential.

Among other things, the guidelines are intended to make living spaces pleasant, practical and comfortable, with, notably, specific requirements related to acoustic quality, visual comfort and transportation services near the residences.

5.4.4.2 COMFORT IN USE, HEALTH AND SAFETY QUALITIES

Altarea Cogedim complies with the Health and Safety regulations in force for all of its projects under development. For projects undergoing environmental certification, *i.e.*, over 98% of its Retail, Office and Hotel projects and 46% of its Residential projects under development, Altarea Cogedim surpasses regulatory requirements for visual, acoustic, olfactory and hygrothermal comfort and for air quality and living areas.

5.4.4.2.1 Indoor air quality and olfactory comfort

For Residential projects under development, Altarea Cogedim addresses the issue of air quality in a comprehensive manner, imposing health criteria for materials used and equipment commissioned, as well as by supporting buyers in a healthy and responsible approach to building use.

THE GROUP'S APPROACH TO IMPROVING THE INDOOR AIR QUALITY OF RESIDENTIAL PROPERTIES

MATERIALS	X	VENTILATION	X	AWARENESS	=	AIR QUALITY
Progressively standardise materials labelled A or A+ for surfaces in contact with indoor air		Thorough and systematic checks of ventilation systems (DIAGVENT 2)		Gradual availability of an indoor air quality guide for residential properties		Improvement of interior air quality for future occupants

For all of its Office, Hotel and Retail projects under development undergoing environmental certification, the Group identifies sources of pollution, both internal (VOCs and formaldehyde) and external (major roads, construction products, business conducted on premises, soil, etc.) and sees to it that there is effective ventilation and adequate air flows for business activities on the premises to ensure healthy distribution of fresh air. It also works to control sources of unpleasant odours.

Furthermore, the commissioning process initiated for 100% of its new Office projects since 2014 ensures that technical equipment, in particular heating, cooling and ventilation systems, are installed properly to guarantee optimal comfort for occupants.

For its Retail projects under development, Altarea Cogedim involves tenants in its goal of improving the air quality of its shopping centres. In 2016, 100% of projects under development in terms of surface area (260,317 m^2) used green leases to require retailers to meet health quality standards for furnishings.

5.4.4.2.2 Hygrothermal comfort

The Group conducts Dynamic Thermal Simulations during the design phase of Office, Hotel and Retail properties under development. These tests are used to decide on the technical and architectural options that strike the best balance between comfort of use and energy consumption. For example, Dynamic Thermal Simulations are used when installing fixed solar protection designed to improve the thermal comfort of occupants while reducing cooling and lighting needs.

In these simulations, the comfort of occupants is based on the "PMV" (Predicted Mean Vote) model, which indicates the average of votes of a large group of subjects about their thermal sensation on a seven-point scale. This index takes the following factors into account: metabolic rate, clothing insulation, air temperature, mean radiant temperature, air speed, pressure differential and level of activity. The indicator is used in BREEAM® certifications®.

77% of retail projects under development in terms of surface area (201,196 m^2) underwent comfort simulations, which revealed favourable levels of comfort under the BREEAM certification criteria®.

Based on the various design studies, Altarea Cogedim uses systems that provide the most comfortable temperature and humidity levels in both summer and winter:

- in winter, a suitable overriding control makes it possible to maintain a stable temperature in the building;
- in summer, protection from the sun and dissipation of excess heat are essential for comfortable temperature and humidity levels.

5.4.4.2.3 Acoustic comfort

Noise comes from a variety of sources. Altarea Cogedim's customers expect optimal acoustic comfort. Whether it comes from an external source (airborne noise), an impact sound, or mechanical vibrations (equipment noise), noise is a source of discomfort that must be taken into account when designing a project. Altarea Cogedim goes further to offer its customers high acoustic performance, optimising layout among different spaces in relation to internal noise disturbances. For example, the noise level of equipment is below 45 dB in open office space and below 40 dB in individual and shared offices.

For example, 88% of retail projects under development in terms of surface area (229,329 m^2) were subject to internal acoustic studies to assess the level of ambient noise and sound insulation between spaces.

5.4.4.2.4 Health quality

The health quality of the spaces includes two major concerns: limiting electromagnetic disturbances and creating specific health conditions. The creation of specific health conditions includes identification of sensitive areas as well as measures taken to create optimal health conditions in accordance with the specific health environment of each project.

As part of assessment measures for the Nework office project in Nanterre, currently undergoing the certification process to achieve BREEAM® "Excellent" and NF HQE™ Bâtiments tertiaires (office buildings) "Excellent" ratings, Altarea Cogedim called on Bureau Veritas to identify "energy" sources surrounding the site (SNCF and RATP train lines). "Telecom" sources were identified in the initial survey of the area, and electromagnetic waves were measured upon completion of construction. Finally, construction materials were chosen with an eye to limiting fungal and bacterial growth.

5.4.4.2.5 Health and Safety in the REIT business

More information about health and safety risks is available in the dedicated chapter in the Chairman's report on internal control.

5.4.5 New uses and digitisation

MATERIALITY LEVEL	CAPITAL

5.4.5.1 ORGANISATION OF INNOVATION AT ALTAREA COGEDIM

In order to take into account this major challenge, the Group created a digitisation and innovation department in 2016 reporting directly to Management. Its purpose is to support the Group in its digital transformation and to contribute to the deployment of a culture of innovation within each of its business lines – Retail, Offices, Residential – to respond to new uses and the expectations of all of its stakeholders.

Within this department, the Innovation team, called Altafuture, is both a watch unit which identifies innovations with growth potential, and a system to support their deployment throughout the Group. The team also works to identify and select young, innovative companies then builds ties with them to irrigate the Group's innovation strategy. Altafuture's goal is to help operations teams work on the product and services offering and, in addition, to anticipate the expectations of customers and market standards.

Altafuture leads a committee which brings together all of the Group's business lines. It meets every two to three months to select innovations which are proposed to general management.

A Group site dedicated to innovation was set up to disseminate the innovation culture throughout the Group. It includes innovations which are already operational and provides a tour of new trends, competitor news and potential partnerships in order to disseminate new ideas applicable to the Group's projects. Conferences with outside speakers, open to all employees, were also organised during 2016. They covered topics related to real estate's position with respect to the new players of the digital economy, the new faces of life and the city of tomorrow, and the new expectations of retail consumers.

5.4.5.2 NEW USES IN OPERATIONS

The digital transition and new uses are a must for working people and the real estate business. It is Altarea Cogedim's responsibility as a multi-product real estate operator to anticipate changes in buildings as they occur and to adapt to the expectations of their occupants. In line with this outlook, the Group has identified three areas of innovation to anticipate the many lives of buildings:

- anticipate the reversibility of buildings;
- increase the density of the space used;
- and provide services to occupants.

The Group carried out several experiments for this purpose in 2016:

- on the digital infrastructure of buildings, in a Smart Building approach, the Group is testing precursor standards that assess the connectivity of buildings. For instance, in the mixed-use district of Issy Cœur de Ville, the Ready2Services guidelines will be used to ensure that the buildings can interconnect with their environment. In addition, Altarea Cogedim is among the first in France to test the Wired Score label which assesses a building's Internet connectivity level. It is being tested on the offices at Tour Pascale in La Défense;
- a study of the increased usage density of different spaces is also well advanced for the Office business where it is a matter of grafting secondary uses onto primary ones. Office operations consistently provide tenants with a space that can operate independently from the rest of the building and be used for multiple purposes. For example, the operation at rue Richelieu has a basement designed to be independent from the office building;
- the Group carried out several tests for services to tenants in 2016 intended to be deployed more widely if user feedback is positive:
  - in Clichy, the Group has provided the office and residential tenants of a mixed-use operation with a car sharing system in partnership with Zipcar,
  - for the Retail business, Altarea Cogedim has implemented a digital food court at its L'Avenue 83 centre near Toulon which enables online ordering from the centre's restaurants,
  - in one of its Cogedim Club® senior residences, in Sèvres, the Group tested an application centralising a digital ecosystem to assist seniors in their daily lives. It operates via a combination of several technologies: a connected bracelet, a smartphone and machine learning. There are many applications ranging from personal safety to the practical and social life in the residences,
  - lastly, for the Residential business, connected equipment packs have been proposed to customers for a housing programme in Vitry.

5.4.6 Partnerships

MATERIALITY LEVEL	CAPITAL

Altarea Cogedim is developing partnerships with a number of professional organisations and working groups external to the Company, notably to share best practices. The organisations are described in paragraph 5.2.5 External Commitments.

The Group is convinced that cooperation with certain priority stakeholders provides a way to accelerate the understanding of the transitions the sector is experiencing, notably with respect to digital and environmental issues. The partnerships are described below.

5.4.6.1 STARTUP INCUBATORS

Altarea Cogedim implements an open innovation approach and is a member of two start-up incubators: Paris&Co, the innovation company of the city of Paris, which offers the "Immobilier de demain" programme and Immowell Lab, which specialises in well-being in real estate. In this respect, the Group contributed to the analysis of over 100 start-ups and carried out a dozen experiments. For

Sustainable Development Week, the Group also organised an in-house week dedicated to well-being in real estate with a day dedicated to pitches by start-ups, open to all. Ten young companies presented their innovative solutions to Group operations staff.

For example, Altarea Cogedim worked with the start-up Smart Impulse in 2016 to improve the energy performance of its shopping centres.

5.4.6.2 STUDY GROUPS AND THINK TANKS

The Group is involved in many different study groups on the real estate of tomorrow, including the ones below.

Altarea Cogedim is a founding member of the Fondation Palladio. The result of an original initiative by the real estate industry, the Fondation Palladio, under the aegis of the Fondation de France, was created in 2008 on the premise of the major challenge of the 21st century, that is, the building of the city and its living spaces. It is where political decision-makers who manage the city, thinkers, investors and implementers meet to invent the city of tomorrow together. It works directly with players who are or will be responsible for building the city, by creating the support tools required to step back (institute), prepare transmission (Future unit) and anticipate (Research unit). The working method used is that of contrasting perspectives and challenges between Managers and experts, students and business lines, PhD candidates and operations staff.

Altarea Cogedim is heavily involved in supporting cities and wanted to launch an in-depth quantified study of its local impact and added value at the scale of the metropolitan region. Within this framework, the Group takes part in a think tank dedicated to cross-pollinating companies, with Utopies and ten partners.

As part of its study of the office and new ways of working, Altarea Cogedim is also a member of REBUILD, a collective and participative group led by LBMG and the OID which brings together real estate professionals, users and innovators to lead discussions and imagine the real estate of the future. Altarea Cogedim is also a partner of Revolution@Work, a body for reflection and sharing initiatives on major changes in work and the office organised by Defacto and Hopscotch which brings together international business districts, real estate, city and start-up players. It provides an innovative approach to experimenting and thinking collectively about the work methods and spaces of tomorrow. This initiative will enable Altarea Cogedim to promote its ability to design offices and create real mixed-use small towns in cities where the office offering is perfectly connected to the expectations and needs of users.

5.4.7 Professional ethics

MATERIALITY LEVEL	CAPITAL

5.4.7.1 VALUES AND ETHICS

All of the Altarea Cogedim Group's employees and corporate officers must comply with the principles established in the Ethics Charter. 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 Altarea Cogedim and its stakeholders, employees, customers/tenants, service providers/suppliers, and best practices for internal functioning:

- 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;
- environmental protection and the principle of integrity, prohibited practices and corruption.

The Group expects to update the Charter in 2017.

To this end, Management has appointed an Ethics Director. Therefore, 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. The consultation with the Ethics Director and their advice are confidential under the Ethics Charter.

IT security and protection of customer data are described in Chapter 8.3.3.

5.4.7.2 GOVERNANCE AND COMPENSATION

The information necessary to understand Altarea Cogedim's governance and compensation policies is provided in the description of these policies in Chapters 7.1 and 7.2.

5.4.7.3 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 forth the values and rules of conduct to be observed, and to guide employees in their daily activities regarding any ethical question or conflict 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 payment in cash, even within the limits authorised by applicable regulations, unless such payment is explicitly authorised.

These principles must also be mutually enforced in relations with the authorities and customers: Any act that is likely to be construed as an attempt to corrupt is prohibited. 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, Altarea Cogedim uses the services of many external companies. They are selected according to formalised systems and generally framed by calls for tender (no supplier monopolies, one-year contracts for service providers in shopping centres, etc.). In view of the Group's most recent update to its risk map 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. Although none of the attempts were successful, awareness-raising messages were broadcast to the population most at risk before the holiday period, more favourable for these events. Awareness-raising campaigns about different types of fraud will be implemented at least twice a year.

To ensure that the process of deploying professional ethics and monitoring practices that are inconsistent with the integrity and ethics of the Group is properly implemented, other awareness campaigns were conducted with employees in 2014. With the help of a law firm, training courses on different ideas of corruption, unlawful taking of interest, trafficking influence, favouritism and the criminal repercussions associated therewith, particularly in relations with the public sector, were provided to employees identified as being most at risk. Since then, the awareness campaign has continued through messages issued to employees by senior executives during events such as seminars and committee meetings.

Furthermore, specific anti-corruption clauses have been systematically added to service contracts, business-finder contracts and agreements with third parties. In particular, these clauses stipulate that third parties must undertake to respect the applicable anti-corruption rules and, in the event they are not respected, that the contract may be terminated in advance.

Finally, the Group has been gradually implementing provisions to meet the requirements of the Sapin 2 law, passed in December 2016.

5.4.8 Safety of assets, people and personal data

MATERIALITY LEVEL	CAPITAL

Information on the safety of assets, people and personal data can be found in the chapter on the report of the Supervisory Board Chairman on the Company's internal control system in the Registration Document (Chapter 8), "Risks Covered" paragraph.

5.4.9 Responsible purchases and supplier relationships

MATERIALITY LEVEL	SIGNIFICANT

5.4.9.1 PROCUREMENT POLICY AND SUPPLIERS – GROUP

Group procurement has a large societal impact, both in terms of amounts purchased and the relation to a large number of economic sectors. Three quarters of the Group's purchases are construction-related.

The Group intends to use its ability as a large purchaser of goods and services to encourage best practices among its trade partners. As a result, since 2014, Altarea Cogedim has been conducting an overall study to develop support materials to improve its procurement policy with service providers.

In each division, current documents require the Group and its suppliers to continuously improve. These documents are described in more detail in the sections below.

GROUP PROCUREMENT POLICY

GROUP FRAMEWORK: KEY SUBJECTS FOR EVALUATING SUPPLIERS	‣ Economic situation ‣ Certifications (ISO 14 001, ISO 9 001, etc.) ‣ Use of healthy and eco-responsible materials ‣ Protection of the environment (energy, waste, water, carbon, etc.) ‣ CSR management (EMS, etc.) ‣ Compliance with international and national labour standards (Global Compact, human rights, illegal labour, discrimination, etc.) ‣ Employee health and safety ‣ Fight against corruption	
BUSINESS	Development	REIT
ELEMENTS IN PLACE	‣ Project management contracts ‣ Reference and evaluation sheet for companies ‣ Construction site charter ‣ French national framework agreements for safety and health protection	‣ Environmental charter and notes for construction, cleaning, maintenance and green space companies

5.4.9.2 PROPERTY DEVELOPMENT PROCUREMENT POLICY AND SUPPLIERS

Construction contracts and architecture and engineering services are the Group's top procurement item. Altarea Cogedim would like to rally its entire value chain around a labour and environmental progress approach by incorporating sustainable development criteria in its trade relations with suppliers.

5.4.9.2.1 Architecture and engineering

All of the Group's property development activities (retail, office, hotel, residential) have project management contracts (architects, operational project managers). These contracts and their notes are applicable for new projects that are undertaken, and they aim to:

- incorporate recent regulatory changes (French Labour Code: prevention of undeclared work, etc., urban planning code: floor area, impact study, etc.);
- include objectives and challenges related to environmental certification processes as part of the terms of the contract;
- provide technical, programme and development teams with a common framework for consulting our contractors and implementing their contract quickly once they are selected.

5.4.9.2.2 Construction companies

As part of its sustainable procurement policy, Altarea Cogedim leverages its scope of responsibility to:

Require that companies respect labour and environmental clauses in construction contracts

In particular, environmental or qualitative professional certifications are systematically required of construction companies. The latter must also commit to preventing undeclared work and to respecting employee health and safety. A local labour clause is also included in construction contracts for the Retail division. At the same time, a low nuisance construction site charter is appended to all works contracts.

Evaluate the skills and experience of construction companies with regard to sustainable development

A reference and evaluation sheet is also appended to all construction contracts to ensure that companies are able to fulfil the environmental ambitions of the projects, and to manage and minimize the impact of the construction site in terms of noise and visual pollution and waste management.

Ensure proper application of labour and environmental clauses

Various actors, such as the "clean construction site" contact person, and the Health and Safety protection (H&S) coordinator, are called upon to ensure that labour and environmental requirements are effectively fulfilled at the site. In particular, five 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 operations and to ensure safety and proper application of the low nuisance construction site charter.

In addition, to effectively prevent undeclared work and fulfil its obligations as project manager, Altarea Cogedim uses an external service provider to collect, store and manage all regulatory certifications provided from these companies and necessary for the signing of the contract and authorisation of the various subcontractors. This measure was put in place in 2015 for all new Residential and Office Property operations.

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.

5.4.9.3 REIT BUSINESS PROCUREMENT POLICY AND SUPPLIERS

Since 2014, Altarea Cogedim has required that all service providers involved in operating the Group's properties sign two documents by which they commit to an environmental approach:

- an environmental charter for contractors that provide occasional services;
- an environmental note appended to maintenance and cleaning contracts.

The environmental charter addresses the following three topics:

- construction site impact: limiting noise, accidental pollution;
- waste treatment: reporting quantities of waste produced by type and by disposal method;
- choice of materials: use of EC-labelled materials, preference for labelled materials and those with a low VOC content.

The environmental note appended to maintenance and cleaning contracts addresses the following topics:

- management: service provider training plan, provider sustainable development plan;
- energy: energy consumption monitoring, continuous maintenance plan for equipment;
- environment: incorporation of a biodiversity action plan;
- pollution: hazardous waste management, monitoring of oil separators and discharge permits;
- materials: limiting nuisances and risks for workers;
- waste: maximising waste sorting and recovery, monitoring of hazardous waste;
- water: monitoring of water consumption, use of hydro-efficient equipment when replacement is needed;
- comfort and health: management of bacteriological risks, use of low VOC or labelled paints.

Standardising the use of these contractual documents on sites included in the scope of reporting and sites managed on behalf of third parties (unless otherwise specified by the third parties) satisfies the requirements of BREEAM® In-Use certification.

Altarea Cogedim also issued an environmental appendix for green-space contracts which encourages operations that better respect biodiversity. The Group is anticipating regulations by forbidding phytosanitary products on its sites, with the exception of those used for organic farming.

5.4.10 Governance

MATERIALITY LEVEL	SIGNIFICANT

The elements related to Company governance are available in the following chapters of the Registration Document:

- Corporate governance (Chapter 7);
- Report of the Chairman of the Supervisory Board (Chapter 8);
- Strategic report, Governance section (Chapter 1).

5.4.11 Sponsorship and partnership

MATERIALITY LEVEL	MODERATE

5.4.11.1 SPONSORSHIP AND SUPPORT FOR ARTISTIC CREATION

Altarea Cogedim constantly promotes young talent in various art forms: sculpture, painting, music, and through a range of actions.

Altarea Cogedim is a long-term partner 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.

The Group has also been an official partner of the Festival d'Aix since 2015. This is a must-attend event for lovers of opera and classical music. A commitment born of the desire to share common values through a passion for art in all of its forms. The Festival d'Aix is a nationally and internationally recognised venue for excellence in opera. It also encourages the introduction of new artists as well as access to opera by a wide audience. These values are also Altarea Cogedim's: a responsible and committed company which wants to share its passion for art with as many people as possible. In future, Altarea Cogedim intends to increase its commitment in this area as a partner of the *Rencontres Économiques* d'Aix-en-Provence organised by the Cercle des Économistes.

The Group also takes advantage of its residential operations under construction to promote art and, notably, street art. In 2016, 2000 m² of hangar space in Malakoff in Hauts-de-Seine were provided to the "La Réserve" collective for an ephemeral Street Art exhibition which was visited by over 40,000 people. This type of event was renewed in 2016 on the historical site of the 14th arrondissement post office where the new 8 Campagne Première residential complex will soon be built. The project, called Lab 14, tells the story of a site undergoing continuous urban change. Two floors, two exhibition rooms, 3D and digital installations and workshops dedicated to urban art are open to the public. In another field, in Pantin in the Paris Region, Altarea Cogedim is developing a real estate operation which brings together new and renovated buildings which respect the original structure of the Marchal factory. An exhibition was held at the beginning of 2016. It gave the public the opportunity to discover the history of the place thanks to photos of the architecture of the Marchal factory and old advertising posters.

The Cogedim Store, which opened in 2016, paid homage to the artist Le Corbusier with a unique exhibition at Bercy Village. The event showed different, more or less well-known, facets of Le Corbusier' life: lithographs, photographs, correspondence and furniture.

5.4.11.2 SOCIAL ACTION

For more than eight years, Altarea Cogedim has been working closely with Habitat et Humanisme, a non-profit organisation that is recognised for its vitality and social innovations, to help find housing solutions for disadvantaged persons. This commitment has been driven by three, three-year agreements, implemented and orchestrated entirely by a bipartite Oversight Committee. At 31 December 2016, this commitment represented a total financial investment of €3.5 million, primarily apportioned as follows:

- participation in the funding of ten social or intergenerational residences corresponding primarily to boarding-houses and intergenerational houses. Eight are already in service;
- financing of three Habitat et Humanisme manager positions in the Paris Region for the past seven years: two real estate prospectors and one rental Manager;
- expertise-sharing sponsorship initiatives to resolve technical and legal issues.

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

An important event in 2016 was the opening of a residence in Versailles, near the Château de Versailles, dedicated to households in difficulty.

In future, Altarea Cogedim will also take part in the Habitat et Humanisme crowdfunding project.

5.4.11.3 TRANSMISSION AND EDUCATION

Altarea Cogedim is a founding member of the Fondation Palladio which supports the construction of the city of tomorrow (more details are available in paragraph 5.4.6.2 Partnerships).

Altarea Cogedim is also an official partner of Expo France 2025, France's application to host the 2025 Universal Exposition. The 2025 Universal Exposition bills itself as a "development and innovation accelerator" and intends to fully involve the regions. Altarea Cogedim's subsidiaries in the regions were involved in presenting the draft application around France in 2016.

5.5 SOCIAL PERFORMANCE

5.5.1 Group headcount and changes

5.5.1.1 HEADCOUNT

2016 was characterised by substantial growth. Total Group headcount at 31 December 2016 was 1,211 employees, excluding Pitch Promotion, *i.e.* a 15.9% net increase from 31 December 2015.

Of this total, 1,166 employees had permanent contracts and 45 had fixed-term contracts.

2016 highlights:

The purchase of Pitch Promotion in February 2016 was an important step in structuring the Group's workforce, with 183 new employees.

Group headcount

	Permanent contract	Fixed-term contract	Total Group	Average age	Average seniority
Women	752	37	789	40.2	6.7
Men	594	11	605	39.2	5.3
Total	1,346	48	1,394	39.8	6.1

Pitch Promotion included.

The average employee age is 39.8.

5.5.1.1.1 Headcount by gender and geographical region

The Group has offices in four countries:

Group headcount

	France	Italy	Spain	Luxembourg	Total
Women	771	12	5	1	789
Men	594	9	1	1	605
Total	1,365	21	6	2	1,394

Pitch Promotion included.

As Pitch Promotion joined the Group during the year, the following data do not take the Company into account.

5.5.1.1.2 Headcount changes

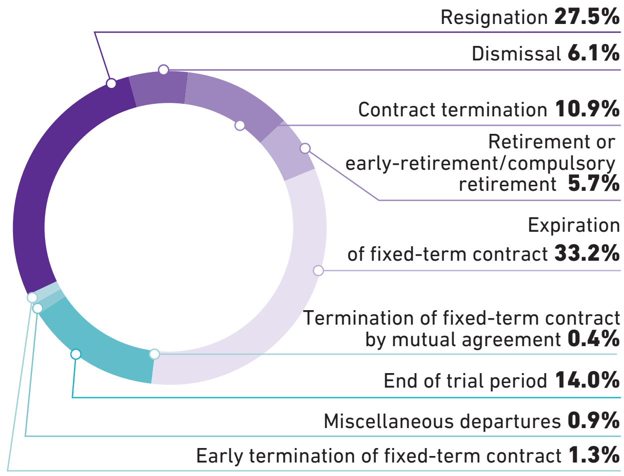
Despite the continuing uncertain macroeconomic climate, the Group maintained its commitment to job growth by giving priority to permanent contract hires. It made 316 permanent hires in 2016, *i.e.* 71% more than in 2015. There were also 81 hires made on fixed-term contracts in 2016.

Permanent contracts still dominate, applying to 96.3% of the Group's employees. Constantly seeking to promote sustainable long-term employment, the Group converted 24% of fixed-term contracts into permanent contracts (25% in 2015).

The total departure rate (fixed-term + permanent contracts) recorded at the end of 2016 is 20.03% (total number of departures/average headcount); this is a slight increase from 2015.

As in 2015, the expiry of fixed-term contracts (33%) and resignations (27.5%) constituted the major reasons for departure. When the departure rate of employees on permanent contracts is taken into account, this rate is 13.6%, slightly higher than in 2015 (12%).

BREAKDOWN OF REASONS FOR LEAVING



5.5.1.2 ORGANISATIONAL CHANGE AS A SUPPORT FOR GROUP STRUCTURE

The "Group" approach Altarea Cogedim now uses has a positive impact on support functions which are now required to manage and support all of the Group's subsidiaries.

A Group Human Resources Department was created in July 2016 and a joint organisation was implemented. Under the direction of a Group HRD, two operational HRDs ensure daily HR management and four expert units professionalise and modernise the major areas of: Human Capital, Management Control & Remuneration, Social Innovation & Social Contract and Payroll & Personnel Administration. The Group HRD's mission is to support Group growth, particularly via innovation in human capital development, promotion of the corporate culture and support for new management practices and values. Altarea Cogedim pays particular attention to its employees. The result is the construction of a HR policy common to all of the entities intended to promote a culture of excellence enabling each person to become their best and express and share their talents.

Joining Altarea Cogedim means making the choice to live a unique employee experience in a Group which promotes strong values and innovative projects. With a substantial increase in headcount in 2016, the integration of new staff remains a priority via the "Crescendo Days" for integration which have been organised since 2010 and the implementation in 2017 of a special, formalised interview to help employees better understand the challenges faced by the Group, create bonds between staff in the different entities and support and secure new employees in their positions.

The Group's digital transformation goals led it to create a new department called the Digitisation & Innovation Department. Its objective is to bring the Group into the collaborative era. It is truly a functional department which works for the different business lines of the Group to develop more agile approaches to increase growth and performance. The Department combines the Information Systems, Innovation, Internal Resources and Digitisation teams of the financial platform.

5.5.1.3 RECRUITMENT POLICY

The Altarea Cogedim Group believes that talent identification and recruiting is key to its short-, medium- and long-term success.

The Group's recruiting policy, led by the "Human Capital" expert unit of the HRD, is completely integrated in the framework of an overall HR strategy marked by Altarea Cogedim's values of creativity, cross-functionality and the spirit of entrepreneurship while complying with the Group's commitments in terms of non-discrimination, integrity, ethics, intergenerationality, objectivity and diversity.

In order to realise the strong growth it strives for, since early 2016 Altarea Cogedim has been committed to an intensive recruitment plan.

Over 75% of new hires on permanent contracts went to the Group's Property Development division, and more specifically the Office and Residential divisions. In the latter business in particular, the implementation of a new organisation for the division in the Paris Region, including the revamping of customer follow-up and support between the sales phase and the delivery phase, led to the creation of a Customer Relations Manager position. In the Paris Region and elsewhere in France, the Group has recruited many real estate developers, sales consultants and specialists in setting up transactions. The development of Serviced Residences also made it possible to fill positions for the optimal management of senior residences by the Company.

In REIT, the refocusing on major shopping centres, Retail Parks and train station shops created 8% in new positions in development and management.

The functional diversity and development of mixed-use projects are at the heart of the Group's strategy and the dedicated teams were also further strengthened.

5.5.1.4 ORGANISATION OF WORKING HOURS

In accordance with the provisions of company agreements on the 35-hour work week, the organisation of work in each of these units (Altarea and Cogedim units) is based on two types of mechanisms that depend on the employee's status: a set number of days per year for autonomous Managers and a collective number of hours per work week for Managers not eligible for a fixed number of days and for non-management staff. "RTT" days (days for recuperation of time worked) are granted to employees working full-time, excluding executives. 4% of the Group's total workforce is made up of part-time employees, and 50% of part-time employees work at least 80% of a full-time position.

In addition, during periods when activity is high, when there are many projects to carry out, or the presence of all staff is required, all employees with "RTT" have been encouraged to monetise five of them, enabling them to gain a benefit based on a 125% increase for each of the days. When this campaign was first tried, 58% of the employees eligible monetised over 2,600 days. During the second campaign in December 2016 for 2017, nearly 94% of employees monetised over 5,000 days.

5.5.2 Diversity and equal opportunities

MATERIALITY LEVEL	CAPITAL

5.5.2.1 PROMOTING DIVERSITY

The Group is aware of its social footprint and firmly believes that diversity is a source of efficiency and social innovation within the company and has committed to:

- a recruitment policy which complies with the commitments made in line with the Diversity Charter the Group signed in 2013;
- the promotion of women;
- the intergenerational contract;
- the disabilities policy.

5.5.2.1.1 A recruitment policy which complies with the commitments made in line with the Diversity Charter

The Group signed the Diversity Charter in December 2013. At 31 December 2016, the workforce consisted of employees representing twenty nationalities (compared to seventeen in 2015).

The recruitment process is strictly based on the skills and qualifications of the candidates. Compensation at hiring is set according to objective criteria based on academic background, professional experience and market practices in line with the principle of wage equality for men and women with equal qualifications. Management ensures that the principle of non-discrimination is strictly complied with in all external recruiting and for all mobility within the Group. Therefore, no applications are rejected based on discrimination. In order to fight against stereotypes, the Group's Human Resources Department guarantees that:

- the preparation of employment offers, including for interim agencies and job fairs, must be objective and non-discriminating, reflecting the characteristics of the position in terms of the skills and experience required;
- each job offer includes the term (M/F) ensuring that both women and men can apply for the position. Whenever possible, the position title is expressed in gender-neutral terms;
- both women and men can be employed for every position.

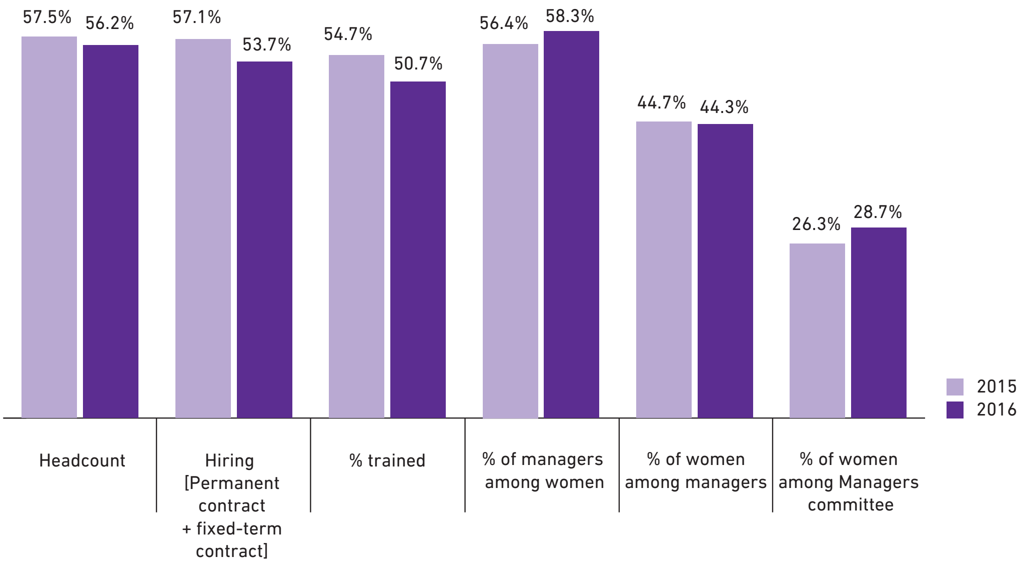
In order to ensure compliance with the principle of non-discrimination in all recruiting, the Group's Human Resources Department now requires that external service providers (recruiting firms and interim agencies) include a clause in their contracts committing them to comply with the principles of non-discrimination.

In addition, all new hires are informed of the Group's commitment to diversity (welcome booklet, integration seminar).

5.5.2.1.2 Promotion of women

Gender equality has always been viewed as furthering collective growth and social cohesion. The Group's entities have each worked to promote equal opportunity employment, providing the Group with a broad and formalised framework, with specific areas for action such as access to training, compensation, career development and working conditions and the balance between professional and personal life.

REPRESENTATION OF WOMEN IN THE GROUP



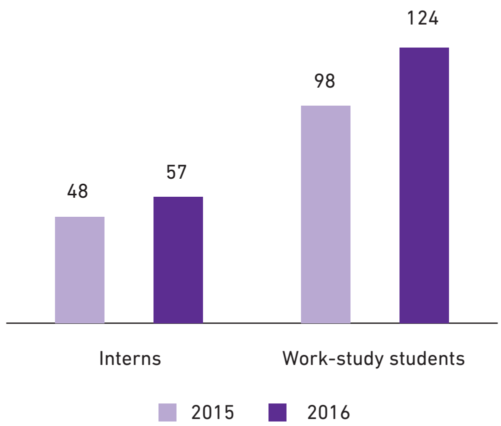
In 2016, female representation on the Committee of Managers increased by over two points to 29%. Female representation within the Executive community is 23%, with changes under way. It should be noted that a second woman joined the Executive Committee in 2016, bringing their presence in this body to 16%.

5.5.2.1.3 The intergenerational contract

The Group acts responsibly and considers that access to employment by young people and older people alike is important, as stated in the intergenerational action plan implemented in 2013. 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.

The Group continues to implement an advanced work-study policy. It recruited 27% more young people under this policy in 2016.

CHANGE IN THE NUMBER OF INTERNS AND WORK-STUDY STUDENTS



At 31 December 2016, 220 Group employees were older than 50. This population represents 18% of Altarea Cogedim employees (the same as in 2015).

5.5.2.1.4 Disabilities policy

The number of employees with a disability increased significantly from eight to fourteen reported at 31 December 2016.

Furthermore, the Group continues to call upon ESAT (*Établissement et service d'aide par le travail*, organisation working for insertion of the disabled into the workforce) to provide a range of services (purchase of supplies), and there is a partnership with a caterer for the Group's registered office.

The Group's objective for 2017 is to strengthen its disability policy with more targeted actions.

5.5.2.2 DIALOGUE WITH EMPLOYEE REPRESENTATIVES

At Altarea and Cogedim, two legal entities, the Altarea economic and social unit and the Cogedim economic and social unit, together have a total of thirty-four representatives.

Works Council representatives are informed on a regular basis and consulted on projects to implement new structures and new projects. They receive monthly updates on changes in the workforce.

Eight Health, Safety and Working Conditions Committee (CHSCT) meetings were held in 2016 to address occupational health and safety issues. All of the Health, Safety and Working Conditions Committee (CHSCT) members were consulted on a range of topics, including the right to disconnect. They were also involved in all projects to upgrade the premises in Paris, the suburbs and outside of the capital region.

Because of the size of the entities in Italy and Spain, formal mechanisms of employee representation are not required under local regulations. Direct dialogue is promoted between employees, the deputy director and the Human Resources Department.

5.5.2.3 COMPLIANCE WITH THE EIGHT ILO CONVENTIONS

The Group complies with the eight main International Labour Organization conventions and ensures that they are applied in its operations, in particular:

- respect for freedom of association and right to collective bargaining;
- elimination of discrimination in respect of employment and occupation (ILO);
- elimination of forced or compulsory labour;
- effective abolition of child labour.

For the REIT business, the Group operates only in countries (France, Spain and Italy) that have ratified these fundamental conventions and transposed them into national labour law.

The Group's Ethics Charter sets out the mutual rights and duties of employees and the Company, emphasising compliance with laws and regulations. The charter is available on the Intranet and included in the welcome kit of all new hires. The Group has not undertaken any additional action in favour of human rights.

Cogedim's entities have no facilities or sites abroad.

5.5.3 Compensation and value sharing

MATERIALITY LEVEL	CAPITAL

5.5.3.1 A DYNAMIC COMPENSATION POLICY

5.5.3.1.1 A free share allocation plan for all called "Tous en actions!"

The management college decided to implement a free share allocation system in early 2016. The system, called "Tous en Actions !", enabled all permanent employees to be involved in the Group's growth and results via the allocation of the equivalent of one month's salary in shares (capped).

Following this first commitment, the management college decided to renew the approach as part of a voluntary salary campaign for 2016-2017 to acknowledge the contributions of each employee to the Group's success despite any potential changes in the Macron Law on the tax and social scheme for free shares. The system, in the amount of over €20 million, was renewed.

The system of free shares for all, known as the "Plan général 20-50" was renewed for all employees via the allocation of the equivalent of one month's salary based on a minimum of twenty shares and maximum fifty shares. In addition, for this campaign, employees who wanted to could receive payment of the equivalent of 50% in cash instead of the shares (paid in January 2017).

5.5.3.1.2 Monetisation of RTTs

As stated above, every employee with RTTs was able to monetise five of them on the basis of a 125% increase for each of the days.

5.5.3.2 A BONUS POLICY ACKNOWLEDGING SUCCESS

The allocation of bonuses must recognise actual accomplishments and reflect the achievement of individual objectives based on the principle of maintaining the overall volume of individual bonuses granted in 2016 (for 2015) taking into account changes in headcount and individual performances. While complying with existing contract commitments, Managers were asked to take into account the actual accomplishments and performances for the year.

5.5.3.3 A SALARY POLICY FOR TARGETED AUDIENCES

For the 2017 campaign, the Group decided to allocate individual increases to deserving employees who were promoted and to young employees showing potential. Specific measures were taken to reduce the potential gaps in compensation between men and women. A special envelope was used and accounted for 10% of the overall salary increase envelope.

5.5.4 Talent and skills management

MATERIALITY LEVEL	CAPITAL

5.5.4.1 SKILLS DEVELOPMENT

5.5.4.1.1 Training policies implemented -2016 training policy

The mission of the Group's training policy is to support employees in developing their cooperative and individual skills in line with the Group's strategy. In 2016, the Group continued to invest in training to support its growth by offering a wide selection of personal and professional development activities.

The Group's training policy is based on three types of offerings formalised in training plans, which are updated each year through a needs analysis carried out during annual appraisals and regular exchanges with operational Managers: individual and collective training courses for all employees to update or perfect their core technical knowledge; cross-functional training for employees and Managers under the shared platform, called ALTEREGO Formation; special courses provided on a case-by-case basis depending on needs.

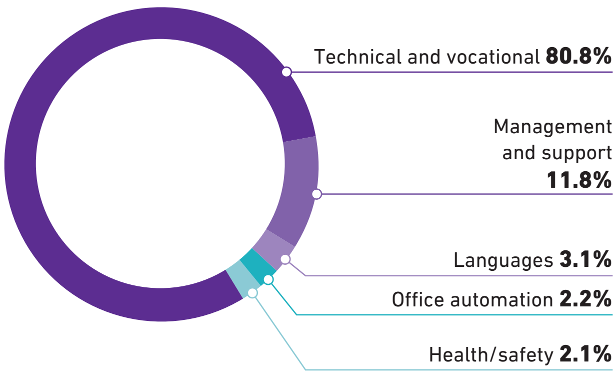
To make the training more effective, the Group uses several learning approaches: individual or group, in the classroom or remote, as can be seen in our e-learning training platform for office equipment skills.

By the end of 2016, a total of 10,822 training hours were provided in the Group to 881 employees; this is a 24% increase in the number of training hours.

	2015	2016	% change
Hours of training	8,761	10,822	23.5%
Number of training initiatives	955	1,662	74.0%
Employees trained	578	881	52.4%
Average cost *(in euros)*	2,443	2,074	-15.1%
Average numbers of hours of training over the average headcount	8.69	9.47	9.0%
Average number of training hours *(per employee trained)*	15.16	12.29	-18.8%

As is the case every year, most hours are devoted to business line training, followed by development initiatives. In addition, there are numerous internal training courses that are not accounted for in this report.

BREAKDOWN OF HOURS OF TRAINING BY SUBJECT



The Health and Safety focus was reinforced in the REIT division in order to finance certifying initiatives for technical Managers.

In 2016, investment in training represented 2.45% of the payroll. Therefore, the training budget was larger in 2016 in order to fund large-scale initiatives such as Cogedim Academy, along with more in-depth training for target groups.

5.5.4.1.2 Strategic training plan for 2017

At the end of 2016, the Group decided to give training new emphasis by making it a priority requirement to actively support the growth and performance goals of the Group. Our mission is to support employees in developing their collective and individual skills and to ensure their employability in line with the Company's strategy. Our goal is to promote the real estate business lines of tomorrow thanks to a strategic training plan initiated upstream with the Group's Managers and based on the business challenges of each line. The new plan was prepared for implementation in early 2017. It is based on three pillars:

- "core business" training courses, the foundation of employee skills;
- career development training, primarily focused on management with a focus, in addition to technique, on the cross-functional challenges and synergies of the Group;
- "new uses" training: digitisation, new tools, etc.

The possibilities for training will be varied: classroom training will continue to be provided, but the content and presentation methods will evolve in line with the integration of digital activities and co-construction and co-development workshops.

More broadly, the strategic training plan will support major Group transformation projects, notably those promoted by the Digitisation & Innovation Department, by providing support to each audience based on their expectations and needs.

5.5.4.1.3 Cogedim Academy

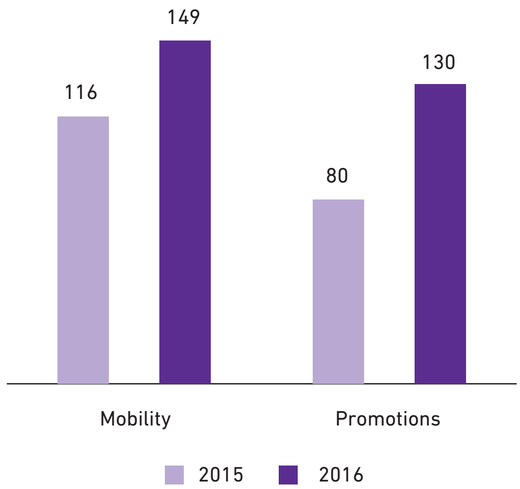
The Cogedim Academy, the internal sales school, was launched in 2015. It is intended to train sales employees and their Managers (100 employees) as soon as they are hired, and then continuously thereafter, via several educational methods: traditional classroom training, on-the-job training, and continuous assimilation of knowledge through an e-learning platform.

An Academy has many benefits, in particular: accelerating and developing individual and group performance, developing a tool kit of business line skills, bolstering our employer brand and attracting talent, and creating an environment in which people can share experiences.

The Academy's digital training platform has been operational since January 2016. The platform offers learners an enjoyable, interactive way to gain experience after classroom training. This platform, which is ergonomic and accessible from tablets and smartphones, makes it possible to categorise all the related training and skills and in that way solidify knowledge.

5.5.4.2 PROMOTIONS AND MOBILITY

MOBILITY AND PROMOTIONS



Mirroring the training initiatives, the internal mobility and promotion activity was significant. The inherent diversity of jobs in the real estate industry naturally fosters employee mobility. In 2016, excellent business growth, the creation of new positions and the implementation of new organisations resulted in career changes and spurred professional and geographic mobility.

At 31 December 2016, 279 Group employees were promoted or moved within the Company, *i.e.*, nearly 24% of the workforce on permanent contracts.

Employees' goals and aspirations were discussed at annual appraisals which were implemented in early 2016, the summaries of which provide Managers with a better idea of how their employees wish to grow within the Company.

In 2017, employee reviews and analyses of expectations will continue with the goal of implementing a tool shared by all of the Group's entities in early 2018. In addition, information about positions to be filled will be increased.

5.5.5 Employee health and safety

MATERIALITY LEVEL	SIGNIFICANT

5.5.5.1 ABSENTEEISM

Absenteeism is subject to a thorough and detailed annual review based on an analysis of the causes by entity.

The absentee rate for employees on permanent and fixed-term contracts was 2.60% this year, compared with 3.36% for 2015. This rate is obtained by comparing the number of days of absence due to occupational illness, non-occupational illness, commuting incidents, workplace accidents and unexcused absences with the theoretical number of days worked x 100.

Most absences were due to non-occupational illnesses (98%). Absenteeism due to workplace accidents is very low (about 0.04%), and in 2016 there were almost no absences due to commuting incidents.

Short-term absenteeism, which corresponds to the average number of days of absence under one month for the average workforce x 100, was slightly lower than in 2015, at 3.75%.

5.5.5.2 ENSURING EMPLOYEE HEALTH AND SAFETY

As the Group's business does not present a significant risk for employee Health and Safety, no collective agreement was concluded in this area in 2016. There were no occupational illnesses reported within the Group.

	Workplace accidents		Commuting accidents		Occupational illnesses	
	2016	2015	2016	2015	2016	2015
Number of incidents	1	5	2	5	0	0
Number of days	6	8	2	17	0	0

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.

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

5.5.5.3 THE RIGHT TO DISCONNECT

The Group decided to implement procedures to enable employees to fully exercise their right to disconnect as of 1 January 2017 in order to respect the personal and family life of employees and ensure their health, in accordance with the Law of 8 August 2016. This right means that employees will not be under any obligation to answer emails or calls outside of normal working hours (except exceptional circumstances) and have the right to report non-compliance. Information measures will also be taken.

The right is part of the overall Digital Equipment Transformation programme initiated by the Group which also involves the proper use of email and social networks.

5.6 ENVIRONMENTAL PERFORMANCE

5.6.1 Energy and climate

MATERIALITY LEVEL	CAPITAL

Greenhouse gas emissions are the main cause of global warming. With the energy transition law for green growth, France committed to reduce its greenhouse gas emissions by 40% between 1990 and 2030 and to decrease its greenhouse gas emissions fourfold between 1990 and 2050.

The construction industry is one of the most energy-hungry and biggest producers of greenhouse gases in France. Altarea Cogedim is aware of its impact and has taken measures in consequence.

The Group tracks its energy consumption and greenhouse gas emissions. Tracking is done for the entire life cycle of each building, *i.e.* during the design, construction and operation phases.

Analyses are then carried out for each individual activity to highlight potential action to reduce the Group's impact.

5.6.1.1 ENERGY EFFICIENCY OF PROPERTY DEVELOPMENT PROJECTS

A high energy performance level is considered a prerequisite for the projects developed by Altarea Cogedim.

The Group's production has been subject to the 2012 Thermal Regulation since 1 January 2013. The regulation is the most ambitious in Europe and is intended to generalise the Low Energy Building (*Bâtiment Basse Consommation* – BBC).

In addition to its overall national goals, Altarea Cogedim also takes into account those of each region. As a result, the Group is working with the City of Paris to help it achieve the goals of its Energy Climate Plan and renewed its commitment in 2016 with the following objectives:

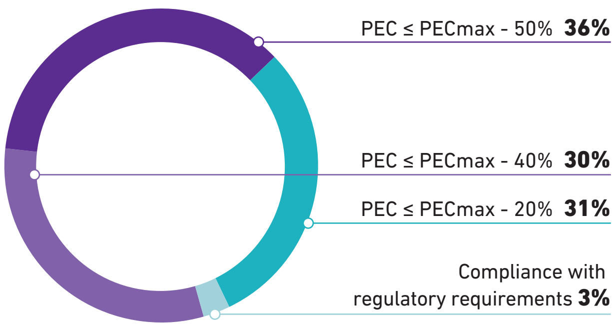
- for its current new office real estate projects in Paris: energy performance exceeds the thermal regulations for new and renovated projects by at least 40%;
- for its current new residential real estate projects in Paris: energy performance exceeds the thermal regulations for new projects by at least 10%.

5.6.1.1.1 Energy efficiency of Retail projects

In 2016, Retail projects under development with improved energy efficiency in excess of requirements under the thermal regulations applicable to each project represented 251,842 m², *i.e.* 97% of projects (in surface area).

BREAKDOWN OF RETAIL PROJECTS UNDER DEVELOPMENT BY ENERGY PERFORMANCE LEVEL

(Percentage of surface areas in m² of "hors œuvre nette" (net surface area) or floor area).



PEC = primary energy consumption of building in kWhPE/(m².year)
PECmax = maximum primary energy consumption defined in the thermal regulation in kWhPE/(m² .year)

This high score is stable compared to 2015 and reflects Altarea Cogedim's intent to design, implement and operate high-performance shopping centres and to protect and ensure the ongoing value of its future retail assets.

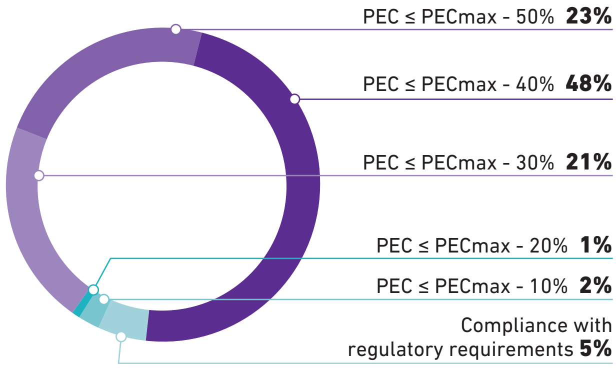
To further ensure this, Dynamic Thermal Simulations are consistently carried out as a complementary element for large-scale retail projects. The simulations enable an improvement in the energy performance objectives of projects thanks to a more refined definition of the usage characteristics the project will have in operation. In 2016, Dynamic Thermal Simulation was conducted for 65% (in surface area) of Retail projects under development, *i.e.* 170,208 m².

5.6.1.1.2 Energy efficiency of Office and Hotel projects

In 2016, Office and Hotel projects under development with improved energy efficiency in excess of the requirements under the thermal regulations applicable to each project represented 304,991 m^2, *i.e.* 95% of projects (in surface area).

BREAKDOWN OF OFFICE AND HOTEL PROJECTS UNDER DEVELOPMENT BY ENERGY PERFORMANCE LEVEL

(Percentage of surface areas in m^2 of "hors œuvre nette" (net surface area) or floor area)



PEC = primary energy consumption of building in kWhPE/(m^2.year)
PECmax = maximum primary energy consumption defined in the thermal regulation in kWhPE/(m^2 .year)

The graph above shows the overperformance levels of the projects in the scope compared to the thermal regulations applicable (which may be RT 2005 or RT 2012, depending on the date on which the building permit request was submitted).

The project rate is stable and only decreased by two points[1] compared to 2015.

The Group set itself the goal of reaching an energy performance level of HPE 2012 minimum for all of the Office projects under development. This level is equivalent to a 10% overperformance compared to the thermal regulation. In 2016, 100% (in surface area) of Office projects under development, *i.e.* 298,589 m^2, improved by at least 20% compared to thermal regulation requirements, of which 99% by at least 30%. The Group, therefore, exceeded its initial objective.

The Group launches test operations for new labels to anticipate future regulations. The Group's first operation with the positive-energy building label (BEPOS) will be delivered in 2017 and will provide feedback for future operations. More specifically, the label is designed to promote buildings whose overall energy balance is positive, *i.e.* which produce more energy (thermal or electrical) than they use.

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

5.6.1.1.3 Energy efficiency of Residential projects

RT 2012, to which the Group's buildings for which a building permit was submitted as of 1 January 2013 are subject to, enables a threefold decrease in the energy consumption of buildings compared to the previous regulations. This change has enabled Low Energy Building (BBC) standardisation for the new residential portfolio.

In 2010, the Group started anticipating the new RT 2012 thermal regulation, which came into effect in 2013, for all of its projects throughout the country. Today, the Group goes further, exceeding regulatory energy requirements for 29% of projects under development, accounting for 4,747 residential buildings[2].

This level is decreasing gradually, but is stable because, since the generalisation of RT 2012, the share of Residential projects subject to it is increasingly in the majority.

5.6.1.1.4 Energy metering systems

For Office, Hotel and Retail projects under development that undergo environmental certification (nearly 98% of its production), Altarea Cogedim goes beyond regulatory requirements for metering and makes equipment for detailed monitoring of energy consumption available to occupants. These systems empower occupants, giving them the tools necessary to understand their consumption in detail by use or zone and to rapidly identify sources of overconsumption.

The supply of this equipment is studied on a regular basis for projects which include housing, in particular mixed-use projects. It can consist of an application on a smartphone/tablet which tracks the energy consumption of each residential building and offers suggestions on how to optimise consumption.

5.6.1.2 ENERGY EFFICIENCY IN THE REIT DIVISION

5.6.1.2.1 Energy managed by the Group

In 2016 for the current scope, the portfolio's total consumption was 54.7 GWh of primary energy.

This year, Altarea Cogedim continued two complementary initiatives to strengthen its actions to reduce its energy consumption and related greenhouse gas emissions.

The first involved implementing recommendations from the energy audits conducted in 2012 and 2013 across the Group's portfolio. These procedures make it possible to develop on-site assessments of energy consumed for each asset, particularly by analysing structure, technical facilities and operational management. The action plans involve energy management at the sites along with the optimisation and even renewal of technical equipment. They also establish thermal recommendations for the next overall renovation of the shopping centre.

At the same time, the Group finished developing an Environmental Management System for operations (EMS), which is being extended to all assets. All the technical and operational teams received training in this tool in 2014 and continued their work in 2016. The EMS will allow for gradual improvement of the environmental performance (and thus the energy efficiency) of shopping centres by thorough implementation of best practices for operations and reporting.

(1) The calculation methodology for the Residential energy performance indicator was revised in 2016. It is described in Chapter 5.7, Reporting methodologies.

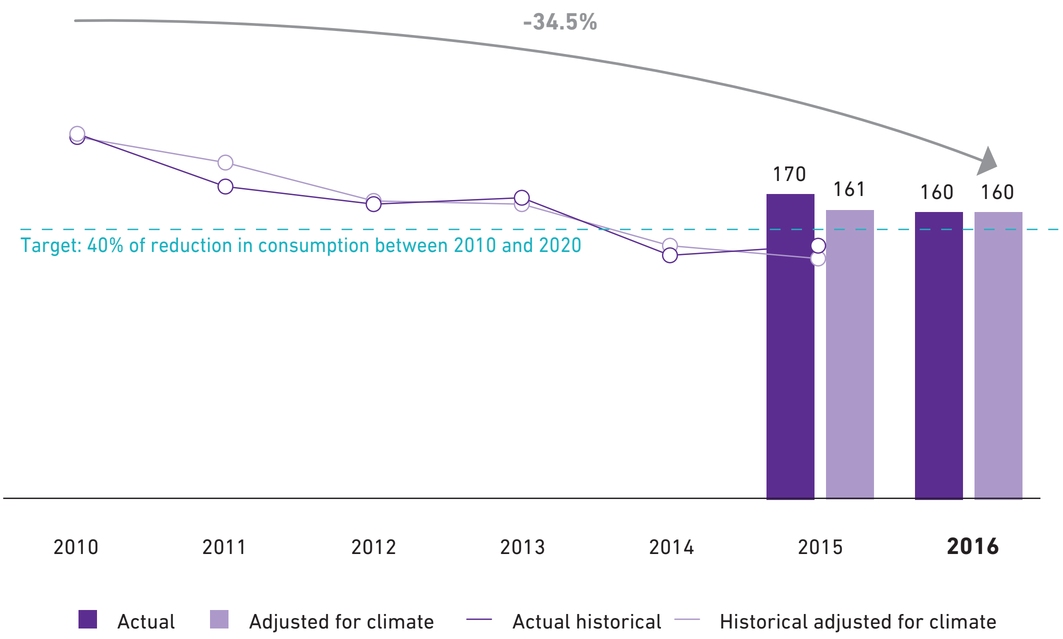
(2) Most are subject to RT 2012.

In addition, Altarea Cogedim tested an innovative solution which breaks down the energy consumption of a shopping centre in real time based on different items. This was conclusive and may be extended in coming years to find further reductions throughout the portfolio.

Since 2013, the Group has also used a tool that smooths the effects of weather on energy consumption so as to better assess the real impact of its energy reduction efforts.

PORTFOLIO ENERGY CONSUMPTION

(Like-for-like basis in kWhPE/m²)



The aim of combining these two actions is to continually improve the environmental performance of the assets and achieve the objectives the Group reassessed upwards in 2016, following achievement of the previous objectives:

- 40% reduction in primary energy consumption per m² from 2010 to 2020, on a like-for-like basis;
- 70% reduction in greenhouse gas emissions per m² from 2010 to 2020, on a like-for-like basis.

These consolidated ratios include various types of assets with specific energy profiles:

- shopping centres with a central area that is heated and air-conditioned with lessee water loops consume the most energy;
- Lifestyle Centers with a central area that is not heated and air-conditioned but does have a lessee water loop consume an average amount of energy;
- lastly, Retail Parks/Family Villages® with open central spaces without water loops consume the least amount of energy among retail assets.

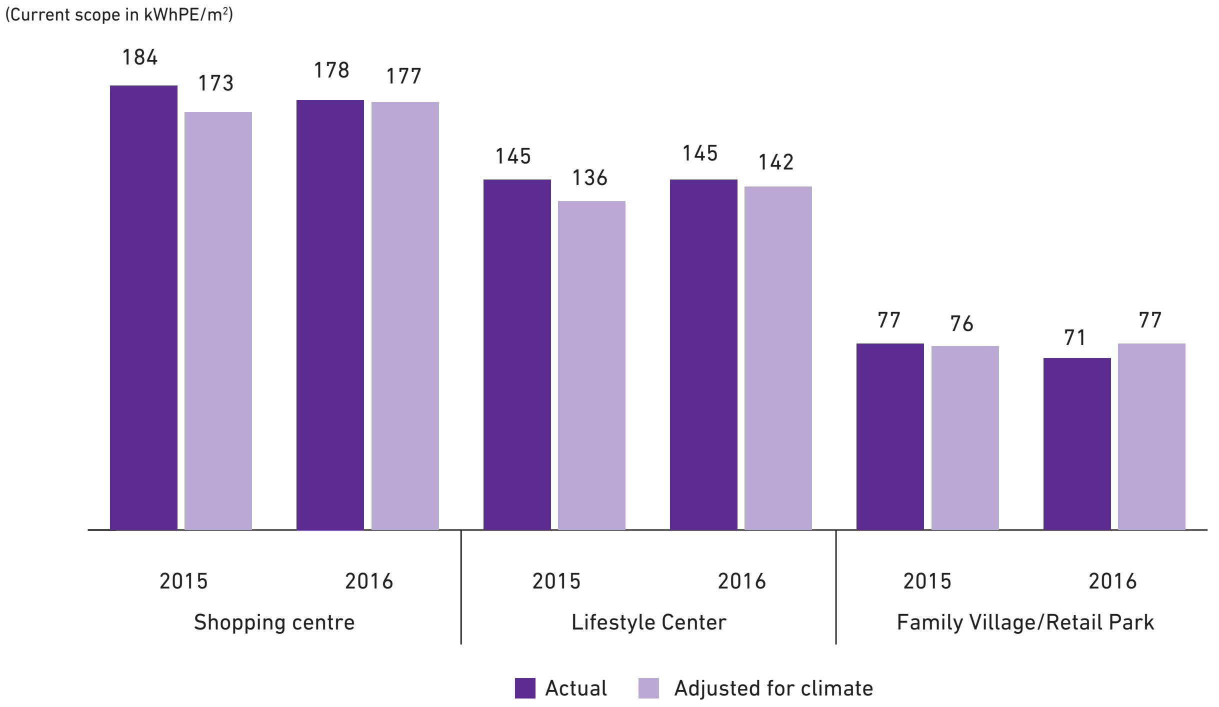
By the end of 2016, this approach to energy management had led to a 34.5% per m² drop in energy consumption on a like-for-like basis and at constant climate compared to 2010.

These consolidated results conform to the Group's reduction targets.

In the current scope including assets under management, acquisitions and new assets entering into operation, we noted a 17.0% decline in primary energy consumption over 2010-2016. The consumption levels adjusted to reflect a constant climate show that the portfolio assets in operation continued to work to reduce their consumption this year again: in the current scope, reduction at constant climate was 23.5% between 2010 and 2016.

The reduction in consumption was 4.2% over the 2015-2016 period, primarily in the shopping centre category. The breakdown of consumption by m² is more favourable to the Family Village, Retail Park and Lifestyle Center asset classes than to shopping centres which are inherently greater energy consumers due to their lighted, heated and air-conditioned common areas.

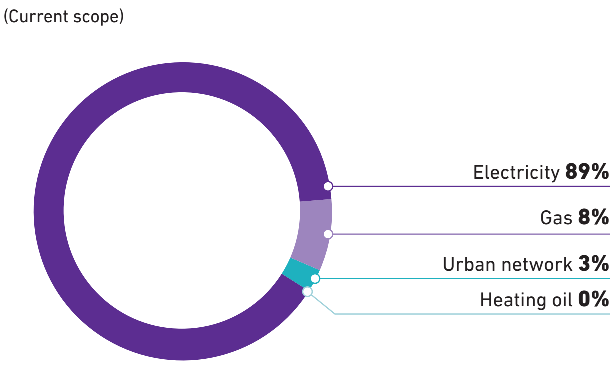
ENERGY CONSUMPTION OF PORTFOLIO BY TYPE



Electricity made up 89% of the portfolio's energy supply in 2016. This includes the energy consumption of common and private-use areas managed directly by Altarea Cogedim. This energy mix is also reflected in final energy, which better represents Altarea Cogedim's choice regarding energy supply.

In addition, the Group has chosen, since 1 January 2016, to purchase 50% of its green electricity with its national contract, *i.e.* electricity produced by EDF from plants using renewable energy sources located in Metropolitan France. Greenhouse gas emissions related to electricity purchases have, therefore, decreased significantly.

ENERGY MIX OF PORTFOLIO

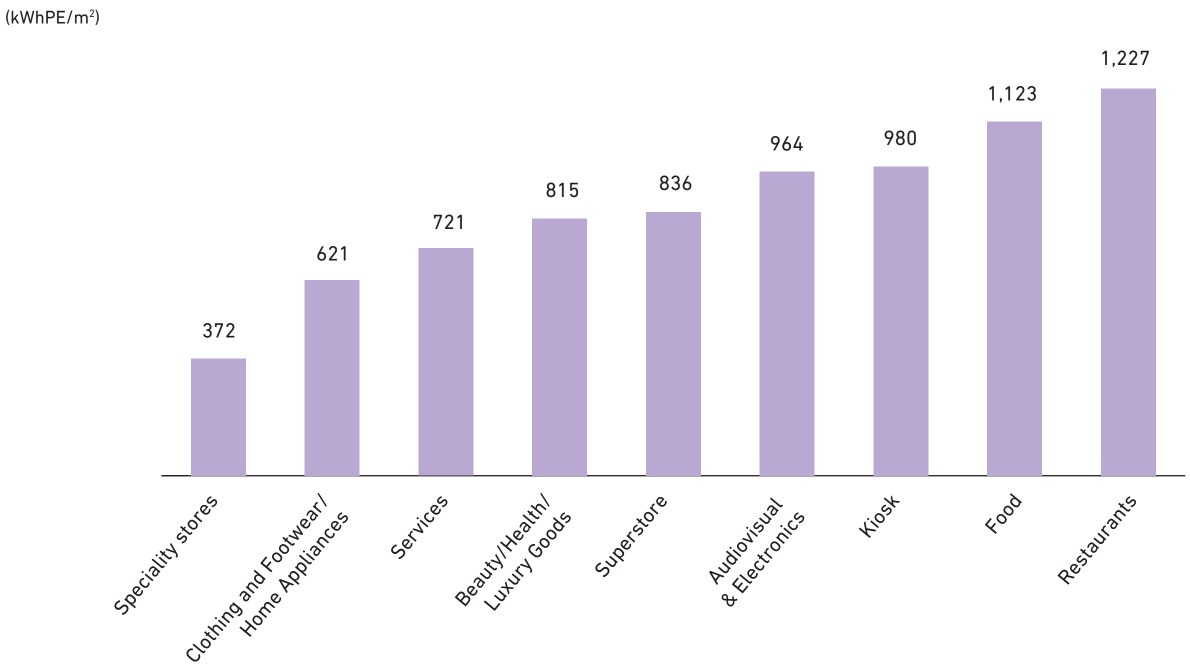


5.6.1.2.2 Tenant energy and overall asset energy consumption

In order to gain a better overall picture of the energy used in its centres, including by equipment that does not belong to it, Altarea Cogedim has been collecting annual energy data from its tenants since 2014 in the highest-impact shopping centres in the portfolio from the standpoint of energy consumption. They accounted for 339,088 m² GLA in 2016.

This initiative has made it possible to establish an energy consumption profile according to different categories of retail establishments by extrapolating this representative sample to the Group's portfolio as a whole.

AVERAGE ENERGY CONSUMPTION PER M² AND PER YEAR BY TYPE OF BUSINESS

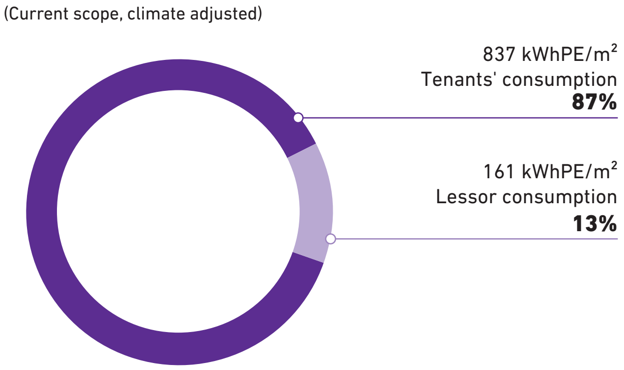


The most energy-intensive asset categories are food services and restaurants (> 1,000 kWhPE/m²). This can be explained by the very energy-intensive food service processes employed (preparation, refrigeration, ventilation, cooking).

The least energy-intensive asset categories are shops selling personal and household equipment, as well as services. These asset types account for energy consumption of approximately 600 and 700 kWhPE/m², respectively. This can be explained by the fact that energy is used only for heating/air-conditioning, lighting of sale spaces, and computers and cash registers. No energy-intensive equipment is used in these establishments.

This collection of tenant data also provides for an overall view of energy consumption of the portfolio shopping centres as a whole. The energy managed by the Group, together with that managed by tenants, adds up to the sites' total energy consumption.

BREAKDOWN OF THE PORTFOLIO'S ENERGY CONSUMPTION



Portfolio energy consumption at current scope and climate-adjusted, calculated by adding energy consumption managed by the Group to consumption data collected from tenants and extrapolated to the portfolio as a whole.

This initiative to collect tenants' energy data will be continued in the coming years, with the aim of reducing the overall environmental footprint of the sites, particularly through the use of green leases (see paragraph 5.4.1.2).

In addition, the Group intends to extend its environmental approach to foreign sites and, this year, collected data from the two sites managed in Italy and Spain The Le Due Torri shopping centre in Stezzano reduced its primary energy consumption by 9% between 2015 and 2016 and the Sant Cugat shopping centre near Barcelona reduced it by 11%, notably thanks to the use of LED lighting.

5.6.1.3 ALTAREA COGEDIM GROUP GREENHOUSE GAS EMISSIONS

The Group's total emissions were estimated at 2,350,500 tonnes of CO_2e in 2016 (based on 2015 data). This figure includes both direct emissions and indirect emissions resulting from its business, and covers scopes 1, 2 and 3 of the greenhouse gas (GHG) Protocol.

The methodology used to calculate these emissions is compatible with the Bilan Carbone® assessment, the GHG Protocol and the ISO 14,064 standard.

Altarea Cogedim also reports emissions compatible with the regulatory GHG Assessment (Article 75 of Grenelle II), although it is not subject to this regulation.

The precise breakdown of emissions according to the different scopes, in accordance with the GHG Protocol and Article 75 of the Grenelle Environment Round Table, and the calculation methodologies used for each business area, are presented in paragraph 5.7.4.1.

5.6.1.3.1 The Altarea Cogedim Group's carbon footprint

Altarea Cogedim's overall emissions consist of emissions related to the following activities:

- Property Development (projects under development);
- REIT (assets in operation);
- Corporate (registered office, regional subsidiaries).

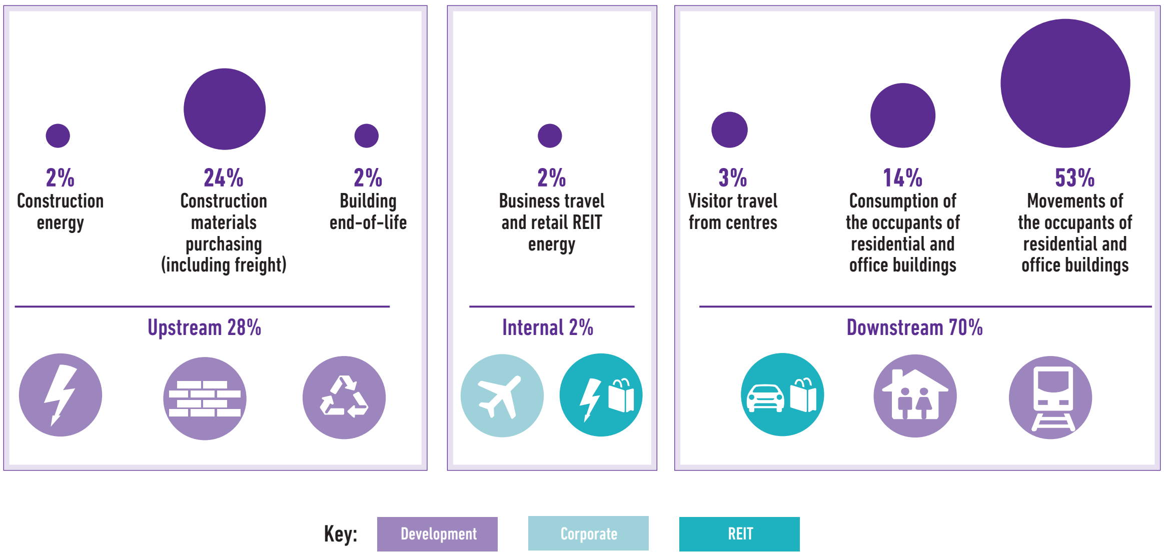
In 2016, the Group's total emissions came to 2,350,500 tonnes of CO_2e.

Of this, 98% consisted of "upstream" and "downstream" emissions 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 and, for REIT, of emissions created by visitors travelling to shopping centres.

The remaining 2% correspond to "internal" emissions related to activities directly controlled by the Group, notably business travel by company car and the energy used in the common areas of shopping centres.

The Group's total emissions consist of the following, depending on the activity and the different sources of emissions.

PRINCIPAL GROUP SOURCES OF GREENHOUSE GAS EMISSIONS



The Property Development division accounts for 95% of the Group's emissions. They are nearly exclusively indirect, as they result from the materials used by construction companies and the use of buildings sold. The REIT division accounts for 5% of emissions and Corporate activities account for less than 1% of overall emissions.

Consolidated at the 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.

5.6.1.3.2 Reducing the Group's carbon footprint

Altarea Cogedim has been taking steps to reduce its greenhouse gas emissions for several years now.

In 2016, following COP 21, the Group continued its commitment in this area with its external stakeholders via:

- a new commitment to the Paris Climate Action charter in partnership with the city of Paris. Under this charter, the Group commits to quantified and measurable objectives to reduce greenhouse gas emissions and energy consumption by 2020. These objectives are outlined in the REIT and Property Development paragraphs;

- serving as a founding member of the BBCA [Bâtiment Bas Carbone, or Association for Low-Carbon Construction].

In concrete terms, the Group's overall analysis of greenhouse gas emissions, as well as the detailed analysis of each Bilan Carbone® assessment, enable Altarea Cogedim to determine which initiatives it should give priority to, and then to outline action plans to reduce greenhouse gas emissions that are unique to each of its activities. Given that the majority of emissions come from the property development and REIT activities, they have much more highly developed action plans than those related to Corporate segment emissions.

Reduction of internal emissions

Shopping centre energy consumption represents the second-largest source of greenhouse gases, after travel, at 15% of the consolidated emissions of the REIT division. These emissions are taken into account in both the design of new retail projects through Dynamic Thermal Simulations and during operation, through energy audits that give rise to action plans to reduce consumption in areas managed by Altarea Cogedim (see paragraph 5.6.1.2).

In the Corporate division, travel makes up 61% of emissions. The main focus is on reducing the emissions of corporate employee and management vehicles.

Reduction in upstream and downstream emissions

In the property development business, the building design and construction phases are essential to taking into account the carbon footprint of the project. In fact, 24% of Group emissions are related to the purchasing of construction materials, and 2% to waste production during demolition. Bilan Carbone® Construction assessments (see paragraph 5.6.1.4.1) allow Altarea Cogedim employees and partners to create projects with a low carbon impact, for example by choosing low-carbon construction methods or materials.

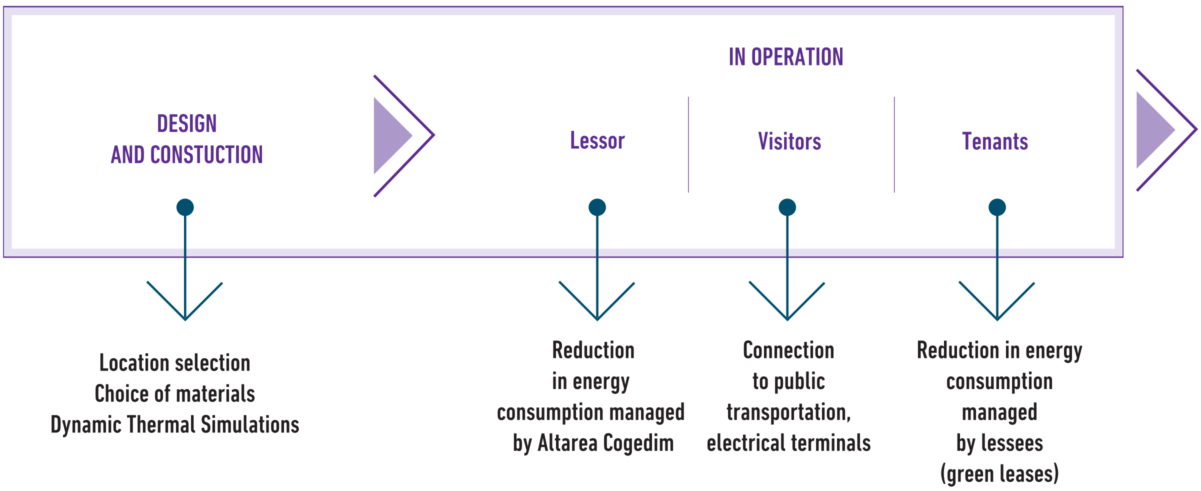
The Group has developed pilot operations using wood as the primary material given that it stores carbon. This is the case for the "5 Impasse Marie-Blanche" project in Paris' 18th arrondissement, which has a wood frame, and the "Be Wood" programme inaugurated in 2016 in Montreuil, which has wood façades. Altarea Cogedim also built the Marques Avenue A13 shopping centre in Aubergenville entirely out of wood, a first in France.

The choice of the project site and its proximity to transportation are also crucial. At the Group level, 56% of emissions are due to travel by the occupants of residential and office buildings sold and travel by visitors to shopping centres. The challenge of eco-mobility, at once societal and environmental, has led the Group to choose well-connected sites, install charging stations for electric vehicles and to measure its progress in these areas through a series of indicators on the proximity to transportation (see paragraph 5.4.3).

The management of downstream energy consumption is also critical to reducing Altarea Cogedim's carbon footprint. The consumption of the occupants of residential and office buildings sold accounts for 14% of global emissions. This is contained thanks to high-energy performance buildings under development (see paragraph 5.6.1.1). For the REIT business, tenant energy consumption management is achieved thanks to exchanges of environmental information under the green lease and its appendix, the *Cahier des Prescriptions Techniques Architecturales et Environmentales* (CPTAE) (technical, architectural and environmental guidelines), signed with tenants (see paragraph 5.6.1.2.2).

Together these actions make it possible to manage the greenhouse gas emissions of the buildings during their life cycle. In particular, the design, construction and operation phases result in the following actions at the property company's shopping centres:

REDUCING THE CARBON FOOTPRINT OF A SHOPPING CENTRE



The Group went even further this year by developing a tool to make long-term emissions projections and by organising workshops with operations teams from all business lines to identify new and concrete ways to reduce emissions for each of the sources with the highest emissions. These two actions were implemented with the support of a specialised consulting firm.

The key areas with the most significant potential impact on emissions were studied:

KEY AREAS TO REDUCE GROUP EMISSIONS

Encourage the sustainable mobility of the users of our buildings

Promote low carbon construction methods and the circular economy

Develop positive energy and intelligent projects

Adapt to rapidly evolving uses and climate

Based on this, the Altarea Cogedim Group will be able to make in-depth commitments to reduce its carbon footprint. The work, on an expanded scope and outside of the Group's direct area of responsibility, will enable activation of the strongest reduction levers, together with the stakeholders.

5.6.1.3.3 Anticipating and adapting to climate change

Altarea Cogedim integrates the risks related to climate change for its businesses (see Chapter 6.11.3 Social and environmental risks). These risks can take various forms, such as flooding or heat waves. To date, the Group has yet to identify any major risks. Nonetheless, it is looking to anticipate climate change to be able to react, particularly in analysing its carbon dependence.

By conducting a precise calculation of its businesses' greenhouse gas emissions, Altarea Cogedim intends to reduce them. More importantly, it strives to anticipate climate change in order to be able to cope with it.

The carbon emissions resulting from its business are closely tied to its vulnerability with respect to:

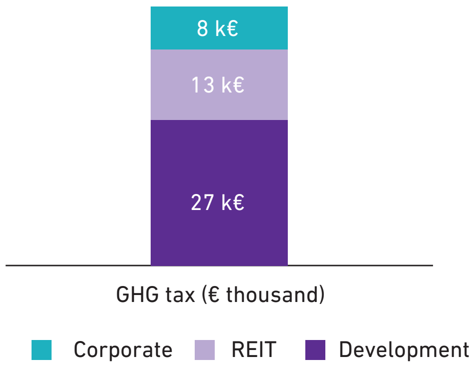
- the implementation of a carbon tax: the more greenhouse gases the Group's businesses emit, the greater the direct financial impact they will sustain;
- higher fossil fuel prices: the volatility of this energy source could raise prices of goods and services and therefore affect the Group's procurement.

Using the studies described above, Altarea Cogedim calculated the additional costs in each of these cases.

Concerning the financial impact of a carbon tax, it concluded that the tax will be applied only in the case of direct consumption of fossil fuels (natural gas or heating oil for stationary sources and motor fuels for mobile sources). Assuming a tax of €17/tonne of CO_2e, which corresponds to the rate proposed when the tax was to be launched in January 2010, the additional costs to the Group would be €49,000/year, allocated as follows:

COST OF THE CARBON TAX

(in € thousand)



For additional costs resulting from an increase in the price of fossil fuels, the Group concluded that the increase in the price of oil would have a direct effect on the price of natural gas (80%) and coal (90%). Assuming an increase in the price of a barrel of oil from $50 to $150, the rise in fossil fuel prices would theoretically cost the Group €454 million per year maximum. This additional cost would be a "direct" 1%, *i.e.* caused by operations managed directly by the Group, with the rest being caused by businesses on which the Group depends.

5.6.1.4 PROPERTY DEVELOPMENT GREENHOUSE GAS EMISSIONS

5.6.1.4.1 Bilan Carbone® Construction assessments – Embodied energy

Altarea Cogedim conducts many Bilan Carbone® Construction assessments for its development projects. Since 2011, these studies have become standard for all Office, Hotel and Retail programmes under development with a surface area of over 10,000 m^2.

These studies measure greenhouse gas emissions for the design, construction and end-of-life stages of an operation. They also allow us to quantify emissions related to a building's embodied energy.

GREENHOUSE GAS EMISSIONS FROM CONSTRUCTION, BY SURFACE AREA AND TYPE

(in kg CO_2e/m^2)

Bilan Carbone ®Construction assessments help identify the items that generate the most emissions, allowing the Group to implement reduction initiatives. Comprehensive aggregation of this data shows that 77% of emissions from Group operations are due to purchasing of construction materials, and 7% are due to waste production during demolition at the end of a building's life cycle.

The design stage is particularly important, as it is an aspect over which the Group has a direct impact in its ability to choose low-emission construction materials and building methods. But the REIT development phase and choice of locations near public transportation that cut carbon emissions from commuting in the short and medium terms are more important than ever to the Group's strategy. After 50 years of operation, emissions from the construction of a residential building represent an average of only 5% of the total emissions over the building's life cycle. Greenhouse gas emissions are thus overwhelmingly due to occupant travel.

5.6.1.4.2 Greenhouse gas emissions from the energy consumption of projects under development

In connection with the management of greenhouse gas emissions linked to the energy consumption of projects under development, the Group is subject to RT 2012 thermal regulations for all project classes. This regulation encourages a more balanced energy mix. It penalises electrical energy because it generates lower greenhouse gases during off-peak periods, but higher carbon emissions during peak periods.

Energy consumption profiles and associated greenhouse gas emissions vary significantly according to project type. Retail assets are very stable over the day, whereas residential buildings see significant fluctuations. Dynamic Thermal Simulations (DTS) make it possible to calculate the total energy needs of a project. These simulations, described in Chapter 5.6.1.1, allow for more effective and substantive work on the energy mix and the associated greenhouse gas emissions.

The Group makes energy supply feasibility studies standard for all new projects. These studies aim to promote installation of efficient equipment and renewable energy sources, to offer its projects low-carbon energy systems and thereby limit the Group's contribution to climate change.

5.6.1.5 GREENHOUSE GAS EMISSIONS FROM THE REIT ACTIVITY

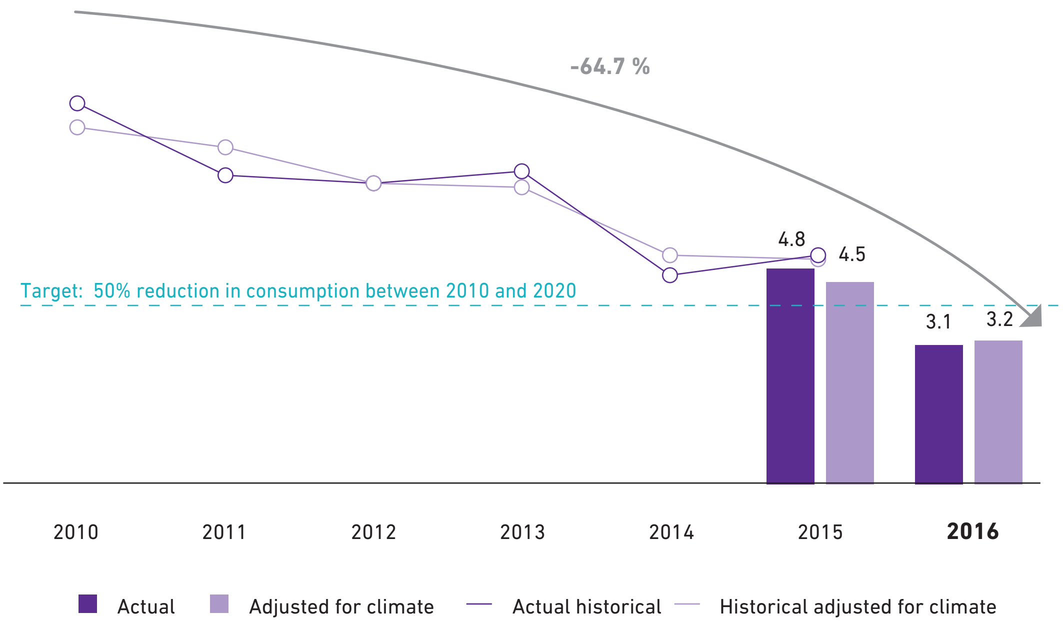
5.6.1.5.1 Greenhouse gas emissions from portfolio energy consumption

The total emissions from portfolio energy consumption were 1,115 tonnes of CO_2e in 2016 for the current scope.

The action the Group has taken to reduce energy consumption in the portfolio also allows it to reduce related GHG emissions.

PORTFOLIO GREENHOUSE GAS EMISSIONS

(Like-for-like scope in $kgCO_2e/m^2$)



The emission factors used are presented in the methodology section in paragraph 5.7.4.3.

At the end of 2016, the approach to energy described here had led to a 74.8% decrease in greenhouse gas emissions per m^2 on a like-for-like basis compared to 2010. At constant climate, the reduction amounts to 64.7%.

This significant reduction is partially related to the purchase of 50% green electricity by the Group since 1 January 2016, via a contract signed with EDF.

The Group is ahead of its original objective to reduce the portfolio greenhouse gas emissions from its energy consumption by 50% and has set a new objective of -70% by 2020, compared to 2010, on a like-for-like basis.

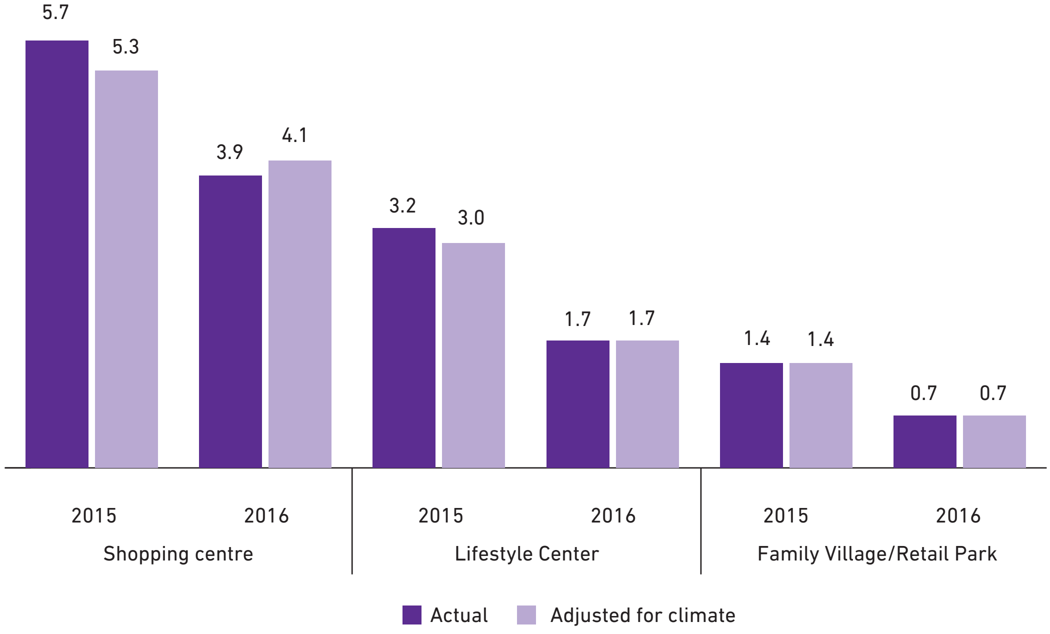
In addition, Altarea Cogedim is maintaining its reduction objective for its energy consumption in order to reduce further its environmental footprint.

For the current scope including incoming and outgoing assets, greenhouse gas emissions per m^2 over the 2010-2016 period decreased by 62.1% and by 57.3% when including the climate correction.

The distribution of emissions between the various asset classes and their change between 2015 and 2016 indicate a significant reduction for all types of assets. This highlights the work of the centre management teams who continue to optimise their consumption and the related greenhouse gas emissions.

PORTFOLIO GREENHOUSE GAS EMISSIONS BY TYPE

(Current scope in $kgCO_2e/m^2$)



The Shopping Centre asset class, and to a lesser extent the Lifestyle Centers, are the highest greenhouse gas emitters, as they regularly use gas and urban heating, which are higher in carbon, to heat both common and private-use areas.

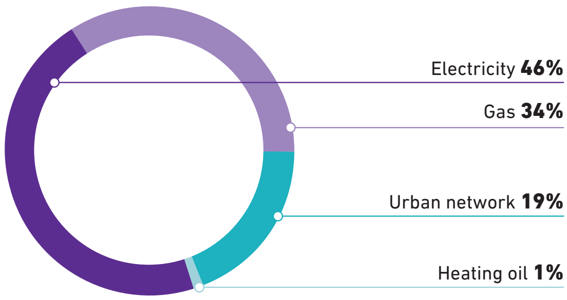
Although electricity produces lower emissions per kWh, it is nevertheless the energy source that contributes most to total emissions. The share has been reduced significantly since 2015 thanks to purchases of green electricity.

5.6.1.5.2 Greenhouse gas emissions related to portfolio refrigerant use

The Group regularly and precisely monitors the greenhouse gases generated by air-conditioning equipment in its centres. In 2016, related emissions were 49.7 tCO_2e (compared to 39.9 tCO_2e in 2015).

CO_2 MIX OF PORTFOLIO

(Current scope)



5.6.2 Labelling and sustainable certification

MATERIALITY LEVEL	CAPITAL

To further the environmental performance of projects under development and of existing property portfolio, Altarea Cogedim has selected environmental and qualitative certifications adapted to the type of project for all of its projects under development and existing assets.

They are selected based on two predominant criteria:

- the relevance of the applicable standards and assessment method;
- stakeholder expectations for each project type.

5.6.2.1 PROPERTY DEVELOPMENT DIVISION ENVIRONMENTAL LABELS AND CERTIFICATION

The Group has committed to a systematic environmental and qualitative certification approach for its projects under development:

- BREEAM® "Excellent" environmental certification minimum for Retail projects under development;
- environmental certifications NF HQE™ Bâtiments tertiaires (office buildings) "Excellent" and BREEAM® "Very Good" minimum, for Office projects under development;
- NF Habitat qualitative certification for Residential projects under development in France (excluding co-development, rehabilitations and managed residences);
- NF Habitat HQE™ environmental certification for D-level or higher Residential projects in the Paris Region (excluding co-development, rehabilitations and managed residences).

This all-encompassing environmental ambition could change in certain cases: purchase of a project with a final building permit, provision of a service to a partner investor, technical impossibility, etc.

Since the progress-based approach was implemented in 2009, the percentage of production with environmental certification has increased thanks to the commitment of new projects receiving environmental certification. Therefore, nearly 98% of Retail, Offices and Hotels had environmental certification in 2016.

These environmental certifications are in addition to the qualitative NF Habitat certification in place for 100% of Residential[(1)] projects under development built by Altarea Cogedim.

5.6.2.1.1 Environmental labels and certification for Retail projects

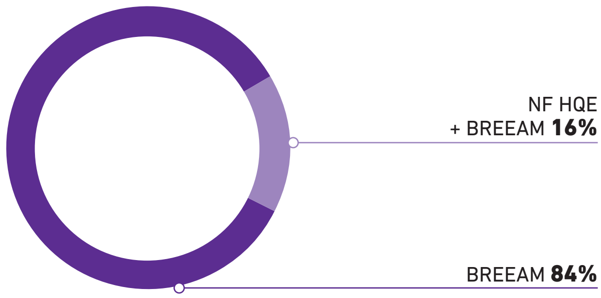
In 2016, Retail projects under development certified or undergoing environmental certification represented 260,317 m², *i.e.*, 100% of projects.

Altarea Cogedim chooses the certifications best suited to its customers' needs and the context of projects. Thus, BREEAM® certification, which has been widely adopted by European Retail players, is used for 100% of the Group's Retail projects under development.

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

BREAKDOWN OF RETAIL PROJECTS UNDER DEVELOPMENT BY ENVIRONMENTAL CERTIFICATION

(Percentage of surface areas in m² of "hors œuvre nette" (net surface area) or floor area)



The Group systematically seeks out the highest certification levels possible within the technical and economic parameters of the project. As such, in accordance with the Group's objectives:

- 100% of projects under development that have NF HQE™ Bâtiments tertiaires (office buildings) certification obtained a "Very Good" rating (41,114 m²); An "Excellent" rating will now be sought for all new Retail projects;
- 100% of projects under development with BREEAM® certification obtained a "Very Good" or higher rating (260,317 m²).

The average BREEAM® score (weighted by surface area) of Retail projects under development (260,317 m², *i.e.*, 100% of surface area) is 68%, which corresponds to "Very Good." This value was stable compared to 2015.

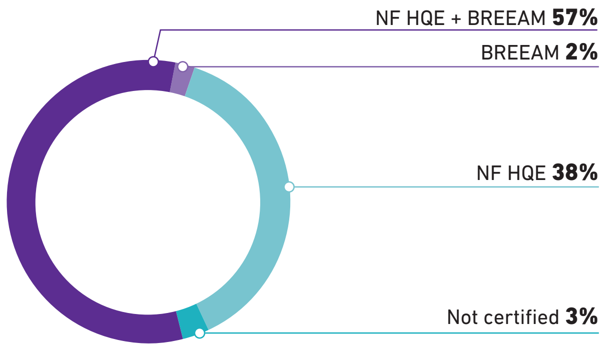
5.6.2.1.2 Environmental labels and certification for Office and Hotel projects

In 2016, Hotel and Office projects under development certified or undergoing environmental certification represented 311,087 m², *i.e.*, 97% of projects (in surface area).

Although the NF HQE™ Bâtiments tertiaires (office buildings) certification is the most widely used certification among projects under development, Altarea Cogedim uses dual certifications (183,352 m², *i.e.*, 57% in surface area) to give its customers more complete solutions regarding environmental and societal issues.

BREAKDOWN OF OFFICE AND HOTEL PROJECTS UNDER DEVELOPMENT BY ENVIRONMENTAL CERTIFICATION

(Percentage of surface areas in m² of "hors œuvre nette" (net surface area) or floor area)



In line with the goal to generalise levels for NF HQE™ Bâtiments tertiaires (office buildings) "Excellent" and BREEAM® "Very Good", minimum :

- 80% of Office projects under development that have NF HQE™ Bâtiments tertiaires (office buildings) certification obtained an "Excellent" rating or higher;
- 100% of Office projects under development with BREEAM® certification obtain a "Very Good" or higher rating.

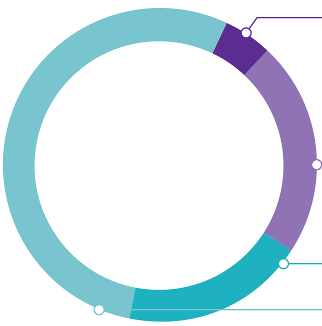
In addition to general environmental certifications, some projects have also received themed labels such as the BiodiverCity® (biodiversity) label for the Austerlitz project and the WELL® (well-being) label for the Issy Cœur de Ville project. More information is available in paragraphs 5.4.4.1.1 and 5.4.2.1.1.

5.6.2.1.3 Environmental labels and certification for Residential projects

In 2016, new Residential projects under development certified or undergoing environmental certification represented 7,627 units, *i.e.* 46% of the Group's total production (in number of residential units).

BREAKDOWN OF RESIDENTIAL PROJECTS IN DEVELOPMENT BY ENVIRONMENTAL CERTIFICATION

(Percentage of residential units)



This rate is down by nine points(1) compared to 2015, translating the change in the Group's commitments, in step with the marketplace. The Group has focused primarily on environmental performance to date, but is now concentrating on environmental as well as qualitative certification including health, comfort and well-being. For this purpose, the Group has committed to obtaining NF Habitat certification for 100% of its Residential(2) projects under development.

Although the certification rate has been falling nationally, the rate of projects with environmental certification remains high in certain metropolitan areas, notably in the Paris Region where 68% of residential units under development are certified.

5.6.2.1.4 Environmental labels and certification for Pitch Promotion projects

Altarea Cogedim acquired the developer Pitch Promotion in February 2015. Given this, Pitch Promotion's environmental data will be gradually integrated into the Group's reporting. A first data collection project was carried out in 2016 to establish a base for comparison in the future. It highlighted a strong commitment to environmental certification.

Nearly 60% of Pitch Promotion's Residential projects under development (in surface area) are certified NF Habitat HQE™ or Qualitel H&E. Three quarters of its Office and Hotel surface area are certified NF HQE™ Bâtiments tertiaires (office buildings) and 95% has received certification (NF HQE™ Bâtiments tertiaires (office buildings), BREEAM®) or dual certification.

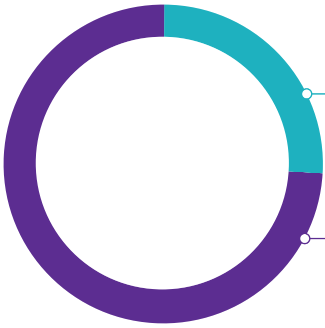
5.6.2.2 ENVIRONMENTAL LABELS AND CERTIFICATION FOR THE REIT DIVISION

In 2016, Altarea Cogedim portfolio assets managed by the Group having obtained environmental certification for their construction or operations represented 489,415 m² GLA, *i.e.* 100% of the scope of reporting in value terms:

- 26% certified in construction;
- 100% certified in operation.

ENVIRONMENTAL CERTIFICATION OF MANAGED PORTFOLIO

(in millions of euros)



The performance levels obtained for projects under development and existing assets are detailed in paragraph 5.6.2.2.2.

5.6.2.2.1 Portfolio environmental certification in construction

Existing portfolio centres having received environmental certification in construction represent a net surface area of 157,543 m², or 26% of the scope of reporting in value terms, or nearly a quarter of surface area. These assets obtained "Very Good" NF HQE™ Bâtiments tertiaires (office buildings) certification for 17.5% of applicable surface areas and "Excellent" for 82.5%. In addition, the Qwartz site in Villeneuve-la-Garenne obtained dual NF HQE™ Bâtiments tertiaires (office buildings) "Excellent" and BREEAM® "Very Good" certification.

This rate is set to increase significantly over the coming years, as all retail projects under development are now subject to one or more environmental certifications.

(1) *The calculation methodology for the Residential certification rate was revised in 2016. It is described in Chapter 5.7 Reporting methodologies.*

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

5.6.2.2.2 Portfolio environmental certification in operation

Since 2012, Altarea Cogedim has been committed to progressive environmental certification of its assets currently in operation, choosing BREEAM® In-Use certification.

The Group committed to certifying 100% of the assets within its current reporting scope by the end of 2015. This goal was met.

This was made possible when the Group rolled out the ALTAGREEN Patrimoine operational Environmental Management System to all assets in 2014. This tool organises non-financial reporting and increases reliability; it also makes best practices and the requirements of environmental certification standard throughout. Each centre management team received a series of trainings in using this tool.

This enabled Altarea Cogedim to improve the environmental management of its sites while certifying all managed sites between 2013 and 2015.

The new objectives set by the Group for the certification of operations are:

- to maintain certification for 100% of the portfolio managed;
- to make progress every year on the BREEAM® In-Use scores obtained by implementing a continuous improvement process. A score of "Very Good" or higher is targeted for score reassessments.

In 2016, the 23 sites in the scope of reporting, accounting for 489,415 m² GLA, *i.e.* 100% by value of the portfolio managed, were certified BREEAM® In-Use. These certifications apply to the Asset (intrinsic performance of the building) and Management (operation of the building) categories of the benchmark.

Performance levels break down as follows (in value terms):

- Asset category: 31% "Excellent", 43% "Very Good" and 25% "Good";
- Management category: 19% "Outstanding", 20% "Excellent", 49% "Very Good" and 11% "Good".

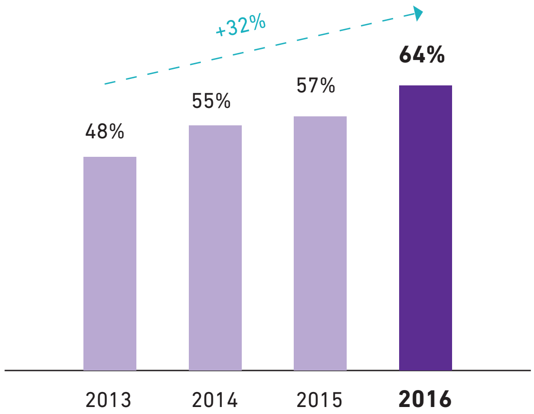
In 2016, the average score (weighted by surface area) was 64% for the Asset category (57% in 2015) and 65% for the Management category (56% in 2015). This increase was made possible thanks to the successful integration of the Environmental Management System by centre management teams.

For each category, a score is calculated according to different components, all scored out of 100 points.

The graphs below show this breakdown, which was obtained by averaging the scores received for each site, weighted by surface area. They highlight the areas on which Altarea Cogedim is continuing to focus its improvement efforts: notably energy and biodiversity where there was significant progress compared to 2015. The Group has taken steps in these areas, and these actions are described in the relevant sections.

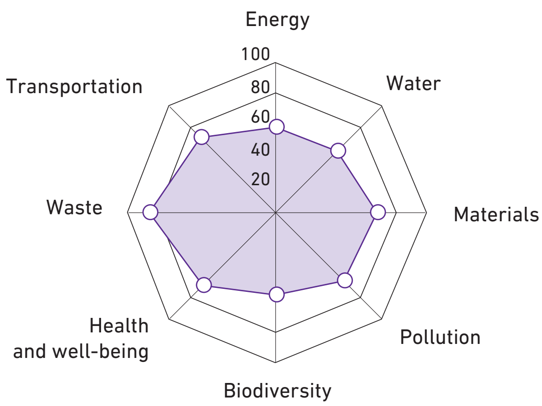
CHANGE IN THE AVERAGE BREEAM® IN-USE SCORE

Asset category



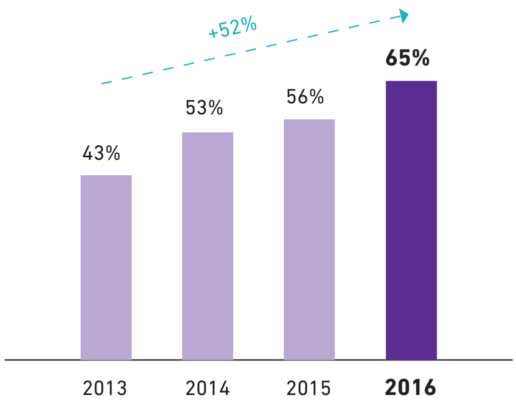
PROFILE OF SITES CERTIFIED BREEAM® IN-USE

Asset category



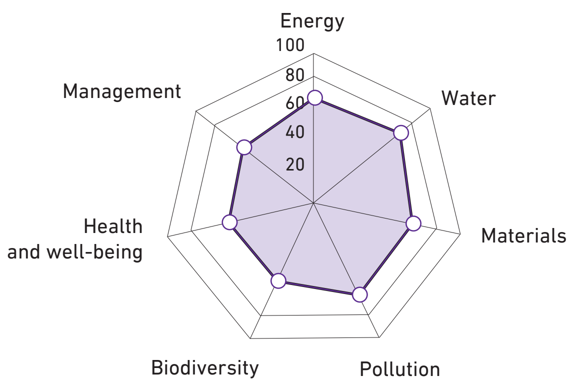
CHANGE IN THE AVERAGE BREEAM® IN-USE SCORE

Management category



PROFILE OF SITES CERTIFIED BREEAM® IN-USE

Management category



In addition, the Group intends to extend its environmental approach to foreign sites and sites it doesn't manage directly. In 2016, it launched BREEAM® In-Use certification for the Italian site Le Due Torri, which was rated "Excellent" for the two parts and for the Gare de l'Est site, managed indirectly.

5.6.3 The circular economy

MATERIALITY LEVEL	CAPITAL

The Group prescribes durable, easily usable, serviceable and repairable systems and materials. Where possible, recycled and recyclable products or those benefiting from environmental labels are preferred. Construction techniques that allow for streamlined use of resources, such as prefabrication and layouts are preferred. For example, for the Marques Avenue A13 Retail project, the Group chose to use prefabricated wood parts. Beyond the benefits related to fast implementation and standardised quality of factory-produced components, prefabrication makes it possible to:

- optimise the quantities of raw materials needed thanks to calibrated industrial processes;
- produce the precise amount of materials needed and limit construction remnants and waste;
- make it easier to disassemble buildings and optimise the materials' end of life.

Altarea Cogedim seeks to make measured use of the raw materials needed to develop its businesses. Where possible, it uses resources from sustainably managed sources (FSC/PEFC-certified wood, for example). Altarea Cogedim's priority in managing raw materials is to reduce the carbon impact of the materials needed, which is measured through the Bilan Carbone® Construction assessments for the property development projects described in paragraph 5.6.1.3.

5.6.3.1 THE CIRCULAR ECONOMY IN THE PROPERTY DEVELOPMENT BUSINESS

5.6.3.1.1 Real estate renovation activity

Given its presence in cities, the Group is often faced with issues related to the obsolescence of the urban fabric. In these instances, renovation will often be planned instead of complete demolition-reconstruction. This enables reduced use of materials and entails less waste.

Renovations account for 47% (in surface area), *i.e.* 82,656 m² of Office projects under development in the Paris Region.

In addition, the Group acquired 55% of the capital of Histoire et Patrimoine in 2014. Its main activity is the renovation of old properties.

5.6.3.1.2 Construction-site waste

In its property development business overall, the Group requires that construction companies carry out selective sorting and detailed monitoring of construction site waste for all certified Office, Hotel and Retail projects under development. This accounted for 98% of projects (in surface area) in 2016.

In addition, for its Retail projects under development, Altarea Cogedim requires that construction companies ensure a minimum rate of recovery of 70% for construction waste (excluding demolition waste) for all construction companies. In 2016, the actual recovery rate for construction waste was 78% for projects under construction or delivered (177,895 m²). The Group achieved its goal.

For Residential projects under development, the Group implemented a construction site charter in 2014 for all new residential projects. Beyond limiting construction-related pollution, these charters impose measures intended to limit the production of waste at the source, identify waste on-site, ensure tracking until final destination and conduct effective and efficient recovery of waste.

5.6.3.1.3 Promotion of selective waste sorting

For its new construction and in the context of the environmental certifications sought (Habitat & Environnement, NF HQE™, BREEAM®), the Group systematically sets up facilities and areas for easy selective sorting by future users and operators.

This accounted for 64% of projects under development (in surface area,) all types included.

5.6.3.2 THE CIRCULAR ECONOMY IN THE REIT BUSINESS

For the current scope, Altarea Cogedim reports a 31% drop in waste production between 2010 and 2016. The breakdown by different asset classes shows reductions in all categories with a greater reduction for shopping centres (-37.9%) and Lifestyle Centers (-39.3%). The decrease is due to the fact that certain sites which produced a significant amount of waste, such as Cap 3000 in Saint-Laurent-du-Var and the Carré de Soie in Vaulx-en-Velin exited the scope.

However, waste is primarily generated by tenants and Altarea Cogedim has very little control over the production level. The Group focuses its actions on increasing sorting rates and the rate of energy recovery and managed waste.

The Group has therefore implemented actions to increase this share of sorting: closer monitoring of sorting by merchants and more sorting via the inclusion of new types of sorted waste (glass, fermentables, etc.).

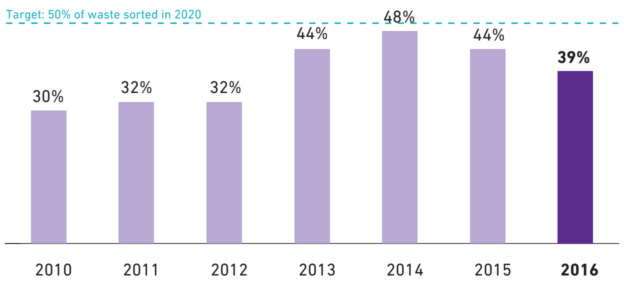
Altarea Cogedim's efforts are focused on awareness-raising among tenants, responsible waste sorting practices and the selection of service providers responsible for recycling, recovering and ensuring the traceability of waste under new service agreements. As waste volumes are directly related to tenants' levels of business activity, the Group focuses on regularly increasing the percentage of waste sorted with an eye to facilitating recovery.

The breakdown of waste in the portfolio is 61% for mixed non-hazardous industrial waste, and 39% for cardboard and other sorted waste. Thanks to the actions implemented, the proportion of sorted waste in the current scope jumped from 30% in 2010 to 39% in 2016, an increase of 29%.

Over the last four years, the Group has been close to its target of 50% of waste sorted. Efforts will continue in order to sustainably achieve 50% sorting.

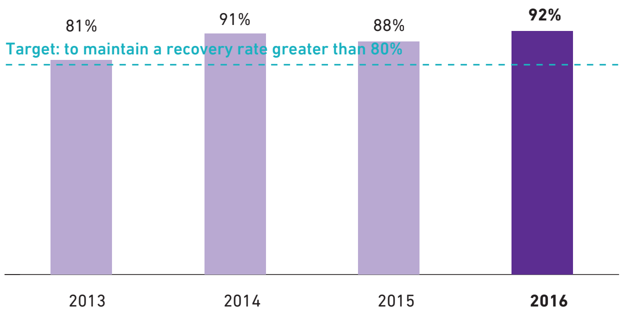
PERCENTAGE OF WASTE SORTED IN THE PORTFOLIO

(Current scope)



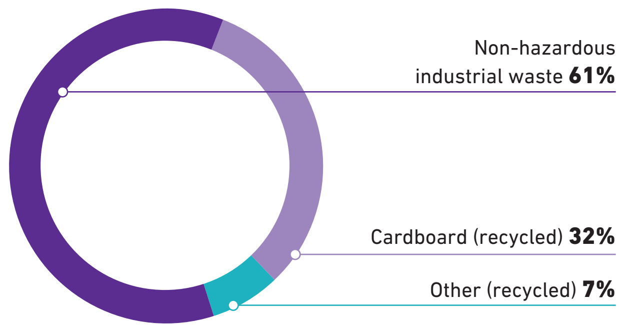
SHARE OF WASTE RECOVERED FOR THE PORTFOLIO

(Current scope)

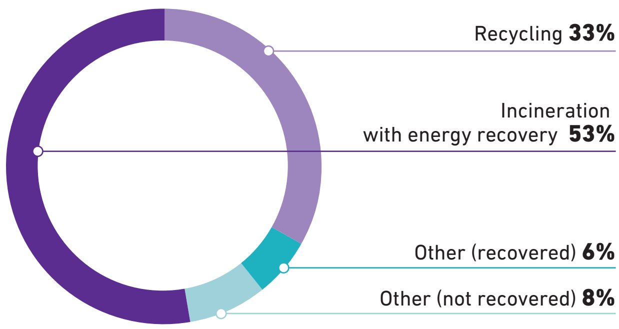


This waste is then processed by service providers selected to maximise recovery rates. In 2016, 32% of the waste produced in centres managed by the Group was recycled, 49% was incinerated with energy recovery and 11% was recovered in another way (reuse or composting, for example). In all, 92% of waste is recovered, the remaining 8% is dumped or incinerated without energy recovery. The Group's goal of over 80% recovery has been maintained since 2013.

BREAKDOWN BY TYPE OF SORTING OF TONNES OF WASTE PRODUCED



BREAKDOWN OF TONNES OF WASTE PRODUCED BY END-OF-LIFE CATEGORY



Note that the work done by the Cap 3000 site was rewarded with the "L'entreprise dont le taux de valorisation matière est le plus performant" (business with the highest performing material recovery rate) award for the Côte d'Azur region.

In addition, the Group intends to extend its environmental approach to foreign sites and this year collected data from the sites managed in Italy and Spain. The Le Due Torri shopping centre in Stezzano sorted 42% of its waste in 2016 and had a recovery rate of 100% thanks to the many types of sorting implemented. The Sant Cugat shopping centre near Barcelona had a sorting rate of 28% in 2016 and also had a recovery rate of 100%.

5.6.4 Biodiversity and land management

MATERIALITY LEVEL	SIGNIFICANT

The protection and reintroduction of biodiversity in urban environments and the fight against urban sprawl are challenges governed by strong regulatory pressures. Altarea Cogedim intends to get ahead of regulations and to make these topics into assets for the well-being and comfort of the users of its buildings by introducing nature into the city whenever possible.

In order to promote biodiversity in the real estate industry, Altarea Cogedim became a member of CIBI (*Conseil International Biodiversité & Immobilier*) in 2016.

The Group also launched an internal awareness-raising programme with the creation of guides to inform teams about the challenges of biodiversity and to provide them with technical solutions and good practices for each phase of their business: programming, design and construction of buildings and operation.

5.6.4.1 LAND MANAGEMENT AND BIODIVERSITY – PROPERTY DEVELOPMENT DIVISION

5.6.4.1.1 Land management – Property Development division

Choosing and optimising the use of land are part of Altarea Cogedim's development business. The Group is in favour of using land reasonably in its Residential, Office, Hotel and Retail projects under development, in a way that balances the density of the programmes and the preservation of open green space.

Renovations account for 47% (in surface area) of Office projects under development in the Paris Region. More broadly, nearly all Office, Hotel and Retail projects under development in the Paris Region are part of the rehabilitation or redevelopment of neighbourhoods and development zones and do not, therefore involve the paving over of land. When the feasibility of a transaction for an existing building is being studied, different scenarios are envisaged (demolition and reconstruction, rehabilitation, major renovation, etc.). The most appropriate solution is selected according to the project's technical and economic constraints.

For Residential projects, particular attention is given to preserving green spaces. In addition to the importance of limiting impermeable surfaces, these unbuilt spaces contribute to the well-being of occupants, particularly in urban areas.

5.6.4.1.2 Biodiversity – Property Development division

Mandatory in the context of urban planning authorisations for large Office, Hotel and Retail projects, assessments of the respect for and preservation of biodiversity are more in-depth for environmental certifications.

Specifically, an environmental specialist is consulted for all projects under development subject to BREEAM® certification. An environmental specialist provided advice for 100% of Retail projects under development in 2016, *i.e.* covering a surface area of 260,317 m^2.

These studies are conducted by an independent environmental specialist. They take into account local flora and fauna, which are integrated into project specifications sent to the contracting team during the scheduling phase. The recommendations of these studies preserve the biodiversity of the existing site – sometimes not yet built – by reintroducing a great number of local species that were initially present into as big a surface area as possible in the new development. These re-created biodiverse land areas make it possible to preserve ecological corridors for small and large animal species.

5.6.4.2 LAND MANAGEMENT AND BIODIVERSITY – REIT DIVISION

5.6.4.2.1 Land management – REIT division

The municipalities in which Altarea Cogedim shopping centres are located have land-use plans (POS or Plan d'Occupation des Sols) or a local development plan (PLU or Plan Local d'Urbanisme). These documents establish a Land-Use Coefficient (LUC) that must be respected. It corresponds to the built area (excluding parking lot) divided by the land area and represents the density of the construction on a site.

5.6.4.2.2 Biodiversity – REIT division

In addition to taking into account regulatory constraints for biodiversity, Altarea Cogedim is convinced that the integration of a shopping centre in its environment must work for the preservation or reintroduction of biodiversity as well as the well-being of visitors.

A Biodiversity guide was created for this purpose in 2016. It is intended for all teams working on retail development projects and operating the centres and is intended to provide information about ways to develop and provide value to biodiversity and biophilic design. The guide provides the regulatory constraints and best practices for each step of the life cycle of shopping centres as well as examples of concrete actions and potential partners.

In addition, during the operating phase of the Group's shopping centres, respect for and preservation of biodiversity are strengthened by the deployment of BREEAM® In-Use environmental certification, as described in paragraph 5.6.2.2.2.

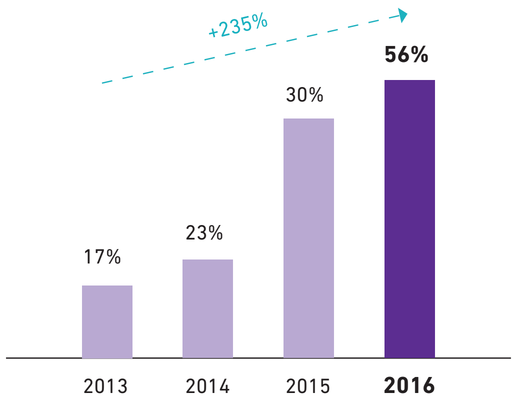
In order to better fulfil the requirements of this operating certification, which includes a biodiversity component, the Group has committed to ensuring that all of its sites have a biodiversity action plan by 2018. The action plans will enable a gradual improvement in the fauna and flora present at the centres.

At the end of 2016, 58% of the sites by value included in the scope of reporting had undergone a biodiversity audit.

The Group improved its Land Use & Ecology score, on average for the portfolio, in the BREEAM® In-Use benchmark (average for Assets and Management, weighted by surface area): it rose from 17% in 2013 to 56% in 2016.

CHANGE IN THE AVERAGE BREEAM® IN-USE SCORE

Land Use & Ecology score



5.6.4.2.3 Groundwater pollution

According to Article L. 1331-5 of the French Public Health Code or where required by planning regulations, water discharged into the environment, other than domestic waste, must have treatment methods in place.

Therefore, rainwater discharged from shopping centres is treated by hydrocarbon separators. This equipment is cleaned by specialised companies at least once a year with hazardous waste monitoring slips archived on-site.

5.6.4.2.4 Soil pollution

The presence of pollutants in the ground represents a health risk to persons frequenting Group shopping centres. There are no specific regulations regarding contaminated sites and soils. When a site has a potential risk of subsurface contamination resulting from previous activities carried out at the site (service stations), Altarea Cogedim possesses the historical and documentary studies and/or pollution analysis reports drawn up at the disposal or acquisition.

Based on the results of these studies, Altarea Cogedim carries out corrective actions for issues detected on 100% of affected sites, particularly during construction work on shopping centres.

5.6.5 Water management

MATERIALITY LEVEL	MODERATE

5.6.5.1 WATER MANAGEMENT – PROPERTY DEVELOPMENT DIVISION

Altarea Cogedim systematically carries out site analyses before starting new projects to identify constraints (leakage rate, infiltration, etc.) and opportunities (water recovery, valleys, etc.) on each site. The conclusions of these analyses are then incorporated into the environmental programme of each project.

On a virtually systematic basis during the design phase, the Group anticipates using specialised equipment on all projects to limit the project's impact on the water cycle and manage consumption of drinking water. Specifically for retail developments, a very space-intensive type of project, Altarea Cogedim incorporates technical solutions into the design phase (porous concrete, grassed parking spaces, green spaces, etc.) that limit soil sealing, and it builds retention basins to reduce the rate of runoff into and saturation of local sewer systems. To prevent water pollution, the Group complies with local regulations for the installation of technical equipment for pretreatment before discharge. All of the Group's new retail projects also feature rainwater collection equipment for watering, washing floors and filling fire safety systems. Likewise, all new retail developments incorporate water-saving sanitary facilities.

Furthermore, during the construction phase, Altarea Cogedim systematically calls on construction companies to measure and monitor water consumption. These initiatives concern:

- 98% of Office, Hotel and Retail projects under development;
- 100% of Residential projects under development with NF Habitat HQE™ certification and 100% of Residential projects under development launched as of 2014.

In 2016, construction work on new Retail projects under development, which covered 177,895 m², consumed 6,759 m³ of water. This consumption includes water used for construction needs (construction processes, cleaning, watering, etc.) and clean water consumed by the construction trailer.

5.6.5.2 WATER MANAGEMENT – REIT DIVISION

As part of its water management, Altarea Cogedim manages and reports 100% of water consumption invoiced to the Group. This includes water from common areas it controls directly (26% of consumption managed, lessor scope) and from water from private-use areas for the vast majority of sites (74% of consumption managed, lessee scope). The latter represents tenant consumption and can be isolated. The Group thus communicates indicators on total water consumption as well as specific consumption in common areas, which is where Altarea Cogedim concentrates its reduction efforts.

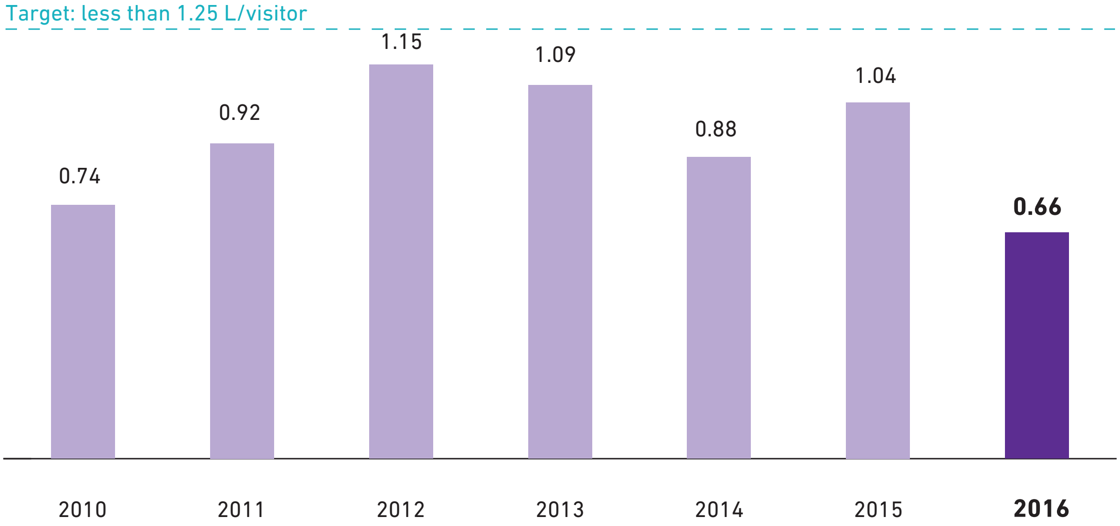
With respect to the operation of sites, the Group deploys measures at each site to better manage water consumption, particularly by locating and repairing leaks as soon as possible and by installing water-saving sanitary facilities.

In the current scope, which includes assets under management, new acquisitions and disposals, the Group observed a decrease in the consumption of water purchased from local water networks between 2010 and 2016 (-13.2%). The decrease occurred primarily in 2015 and 2016 as a result of the exit from the scope of reporting of sites which were particularly heavy water consumers.

On a like-for-like basis, Altarea Cogedim experienced a 7.5% drop in total water consumption (lessor – lessee scope) for the period from 2010 to 2016.

WATER CONSUMPTION FOR COMMON AREAS ON THE PORTFOLIO

(Current scope in L/visitor)



Water consumption in common areas per visitor stood at an average of 0.86 L over the last three years for the current scope; this is in line with the Group's goal of keeping this ratio under 1.25 L/visitor. The Group will continue its efforts to minimise this ratio every year.

In addition, the Group intends to extend its environmental approach to foreign sites and this year collected data from the sites managed in Italy and Spain. The Le Due Torri shopping centre in Stezzano consumed 32,600 m^3 of water in 2016, and used geothermal energy from groundwater to maintain its water system at a constant temperature. The Sant Cugat shopping centre near Barcelona consumed 25,000 m^3 of water in 2016 and reduced its consumption in common areas by 16% in 2015 and 2016.

5.6.6 Other environmental issues

5.6.6.1 DISTURBANCES AND POLLUTION DURING THE CONSTRUCTION PHASE

Altarea Cogedim attempts to minimise the disturbances and pollution generated by construction in its Property Development division. To this end, a low-pollution construction site charter is consistently applied to all of the Group's projects under development. The charters require measures to limit soil, water and air pollution along with visual disturbances and noise pollution at the construction site.

5.6.6.2 PROVISION FOR OTHER ENVIRONMENTAL IMPACTS

Altarea Cogedim's Property Development and REIT divisions are not subject to environmental risk management requirements that impose scheduled investments to ensure continued regulatory compliance of its buildings or technical facilities. As such, the Group has implemented no provision or specific guarantee.

5.7 REPORTING METHODOLOGIES

5.7.1 Verification

Altarea contracted Ernst & Young, one of its Statutory Auditors, to carry out the following:

- verification of the presence of the required CSR information;
- verification of the truthfulness of the information published.

The information selected for verification is related to:

Societal

- Customer and user relations and, in particular, visitor and customer satisfaction and the number of green leases signed.
- Connectivity and mobility and, in particular, the percentage of surface area located less than 500 m from a public transport network, for all activities.
- Mixed-use and local development and, in particular, the employment footprint.
- Well-being of occupants and, in particular, items related to comfort.
- New uses and digitisation.
- Partnerships (Chapter 5.4.6).
- Business ethics.

The environment

- Energy and climate and, in particular, the share of surface area exceeding the requirements of thermal regulations, energy consumption, and greenhouse gas emissions for Scopes 1, 2 and 3.
- The circular economy and, in particular, the rate of recovery and waste sorting.
- Labelling and sustainable certification and, in particular, the Environmental Management System and the share of surface area certified, for Property Development and REIT.
- Water management and, in particular, water consumption.
- Biodiversity and, in particular, the BREEAM® In-Use score and the share of surface area having undergone an environmental study.

Social

- Talent and skills management and, in particular, headcount, recruiting and training.
- Compensation and value sharing.
- Diversity and equal opportunities and, in particular, women in management positions.

5.7.2 Changes in methodology

The environmental reporting methodology was reworked in 2016 in order to increase the quality and consistency of the information provided.

5.7.2.1 CHANGES IN METHODOLOGY FOR PROPERTY DEVELOPMENT

5.7.2.1.1 Definition of the scope

The methodology for defining the scope of environmental reporting was reworked for the Residential, Office and Hotel projects under development to ensure that it is as coherent as possible with the financial scope.

Starting in 2016, the projects included in the scope of reporting are those appearing in the scope established by the financial team as of 30 September of the current year with the following status:

- project for which land was acquired;
- project under construction;
- project delivered during the year.

The method for defining the scope of reporting for Retail projects under development remained unchanged.

5.7.2.1.2 Administrative data collection

The method for collecting administrative data was revised and automated for Residential projects under development: the data, previously collected manually, are now extracted from the Group's Property Development database.

5.7.2.2 CHANGES IN METHODOLOGY FOR THE REIT SCOPE

The Group acquired a specialised, non-financial reporting tool in 2016 to consolidate the environmental information of the shopping centre portfolio. It enables refining of the reporting process, notably by integrating automatic consistency controls and stricter data validation.

The sources of data are the same as in previous years, except for water: the Group decided to base itself on meter readings and no longer on bills, as previously, in order to obtain more accurate consumption data.

In addition, Altarea Cogedim extended its environmental reporting to foreign sites this year by integrating data from the sites managed by the Group in Italy and Spain.

5.7.3 Data sources

5.7.3.1 DATA SOURCES FOR THE PROPERTY DEVELOPMENT SCOPE

The data used for reporting and preparing the environmental and societal indicators for the Property Development scope are collected from all Group subsidiaries. The Sustainable Development Department then compiles and verifies the data for each project under development, based on auditable evidence:

- for general and administrative information:
  - Residential (address, number of residential units): database extracted from the internal real estate management software,
  - Office and Hotel (address, surface area): building permits received,
  - Retail (date, address, surface area): building permits and work completion form;
- for environmental certifications:
  - Residential: Cerqual database,
  - Office, Hotel and Retail: certificates from certifying bodies, audit results or Environment Works Management assistant environmental data sheets;
- for the energy performance level:
  - Residential: Cerqual database,
  - Office, Hotel and Retail: regulatory calculations, Dynamic Thermal Simulations, audit results or Environment Works Management assistant environmental data sheets;
- for the circular economy: environmental data sheets from the Environment Works Management assistant responsible for the project;
- for water management: data sheets from the Environment Works Management assistant responsible for the project;
- for proximity to public transportation: maps indicating the distance between the project's location, as indicated on the corresponding data source, and the closest public transport stop.

More information can be requested directly from the programme manager responsible for the project. This is the case for the construction of a real estate programme in an area that doesn't yet have an address.

5.7.3.2 DATA SOURCES FOR THE REIT SCOPE

The data used to produce the REIT division's environmental and societal indicators are transmitted by each site and then consolidated and verified at the registered office. These data are based on auditable evidence:

- for surface area: surveys;
- for energy, carbon and waste: invoices sent by suppliers and service providers;
- for water: readings done by the site maintenance company;
- for the environmental certification: certificates issued by the certifying body (Certivea, BRE);
- for green leases: signed leases and environmental notes;
- for transportation: maps indicating the distance between the entrance to the site and the closest public transportation stops;
- for visitor modes of transportation: customer surveys conducted on-site.

5.7.3.3 DATA SOURCES FOR THE CORPORATE SCOPE

Altarea Cogedim's energy and water consumption data are provided by the building owner.

5.7.4 Methodology for environmental indicators

5.7.4.1 CALCULATION METHOD FOR ALTAREA COGEDIM GROUP GREENHOUSE GAS EMISSIONS

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

- Corporate;
- Property Development;
- REIT.

For each activity, scopes 1 to 3 of the Bilan Carbone® assessment and the GHG Protocol are taken into account, in accordance with the table below. These items are generic and are specified for each activity in the paragraphs below.

Scope 1	Scope 2	Scope 3
▪ Gas and heating oil used by Altarea Cogedim ▪ Business travel in corporate vehicles ▪ Refrigerants used by Altarea Cogedim	▪ Electricity and steam used by Altarea Cogedim	▪ Energy used on construction sites, by the tenants of shopping centres and by the users of the Residential and Office buildings sold by the Group ▪ Travel by service providers, tenants, visitors and Altarea Cogedim employees, excluding corporate vehicles, and the users of Residential and Office buildings sold by the Group ▪ Fixed assets ▪ Purchases (especially of construction materials) ▪ Freight ▪ Waste and end-of-life of buildings ▪ Refrigerants used by tenants

In 2016, the Group updated its 2015 Bilan Carbone® by adding the use phase for Residential and Offices sold in order to see the impact on its overall value chain.

5.7.4.1.1 Greenhouse gas emissions from the Property Development scope

GHG emissions from the Property Development scope are calculated according to Bilan Carbone® assessments for the different classes of buildings (retail, 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.

Items taken into account are the following: design, energy used on the work sites and by the users of Residential and Office buildings sold by the Group, travel by Altarea Cogedim employees, travel by people external to the Company, travel by the users of Residential and Office 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 constructed 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.

5.7.4.1.2 Greenhouse gas emissions from the REIT scope

GHG emissions from the REIT scope were calculated on the basis of Bilan Carbone® assessments performed on 25% of the Group's Retail property assets. These take into account the activity of the shopping centre in question over one year. This activity is generated by the Group, lessor and store tenants of the shopping centre, and by visitors who also produce GHG emissions by their trips to the site.

Items taken into account are the following: energy used by the lessor (Altarea Cogedim), energy used by tenants, commutes for the lessor (Altarea Cogedim employees working on-site), travel by the lessor's professionals, commutes for tenants, travel by visitors (customers) to the shopping centre, lessor's fixed assets, lessor's waste, tenants' waste, lessor's refrigerants, tenants' refrigerants.

The impact of products sold in shopping centres, as well as that of product shipping is not taken into account as information is not available and the Group is unable to take action to reduce such impact.

These Bilan Carbone® assessments constitute a representative sample of the Group's REIT division and are extrapolated on a prorated basis for total data of the portfolio (GLA [gross leasable area], *hors oeuvre nette* [net surface area] or number of visitors according to the item) to reach a figure for gas emissions corresponding to 100% of the REIT division over one year.

Since 2014, emissions associated with energy consumption by the lessor and tenants, as well as emissions associated with refrigerant leaks in the common areas of shopping centres, are no longer extrapolated but fully and directly recognised based on annual reporting data.

5.7.4.1.3 Greenhouse gas emissions from the Corporate scope

GHG emissions from the Corporate scope were calculated according to the Bilan Carbone® assessment method. This calculation takes into account the activities of Group employees over a one-year period at the registered office and French regional and Italian subsidiaries.

Items taken into account are the following: energy, employee commutes, employees' professional travel, travel by visitors coming to the registered office and subsidiaries' offices, fixed assets, commercial purchases and shipping related to such purchases, product waste and refrigerants.

5.7.4.2 ENVIRONMENTAL INDICATORS FOR THE PROPERTY DEVELOPMENT DIVISION

5.7.4.2.1 Environmental performance levels of projects under development

The objective of this series of indicators is to highlight the implementation of the environmental approach for a substantial portion of production and not just for a few isolated programmes. The residential indicators are calculated based on the number of units and the hotel, retail and office indicators are calculated based on the total net floor area for building permits subject to the RT 2000/RT 2005 thermal regulations or to the floor area for building permits subject to the RT 2012 thermal regulations.

An indicator per type is provided in the tracking table (Residential, Office, Hotel, Retail). The indicators are calculated based on the surface area of the project under development assuming an average residential surface area of 63 m^2/residence.

Calculation formula = Surface area (net surface area or floor area)/Total surface area (net surface area or floor area)

The total surface areas (net surface area or floor area) of each category shown by type of environmental certification (NF HQE™, H&E and BREEAM®) cast additional light on the environmental approaches the Group has committed to for its production.

5.7.4.2.2 Energy performance levels of projects under development

This series of indicators shows the breakdown of new developments by energy performance level. The energy classes used are those that measure an improvement compared with a regulatory calculation (RT 2005/RT 2012 thermal regulations) or compared with a Dynamic Thermal Simulation when the regulatory calculation is not relevant.

An indicator per type is provided in the tracking table (Residential, Office, Hotel, Retail). The indicators are calculated based on the surface area of the project under development assuming an average residential surface area of 63 m^2/residence.

Calculation formula = Total surface area (net surface area or floor area) for a given energy performance level/Total surface area (net surface area or floor area)

5.7.4.2.3 The circular economy for projects under development

The indicator for this theme describes the rate of recovery of construction waste for Retail projects under development.

The indicator published in the tracking table is:

Calculation formula = Total surface area (net surface area or floor area) of the project under development x the rate of recovery of the products produced over the year per development project/ Total surface area (net surface area or floor area) of the project under way

The waste taken into consideration is non-regulated waste from disassembly and construction projects under development. If the project under development in question is being demolished, the demolition waste is not taken into account for this indicator.

5.7.4.2.4 Water management for projects under development

The indicator for this theme measures the water footprint of Retail projects under development.

The indicator provided in the tracking table quantifies water consumption at construction sites. It is as follows:

Calculation formula = Sum of the annual water consumption of each project under development

The water taken into consideration is that used at sites during disassembly and construction of projects under development.

5.7.4.3 ENVIRONMENTAL INDICATORS FOR THE REIT DIVISION

Generally, the Group reports its energy consumption data for both final energy and primary energy but emphasises primary energy, which better represents the total environmental impact.

The emissions factors used to calculate greenhouse gas emissions related to energy are from the ADEME's Bilan Carbone® database:

- electricity: until 2015, 0.048 $kgCO_2e/kWh$, which corresponds to the EDF producer emissions factor. Starting in 2016, the Group purchased 50% green electricity. The emissions factor taken into account is 0, excluding any effects of double counting of green electricity given the low share of electricity from a guaranteed source nationally. The emissions factor for the electricity purchased by the Group is therefore divided by two and equal to 0.024 $kgCO_2e/kWh$ as of 2016. (This does not include the sites of L'Aubette in Strasbourg and La Vigie in Geispolsheim which have an independent supplier);
- gas: 0.234 $kgCO_2e/kWh$;
- urban network: depends on site;
- heating oil: 0.329 $kgCO_2e/kWh$.

These factors take into account both production and combustion for each energy source.

5.7.4.3.1 Specific characteristics of Retail Parks, Family Villages® and Lifestyle Centers

Details on calculations for the following ratios:

- energy consumption of Lifestyle Centers (in $kWh/m^2/year$);
- energy consumption of Family Villages® and Retail Parks (in $kWh/m^2/year$);
- greenhouse gas emissions of the Lifestyle Centers (in $kgCO_2e/m^2/year$);
- energy consumption of the Family Villages® and Retail Parks (in $kgCO_2e/m^2/year$).

Given the characteristics of these types of assets (Lifestyle Centers, Family Villages® and Retail Parks), the absence of a covered, heated and air-conditioned central area, and to be compatible with EPRA recommendations, Altarea Cogedim uses the outdoor pedestrian surface area as a denominator of the ratio and adds it to the GLA (gross leasable area) powered by the energy that is in the numerator. This is done to make these sites directly comparable with shopping centres. The outdoor pedestrian surface area is considered an "undeveloped" area, and therefore no precise surveys have been taken. As all of these retail development projects are recent and relatively similar, Altarea Cogedim calculates outdoor pedestrian surface area as follows:

Outdoor pedestrian surface area = Total surface area (net surface area) x 15%[1]

For Lifestyle Centers, the ratio is calculated using the outdoor pedestrian surface area plus the GLA (gross leasable area) used as a basis for energy measured in the numerator. This method presents no risk of overlap as the outdoor pedestrian surface area and the central surface area are never included in the GLA.

For Family Villages® or Retail Parks, the ratio is calculated using only the outdoor pedestrian surface area because, for this type of retail asset, the lessor does not supply any of the energy for the GLA.

5.7.4.3.2 Comparison of energy consumption on a constant climate basis

To calculate comparable energy and carbon indicators from one year to the next, the data are restated to neutralise the climate impact.

For each property in the scope of reporting, the share of consumption related to heating, air-conditioning and other uses is identified. This analysis is based on the energy audit approach used on the properties in 2012 and 2013.

The climate severity is assessed for each weather station based on Degree Days:

- UDD (unified degree days) to assess the winter severity;
- CDD (cooling degree days) to assess the summer severity.

An average of annual UDD and CDD was calculated over ten years, from 2000 to 2009, for the closest weather station to each site (AvgUDD and AvgCDD).

The weather conditions for each station can then be compared to an average year by comparing the UDD and CDD values to the AvgUDD and AvgCDD values.

The annual consumption that would have been recorded in the case of average and constant weather conditions are then modelled for each centre in the scope of reporting. Changes in consumptions and greenhouse gas emissions can then be analysed for the scope based on identical weather conditions.

(1) The 15% value represents the average external surface area as a percentage of the total net surface area of Altarea Cogedim's Family Village® and Lifestyle Center projects.

5.7.5 Methodology for societal indicators

5.7.5.1 CUSTOMER RELATIONS

5.7.5.1.1 Residential Development customer satisfaction indicator

Customer satisfaction is measured in dedicated surveys. The following question on likelihood to recommend is asked: "Would you recommend Cogedim to friends or colleagues?" Each study is incorporated into a national and subsidiary report, and the scores from the different studies are consolidated.

5.7.5.1.2 REIT customer satisfaction indicator

Customer satisfaction is measured in these surveys. The following question is asked: "Please rate your overall satisfaction with the shopping centre on a scale of 1 to 10" (1 = not at all satisfied; 10 = extremely satisfied). A report is prepared following each survey, and all responses provided in the different surveys are consolidated. The sites included in the calculation of this indicator are those for which a customer survey was conducted between the current year and the previous year. If there were several surveys available for a single site, the most recent one is used. The rating corresponds to the average of overall satisfaction ratings for portfolio shopping centres for which there is a survey.

5.7.5.2 CONTRIBUTION TO EMPLOYMENT

Altarea Cogedim has been measuring its extended employment footprint since 2014. In 2015, Altarea Cogedim refined its calculation methodology and implemented a tool to enable an annual update based on extrapolations. An in-depth update is planned approximately every three years. Three scopes are taken into account:

- indirect jobs, which correspond to the jobs supported by the goods and services purchased by the Group from its first- and second-level suppliers and subcontractors located in France. The following are taken into account: goods and services purchased by the REIT and Property Development divisions (excluding external entities);
- related jobs generated by purchases by the Group's direct and indirect employees in France;
- ancillary jobs, which are those hosted in the shopping centres owned and managed by Altarea Cogedim.

The 2016 figures are lagging indicators that were calculated based on the volume of purchases in 2015. The analysis of the breakdown of purchases by item was done in 2013.

5.7.5.3 PROXIMITY OF PROJECTS UNDER DEVELOPMENT TO PUBLIC TRANSPORTATION

The indicators for this topic measure the proximity to public transportation of new development. They also indicate which means of transport is the closest (bus, tram, subway/RER, train).

The measurement points for the distances are as follows:

- for Residential, Offices, Hotels, Shopping Centres and Lifestyle Centers, the distance computed is that between the entrance to the building and the nearest bus, subway, tramway, RER suburban train or mainline train station stop;
- for Family Village® and Retail Park projects, the distance computed is that between the entrance to the car park and the nearest bus, subway, tramway, RER suburban train or mainline train station stop.

An indicator per type is provided in the tracking table (Residential, Office, Hotel, Retail). The indicators are calculated based on the surface area of the project under development assuming an average residential surface area of 63 m^2/residence.

Calculation formula: Total surface area (net surface area or floor area) by distance category to public transport/Total surface area (net surface area or floor area)

5.8 INDICATOR TABLES

5.8.1 Environmental indicators

ENVIRONMENTAL LABELS AND CERTIFICATIONS INDICATOR

New developments, REIT – Environmental labels and certifications for Retail property

DEFINITION:
Environmental certifications (construction and operations) and levels obtained by the Group's Retail division.

RELEVANT SCOPES:
For new developments, Retail sites subject to a building permit (provisional or permanent), under construction or delivered during the reference year.
For the portfolio, sites included in the 2016 *scope* of reporting (including sites under construction).

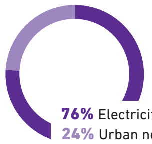
				BREEAM® In-Use certification			
				Category 1 – Asset		Category 2 – Management	
	City	Centre	Construction certification	Level	Score	Level	Score
New developments	Neuville-en-Ferrain	Promenade de Flandre	BREEAM® Very Good	-	-	-	-
	Saint-Laurent-du-Var	CAP 3000 – Expansion	BREEAM® Excellent	-	-	-	-
	Saint-Laurent-du-Var	CAP 3000 – Renovation	BREEAM® Very Good	-	-	-	-
	Massy	-X% – Expansion	BREEAM® Very Good	-	-	-	-
	Massy	-X% – Renovation	BREEAM® Very Good	-	-	-	-
	La Valette-du-Var	L'Avenue 83	HQETM Very Good BREEAM® Excellent	-	-	-	-
Portfolio	Aubergenville	Aubergenville Family Village	-	Very Good	67%	Very Good	61%
	Brest Guipavas	Les Portes de Brest Guipavas	-	Excellent	72%	Excellent	77%
	Châlons en Champagne	Galerie de l'Hôtel de Ville	-	Very Good	58%	Very Good	62%
	Flins	Centre commercial de Flins	-	Very Good	58%	Excellent	72%
	Geispolsheim	La Vigie	-	Good	43%	Very Good	55%
	Gennevilliers	Parc des Chanteraines	-	Very Good	59%	Very Good	58%
	Herblay	14e Avenue	-	Good	53%	Good	54%
	Kremlin Bicêtre (Le)	Okabé	HQETM Excellent	Very Good	62%	Excellent	70%
	Limoges	Family Village in Limoges	-	Very Good	62%	Good	53%
	Lille	Grand'Place	-	Good	47%	Good	54%
	Lille	Les Tanneurs	-	Very Good	62%	Very Good	62%
	Massy	-X%	-	Good	54%	Good	45%
	Mulhouse	Porte Jeune	-	Excellent	72%	Very Good	66%
	Nîmes	Costières Sud	HQETM Very Good	Excellent	78%	Excellent	71%
	Nice	Cap 3000	-	Good	51%	Very Good	56%
	Paris	Bercy Village	-	Very Good	63%	Very Good	64%
	Roubaix	Grand'Rue	-	Very Good	57%	Very Good	59%
	Ruaudin	Family Village Les Hunaudières	-	Excellent	70%	Excellent	70%
	Strasbourg	L'Aubette	-	Very Good	69%	Excellent	71%
	Thiais	Thiais Village	-	Very Good	60%	Very Good	64%
	Toulouse	Espace Gramont	-	Good	51%	Very Good	57%
	Vaulx en Velin	Carré de Soie	-	Very Good	65%	Very Good	60%
	Tourcoing	Espace Saint-Christophe	-	Good	54%	Very Good	58%
	Villeneuve-la-Garenne	Qwartz	HQETM Excellent BREEAM® Very Good	Excellent	80%	Outstanding	88%
	Villeparisis	Parc de l'Ambrésis		Good	48%	Good	48%

ENERGY INDICATORS

Corporate – Energy consumption and ratios for the registered office

DEFINITION:
Final (FE) and primary (PE) energy consumption of Altarea Cogedim's registered office.
DENOMINATOR:
Calculations based on 9,631 m^2 and 701 FTE for 2016.

	2015 PE	2016 PE	Change 2015-2016	Change 2010-2016	2016 FE	2016 Energy mix FE
Total consumption *GWh*	3.90	4.64	+18.9%	+39.4%	2.12	
Ratios:						
Total consumption per m^2 *kWh/m^2*		482	-	-	**220**	
Total consumption per Full-Time Equivalent *kWh/FTE*		6,624	-	-	**3,019**	



New developments – Breakdown by energy performance level

DEFINITION:
Breakdown of retail, office and hotel surface areas or the number of housing units of projects by energy performance level.
RELEVANT SCOPE:
Operations included in the 2016 scope as indicated in paragraph 5.3.2.3.

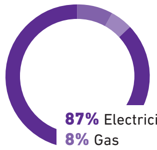
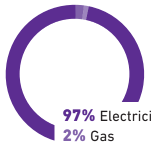
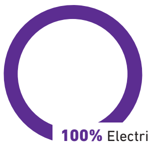
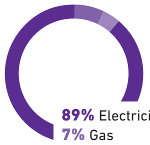
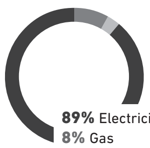
2016	Regulatory	PEC ≤ PECmax -10%	PEC ≤ PECmax -20%	PEC ≤ PECmax -30%	PEC ≤ PECmax -40%	PEC ≤ PECmax -50%
Retail *m^2*	3.3%	0.0%	31.4%	0.0%	29.8%	35.6%
Office and Hotel *m^2*	5.0%	2.0%	1.2%	21.3%	48.0%	22.6%
Total (retail, offices, hotels) *m^2*	**4.2%**	**1.1%**	**14.7%**	**11.7%**	**39.9%**	**28.4%**
Total surface area *m^2*	24,500	6,403	85,376	68,289	231,691	165,075
Housing units *number*	**71.5%**	**6.5%**	**3.7%**	**0.0%**	**0.0%**	**18.3%**
Number of housing units *number*	11,889	1,087	614	0	0	3,046

PEC = primary energy consumption of the building in kWhPE/(m^2.year).
PECmax = maximum primary energy consumption defined in the thermal regulation in kWhPE/(m^2.year).

Portfolio – Energy consumption and ratios of the existing portfolio

DEFINITION:
Final (FE) and primary (PE) energy consumption of the portfolio managed by Altarea Cogedim for the current scope of reporting and on *a* like-for-like basis, total and by m² of surface area over which this energy is distributed.
These surface areas may be central areas, outdoor pedestrian walkways and/or GLA (gross leasable area).

RELEVANT SCOPE:
Current scope *of* reporting (489,415 m² GLA for 2016) and like-for-like scope (442,216 m² GLA for 2015-2016).

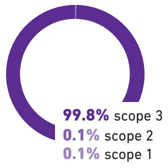
		2015 PE	2016 PE	Change 2015-2016	Change 2010-2016	Change 2010-2016 constant climate	2016 FE	Relevant surface area	2016 Energy mix FE
Shopping centres	**Total energy consumption** *GWh*	58.3	45.6	-21.7%	-3.4%	**-18.4%**	19.2	▪ Central area ▪ GLA	 87% Electricity 8% Gas 5% Urban network
	Total consumption per m² *kWh/m)²*	184	178	-3.7%	-12.5%	**-21.8%**	75		
	Share of the scope of ownership	*62%*	*46%*	*-26%*	*-6.5%*		*46%*		
Lifestyle Centers	**Total consumption** *GWh*	11.8	6.4	-45.7%	-65.1%	**-68.1%**	2.5	▪ Outdoor pedestrian area ▪ GLA	 97% Electricity 2% Gas 1% Heating oil
	Total consumption per m² *kWh/m²*	145	145	+0.2%	-24.9%	**-25.8%**	57		
	Share of the scope of ownership	*17%*	*17%*	*-1%*	*-12.5%*		*17%*		
Family Villages and Retail Parks	**Total consumption** *GWh*	2.6	2.7	+4.8%	-31.9%	**-28.2%**	1.0	▪ Outdoor pedestrian area	 100% Electricity
	Total consumption per m² *kWh/m²*	77	71	-7.2%	-46.9%	**-44.0%**	28		
	Share of the scope of ownership	*14%*	*23%*	*+60%*	*+41.4%*		*23%*		
Current scope of reporting	**Total consumption** *GWh*	72.7	54.7	-24.7%	-17.7%	**-28.3%**	22.8	▪ Central area ▪ Outdoor pedestrian area ▪ GLA	 89% Electricity 7% Gas 4% Urban network
	Total consumption per m² *kWh/m²*	168	161	-4.2%	-17.0%	**-23.5%**	67		
	Share of the scope of ownership	*93%*	*85%*	*-8%*	*-5.0%*		*85%*		
Like-for-like scope of reporting	**Total consumption** *GWh*	52.8	49.6	-6.1%	-33.0%	**-31.1%**	20.6	▪ Central area ▪ Outdoor pedestrian area ▪ GLA	 89% Electricity 8% Gas 3% Urban network
	Total consumption per m² *kWh/m²*	170	160	-6.1%	-36.6%	**-34.5%**	66		
	Share of the scope of ownership			81%					

GHG EMISSIONS INDICATORS (CO_2)

Altarea Cogedim – Group GHG emissions and ratios

DEFINITION:
Total GHG emissions associated with the Altarea Cogedim Group's business.

Article 75 and GHG Protocol[a]	Total tCO_2e	Scope 1	Scope 2	Scope 3
SIREN Altarea	212,172	0.5%	0.8%	98.7%
SIREN Cogedim	2,138,319	0.0%	0.0%	99.9%
ALTAREA COGEDIM	**2,350,491**	**0.1%**	**0.1%**	**99.8%**



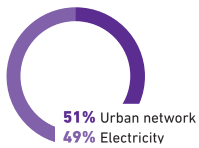
(a) Scope 1 does not include emissions from electricity line losses (combustion); in accordance with Article 75 of the Grenelle II Law, they are included here under Scope 2. This difference with the GHG Protocol amounts to less than a 1% difference between the two scopes.

Corporate – GHG emissions and ratios for the registered office

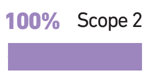
DEFINITION:
Total GHG emissions associated with the energy consumption of Altarea Cogedim's registered office.
DENOMINATOR:
Calculations based on 9,631 m^2 and 701 FTE for 2016.

	2015	2016	Change 2015-2016	Change 2010-2016
Total GHG emissions tCO_2e	217	197	-9.4%	-15.8%
Ratios:				
Total emissions per m² $kgCO_2e/m^2$		20	-	-
Total emissions per Full-Time Equivalent $kgCO_2e/FTE$		280	-	-

Breakdown by 2016 energy type



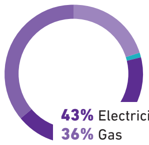
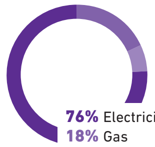
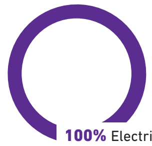
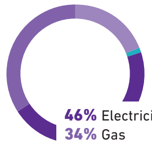
Breakdown of direct and indirect emissions



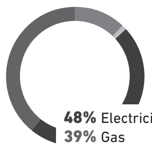
Portfolio – GHG emissions and ratios of the existing portfolio

DEFINITION:
Total GHG emissions associated with the energy portfolio managed by Altarea Cogedim within the current scope of reporting and on a like-for-like basis, total and by m² of surface area over which this energy is distributed.
These surface areas may be central areas, outdoor pedestrian walkways and/or GLA (gross leasable area).

RELEVANT SCOPE:
Current scope of reporting (489,415 m² GLA for 2016) and on like-for-like scope (442,216 m² GLA for 2015-2016).

		2015	2016	Change 2015-2016	Change 2010-2016	Change 2010-2016 constant climate	Relevant surface area	Breakdown by 2016 energy type
Shopping centres	**Total emissions of GHG** *tCO_2e*	1,797	1,013	**-44%**	-55.5%	**-51.2%**	▪ Central area ▪ GLA	 **43%** Electricity **36%** Gas **20%** Urban network **1%** Heating oil
	Total emissions of GHG per m² *$kgCO_2e/m^2$*	5.7	3.9	**-31%**	-62.6%	**-57.3%**		
	Share of the scope of ownership	*62%*	*46%*	*-26%*	*+5.3%*			
Lifestyle Centers	**Total emissions of GHG** *tCO_2e*	260	77	**-70%**	-88.0%	**-89.6%**	▪ Outdoor pedestrian area ▪ GLA	 **76%** Electricity **18%** Gas **6%** Heating oil
	Total emissions of GHG per m² *$kgCO_2e/m^2$*	3.2	1.7	**-45%**	-68.8%	**-68.5%**		
	Share of the scope of ownership	*17%*	*17%*	*-1%*	*-24.6%*			
Family Villages and Retail Parks	**Total emissions of GHG** *tCO_2e*	48	25	**-48%**	-10.9%	**-85.3%**	▪ Outdoor pedestrian area	 **100%** Electricity
	Total emissions of GHG per m² *$kgCO_2e/m^2$*	1.4	0.7	**-54%**	-93.3%	**-94.3%**		
	Share of the scope of ownership	*14%*	*23%*	*+60%*	*+31.2%*			
Current scope of reporting	**Total emissions of GHG** *tCO_2e*	2,104	1,115	**-47%**	-60.5%	**-57.2%**	▪ Central area ▪ Outdoor pedestrian area ▪ GLA	 **46%** Electricity **34%** Gas **19%** Urban network **1%** Heating oil
	Total emissions of GHG per m² *$kgCO_2e/m^2$*	4.9	3.3	**-33%**	-62.1%	**-57.3%**		
	Share of the scope of ownership	*93%*	*85%*	*-8%*	*-3.9%*			

Breakdown of direct and indirect emissions

		2015	2016	Change 2015-2016	Change 2010-2016	Change 2010-2016 constant climate	Relevant surface area	Breakdown by 2016 energy type
Like-for-like scope of reporting	**Total emissions of GHG** *tCO_2e*	1,497	975	**-35%**	-71.6%	**-61.2%**	▪ Central area ▪ Outdoor pedestrian area ▪ GLA	 **48%** Electricity **39%** Gas **12%** Urban network **1%** Heating oil
	Total emissions of GHG per m² *$kgCO_2e/m^2$*	4.8	3.1	**-35%**	-74.8%	**-64.7%**		
	Share of the scope of ownership			*81%*				

Breakdown of direct and indirect emissions

WATER INDICATORS

Corporate – Water consumption for the registered office

DEFINITION:
Total water consumption and by m² at the Altarea Cogedim registered office.

DENOMINATOR:
Calculations based on 9,631 m² and 701 FTE for 2016.

Water	2015	2016	Change 2015-2016	Change 2010-2016
Water consumption *m³*	7,583	8,594	+13.3%	+34.4%
Ratios:				
Water consumption per m² *L/m²*		892	-	-
Water consumption per employee *L/FTE*		12,260	-	-

Portfolio – Water consumption for the existing portfolio

DEFINITION:
Total water consumption (common areas + private-use areas) and water consumption of common areas for the portfolio managed by Altarea Cogedim during the current scope of reporting *and* on a like-for-like basis, total and per visitor.
Common Areas (CA) correspond to the central area for the shopping centres, and to outdoor pedestrian walkways for the *Lifestyle Centers* and *Retail Parks*.
Private-use areas (PA) correspond to the GLA (gross leasable area).

RELEVANT SCOPE:
Current scope *of* reporting (489,415 m² GLA for 2016) and like-for-like scope (442,216 m² GLA for 2015-2016).

		2015	2016	Change 2015-2016	Change 2010-2016	Relevant surface area
Shopping centres	**Total water consumption** *m³*	187,462	123,124	-34%	-22.7%	CA + PA
	Common area water consumption *m³*	77,652	41,605	-46%	-11.1%	CA
	Common area water consumption per visitor *L/visitor*	1.49	0.86	-42%	+28.0%	
	Portion of total scope	*62%*	*46%*	*-26%*	*+5.3%*	
Lifestyle Centers	**Total water consumption** *m³*	109,174	93,579	-14%	-2.1%	CA + PA
	Common area water consumption *m³*	11,640	12,356	+6%	+20.2%	CA
	Common area water consumption per visitor *L/visitor*	0.57	0.75	+32%	+40.9%	
	Portion of total scope	*17%*	*17%*	*-1%*	*-24.6%*	
Family Villages and Retail Parks	**Total water consumption** *m³*	27,055	22,353	-17%	+7.0%	CA + PA
	Common area water consumption *m³*	13,298	9,271	-30%	-21.6%	CA
	Common area water consumption per visitor *L/visitor*	0.52	0.29	-43%	+95.6%	
	Portion of total scope	*14%*	*23%*	*+60%*	*+31.2%*	
Current scope of reporting	**Total water consumption** *m³*	323,691	239,056	-26.1%	-13.2%	CA + PA
	Common area water consumption *m³*	102,590	63,231	-38.4%	-10.6%	CA
	Common area water consumption per visitor *L/visitor*	1.04	0.66	-37.1%	+38.6%	
	Portion of total scope	*93%*	*85%*	*-8%*	*-3.9%*	
Like-for-like scope of reporting	**Total water consumption** *m³*	238,604	231,176	-3.1%	-7.5%	CA + PA
	Common area water consumption *m³*	63,055	58,750	-6.8%	-2.2%	CA
	Common area water consumption per visitor *L/visitor*	0.73	0.67	-8.1%	+26.6%	
	Portion of total scope			*81%*		

WASTE INDICATORS

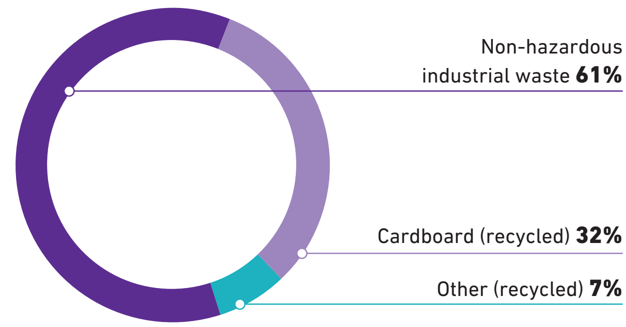
Portfolio – Waste produced for the existing portfolio

DEFINITION:
Waste produced for the portfolio managed by Altarea Cogedim in the current scope of reporting *and* on a like-for-like basis, total and per visitor.
RELEVANT SCOPE:
Current scope *of* reporting (489,415 m² GLA for 2016) and like-for-like scope (442,216 m² GLA for 2015-2016).

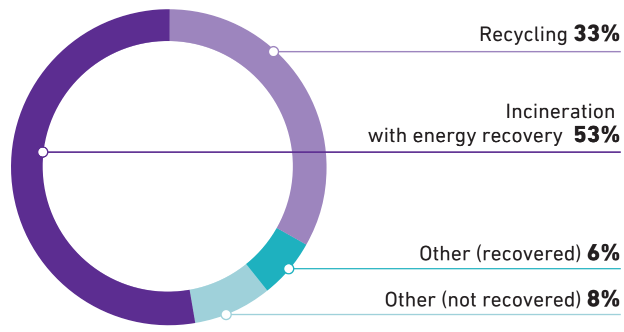
		2015	2016	Change 2015-2016	Change in 2010-2016
Shopping centres	**Waste produced** *tonnes*	2,974	1,942	-34.7%	-37.9%
	Waste produced per visitor *kg/visitor*	0.06	0.04	-29.5%	-7.8%
	Percentage of waste sorted	46%	29%	-35%	+63.0%
	Portion of total scope	*62%*	*46%*	*-26%*	*+5.3%*
Lifestyle Centers	**Waste produced** *tonnes*	668	253	-62.1%	-39.3%
	Waste produced per visitor *kg/visitor*	0.03	0.02	-52.7%	-36.0%
	Percentage of waste sorted	27%	47%	+72%	+47.2%
	Portion of total scope	*17%*	*17%*	*-1%*	*-24.6%*
Family Villages and Retail Parks	**Waste produced** *tonnes*	1,086	1,116	+2.8%	-4.0%
	Waste produced per visitor *kg/visitor*	0.04	0.04	-16.3%	+88.7%
	Percentage of waste sorted	49%	53%	+7.7%	-1.6%
	Portion of total scope	*14%*	*23%*	*+60%*	*+31.2%*
Current scope of reporting	**Waste produced** *tonnes*	4,727	3,311	-30.0%	-31.0%
	Waste produced per visitor *kg/visitor*	0.05	0.03	-28.5%	+7.5%
	Percentage of waste sorted	44%	39%	-11.5%	+28.5%
	Portion of total scope	*93%*	*85%*	*-8%*	*-3.9%*
Like-for-like scope of reporting	**Waste produced** *tonnes*	3,327	3,119	-6.2%	-17.0%
	Waste produced per visitor *kg/visitor*	0.04	0.04	-7.5%	7.3%
	Percentage of waste sorted	37%	37%	-1.3%	+55.0%
	Portion of total scope		*81%*		

Current scope of reporting

BREAKDOWN BY TYPE OF SORTING OF TONNES OF WASTE PRODUCED



BREAKDOWN OF TONNES OF WASTE PRODUCED BY END-OF-LIFE CATEGORY

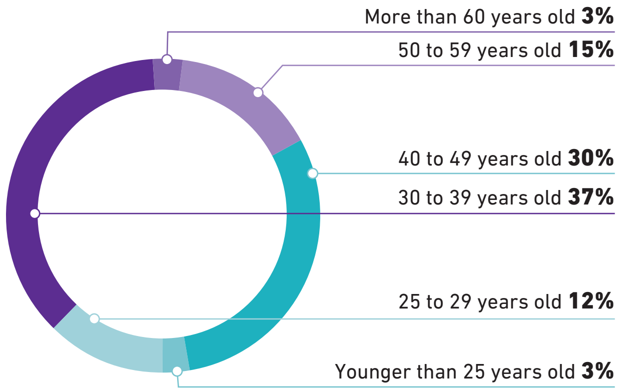


5.8.2 Social indicators

RELEVANT SCOPE:
Group employees on permanent and fixed-term contracts (France, Italy, Spain, Luxembourg) at 31/12/2016.

GROUP HEADCOUNT AND CHANGES

BREAKDOWN OF EMPLOYEES BY AGE GROUP



AVERAGE SENIORITY OF EMPLOYEES IN NUMBER OF YEARS BY ACTIVITY

Theme	Indicator	Unit	2015	2016	Change
Breakdown by age group	Percentage of employees younger than 30	%	13.11%	15.11%	2.00%
	Percentage of employees between 30 and 50	%	67.85%	66.72%	-1.13%
	Percentage of employees older than 50	%	19.04%	18.17%	-0.88%
Breakdown by country	Percentage of employees in France	%	97.13%	97.61%	0.48%
	Percentage of employees in Italy	%	2.20%	1.73%	-0.47%
	Percentage of employees in Spain	%	0.57%	0.50%	-0.08%
	Percentage of employees in Luxembourg	%	0.10%	0.17%	0.07%
Breakdown by status	Percentage of employees in management positions	%	72.6%	74.0%	1.36%
	Percentage of employees in non-management positions	%	27.4%	26.0%	-1.36%
Recruitment	New hires (permanent contract) during the period	Nb.	185	316	131
	New hires (fixed-term contract) during the period	Nb.	74	81	7
	Percentage of new hires in management positions	%	60.62%	66.75%	6.13%
	Percentage of new hires in non-management positions	%	39.38%	33.25%	-6.13%
Departures	Number of dismissals	Nb.	14	14	0
	Departure rate: Number of departures during the period/average headcount	%	18.35%	20.03%	1.68%
	Manager departure rate	%	15.34%	16.84%	1.50%
	Non-manager departure rate	%	26.27%	28.99%	2.72%
Reasons for departure	Departure during trial period	%	10.27%	13.97%	3.70%
	Expiry of fixed-term contract	%	32.97%	33.19%	0.21%
	End of contract (miscellaneous)	%	1.08%	0.87%	-0.21%
	Early termination of fixed-term contract (employee and company decisions)	%	1.62%	1.31%	-0.31%
	Resignation	%	29.73%	27.51%	-2.22%
	Dismissal	%	7.57%	6.11%	-1.45%
	Retirement or pre-retirement	%	3.78%	5.68%	1.89%
	Termination of fixed-term contract by mutual agreement	%	0.54%	0.44%	-0.10%
	Agreement between employer and employee	%	12.43%	10.92%	-1.52%
Organisation of working hours	FTE (Full-Time Equivalent) headcount (permanent + fixed-term contract)	Nb.	995.71	1,133.92	138
	Number of hours theoretically worked	hour	1,497,371	1,754,604	257,233
	Number of hours worked by temporary employees	hour	26,005	17,112	(8,893)
	Number of overtime hours worked	hour	102	871	769

DIVERSITY AND EQUAL OPPORTUNITIES

Theme	Indicator	Unit	2015	2016	Change
Gender equality	Percentage of women in the total headcount	%	57.51%	56.23%	-1.3%
	Percentage of women among management-level employees	%	44.66%	44.29%	-0.4%
	Percentage of female members of the Expanded Executive Management Committee	%	26.26%	28.72%	2.5%
	Percentage of women departed	%	55.68%	57.64%	2.0%
Disabilities	Number of employees having reported a disability	Nb.	8	14	6
Anti-discrimination measures	Number of interns during the period	Nb.	48	57	9
	Number of work-study contracts during the period	Nb.	98	124	26

DIALOGUE WITH EMPLOYEE REPRESENTATIVES

Theme	Indicator	Unit	2015	2016	Change
Organisation of employee-management dialogue	Number of employee representatives (steering committee + works council)	Nb.	36	34	(2)
Collective bargaining agreements	Percentage of employees covered by a collective agreement (%)	%	97.99%	97.52%	-0.5%

COMPENSATION AND VALUE SHARING

Theme	Indicator	Unit	2015	2016	Change
Fixed compensation[a]	Average gross annual employee compensation – excluding variable compensation and employer contributions	€	59,312	58,810	(502)
	Average gross annual non-management compensation – excluding variable compensation and employer contributions	€	34,097	33,260	(837)
	Average gross annual management compensation – excluding variable compensation and employer contributions	€	70,937	70,129	(808)

(a) Excluding Cogedim Management Board for 2016.

TALENT AND SKILLS MANAGEMENT

Theme	Indicator	Unit	2015	2016	Change
Budget	Total training expenditure	€ thousands	1,412	1,777	365
	Average training expenditure per employee trained	€ thousand	2.44	2.07	(0.37)
	Investment rate for training	%	2.08%	2.45%	0.37%
Hours of training	Average number of hours per employee participating in at least one training course	Nb.	15.2	12.3	(2.9)
	Average number of hours for Managers	Nb.	16.1	13.3	(2.8)
	Average number of hours for non-Managers	Nb.	12.5	9.2	(3.3)
Types of training	Percentage of hours spent in technical and vocational courses	%	62.2%	80.9%	18.7%
	Percentage of hours spent in office skills courses	%	3.7%	2.2%	-1.5%
	Percentage of hours spent in management and support courses	%	22.1%	11.8%	-10.3%
	Percentage of hours spent in language courses	%	5.8%	3.1%	-2.7%
	Percentage of hours spent in health and safety courses	%	6.3%	2.1%	-4.2%
Promotions	Number of employees who were promoted during the period	Nb.	80	130	50
	Percentage of employees who were promoted during the period	%	7.9%	11.4%	3.4%
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.	116	149	33
	Percentage of employees who benefited from one or more types of mobility during the period	%	11.5%	13.0%	1.5%

HEALTH/SAFETY OF EMPLOYEES

Theme	Indicator	Unit	2015	2016	Change
Absenteeism[(a)]	Total absentee rate	%	6.2%	5.6%	-0.6%
	Management absentee rate	%	4.9%	4.6%	-0.3%
	Non-management absentee rate	%	9.7%	8.4%	-1.3%
	Short-term absenteeism (number of days of absence for common illnesses under one month for the average headcount x 100)	Nb.	4.5	3.75	-0.75
Reasons	Absence due to workplace accident	%	0.7%	0.0%	-0.6%
	Absence due to occupational illness	%	0.0%	0.0%	0.0%
Health, Safety and Working Conditions Committee (CHSCT)	Number of CHSCT meetings (employee representatives + works council)	Nb.	8	8	0
	Workplace health and safety agreements signed	Nb.	0	0	0
Workplace accidents	Frequency rate of workplace accidents	%	3.56	0.60	(2.96)
	Severity rate of workplace accidents	%	0.06	0.00	(0.06)
	Number of occupational illnesses declared (and recognised) during the year	Nb.	0	0	0

(a) Any absence excluding annual vacation and "RTT" days (days for recuperation of time worked).

5.9 CROSS-REFERENCE TABLE ARTICLE 225 GRENELLE II

ENVIRONMENT

Theme	Issue	Chapter	Page
General environmental policy	Company organisation in order to take environmental issues into account	5.2.2 CSR governance structure and model	162
	Where required, environmental assessment or certification processes	5.2.3.3 Deployment of the CSR strategy: General Management System (GMS)	164
	Initiatives to train and inform employees about environmental protection	5.2.2 CSR governance structure and model 5.2.3.3 Deployment of the CSR strategy: General Management System (GMS)	162 164
	Resources devoted to preventing environmental risks and pollution	6.11.3 Social and environmental risks	261
	Amount of provisions and guarantees for environmental risks, provided that this information is not of a nature to cause harm to the Company in a court dispute	5.6.6.2 Provision for other environmental impacts	213
Pollution	Measures to prevent, reduce or compensate emissions into the air, water and ground with serious environmental consequences	5.6.4 Biodiversity and land management	211
	Consideration of sound pollution and any other type of pollution specific to an activity	5.4.4.2.3 Acoustic comfort 5.6.6.1 Disturbances and pollution during the construction phase	182 213
The circular economy	Waste prevention, recycling and other forms of re-use and elimination measures	5.6.3 The circular economy	209
	Actions to fight against food waste	Not applicable because this is not a direct Altarea Cogedim responsibility	NA
	Water consumption and provision based on local constraints	5.6.5 Water management	212
	Energy consumption, measures taken to improve energy efficiency	5.6.1 Energy and climate	195
	Consumption of raw materials and the measures taken to improve efficiency in their use	5.6.3 The circular economy	209
	Use of renewable energy	5.6.1 Energy and climate	195
	Land use	5.6.4 Biodiversity and land management	211
Climate change	The significant greenhouse gas emissions items generated as a result of Company activities are, notably, the use of the goods and services it produces	5.6.1 Energy and climate	195
	Adaptation to the consequences of climate change	5.6.1.3.3 Anticipating and adapting to climate change	202
Protecting biodiversity	Measures taken to preserve or develop biodiversity	5.6.4 Biodiversity and land management	211

SOCIAL

Theme	Issue	Chapter	Page
Jobs	Total workforce and breakdown by gender, age and geographical region	5.5.1.1 Headcount	188
	New hires and dismissals	5.5.1.1.2 Headcount changes 5.5.1.3 Recruitment policy	188 189
	Compensation and changes over time	5.5.3 Compensation and value sharing	191
Work organisation	Organisation of working hours	5.5.1.4 Organisation of working hours	189
	Absenteeism	5.5.5.1 Absenteeism	194
Social relations	Organisation of employee-management dialogue, including procedures to inform, consult and negotiate with employees	5.5.2.2 Dialogue with employee representatives	191
	Review of collective agreements	5.5.2.2 Dialogue with employee representatives	191
Health and safety	Workplace health and safety conditions	5.5.5.2 Ensuring employee health and safety	194
	Agreements signed with labour unions or employee representatives concerning workplace health and safety	5.5.5.2 Ensuring employee health and safety	194
	Workplace accidents, including their frequency and severity, and occupational illnesses	5.5.5.2 Ensuring employee health and safety	194
Training	Training policy	5.5.4.1 Skills development	192
	Total training hours	5.5.4.1.1 Training policies implemented -2016 training policy	192
Diversity and equal opportunity/equal treatment	Policy implemented and measures taken to promote gender equality	5.5.2.1 Promoting diversity	189
	Policy implemented and measures taken to promote employment and integration of persons with disabilities	5.5.2.1 Promoting diversity	189
	Anti-discrimination policy implemented and measures taken	5.5.2.1 Promoting diversity	189
Promotion and enforcement of the fundamental ILO Conventions, regarding:	Respect for freedom of association and right to collective bargaining	5.5.2.3 Compliance with the eight ILO conventions	191
	Elimination of discrimination in respect of employment and occupation	5.5.2.3 Compliance with the eight ILO conventions	191
	Elimination of forced or compulsory labour	5.5.2.3 Compliance with the eight ILO conventions	191
	Effective abolition of child labour	5.5.2.3 Compliance with the eight ILO conventions	191

SOCIETAL

Theme	Issue	Chapter		Page
Territorial, economic and social impact of the Company's activities	On employment and regional development	5.4.2	Local development	177
	On local or resident populations	5.4.2	Local development	177
Terms of dialogue with these groups or organisations	Terms of dialogue with these groups or organisations	5.4.2 5.2.3.1	Local development Relations with stakeholders	177 162
Partnership or sponsorship initiatives	Partnership or sponsorship initiatives	5.4.6 5.4.11	Partnerships Sponsorship and partnership	183 187
Subcontracting and suppliers	Inclusion of social and environmental issues in the procurement policy	5.4.9	Responsible purchases and supplier relationships	185
	Degree of subcontracting and recognition of social and environmental policy in relations with suppliers and subcontractors	5.4.9	Responsible purchases and supplier relationships	185
Fair practices	Actions taken to prevent corruption	5.4.7	Professional ethics	184
	Measures taken to promote consumer health and safety	5.4.1	Customer and user relations	174
Other actions taken to promote Human Rights	Other actions taken to promote Human Rights	5.4.9	Responsible purchases and supplier relationships	185

5.10 INDEPENDENT THIRD-PARTY REPORT ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PROVIDED IN THE MANAGEMENT REPORT

(For the financial year ended 31 December 2016)

To the Shareholders,

In our capacity as a third-party independent body accredited by COFRAC[(1)] under number 3-1050 and as a member of the network of one of Altarea Cogedim's Statutory Auditors, we would like to present our report on the consolidated social, environmental and societal information relating to the financial year ended 31 December 2016, detailed in Chapter 5, "Corporate Social Responsibility", of the management report, hereinafter referred to as "CSR Information", in accordance with Article L. 225-102-1 of the French Commercial Code.

Responsibility of the Company

The Company's management is responsible for preparing the management report. This includes the CSR Information in accordance with Article R. 225-105-1 of the French Commercial Code, presented as required by the Company's internal reporting standards, which comprise social, societal and environmental reporting guidelines as at December 2016 (the "Guidelines"). A summary of the Guidelines is provided at the end of Chapter 5, "Corporate Social Responsibility," of the management report. The Guidelines are available upon request at the Company's head office.

Our Independence and Quality Control

Our independence is defined by regulatory requirements, our professional ethics code and Article L. 822-11 of the French Commercial Code. In addition, we maintain a quality control system that encompasses documented policies and procedures to ensure compliance with ethical requirements, standards of professional conduct and applicable legal and regulatory requirements.

Responsibility of the independent third-party body

It is our role, on the basis of our work:

- to attest whether the required CSR Information is presented in the management report, or, if not presented, whether an appropriate explanation is provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of CSR Information Presentation);
- to provide a moderate level of assurance on whether the CSR Information, taken as a whole, is fairly presented, in all material respects, in accordance with the Guidelines (Reasoned Opinion on the Fair Presentation of CSR Information).

Our work was performed by a team of five people between October 2016 and February 2017 and lasted approximately six weeks.

We conducted the work described below in accordance with professional standards applicable in France and the French ministerial order of 13 May 2013, which defines the terms for independent third-party bodies in performing their duties. We also applied the International Standard on Assurance Engagements, ISAE 3000[(2)], in establishing our reasoned opinion on the fair presentation of CSR Information.

1. ATTESTATION OF CSR INFORMATION PRESENTATION

Nature and scope of work

We examined the sustainable development strategy, through interviews with the relevant department Managers, based on the social and environmental impacts of the Company's activities, its social commitments and any resulting measures or programmes.

We compared the CSR Information presented in the management report with the list provided in Article R. 225-105-1 of the French Commercial Code.

In the absence of certain consolidated information, we verified that an appropriate explanation was provided in accordance with Article R. 225-105 paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the consolidated scope, namely, the Company and its subsidiaries as defined by Article L. 233-1 and its controlled entities as defined by Article L. 233-3 of the French Commercial Code, within the limits specified in the methodology section of Chapter 5.7 of the management report.

Conclusion

Based on our work and the above-mentioned limits, we hereby confirm that the required CSR Information is presented in the management report.

(1) Scope of accreditation available at www.cofrac.fr.

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

2. REASONED OPINION ON THE FAIR PRESENTATION OF CSR INFORMATION

Nature and scope of work

We conducted six interviews with people responsible for preparing the CSR information from the Sustainable Development, Human Resources, Corporate Management Control and Innovation departments responsible for the information collection process and internal control and risk management procedures where applicable. This was done to:

- assess the appropriateness of the Guidelines as regards their relevance, comprehensiveness, reliability, neutrality and clarity, taking into consideration, where applicable, the best practices in the sector and particularly the sector-specific recommendations published by EPRA (European Public Real Estate Association) and the social and environmental guidelines released by the CNCC (*Conseil National des Centres Commerciaux*), the French industry federation of shopping centres, in July 2013;
- check that the Company has set up a process to collect, compile, process and control the comprehensiveness and consistency of the CSR Information and understand its internal control and risk management procedures applied in preparing CSR Information.

We determined the nature and scope of our tests and controls depending on the type and importance of the CSR Information with respect to the Company's characteristics, the social and environmental issues concerning its activities, sustainable development strategy and sector best practices.

Concerning the CSR Information that we deemed to be the most important(1):

- regarding the consolidating entity and the different business lines (REIT and Property Development), we consulted documentary sources and conducted interviews to corroborate qualitative information (organisation, policies, actions, etc.), implemented analytic procedures regarding quantitative information and verified calculations and data consolidation on the basis of surveys, and verified consistency with other information included in the management report;
- at the level of a representative sample of sites that we selected(2) based on their business, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures were correctly applied and performed detailed tests based on sampling, which consisted in verifying the calculations made and reconciling the data with the supporting documents. The sampling selected represents, in addition to the visits carried out during previous financial years, 7% of the private surface area and 11% of energy consumption of the assets of the portfolio included in the scope of reporting considered as sizes representative of the environmental section. The supporting documents for the societal and environmental information for the property development activity and those related to the social information of the Company are accessible at the Company's registered office.

As regards the other consolidated CSR Information, we assessed its consistency in relation to our knowledge of the Company.

Finally, we assessed the relevance of the explanations given in the event of the total or partial absence of certain information by taking into consideration, where required, the good professional practices formalised in the CSR Sector Reporting Guide of the *Conseil National des Centres Commerciaux*. According to this guide, the environmental impacts (energy, water, waste) of shopping centres are tracked according to the volumes managed and purchased (used for connected common and private-use areas), excluding purchases made directly by the tenants.

We believe, on the basis of our professional judgment, that the sampling methods and sample sizes we used enable us to provide a moderate level of assurance regarding this information. Providing greater assurance would require more extensive verifications. Due to the use of sampling techniques and other restrictions inherent to any information and internal control system, the risk of not detecting a material misstatement in the CSR Information cannot be entirely ruled out.

Conclusion

Based on this work, we did not find any significant anomalies that would cause us to believe that the CSR Information, taken as a whole, is not fairly presented, in accordance with the Guidelines.

Paris-La Défense, 10 March 2017

Independent Third-Party Body
ERNST & YOUNG et Associés

Eric Duvaud	**Bruno Perrin**
Sustainable Development Partner	Partner

(1) **Social information:**

- *Indicators (quantitative information): Total workforce, absenteeism rate and average number of training hours per employee trained;*
- *Qualitative information: Jobs, mobility, occupational health and safety, the training policy, the compensation policy and diversity.*

Environmental and societal information:

- *Indicators (quantitative information): the proportion of surface area certified or undergoing the environmental certification process (Environmental Management System), primary energy consumption and CO_2 emissions per m^2 of retail assets, energy performance and the proportion of surface area exceeding thermal regulation requirements, Group CO_2 emissions (Scopes 1, 2 and 3), the proportion of managed waste sorted and the rate of managed waste recycling on retail assets, water consumption; the proportion of green leases signed, the proportion of sites located less than 500 metres from a transit network (urban integration);*
- *Qualitative information: the overall environmental policy (organisation, assessment or certification procedures), steps adopted to improve energy efficiency and use of renewable energy, waste management, soil and biodiversity management, territorial impact (direct, indirect, related and ancillary jobs), the customer and user relationship, professional ethics, connectivity and mobility, diversity and local development, new uses and digitisation.*

(2) The shopping centres of Les Tanneurs, Grand'Place (Lille) and Espace Grand'Rue (Roubaix).


THE STO
JEANS
Beauty Shop

GENERAL INFORMATION

6

GENERAL INFORMATION

6.1 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE AUDIT OF THE FINANCIAL STATEMENTS

6.1.1 Person responsible for the Registration Document

Altafi 2, Co-Manager, represented by its Chairman, Alain Taravella. The registered office of Altafi 2 is located at 8, avenue Delcassé, Paris 75008.

6.1.2 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
Represented by its Chairman
Alain Taravella
Co-Manager

6.1.3 Persons responsible for the audit of the financial statements

6.1.3.1 STATUTORY AUDITORS

AACE Île-de-France
French member of Grant Thornton International
29, rue du Pont – 92200 Neuilly-sur-Seine

Represented by Michel Riguelle

Date of first appointment: 24 December 2004

Date of start of last term: 28 May 2010

Length of term: six years

Term having expired at the end of the Ordinary General Meeting of 15 April 2016.

Grant Thornton
French member of Grant Thornton International
29, rue du Pont – 92200 Neuilly-sur-Seine

Represented by Laurent Bouby

Date of first appointment: 15 April 2016

Date of start of current term: 15 April 2016

Length of term: six years

Term expires at the close of the Ordinary General Meeting held to approve the financial statements for FY 2021.

Ernst & Young et Autres
Tour First – 1, place des Saisons – 92400 Courbevoie
Represented by Anne Herbein

Date of first appointment: 28 May 2010

Date of start of current term: 15 April 2016

Length of term: six years

Term expires at the close of the Ordinary General Meeting held to approve the financial statements for FY 2021.

6.1.3.2 ALTERNATE STATUTORY AUDITORS

Auditeurs Associés Consultants Européens – AACE
4, rue Firmin Gillot – 75015 Paris

Date of first appointment: 24 December 2004

Date of start of last term: 28 May 2010

Length of term: six years

Term having expired at the end of the Ordinary General Meeting of 15 April 2016.

IGEC – Institut de Gestion et d'Expertise Comptable
22, rue Garnier – 92200 Neuilly-sur-Seine

Date of first appointment: 15 April 2016

Date of start of current term: 15 April 2016

Length of term: six years

Term expires at the close of the Ordinary General Meeting held to approve the financial statements for FY 2021.

Auditex
Tour First – 1, place des Saisons – 92400 Courbevoie

Date of first appointment: 28 May 2010

Date of start of current term: 15 April 2016

Length of term: six years

Term expires at the close of the Ordinary General Meeting held to approve the financial statements for FY 2021.

The Statutory Auditors are members of *Compagnie Nationale des Commissaires aux Comptes*.

6.1.4 Documents available to the public

I, the undersigned, hereby confirm that 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, 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.

Altafi 2
Represented by its Chairman
Alain Taravella
Co-Manager

6.2 GENERAL INFORMATION ABOUT THE ISSUER AND ITS SHARE CAPITAL

6.2.1 General information about the issuer

6.2.1.1 COMPANY NAME (ARTICLE 3 OF THE ARTICLES OF ASSOCIATION)

The Company's name is Altarea.

6.2.1.2 LEGAL FORM – GOVERNING LAW (ARTICLE 1 OF THE ARTICLES OF ASSOCIATION)

Altarea was originally incorporated as a *société anonyme* (a French public limited company).

It was transformed into a *société en commandite par actions* (a French partnership limited by shares) by resolution of the shareholders at the Combined General Meeting held on 26 June 2007.

Article 27.2 of the Articles of Association sets out that any limited partner (*i.e.* any shareholder) holding individually or in concert 5% or more of the share capital and voting rights of the Company may propose to the General Meeting to transform the Company into a *société anonyme*. As such, limited partners may decide, by a majority required for the Extraordinary General Meeting, to terminate the status of the *société en commandite par actions*. The General Partner may not oppose such a transformation. Nevertheless, as long as Alain Taravella, Co-Manager and General Partner, directly or indirectly holds more than 33% of actual voting rights, such a decision would be contingent upon his voting in the affirmative.

Altarea is a company incorporated under the laws of France and governed principally by the provisions of Book II of the French Commercial Code.

Altarea is therefore subject to French law.

6.2.1.3 SPECIFIC APPLICABLE LEGISLATION

Following the decision made in March 2005 by the Company and its eligible subsidiaries to elect for the tax regime applicable to *sociétés d'investissements immobiliers cotées* (SIIC) in accordance with Article 208-C of the French General Tax Code – decree no. 2003-645 of 11 July 2003, Altarea is subject to the specific provisions of this regime (see below).

6.2.1.4 REGISTERED 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.

Altarea is housed by its sub-subsidiary Cogedim Gestion, which has a commercial lease over the premises on avenue Delcassé.

6.2.1.5 DATE OF INCORPORATION AND TERM (ARTICLE 5 OF THE ARTICLES OF ASSOCIATION)

The Company was incorporated on 29 September 1954 and, in accordance with Article 5 of its Articles of Association, has a term of 99 years as of that date, unless it is extended or wound up early.

6.2.1.6 CORPORATE OBJECT (ARTICLE 2 OF THE ARTICLES OF ASSOCIATION)

The Company's corporate purpose, both in France and abroad, on its own behalf and in participation with third parties, is as follows:

- mainly: to acquire any and all land, property rights or buildings and any and all assets and rights that may constitute an accessory or appendix to said property assets, to build properties and undertake any and all transactions directly or indirectly connected with their construction, to operate and enhance the value of said property assets through their letting, to lease any and all property assets either directly or indirectly, to hold equity interests in the entities referred to in Article 8 and paragraphs 1, 2 and 3 of Article 206 of the French General Tax Code and, more generally, to acquire equity interests in any and all entities whose main object is the operation of rental properties, and to run, manage and assist such entities;
- secondarily: to manage, appraise and develop properties, to acquire property assets with a view to reselling, renovating, repairing, maintaining and cleaning them, to develop, manage and run shopping centres, to acquire equity investments or interests, directly or indirectly, in any and all companies or entities engaged in any kind of property-related business;
- exceptionally: to exchange or transfer by way of sale, capital contribution or otherwise, any property assets acquired or built for the purpose of letting in accordance with the Company's principal object;
- generally: to undertake any and all civil, financial, commercial, industrial, securities and real property transactions to facilitate the achievement of any of the foregoing objects.

6.2.1.7 TRADE AND COMPANIES REGISTRY AND OTHER IDENTIFYING INFORMATION

The Company is registered at the Paris Trade and Companies Registry under registration number 335 480 877.

The Company's SIRET number is 335 480 877 00422 and its business code is 6820B (Administration of other property assets).

The Company's intra-European VAT number is FR 34 335 480 877.

It is listed on the Compartment A of Euronext Paris.

ISIN Code: FR0000033219. Ticker symbol: ALTA.

6.2.1.8 CONSULTATION OF LEGAL DOCUMENTS

Legal documents relating to the Company, which by law must be made available to the shareholders, may be consulted at the Company's registered office at 8, avenue Delcassé, 75008 Paris.

6.2.1.9 FINANCIAL YEAR (ARTICLE 31 OF THE ARTICLES OF ASSOCIATION)

The financial year begins on 1 January and ends on 31 December.

6.2.1.10 APPROPRIATION OF EARNINGS (ARTICLE 32 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.

For as long as the Company is subject to the regime set out in Article 208-C of the French General Tax Code, the amount of any distributions shall be determined in accordance with the provisions of the second, third and fourth paragraphs of Article 208-C II of the same code such that the Company may benefit from the provisions set out in the first paragraph thereof.

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.

A Relevant Shareholder whose own position or position of its shareholders causes the Company to become liable for the Withholding (the "Withholding") referred to in Article 208-C II ter of the French General Tax Code (a "Liable Shareholder") shall compensate the Company for the Withholding arising upon any distribution of dividends, reserves, share premiums or "income deemed to be distributed" within the meaning of the French General Tax Code.

All Relevant Shareholders are deemed to be Liable Shareholders. A shareholder claiming not to be a Liable Shareholder must provide evidence thereof to the Company no later than five (5) business days before the distribution payment date in the form of a satisfactory unqualified legal opinion from a law firm of international repute and with recognised expertise in French tax law, certifying that the shareholder is not a Liable Shareholder and that the distributions made to it will not cause the Company to become liable for the Withholding.

Should the Company directly or indirectly hold a percentage of the dividend rights at least equal to that referred to in Article 208-C II ter of the French General Tax Code, or in one or more of the *sociétés d'investissements immobiliers cotées* referred to in Article 208-C of said Code (a "SIIC Subsidiary") and should a SIIC Subsidiary have paid the Withholding as a result of a Liable Shareholder, that Liable Shareholder shall, as the case may be, compensate the Company either for the sum paid by way of compensation by the Company to the SIIC Subsidiary in respect of the SIIC Subsidiary's payment of the Withholding or, if the Company has not paid any compensation to the SIIC Subsidiary, for a sum equal to the Withholding paid by the SIIC Subsidiary multiplied by the percentage of dividend rights held by the Company in the SIIC Subsidiary, such that the Company's other shareholders do not bear any portion of the Withholding paid by any of the SIICs in the chain of holding as a result of the Liable Shareholder (the "Additional Compensation"). The amount of Additional Compensation shall be borne by each of the Liable Shareholders in proportion to their respective dividend rights divided by the aggregate dividend rights held by all Liable Shareholders.

The Company is entitled to set off the compensation due from any Liable Shareholder against the sums due to be paid by the Company to that Liable Shareholder. Accordingly, the sums due to be distributed in respect of each share held by the Liable Shareholder from the Company's tax-exempt earnings under Article 208-C II of the French General Tax Code pursuant to a distribution decision or a share buyback will be reduced by the amount of the Withholding due by the Company in respect of the distribution of those sums and/or the Additional Compensation.

In the case of a distribution paid in shares, each Liable Shareholder will receive a portion of the sums distributed in shares inasmuch as no fractional shares will be created, and the balance in cash. The shares will be booked on an individual current account so that the set-off mechanism described above can be applied to that portion of the distribution.

The amount of any compensation due by a Liable Shareholder will be calculated in such a way that the Company shall be in the exact same position after payment of the compensation and taking account of any related tax effects, as it would have been had the Withholding not been payable.

Should it transpire that (i) after a distribution of dividends, reserves or share premiums, or "income deemed to be distributed" within the meaning of the French General Tax Code made from the tax-exempt earnings of the Company or an SIIC Subsidiary under Article 208-C II of the French General Tax Code, a shareholder was in fact a Liable Shareholder on the distribution date, and that (ii) the Company or SIIC Subsidiary should have paid the Withholding in respect of the sums paid to the Liable Shareholder and said sums were paid without application of the reduction mechanism described above, the Liable Shareholder will be required to pay the Company compensation for its loss in a sum equal to the Withholding that the Company would then have to pay in respect of each share held by that Liable Shareholder on the distribution date, plus where applicable the amount of the Additional Compensation (together the "Indemnity").

The Company has the right to set off the Indemnity due against all sums that might subsequently be paid to the Liable Shareholder without prejudice, where applicable, to the prior application to said sums of the reduction described above. Should, after such set-off, the Liable Shareholder still owe the Company any sums in respect of the Indemnity, the Company may once again set off the outstanding balance against any sums that might subsequently be paid to the Liable Shareholder until the debt has been fully extinguished.

6.2.1.11 GENERAL MEETINGS (ARTICLE 28 OF THE ARTICLES OF ASSOCIATION)

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.

Proxies

All shareholders may attend General Meetings in person or by proxy, regardless of the number of shares held, simply by providing proof of identity and evidence that they were shareholders of record at least two days before the date of the General Meeting. The Management may reduce or cancel this two-day requirement, provided the same conditions apply to all shareholders alike.

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.

Double voting rights

The Company's shares do not carry double voting rights. On 5 June 2015, the Combined General Meeting approved a resolution proposed by Management to exclude double voting rights for shareholders that have held their shares in registered form for more than two years. The following paragraph was added to Article 28.3 of the Articles of Association: "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. Each share gives the right to a single vote."

Ceiling on voting rights

The number of voting rights that may be exercised by each limited partner in General Meetings is equal to the number of voting rights attached to the shares they own up to a maximum of 60% of the voting rights attached to all shares comprising the share capital.

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.

Chairman – office

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.

6.2.1.12 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.

However, any shareholder other than a natural person who comes to own, directly or through its controlled entities within the meaning of Article L. 233-3 of the French Commercial Code, a percentage of the Company's dividend rights at least equal to the percentage referred to in Article 208-C II ter of the French General Tax Code (a "Relevant Shareholder") must hold all its shares in registered form and ensure that its controlled entities within the meaning of Article L. 233-3 of the French Commercial Code do likewise. Should a Relevant Shareholder fail to comply with this requirement no later than the third business day preceding the date of a General Meeting, its voting rights held directly or indirectly through its controlled entities within the meaning of Article L. 233-3 of the French Commercial Code will be limited at the General Meeting to one tenth of the number of shares held respectively by them. The Relevant Shareholder will recover all the voting rights attached to the shares it owns directly or through its controlled entities within the meaning of Article L. 233-3 of the French Commercial Code at the next General Meeting, provided that the position has been remedied by the conversion of all shares owned directly or through its controlled entities within the meaning of Article L. 233-3 of the French Commercial Code, to registered form no later than the third business day before the date of the General Meeting.

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 General 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.

6.2.1.13 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.

6.2.1.14 DISCLOSURE THRESHOLDS – REPORTING REQUIREMENTS (ARTICLE 12 OF THE ARTICLES OF ASSOCIATION)

Apart from the legal disclosure thresholds, the Articles of Association require that any natural or legal person acting alone or in concert who comes to own or ceases to own a percentage of the Company's share capital, voting rights or securities giving future access to equity equal to or more than one percent (1%) or any multiple thereof must, no later than five days after the occurrence, advise the Company by registered letter of the total number of shares, voting rights or securities giving future access to equity owned either directly, indirectly or in concert.

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.

6.2.2 General information about the share capital

6.2.2.1 PROVISIONS OF THE ARTICLES OF ASSOCIATION REGARDING ALTERATIONS TO THE SHARE CAPITAL AND THE RESPECTIVE RIGHTS OF VARIOUS CLASSES 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.

6.2.2.2 SHARE CAPITAL

As of the date of this Registration Document, the share capital was €229,669,963.66. It was divided into 15,030,287 shares, all fully paid and of the same class. The rounded par value is €15.28 a share.

The 10 existing General Partner (*commandité*) shares with a par value of €100 are held by Altafi 2.

6.2.2.3 AUTHORISATIONS INVOLVING THE SHARE CAPITAL

Note 6.1.1 to the consolidated financial statements (Chapter 3 of this Registration Document) provides detailed information on:

- stock option plans;
- free share allocations;
- information on treasury shares.

In accordance with the provisions of Article L. 225-100 of the French Commercial Code, the tables below set out all valid authorities granted by each Extraordinary General Meeting, and their use during the past financial year. Each new authority granted to Management by the Combined General Meeting supersedes and cancels all previous authorities granted for the same purpose.

(i) Authorisations granted by the Combined General Meeting of 5 June 2015 that remained valid until the Extraordinary General Meeting of 20 January 2016 or until the Combined General Meeting of 15 April 2016

(I) Authorisations to increase the share capital

Authorisations	Resolution	Expiry date	Use in 2016
Authorisations to issue ordinary shares and/or equity securities giving access to other equity securities or giving access to debt securities and/or securities giving access to equity securities to be issued by the Company or a related company, with preferential subscription rights	9th resolution	05/08/2017	None
Authorisations to issue ordinary shares and/or equity securities giving access to other equity securities or giving access to debt securities and/or securities giving access to equity securities to be issued by the Company or a related company, without preferential subscription rights, in the context of a public offer	10th resolution	05/08/2017	None
Authorisations to issue for cash ordinary shares or securities giving access to equity or debt securities, without preferential subscription rights, in a private placement	11th resolution	05/08/2017	None
Authorisations granted to Management to set the issue price for share issues without preferential subscription rights subject to a ceiling of 10% of share capital per year	12th resolution	05/08/2017	None
Option of increasing the amount of an issue in case of oversubscription	13th resolution	05/08/2017	None
Authorisations to issue shares to pay for contributions in kind, without preferential subscription rights, subject to a ceiling of 10% of share capital per year	14th resolution	05/08/2017	None
Authorisations to issue ordinary shares and/or equity securities giving access to other equity securities or giving access to debt securities and/or securities giving access to equity securities to be issued by the Company and reserved for certain categories of investors, without preferential subscription rights	15th resolution	05/12/2016	Capital increase of 26 February 2016[a]
Authorisations to issue Company shares and/or equity securities giving access to other equity securities or giving access to debt securities, intended to pay for shares tendered in public offers initiated by the Company	16th resolution	05/08/2017	None
Setting aggregate nominal ceiling of authorisations to the Management at €95 million for share issues and at €300 million for negotiable securities representing debt in the Company	17th resolution	Specific to each authorisation	None
Authorisations to increase the share capital by capitalising reserves	18th resolution	05/08/2017	None

(a) *See table below on changes in share capital over the last three years.*

The above authorisations were cancelled at the Combined General Meeting of 15 April 2016 through the adoption of resolutions on the same purposes.

(II) Share buyback programme

Authorisations	Resolution	Expiry date
Authorisation to buy back shares at a maximum price of €250 per share. Maximum: €100 million	7th resolution	05/12/2016
Authorisations to reduce the share capital by cancelling shares purchased under the buyback programme	8th resolution	05/08/2017

Purchases and sales of treasury shares made in 2016 in accordance with the foregoing authorisations are detailed in paragraph 6.2.2.4 below on the share buyback programme.

The above authorisations were cancelled at the Combined General Meeting of 15 April 2016 through the adoption of resolutions on the same purposes.

(III) Employee share offers

Authorisations	Resolution	Expiry date	Use in 2016
Authorisation to issue ordinary shares to members of a company savings plan. Aggregate ceiling: €10 million	19th resolution	05/08/2017	None
Free share allocations	20th resolution	05/08/2018	See Note 6.1.1 of § 3.6 Notes to the consolidated financial statements
Stock option plans (existing shares)	21st resolution	05/08/2018	None
Stock option plans (new shares)	22nd resolution	05/08/2018	None
Implementation of share subscription warrants (BSA, BSAANE and BSAAR)	23rd resolution	05/12/2016	None

The above authorisations were cancelled at the Extraordinary General Meeting of 20 January 2016 through the adoption of resolutions on the same purposes.

(ii) Authorisations granted by the Extraordinary General Meeting of 20 January 2016 that remained valid until the Combined General Meeting of 15 April 2016

Employee share offers

Authorisations	Resolution	Expiry date	Use in 2016
Authorisation to issue ordinary shares to members of a company savings plan. Aggregate ceiling: €10 million	1st resolution	20/03/2018	None
Free share allocations – ceiling of 350,000 shares valid for resolutions 2, 3, 4 and 5	2nd resolution	20/03/2019	See Note 6.1.1 of § 3.6 Notes to the consolidated financial statements
Stock option plans (existing shares)	3rd resolution	20/03/2019	None
Stock option plans (new shares)	4th resolution	20/03/2019	None
Implementation of share subscription warrants (BSA, BSAANE and BSAAR)	5th resolution	20/07/2017	None

The above authorisations were cancelled at the Combined General Meeting of 15 April 2016 through the adoption of resolutions on the same purposes.

(iii) Authorisations granted by the Combined General Meeting of 15 April 2016

(I) Authorisations to increase the share capital

Authorisations	Resolution	Expiry date	Use in 2016
Authorisations to issue ordinary shares and/or equity securities giving access to other equity securities or giving access to debt securities and/or securities giving access to equity securities to be issued by the Company or a related company, with preferential subscription rights	18th resolution	15/06/2018	Capital increase of 15 June 2016[(a)]
Authorisations to issue ordinary shares and/or equity securities giving access to other equity securities or giving access to debt securities and/or securities giving access to equity securities to be issued by the Company or a related company, without preferential subscription rights, in the context of a public offer	19th resolution	15/06/2018	None
Authorisations to issue for cash ordinary shares or securities giving access to equity or debt securities, without preferential subscription rights, in a private placement	20th resolution	15/06/2018	None
Authorisations granted to Management to set the issue price for share issues without preferential subscription rights subject to a ceiling of 10% of share capital per year	21st resolution	15/06/2018	None
Option of increasing the amount of an issue in case of oversubscription	22nd resolution	15/06/2018	None
Authorisations to issue shares to pay for contributions in kind, without preferential subscription rights, subject to a ceiling of 10% of share capital per year	23rd resolution	15/06/2018	None
Authorisations to issue ordinary shares and/or equity securities giving access to other equity securities or giving access to debt securities and/or securities giving access to equity securities to be issued by the Company and reserved for certain categories of investors, without preferential subscription rights	24th resolution	15/10/2017	None
Authorisations to issue Company shares and/or equity securities giving access to other equity securities or giving access to debt securities, intended to pay for shares tendered in public offers initiated by the Company	25th resolution	15/06/2018	None
Setting aggregate nominal ceiling of authorisations to the Management at €95 million for share issues and at €300 million for negotiable securities representing debt in the Company	26th resolution	Specific to each authorisation	None
Authorisations to increase the share capital by capitalising reserves	27th resolution	15/06/2018	None

(a) See table below on changes in share capital over the last three years.

The above authorisations will be cancelled at the Combined General Meeting of 11 May 2017 through the adoption of resolutions on the same purposes.

(II) Share buyback programme

Authorisations	Resolution	Expiry date
Authorisation to buy back shares at a maximum price of €250 per share. Maximum: €100 million	16th resolution	15/10/2017
Authorisations to reduce the share capital by cancelling shares purchased under the buyback programme	17th resolution	15/06/2018

Purchases and sales of treasury shares made in 2016 in accordance with the foregoing authorisations granted by the Combined General Meeting of 20 January 2016 are also detailed in paragraph 6.2.2.4 below on the share buyback programme.

The above authorisations will be cancelled at the Combined General Meeting of 11 May 2017 through the adoption of resolutions on the same purposes.

(III) Employee share offers

Authorisations	Resolution	Expiry date	Use in 2016
Authorisation to issue ordinary shares to members of a company savings plan. Aggregate ceiling: €10 million	28th resolution	15/06/2018	None
Free share allocations – Ceiling of 350,000 shares valid for resolutions 29, 30, 31 and 32	29th resolution	15/06/2019	See Note 6.1.1 of § 3.6 Notes to the consolidated financial statements
Stock option plans (existing shares)	30th resolution	15/06/2019	None
Stock option plans (new shares)	31st resolution	15/06/2019	None
Implementation of share subscription warrants (BSA, BSAANE and BSAAR)	32nd resolution	15/10/2017	None

Except for the authorisation granted to proceed to the allocation of bonus shares that would remain in effect, the authorisations above are cancelled due to the adoption by the Combined General Meeting called for 27 April 2017, of the adoptions bearing on the same purposes.

(iv) Authorisations proposed for approval at the next Combined General Meeting of 11 May 2017

(I) Authorisations to increase the share capital

Authorisations	Resolution	Expiry date
Authorisations to issue ordinary shares and/or equity securities giving access to other equity securities or giving access to debt securities and/or securities giving access to equity securities to be issued by the Company or a related company, with preferential subscription rights	8th resolution	11/07/2019
Authorisations to issue ordinary shares and/or equity securities giving access to other equity securities or giving access to debt securities and/or securities giving access to equity securities to be issued by the Company or a related company, without preferential subscription rights, in the context of a public offer	9th resolution	11/07/2019
Authorisations to issue for cash ordinary shares or securities giving access to equity or debt securities, without preferential subscription rights, in a private placement	10th resolution	11/07/2019
Authorisations granted to Management to set the issue price for share issues without preferential subscription rights subject to a ceiling of 10% of share capital per year	11th resolution	11/07/2019
Option of increasing the amount of an issue in case of oversubscription	12th resolution	11/07/2019
Authorisations to issue shares to pay for contributions in kind, without preferential subscription rights, subject to a ceiling of 10% of share capital per year	13th resolution	11/07/2019
Authorisations to issue ordinary shares and/or equity securities giving access to other equity securities or giving access to debt securities and/or securities giving access to equity securities to be issued by the Company and reserved for certain categories of investors, without preferential subscription rights	14th resolution	11/11/2018
Authorisations to issue Company shares and/or equity securities giving access to other equity securities or giving access to debt securities, intended to pay for shares tendered in public offers initiated by the Company	15th resolution	11/07/2019
Setting aggregate nominal ceiling of authorisations to the Management at €95 million for share issues and at €300 million for negotiable securities representing debt in the Company	16th resolution	11/07/2019
Authorisations to increase the share capital by capitalising reserves	17th resolution	11/07/2019

(II) Share buyback programme

Authorisations	Resolution	Expiry date
Authorisation to proceed with share buybacks at a maximum unit price of €250 per share. Maximum: €100 million	6th resolution	11/11/2018
Authorisations to reduce the share capital by cancelling shares purchased under the buyback programme	7th resolution	11/07/2019

(III) Employee share offers

Authorisations	Resolution	Expiry date
Authorisation to issue ordinary shares to members of a company savings plan. Aggregate ceiling: €10 million	18th resolution	11/07/2019
Stock option plans (existing shares)	19th resolution	11/07/2020
Stock option plans (new shares)	20th resolution	11/07/2020
Implementation of share subscription warrants (BSA, BSAANE and BSAAR)	21st resolution	11/11/2018

6.2.2.4 SHARE BUYBACK PROGRAMME

At the Combined General Meeting of 5 June 2015 and that of 15 April 2016, 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 €100 million, at a maximum price of €250 per share.

Pursuant to this authorisation, Management decided to implement a share buyback programme on 5 June 2015 and 15 April 2016 for the following purposes, in order of precedence: (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 *Autorité des Marchés Financiers*. (2) Allocate shares to employees and/or corporate officers (in accordance with conditions set forth by law), particularly under a stock option plan, a stock grant plan or a company savings plan. (3) Acquisition of shares to tender as payment or exchange for future acquisitions as a practice recognised by the *Autorité des Marchés Financiers*. (4) Allocation of shares to the holders of negotiable securities convertible into shares of the Company upon the exercise of the rights attached to such securities, in accordance with the regulations in force. (5) Possible cancellation of shares purchased. (6) Implementation of any market practice that may be recognised by the *Autorité des Marchés Financiers*.

A description of these share buyback programmes was published in accordance with Articles 241-1 *et seq.* of the AMF's General Regulation.

Pursuant to these authorisations, the Company bought and sold the following shares in 2016:

Month	Number of shares bought	Number of shares sold	Price at end of month	Balance of treasury shares
January 2016	13,083	2,534	€164.00	179,812
February 2016	4,180	1,405	€160.57	120,889
March 2016	6,453	2,508	€169.39	124,834
April 2016	5,166	1,537	€177.95	125,463
May 2016	5,771	1,811	€166.25	129,423
June 2016	23,140	5,067	€173.00	147,496
July 2016	1,690	856	€175.25	148,330
August 2016	7,322	1,016	€179.95	154,636
September 2016	9,435	2,208	€179.95	161,863
October 2016	10,108	2,753	€174.00	169,218
November 2016	7,520	1,190	€174.00	175,548
December 2016	14,780	1,783	€185.20	188,555

The allocation of treasury shares by purpose is shown above. In Altarea's statutory financial statements, the line item "Treasury shares, liquidity contract," which corresponds to purpose (1) comprised 843 shares at 31 December 2016. The line item "Shares intended for allotment," which corresponds to purpose (2), comprised 187,712 shares at 31 December 2016.

In accordance with the information set out in paragraph 6.2.2.3 above relating to authorisations involving the share capital, at the annual Ordinary General Meeting held to approve the 2016 accounts, the shareholders will be asked to renew, on the same terms and conditions as the authorisations granted by the General Meeting of 15 April 2016, the authority to buy back shares up to a maximum of 10% of the shares comprising the share capital and up to the same aggregate amount of €100 million for a maximum price of €250 per share. In compliance with the provisions of Regulation (EU) 596/2014 of 16 April 2014 and delegate Regulation (EU) 2016/1052 of 8 March 2016, the purpose of this authorisation is (i) to make a market in or to provide liquidity for the Company's shares by an investment services provider under a liquidity contract; (ii) to hold the shares for allocation to employees and/or corporate officers under a stock option plan, a free share allocation plan or a company savings plan; (iii) to allocate shares to the holders of negotiable securities convertible into shares of the Company upon the exercise of the rights attached to such securities, in accordance with the regulations in force; (iv) to cancel the shares purchased under the share buyback programme; and (v) more generally, to implement any transaction or market practice recognised or that may be recognised by laws or regulations in force or by the *Autorité des Marchés Financiers*. On the other hand, the practice of acquiring shares to hold for later tender as payment or exchange for future acquisitions is no longer recognised by the *Autorité des Marchés Financiers* and will not be shown in the list of objectives of the share buyback programme.

As in previous years, the shareholders will be asked to authorise that the purchase, sale or transfer transactions described above may be carried out by any means compatible with the laws and regulations in force, including the use of derivative financial instruments and the purchase or sale of blocks of shares. 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.

6.2.2.5 SHARES GIVING ACCESS TO SHARE CAPITAL

Detailed information is provided in Note 6.1 to the consolidated financial statements (Chapter 3 of this Registration Document).

6.2.2.6 PLEDGES OVER COMPANY SHARES

At 31 December 2016, 4,149,857 registered shares[(1)], representing 28% of the share capital (which comprised 15,030,287 shares at that date) had been pledged.

6.2.2.7 CHANGES IN SHARE CAPITAL

Transaction	Number of shares	Nominal amount of the transaction	Share premium	Total share capital	Total number of shares	Par value per share
Capital increase resulting from the payment of a scrip dividend (12/06/2014)	922 692	€14,098,733.76	€85,801,129.08	€191,243,972.46	12 515 497	At par
Reserved shares offered (26/02/2016)	190 000	€2,903,200.00	€28,762,200.00	€194,147,172.46	12 705 497	At par
Capital increase resulting from the payment of a scrip dividend (06/05/2016)	821 762	€12,556,523.36	€114,413,923.26	€206,703,695.82	13 527 259	At par
Capital increase maintaining the preferential subscription rights of shareholders (15/06/2016)	1 503 028	€22,966,267.84	€187,457,652.16	€229,669,963.66	15 030 287	At par

Reserved shares offered (February 2016)

On 16 November 2015, Management used the delegation of authority granted by the 15th resolution of the Combined General Meeting on 5 June 2015 to issue shares to natural persons and legal entities reinvesting the proceeds from the sale of a portfolio of real estate assets or of shares in a REIT or property developer, up to the limit of a maximum nominal capital increase of €20 million, with a minimum issuance price equal to the weighted average trading price over the three trading days preceding pricing, potentially reduced by a maximum discount of 5%. Alta Favart, a subsidiary of Altarea, had the opportunity to acquire the entire share capital of the real estate developer Pitch Promotion (the "Sale"), and some of its shareholders had expressly conditioned their agreement to the Sale on the ability to use a portion of the sales proceeds to subscribe for new shares of Altarea issued at a price determined on the signature date. In order to enable the transaction to be completed, management decided to issue 190,000 new shares reserved for certain sellers of Pitch Promotion at a subscription price set, in accordance with the 15th resolution of the Combined General Meeting of 5 June 2015, at €166.66 per share. The capital increase was subject to the condition precedent that the Sale close prior to 29 February 2016.

On 26 February 2016, Management took note that the Sale had closed, and, therefore, that the condition precedent to the capital increase had been satisfied. On the basis of subscriptions received and of the certificate of the depositary for the funds, it noted that the total par value of the subscribed shares and the total amounts of additional paid-in capital had been fully paid up and that, as a result, the subscription was closing early.

Management noted the definitive completion of the capital increase, resulting in the share capital increasing from €191,243,972.46 to €194,147,172.46.

Capital increase correlating to the 2015 dividend payment in shares (May 2016)

In 2016, the Company carried out a capital increase at the time of payment of the 2015 dividend, in compliance with the terms of the fourth resolution approved by the Combined General Meeting of 15 April 2016, the shareholders having had the option of payment in dividends.

The new shares, resulting from the exercise of that option, had to be issued at a price equal to 90% of the average of the first listed prices in the 20 trading sessions preceding the day of the General Meeting decreased by the dividend amount of €11 per share decided by the second resolution and rounded to the next highest euro cent.

In a decision on 15 April 2016, Management noted that, taking into consideration an average of the first listed prices in the 20 trading sessions preceding the General Meeting established at €183,895, that is after a 10% discount and cutting back the amount of the dividend, the issue price of the new shares that can be subscribed by shareholders wishing to obtain payment of the dividend in shares thus came to €154.51 per share.

At the end of the option exercise period set from 19 to 26 April 2016, on 6 May 2016, Management noted that the subscriptions received and any additional payments in cash from shareholders, received by Caceis Corporate Trust, representative of the Company, represented a total of 821,762 shares subscribed.

Taking into account a rounded par value of €15.28 per share, the nominal amount of the capital increase resulting from the subscription of the 821,762 new shares totalled €12,556,523.36.

The Company's capital was consequently brought from an amount of €194,147,172.46 to an amount of €206,703,695.82 divided into 13,527,259 shares.

(1) Société Générale 3,000,000 shares, Cortal Consors 673,796 shares, Banque Palatine 266,807 shares, BNP Paribas 192,150 shares and LCL 8,000 shares.

The 821,762 shares were created, delivered and admitted to trading on 6 May 2016. The amount of the cash dividend represented €11.5 million and was paid to shareholders on the same day.

Capital increase maintaining the preferential subscription rights of shareholders (June 2016)

On 18 May 2016, Management utilised the delegation of authority granted by the Combined General Meeting of the Shareholders of Altarea of 15 April 2016, in its 18th resolution, in order to proceed with a capital increase, maintaining the shareholders' preferential subscription right, in a gross overall amount, including issue premium, of €210,423,920, by issuing 1,503,028 new shares at a per-unit subscription price of €140 (nominal value of €15.28 and €124.72 of issue premium per new share).

The capital increase was launched on 20 May 2016 for a subscription period ending on 3 June 2016.

All shares having been subscribed and paid-up at the end of the subscription period, Management noted the definitive completion of the capital increase.

At the end of this transaction, the share capital of Altarea was brought from €206,703,695.82 to €229,669,963.66. It is now divided into 15,030,287 shares, all fully paid and of the same class.

The payment/delivery and the admission to trading of the new shares on Euronext Paris occurred on 15 June 2016.

This transaction was the object of a prospect (*note d'opération*) that received visa number 16–185 from the *Autorité des Marchés Financiers* on 19 June 2016, available on the website of Altarea (under Finance/Regulated information).

6.2.2.8 CURRENT OWNERSHIP OF SHARE CAPITAL AND VOTING RIGHTS

The Company does not know the exact composition of its ownership at all times, as some of its shares are held in bearer form.

The breakdown of the shares and voting rights between the main shareholder groups at 31 December 2015 and 31 December 2016 can be found in Note 9 to the consolidated financial statements (Chapter 3 of this Registration Document).

The voting rights disclosed in this note are actual voting rights that could be exercised in the General Meeting on 31 December 2016, rather than theoretical voting rights which include those attached to treasury shares. Consequently, the tables below show the information provided in the Notes to the consolidated financial statements and show the corresponding number of theoretical voting rights.

Ownership at 31 December 2016:

Shareholder	Number of shares	% of share capital and theoretical voting rights	Number of actual voting rights at General Meetings	% of actual voting rights at General Meetings
Concert of Founders[(a)]	6,895,084	45.87	6,895,084	46.46
Extended Concert[(b)]	6,981,096	46.45	6,981,096	47.04
Crédit Agricole Assurances	3,993,953	26.57	3,993,953	26.91
ABP (APG)	1,231,504	8.19	1,231,504	8.30
Opus Investment	197,940	1.32	197,940	1.33
Treasury shares	188,555	1.25	0	0.00
Public float	2,437,239	16.22	2,437,239	16.42
Total	15,030,287	100.00	14,841,732	100.00

(a) Shares and voting rights held as of 31 December 2016 by Alain Taravella and Jacques Nicolet, founders of the Group, acting in concert, as well as members of their families and the companies they control. See paragraph 6.2.2.9.
(b) Concert existing among the aforementioned founders, on the one hand, and Gilles Boissonnet and Stéphane Theuriau on the other hand, as well as members of their families and the companies they control. See paragraph 6.2.2.9.

The ten existing General Partner (*commandité*) shares with a par value of €100 are held by Altafi 2, whose registered office is at 8, avenue Delcassé, 75008 Paris, registration number 501 290 506 RCS Paris.

Change in ownership structure over the past three financial years:

	31/12/2016		31/12/2015		31/12/2014	
Shareholder	Number of shares	% of share capital	Number of shares	% of share capital	Number of shares	% of share capital
Concert of Founders	**6,895,084**	**45,87**	**5,899,110**	**47.13**	**5,899,110**	**47.13**
Extended Concert[(a)]	6,981,096	46.45	5,975,714	47.75	5,969,842	47.70
Crédit Agricole Assurances	3,993,953	26.57	3,419,655	27.32	3,419,655	27.32
ABP (APG)	1,231,504	8.19	1,034,692	8.27	1,034,691	8.27
Opus Investment	197,940	1.32	165,999	1.33	156,999	1.25
Treasury shares	188,555	1.25	169,263	1.35	160,349	1.28
Public float	2,437,239	16.22	1,750,174	13.98	1,773,961	14.17
TOTAL	**15,030,287**	**100,00**	**12,515,497**	**100.00**	**12,515,497**	**100.00**

(a) The extended concert between the founders, on the one hand, and Gilles Boissonnet and Stéphane Theuriau, on the other hand, has only existed since 2 July 2014 (See paragraph 6.2.2.9).

Threshold crossings notified to the *Autorité des Marchés Financiers* (AMF):

In 2016, no filings were made with the *Autorité des Marchés Financiers* reporting the crossing of thresholds.

6.2.2.9 CONTROL OF THE COMPANY AND SHAREHOLDERS' AGREEMENTS

An agreement to act in concert was concluded between the following persons:

- Alain Taravella, the companies AltaGroupe (formerly Altafinance 2), Alta Patrimoine and Altager (formerly Alta Pat 1), which he controls, and members of his family;
- Jacques Nicolet and the company Everspeed (formerly named JN Holding), which he controls;
- Gilles Boissonnet and the SCI Jouffroy 2, which he controls;
- Stéphane Theuriau.

Alain Taravella and Jacques Nicolet have reported that they are acting in concert since the acquisition of control of the Company (then called Imaffine) in 2004. The traditional group of shareholders acting in concert, composed of Alain Taravella and Jacques Nicolet, is referred to in this document as the "concert of founders."

In a letter received by the *Autorité des Marchés Financiers* on 2 July 2014, Gilles Boissonnet and Stéphane Theuriau declared acting in concert with Alain Taravella and the companies he controls, and Jacques Nicolet and the companies he controls (AMF Decision & Information No. 214C1286 of 3 July 2014). In its 10 June 2014 meeting, the *Autorité des Marchés Financiers* examined the consequences of this concert action between Gilles Boissonnet and Stéphane Theuriau with the concert formed by Alain Taravella and Jacques Nicolet. The AMF established that there was no call for a mandatory submission of a proposed public bid as set out in the provisions of Article 234-2 of the AMF's General Regulation, as the action in concert would not cause the initial concert to cross the thresholds set out in Article 234-7, paragraph 2 of the General Regulation (AMF Decision & Information No. 214C1041 of 11 June 2014).

As of the date of this document, the Company was aware of the following shareholders' agreements:

Description	Date	Validity	Signatories	Commitments
Shareholders' Agreement	26/06/2007	10 years	Alain Taravella, Jacques Nicolet, Altafinance and Predica	Right of preference in favour of the other signatories in case of transfer by Predica to a non-affiliate of more than 2% of the capital or securities with a value of over €30 million
Shareholders' Agreement	12/06/2008	10 years	Alain Taravella, Jacques Nicolet, Altafinance 2, Everspeed (formerly named JN Holding) and Fonds ABP	Fonds ABP has the right to appoint one member to sit on the Supervisory Board and its Special Committees (number of seats consistent with percentage of interest). Undertaking to use best efforts to maintain the Company's SIIC status and to increase its free float
Dutreil Agreements	21/07/2008 and 03/11/2009		Alain Taravella, his family, Alta Patrimoine and Altafinance 2	Undertakings to hold shares
Dutreil Agreement	22/12/2011		Altafinance 2, Altafi 2, Jacques Nicolet, Opus Investment, and Christian de Gournay	Undertakings to hold shares
Dutreil Agreement	21/12/2012		Altafinance 2, Altafi 2, Jacques Nicolet, Opus Investment, and Christian de Gournay	Undertakings to hold shares
Dutreil Agreement	23/12/2014		AltaGroupe, Altafi 2, Opus Investment, Christian de Gournay and Jean-François Favre	Undertakings to hold shares

6.2.2.10 TRADING IN ALTAREA SHARES IN 2016 BY EXECUTIVE OFFICERS OR PERSONS CLOSELY RELATED TO THEM

From 1 January 2016 to 31 December 2016, executive officers or persons closely related to them reported the following transactions in Altarea shares:

Executive Officer	Title on transaction date	Financial Instrument	Transaction	Number of transactions	Total gross amount of transactions
ALTAGROUPE ALTA PATRIMOINE and ALTA PAT 1	Legal persons related to Alain Taravella, Co-Manager	Shares	Payment of scrip dividend	3	€62,270,620.20
			Subscription	3	€81,552,100.00
		DPS	Acquisition	1	€360,550.00
			Sale	2	€2,729,145.00
Gilles Boissonnet SCI JOUFFROY 2[a]	Chief Executive Officer of ATLAS, Co-Manager	Shares	Payment of scrip dividend	1	€385,965.98
			Subscription	2	€593,040.00
			Acquisition	1	€425,000.00
			Sale	5	€827,908.52
		DPS	Acquisition	1	€67,500.00
			Sale	1	€67,500.00
Stéphane Theuriau	Chief Executive Officer of ATLAS, Co-Manager	Shares	Payment of scrip dividend	1	€443,907.23
			Subscription	1	€560,000.00
			Sale	2	€333,281.94
Christian de Gournay OPUS INVESTMENT[a]	Chairman of the Supervisory Board	Shares	Payment of scrip dividend	2	€1,825,999.18
			Subscription	1	€691,180.00
Éliane Frémeaux	Supervisory Board member	Shares	Acquisition	1	€49,933.80
JN HOLDING[a]	Person related to Jacques Nicolet, Supervisory Board member	Shares	Subscription	1	€1,461,460.00
Gautier Taravella	Supervisory Board member	DPS	Sale	1	€141,875.00
Matthieu Taravella	Supervisory Board member	DPS	Sale	1	€142,527.50
Christian Terrassoux ALTANA INVESTISSEMENTS[a] ALTANA DIX NEUF[a]	Supervisory Board member	Shares	Payment of scrip dividend	1	€1,650,012.29
			Subscription	2	€2,962,540.00
			Acquisition	1	€4,188.00
		DPS	Acquisition	1	€94,103.74
ABP (APG)	Supervisory Board member	Shares	Payment of scrip dividend	1	€11,381,612.00
PREDICA – Crédit Agricole Assurances[a]	Supervisory Board member	Shares	Payment of scrip dividend	2	€37,260,241.01

(a) Person related in the meaning of Article R. 623-43-1 of the French Monetary and Financial Code.

6.2.2.11 EMPLOYEE SHAREHOLDERS

In accordance with Article L. 225-102 of the French Commercial Code, it is specified that as of 31 December 2016 the shares held by the employees[1] of the Company and of affiliates within the meaning of Article L. 225-180 of the French Commercial Code represent 0.07% of the Company's share capital.

It must be emphasized that this percentage does not express the proactive nature of the employee shareholder policy implemented by Company Management since the Group's listing 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).

Employee shareholding is expected to increase significantly in the coming years, due to Management's stated ambition to share the business' growth with its employees, as discussed in Chapters 1 and 5 of this Registration Document. The implementation of new free share allocation plans, which began at the start of 2016, seeks to make each employee a shareholder of the Group and enable them to benefit from the dividend paid to shareholders and from the capital gains obtained by an increase in the price of Altarea shares.

(1) These are Altarea shares that continue to be held by the employee investment mutual funds (FCPE).

6.2.3 Non-equity financial instruments other than those convertible into equity

Issue date	Issue amount	Subscription rate	Date of maturity
21/12/2012	€100,000,000	Entirely subscribed	21/12/2017
23/05/2014	€100,000,000	Entirely subscribed	23/05/2021
02/06/2014	€50,000,000	Entirely subscribed	23/05/2021
12/06/2014	€80,000,000	Entirely subscribed	23/05/2021
14/12/2016	€50,000,000	Entirely subscribed	14/12/2026

Bonds issued on 02/06/2014 and 12/06/2014 were assimilated upon issue and comprised a single item with the existing bond issue carried out on 23/05/2014.

The bond issue contracts shown in the table above contain a control maintenance clause.

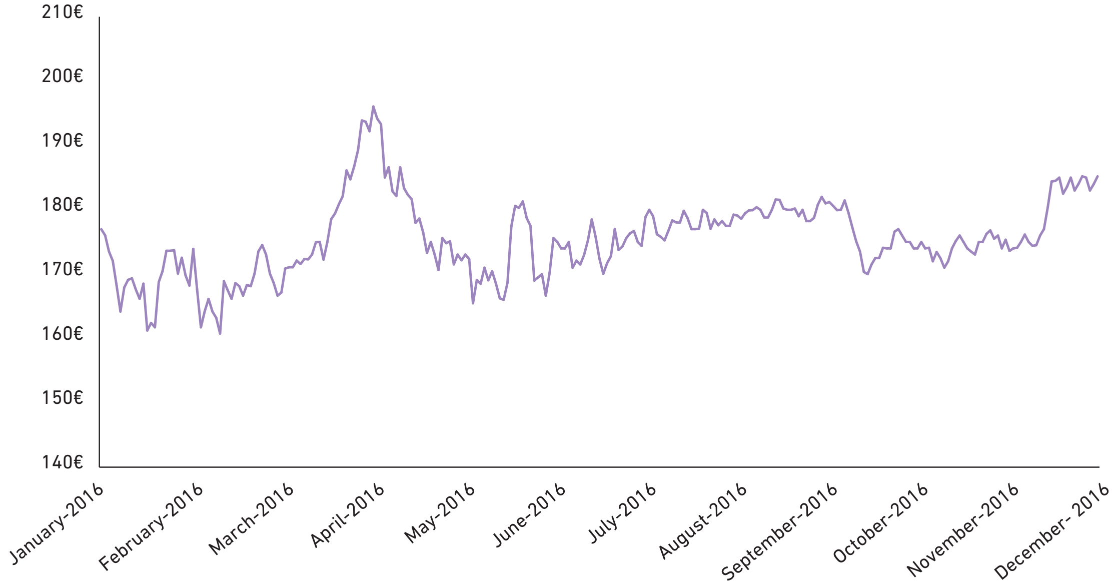
6.3 MARKET IN THE COMPANY'S FINANCIAL INSTRUMENTS

Altarea						
Market						Compartment A – Euronext
Securities exchange						Paris
	2011	2012	2013	2014	2015	2016
Market capitalisation	€1,226,547,449	€1,276,638,597	€1,483,879,040	€1,647,039,500	€2,000,057,000	€2,494,700,000
Number of shares traded	366,875	551,953	587,100	373,158	572,766	589,268
Average price (€)	€133.70	€115.42	€126.76	€133.27	€158.00	€172.55
Value of shares traded (€)	€49,051,188	€64,926,336	€74,419,856	€49,448,737	€90,400,975	€101,678,183
Highest	€148.50	€130.99	€154.00	€140.90	€188.00	€186.61
Lowest	€111.00	€98.51	€105.40	€123.05	€131.00	€151.75
Latest	€120.50	€117.00	€128.00	€131.60	€184.00	€185.20

	High	Low	Latest	Number of shares traded	Amount of capital
January 2017	€189.80	€173.25	€175.10	202,611	€35,477,186
December 2016	€185.20	€173.60	€185.20	76,182	€14,108,906
November 2016	€176.80	€171.00	€174.00	35,802	€6,229,548
October 2016	€181.45	€170.00	€174.00	43,095	€7,498,530
September 2016	€182.00	€178.25	€179.95	35,576	€6,401,901
August 2016	€180.00	€176.75	€179.95	20,347	€3,661,443
July 2016	€180.00	€170.05	€175.25	35,285	€6,183,696
June 2016	€181.30	€166.00	€173.00	92,579	€16,016,167
May 2016	€178.64	€165.47	€166.25	54,990	€9,142,087
April 2016	€186.60	€170.73	€177.95	49,024	€8,150,240
March 2016	€169.39	€157.32	€169.39	84,922	€14,789,780
February 2016	€164.19	€151.75	€160.57	25,539	€4,326,051
January 2016	€170.78	€152.22	€164.00	37,737	€6,188,868

(source: Bloomberg).

Changes in the price of the Altarea share in 2016



6.4 DIVIDEND POLICY

6.4.1 Dividends paid over the past five financial years

Financial year	Dividend per share
Financial year ended 31/12/2011	€9.00
Financial year ended 31/12/2012	€10.00
Financial year ended 31/12/2013	€10.00
Financial year ended 31/12/2014	€10.00
Financial year ended 31/12/2015	€11.00

These dividends did not give a right to the 40% abatement mentioned in Article 158-3-2 of the French General Tax Code that applies to physical persons with tax residence in France.

6.4.2 Dividend distribution policy

A dividend payment of €11.50 per share in respect of the financial year ended 31 December 2016 will be proposed at the General Meeting to be held on 11 May 2017. This dividend is €0.50 per share greater than the dividend of the previous year.

The dividend to be paid in 2018 in respect of the 2017 financial year should be at least equal to that paid this year.

6.4.3 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 2016.

6.5 SUMMARY OF THE COMPANY'S PAYMENT TERMS

In accordance with Article D. 441-4 of the French Commercial Code, it is specified that:

- the Company's total trade payables (including amounts due on non-current assets) amounted to €7,809,841 at 31 December 2015, including €7,215,858 of unbilled payables at the closing date and €398,924 in holdbacks. The balance came to €195,059, all maturing at more than 60 days;
- the Company's total trade payables (including amounts due on non-current assets) amounted to €4,392,911 at 31 December 2016, including €4,236,397 of unbilled payables at the closing date and €1,300 in holdbacks. The debts due came to €155,215, including €16,116 at less than 30 days and €139,099 at more than 60 days.

6.6 AGREEMENTS CONCLUDED BETWEEN AN EXECUTIVE OFFICER OR A MAJOR SHAREHOLDER AND COMPANY SUBSIDIARIES

As of the date of this Registration Document, no agreement has been concluded between an executive officer or a major shareholder and Company subsidiaries.

6.7 SUMMARY OF EARNINGS FOR THE LAST FIVE FINANCIAL YEARS

Type of indications	2016	2015	2014	2013	2012
Duration of the period (months)	12	12	12	12	12
Capital at end of the year					
Share capital	229,670,964	191,244,972	191,244,972	177,146,239	166,734,997
Number of shares	15,030,287	12,515,497	12,515,497	11,592,805	10,911,441
▪ ordinary	15,030,287	12,515,497	12,515,497	11,592,805	10,911,441
▪ preferred shares					
Maximum number of shares to be created					
▪ by bond conversions					
▪ by subscription rights					
Operations and results					
Revenue excl. tax	19,371,278	29,426,248	25,462,290	41,034,088	39,407,606
Income before tax, interest, depreciation and impairment	3,342,963	11,329,786	44,229,409	191,804,094	36,216,000
Income tax	(34,523)	(346,124)	338,305	(88,331)	(24,266)
Employee participation					
Allowances Depreciation and impairment	(4,561,389)	5,624,685	40,157,535	74,973,819	32,818,718
Net income	7,689,445	6,051,225	3,733,569	116,918,606	3,421,549
Distributed income					
Earnings per share					
Income after tax, interest, before depreciation and impairment	0.3	0.9	3.5	16.6	3.3
Income after tax, interest, depreciation and impairment	0.6	0.5	0.3	10.1	0.3
Dividend distributed					
Personnel					
Average employee workforce	2	3	5	6	6
Payroll	917,005	1,029,263	1,833,756	1,845,482	1,819,892
Amounts paid in benefits (social security, social welfare, etc.)	7,990,164	3,168,514	1,384,810	1,270,590	4,598,122

6.8 RECENT EVENTS AND LITIGATION

They are presented in Notes 10.2 and 11 to the consolidated financial statements shown in paragraph 6 of the Chapter 3 of this Registration Document.

6.9 INFORMATION THAT CAN AFFECT ALTAREA'S BUSINESSES OR PROFITABILITY

Overall, the Company is not dependent on its customers.

In the retail REIT division, the ten largest tenants of shopping centres managed by Altarea accounted for 30% of total rental income (excl. tax) as of 31 December 2016. Out of these, one tenant accounted for more than 10% of rental income.

Furthermore, the ten largest customers in Altarea's Residential Property division accounted for 22% of total revenue (excl. tax) as of 31 December 2016. None of these customers accounted for more than 10%.

However, the four largest clients in the office property accounted for more than 10% of total revenue.

6.10 COMPETITIVE ENVIRONMENT

The sections of this Registration Document containing the Company description and management report (Chapters 1 and 2) provide detailed, quantitative information on Altarea's businesses and services, along with their trends, competitive landscape, and earnings. The management report also discusses the macroeconomic factors and business cycles affecting the shopping centre and residential property markets.

The Company's main competitors are as follows:

- in the retail REIT sector, the nine other property companies with a market capitalisation of over €1 billion, other than Altarea Group, are[1] Unibail-Rodamco, Klépierre, Gecina, Foncière des Régions, Icade, Société Foncière Lyonnaise, Foncière des Murs, Mercialys, and Eurosic;
- in the property development sector, Altarea Cogedim Group's main competitors in 2016 were as follows[2]:
  - with respect to the residential sector[3], the ten largest real estate companies, including the Altarea Group, are the following: Nexity, Bouygues Immobilier, Kaufman & Broad, Vinci Immobilier, Promogim, Icade Promotion, Sogeprom, Financière Pichet and BPD Marignan,
  - with respect to the offices sector, the ten largest real estate companies, including the Altarea Group, are the following: BNP Paribas Real Estate, Icade, Bouygues Immobilier, Linkcity, Nexity, Vinci Immobilier, Eiffage Immobilier, GA Promotion, and Sixième Sens Immobilier.

(1) Source: Institut de l'Épargne Immobilière & Foncière: Euronext IEIF SIIC France, Nomenclature of the index at 31/01/2017 (http://www.ieif.fr/tableau-siic).

(2) In total sales volume in millions of euros – Palmarès 2016 – Classement des Promoteurs 2016 – Innovapresse – pages 18 and 20.

(3) Including the Serviced Residences business.

6.11 RISK FACTORS

The Company has conducted a review of the risks that could have a material adverse effect on its business, financial position or earnings, and considers that there are no significant risks other than those presented. Internal control and risk management procedures are detailed in the Chairman's report on internal control, which is reproduced in full in Chapter 8 of this Document, and more particularly in sub-section 8.3.

In this area, the Company abides by the provisions of the Code of Conduct of Listed Property Investment Companies (*Code de déontologie des Sociétés d'Investissement Immobilier Cotées*).

6.11.1 Risks inherent in the operations of the Altarea Group

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

Altarea operates in several sectors of the property market, mainly retail property (mostly shopping centres), residential and office property, and serviced residences. The Company is exposed to systemic risks and uncertainties specific to the property market, most notably its cyclical nature, 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 Altarea Group's businesses, asset values, earnings, development projects, and investments.

RISKS RELATED TO ACQUISITIONS

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

The Altarea Group could face difficulties integrating 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.

PROPERTY DEVELOPMENT RISKS

There are a number of risks related to property development, including:

- administrative risk related to obtaining permits for commercial operations or building permits and to administrative proceedings 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;
- with respect to offices, 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;
- competition risk, which may in particular affect the acquisition of land/shopping centres, product sales prices, or the availability of subcontractors.

RISKS RELATED TO REIT ASSETS AND ACTIVITIES

Risks related to assets in operation and to the retail and office REIT business include:

- risks related to letting and re-letting of space in shopping centres and offices, in particular in a challenging economic climate;
- risks related to property portfolio management and to decisions to buy and sell assets (estimated return on new acquisitions, delays in carrying out disposals, etc.);
- risks related to the operation of shopping centres (natural or technological risks, accidental damages, administrative closure of a centre, acts of terrorism, etc.).

RISKS OF TENANT AND BUYER INSOLVENCY

Altarea's ability to collect rental income from shopping centre tenants depends on the tenants' solvency. Altarea checks the creditworthiness of potential tenants and their brand appeal prior to entering into any lease agreement. It may also happen that some tenants do not pay their rent on time which could impact

Altarea's operating income. This could be the case if the current economic situation were to worsen into a full-blown recession as this would have a significant impact on consumer behaviour and create difficulties for tenant stores and retailers. However, rents are usually relatively unaffected as tenants fear eviction and the loss of their business.

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. On the other hand, concerning residential units already marketed, Cogedim holds a seller's lien on the property. Due to this, the keys are not handed over until the buyer has paid the balance of the selling price. Consequently, the risks relating to the Company's ability to collect amounts due from its customers mainly involve extending payment terms and therefore optimising working capital requirements.

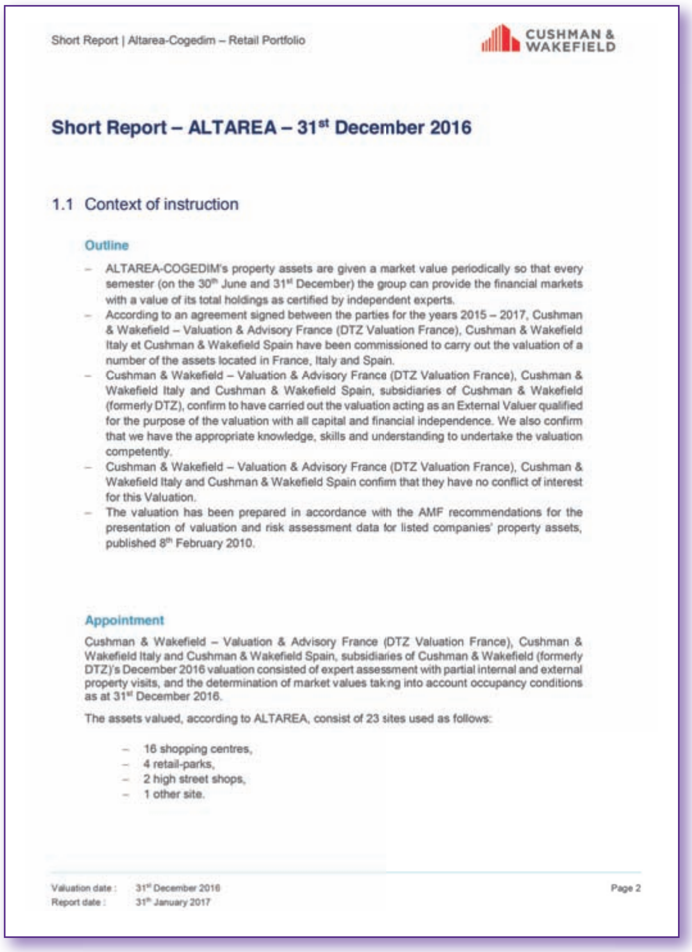
Finally, the serviced residences managed by the Group could also be impacted by a deterioration in the solvency of households with the risk on the occupancy rate. This risk could have a negative impact on the operation of serviced residences to the extent that the Group ensures guaranteed profitability for investors' long-term investments.

RISK RELATED TO THE APPRAISAL OF PROPERTY ASSETS

The valuation of Altarea's portfolio of office property is linked to many exogenous factors (economic conditions, retail property market, interest rates, etc.) as well as endogenous factors (shopping centres' rate of return and performance) that may vary appreciably.

The Group arranges for its property to be appraised twice a year by independent appraisers. The fees paid to appraisers are lump-sum amounts determined in advance of the valuations and amounted to €278 thousand (excl. tax) for 2016, of which €35 thousand related to the preparation of reliance letters required by banks. They are not determined as a percentage of the value of the assets being valued, and represent less than 10% of the revenues of each of the appraisal firms. The form of work conducted and the method used to value the assets are described in paragraph 8.3.3.1, "Risks related to REIT assets and activities", in the Chairman's report on internal control. The sensitivity of the property portfolio's value is analysed in Note 7 to the consolidated financial statements (Chapter 3.6 of the Registration Document) focusing particularly on investment properties.

The condensed reports of the Company's appraisers are shown below:



Short Report | Altarea-Cogedim – Retail Portfolio

CUSHMAN & WAKEFIELD

Short Report – ALTAREA – 31st December 2016

1.1 Context of instruction

Outline

- ALTAREA-COGEDIM's property assets are given a market value periodically so that every semester (on the 30th June and 31st December) the group can provide the financial markets with a value of its total holdings as certified by independent experts.
- According to an agreement signed between the parties for the years 2015 – 2017, Cushman & Wakefield – Valuation & Advisory France (DTZ Valuation France), Cushman & Wakefield Italy et Cushman & Wakefield Spain have been commissioned to carry out the valuation of a number of the assets located in France, Italy and Spain.
- Cushman & Wakefield – Valuation & Advisory France (DTZ Valuation France), Cushman & Wakefield Italy and Cushman & Wakefield Spain, subsidiaries of Cushman & Wakefield (formerly DTZ), confirm to have carried out the valuation acting as an External Valuer qualified for the purpose of the valuation with all capital and financial independence. We also confirm that we have the appropriate knowledge, skills and understanding to undertake the valuation competently.
- Cushman & Wakefield – Valuation & Advisory France (DTZ Valuation France), Cushman & Wakefield Italy and Cushman & Wakefield Spain confirm that they have no conflict of interest for this Valuation.
- The valuation has been prepared in accordance with the AMF recommendations for the presentation of valuation and risk assessment data for listed companies' property assets, published 8th February 2010.

Appointment

Cushman & Wakefield – Valuation & Advisory France (DTZ Valuation France), Cushman & Wakefield Italy and Cushman & Wakefield Spain, subsidiaries of Cushman & Wakefield (formerly DTZ)'s December 2016 valuation consisted of expert assessment with partial internal and external property visits, and the determination of market values taking into account occupancy conditions as at 31st December 2016.

The assets valued, according to ALTAREA, consist of 23 sites used as follows:

- 16 shopping centres,
- 4 retail-parks,
- 2 high street shops,
- 1 other site.

Valuation date : 31st December 2016
Report date : 31th January 2017

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Short Report | Altarea-Cogedim – Retail Portfolio

CUSHMAN & WAKEFIELD

The 23 sites are divided between France, Italy and Spain as follow:

France:

- 13 shopping centres,
- 4 retail-parks,
- 2 high street shops,
- 1 other site.

Italy:

- 2 shopping centres

Spain:

- 1 shopping centre

Please note that as long as the property is subject to the terms of a financial lease ("crédit bail"), the valuation expert evaluates exclusively the underlying assets and not the financial lease. Similarly, as long as the property asset is held by an ad hoc company the value of the latter is estimated according to the hypothetical selling of the underlying property asset and not according to that of the company.

1.2 Terms of instruction

Valuation elements

The valuation has been carried out on the basis of documents and information provided to us which we assume to be true and which we assume correspond to the entirety of information and documents held by the company which could have an effect on the price of the property.

Reference documents

The valuation has been carried out in accordance with:

- On a national level :
  - The recommendations of the Barthès de Ruyter report on the valuation of property holdings of listed companies carrying out a public offering, published in February 2000,
  - The French property appraisal charter ("Charte de l'Expertise en Evaluation Immobilière" – 4th Edition),
  - Principles set out by the SIIC (Sociétés d'Investissements Immobilières Cotées) [listed real estate investment companies] code of conduct.
- On an international level:
  - The European Group of Valuers' Association European valuation standards published in its blue book "European valuation standards".
  - The Royal Institution of Chartered Surveyors' (RICS) Red Book published within its "Appraisal and valuation manual" (9th Edition).

Valuation date : 31st December 2016
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CUSHMAN & WAKEFIELD

Valuation method

The valuations techniques used are based upon methods regularly used for these types of assets, notably methods based on income:

- Income capitalisation method,
- Discounted cash flow (DCF) method.

The comparison method of valuation has been used only for crosschecking purposes for certain assets.

1.3 Cumulative market value as at 31st December 2016

The overall market value corresponds to the sum of the individual value of each asset.

Total Market Value (100 %):

€ 3,338,293,953 including fees and transfer costs

Market value of share:

€ 2,395,720,130 including fees and transfer costs

This value is to be understood assuming a stable market and an absence of notable changes to the properties between the date of the expert assessment and the date of the value.

This short report should be taken as an inseparable element of the total works produced during the expert valuation.

Completed in Neuilly-sur-Seine, 31st January 2017.

Jean-Philippe Carmarans, MRICS

Head of Valuation France
International Director
RICS Registered Valuer

For and on behalf of
DTZ Valuation France

As of September 2, 2015, DTZ and C&W have combined under a new common brand.
Notwithstanding our new branding, our underlying legal entities have not changed, including their names.

Valuation date : 31st December 2016
Report date : 31st January 2017
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1 The Basis of Our Instructions

1.1 Purpose of the Valuation

This report is provided in accordance with the valuation proposal by Jones Lang LaSalle Expertises SAS dated 20th April 2015 confirmed by Altarea Cogedim Group, under which Jones Lang LaSalle is to provide you with our opinion of the Fair Value of the assets that constitute this portfolio for IFRS financial reporting purposes as at 31st December 2016.

We have assessed the Fair Value of these properties in accordance with IFRS 13, "Measurement of Fair value".

As per your instructions, this is a shortened report format. For full details in respect of this instruction, please refer to our extended report which has been provided in French

1.2 Client identity and professional liability

The client of Jones Lang LaSalle Expertises SAS for this instruction is **ALTAREA COGEDIM**. The report is provided solely for the purpose stated above. Jones Lang LaSalle Expertises SAS accepts no liability to its clients for any non-authorised use and accepts no liability to any third party in relation to any use of this valuation report and its contents.

All valuation instructions undertaken by Jones Lang LaSalle Expertises in France are covered by the insurance of the Jones Lang LaSalle group.

Please note that the liability of Jones Lang LaSalle in contract in respect of this instruction is in any event limited to € 5 million (five million Euros) in the aggregate, covered by Professional Civil Liability insurance (policy no. 7.600.664), provided by AIG EUROPE LIMITED insurance.

1.3 Valuation basis

Our valuation has been carried out in accordance with the Royal Institution of Chartered Surveyors Valuation - Professional Standards, January 2014 ("the Red Book"), the *Charte de l'expertise immobilière*, and with the European Valuation Standards of TEGoVA (the European Group of Valuers' Associations). They are also consistent with the recommendations provided in the Barthès de Ruyter report resulting from the working group on property valuation for publically quoted companies drawn up in February 2000 by the COB, now AMF. This valuation report is also compliant with the International Valuation Standards 2012.

The assets have also been valued in accordance with our **General Principle of Valuation**, a copy of which is attached in the report's appendices.

In view of the purpose of the valuation, as set out above, we have valued the asset(s) on the basis of their Fair Value.

Fair Value is defined in IFRS 13 as "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The various standards referred to above agree that in most cases the definition of Fair Value leads to the same value conclusion as the definition of Market Value.

We have considered the properties as if free and clear of all mortgages, *crédit-bail* or other charges that may be secured thereon.

We would point out that we have not carry out a building survey and that, whilst we have taken account of any readily visible defects, we have not been able to confirm that the properties are free from defect.

We are neither lawyers nor accountants. Any comments made on legal or accounting matters in this report are provided in good faith, but should be checked with legal or accounting specialists.

1.4 Conflict of interest check and experience

Following enquiries no conflict of interest has been found in respect of the properties or the parties concerned by this instruction.

We confirm that Jones Lang LaSalle Expertises SAS has the experience and market knowledge required to value of the subject assets.

2 Valuation Report

2.1 Summary of the portfolio

We summarise the main details of the properties as follows:

- 10 Shopping centre
- 7 Retail Park
- 1 Residential Hotel
- 6 Commercial asset

2.2 Inspections

Since it is an update valuation, we did not visit the properties. The date of the visit is given in each indivdual properties report.

2.3 Sources of information

We were provided with full information at the time of our initial valuation which was carried out in June 2015. In terms of our update, we were provided with the following information for each property:

- Tenancy schedules at 30/09/2016
- Speciality leasing income
- Turnover € including VAT
- Amounts of annual recoverable service charges per asset and per tenant
- Special rents for Gare du Nord and Gare de l'Est

2.4 Floor areas

Under French Law, only architects or *géomètre-experts* are authorised to certify floor areas of buildings. Thus, we have not taken measurements of the properties and have relied on the information with which we have been supplied in the floor area tables certified by a *géomètre-expert*.

2.5 Valuation approach

We have valued this property using two main methods and compared the results obtained. This is consistent with valuation practice in France were valuers generally use at least two methods:

- The traditional French capitalisation method
- Discounted cash-flow method

2.6 Valuation Conclusions

In accordance with the comments in our report, we estimate the Fair Value of the various properties is therefore as shown below:

€1,165,831,438 Net
(One Billion one hundred and sixty-five million, eight hundred and thirty-one thousand, four hundred and thirty-eight EUROS)

derived from a rounded gross value of

€1,225,626,428 Gross
(One Billion two hundred and twenty-five million, six hundred and twenty-six thousand, four hundred and twenty-eight EUROS)

In accordance with normal French market practice we have not made any deductions for purchaser's or vendor's legal or agents' fees associated with a purchase or sale, nor have we taken account of any capital gains or other taxes that either party might have to pay as a result of such a transaction.

Note: The Net value (hors droits) above represents the price that a vendor would receive. A Gross price would represent the total that a purchaser would have to pay, including property transfer taxes and notaire's fees. **It is therefore the Net value that equates to the RICS or TEGoVA definition of Market Value.**

We have therefore assumed that a sale at our valuation date would fall within the VAT regime. This applies to properties sold for the first time within 5 years of their completion or of a major works programme that involved the breaking of floor slabs.

In such cases, the tax authorities will accept the sale as under the VAT regime and the sale would then be subject to VAT on the net price. A company who bought would probably be able to recover the VAT, leaving other non-recoverable *notaire's* costs at around 1.8%. A private individual would have to bear both the VAT and these costs.

On any subsequent sale, or on a sale after the end of the 5 year period, transfer taxes and *notaire's* fees can be expected to be 6,90% or 7,50% of the net value.

Paris, 31st January 2017

Anne Le Daniel For and on behalf of Jones Lang LaSalle Expertises Senior Valuer	Gareth Sellars, MRICS, REV, CIS HypZert (MLV) For and on behalf of Jones Lang LaSalle Expertises President

RISKS RELATED TO THE GROUP'S INFORMATION SYSTEMS

The performance and reliability of the Group's information systems are major factors in conducting the Group's business. As a result, Altarea could be affected by events (accidents, service failures) outside of its control and able to lead to interruptions in its data flows or issues affecting its activities.

The Group could also face cyberattacks, impacting the integrity, availability and confidentiality of its data. Altarea could be exposed to a risk of liability and damage to its reputation. This could force the Group to make additional investments to protect its information systems and to remedy any damages that may have been caused.

6.11.2 Legal, regulatory, tax and insurance risks

LEGAL AND REGULATORY RISKS

The Altarea Group must comply with regulations in a variety of areas, including urban planning, construction, operating permits, health and safety, the environment, commercial lease regulations, intellectual property, consumer law, corporate law and tax law, notably the tax rules governing SIICs.

Changes to any of these regulations could require Altarea to adjust its operations, assets, or business strategy accordingly, which may have negative consequences on its earnings, asset values, and expenses, and may slow or halt progress on some of the Company's property development or marketing activities.

Altarea is involved in legal procedures as part of its regular business operations, and is subject to tax or regulatory audits. The Company recognises a provision whenever a risk is identified and its cost can be reasonably estimated.

LITIGATION RISK

As of the date of this Registration Document, and as stated in Note 10.2 to the consolidated financial statements (Chapter 3.6), on litigation and claims, no significant new litigation issues arose in 2016 other than those for which provisions were set aside or that the Company has challenged.

The other provisions are presented in Note 6.3 to the consolidated financial statements (Chapter 3.6).

TAX RISKS RELATED TO SIIC STATUS

Altarea has elected to adopt tax treatment as an SIIC under Article 208-C of the French General Tax Code, which exempts it from French corporate income tax providing that it meets certain conditions and obligations, particularly pertaining to dividend distributions. If Altarea fails to meet these criteria, it will be required to pay corporate income tax under French common law for the financial years in which it does not meet these criteria, which would have a negative impact on its earnings.

In addition, if one or more shareholders acting in concert were to attain an ownership threshold of 60% of the share capital or voting rights, this would also result in loss of SIIC status. This is why Altarea's Articles of Association cap voting right ownership at 60%.

Altarea could be liable for an additional tax charge if it pays an exempt dividend to a shareholder not subject to French corporate income tax, or an equivalent tax, and that owns at least 10% of Altarea's shares. Altarea's Articles of Association state explicitly that the shareholders must pay this charge.

Finally, Altarea is subject to changes in existing tax laws.

OTHER TAX RISKS

In connection with its activities that do not fall under the SIIC regime (which covers the taxable activities of companies with SIIC regime status and the general regime applicable to subsidiaries that are not eligible for the SIIC regime), Altarea is subject to the general corporate income tax law and, in particular, to the rules governing tax consolidation. This is because Altareit, a subsidiary of Altarea SCA, is the head of a tax consolidation group that includes most of Altarea subsidiaries that are engaged in the business of development for third parties.

The treatment of corporate income tax as well as the main potential or unrealised litigation between Altarea and the tax authorities are described in Note 5.3 to the consolidated financial statements (Chapter 3.6).

RISKS RELATED TO THE COST AND AVAILABILITY OF INSURANCE COVERAGE

Altarea believes that the type and amount of insurance coverage it and its subsidiaries have is consistent with practices in its industries.

Nevertheless, the Company could experience losses that are not fully covered by its insurance policies, or the cost of its insurance policies could go up. The Company 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 case of damages could have a negative impact on the Company's asset values, earnings, operations, financial position or the image of the Group.

Altarea's general policy on insurance and the main insurance policies held are set out in paragraph 8.3.3.3, "Risks related to the cost and availability of insurance coverage", in the Chairman's report on internal control.

6.11.3 Social and environmental risks

SOCIAL RISKS

Like all companies, Altarea is potentially exposed to employee-related risks, primarily owing to the rapid growth of its workforce.

With 397 new workers added in 2016 including 316 on permanent contracts and 81 on fixed-term contracts, the challenges linked to their integration in the Group are significant. The workers recruited have experience in the real estate industry but are also young workers in the profession. It is therefore necessary to allow each to rapidly assimilate the specificities, regulations and business constraints associated with the real estate business sector as well as the strategic orientations and objectives set by the Group.

Moreover, the ambitious challenges of the Group make it necessary to recruit the best individuals, and ensure their loyalty, to capitalise over time on their effectiveness and focus in particular on the profiles of executives and Managers to support the Company's pace of growth.

ENVIRONMENTAL RISKS

The position of operator that builds, operates and manages real estate complexes exposes the Group to a certain number of risks mainly linked to environmental regulations in place for approximately 10 years, mainly the Grenelle laws from the 2007 Environmental Grenelle and the 2015 energy transition law for green growth.

The Grenelle laws in fact impose thermal and environmental regulations with stronger requirements on all new buildings. They also impact existing buildings, in particular tertiary buildings, whose improved energy performance from now to the year 2020 is written into the law.

In addition, the energy transition law sets national targets for reducing energy consumption (50% between 2012 and 2050) and greenhouse gas emissions (40% between 1990 and 2030). These targets breakdown, by sector, as follows: for buildings "renovate buildings to save energy" and diversified measures will be specified by decree.

To anticipate these constraints, starting in 2010, the Group initiated a growth process that takes into account both of these new developments and its portfolio. It shall conduct a detailed reporting on its energy and environmental performances, both for new production and for the real estate portfolio, and set permanent performance objectives to exceed applicable regulations (see paragraph 8.3.3.4, "Environmental risks" of the Chairman's report on internal control).

RISKS LINKED TO CLIMATE CHANGE

Article 173 of the energy transition law for green growth specifies publication by companies of information related to the risks linked to climate change and measures taken to reduce them.

The Group examines the risks linked to climate change for its activities, that may be of several types, such as by flooding or hot weather. In view of its current activities, the Group has not identified any major risk linked to the climate consequences at this stage.

On the other hand, the regulations mentioned above as well as the ratification of the 2016 Paris Agreement are strong signals of a context in which carbon impact must increasingly be taken into account by companies, through low carbon strategies on all components of their activities. The real estate sector represents nearly one fourth of greenhouse gas emissions and it is directly concerned by the emission reduction requirements, and therefore could be impacted by any future carbon price.

The Group takes these changes into account and, since 2012, has acquired tools to analyse its carbon footprint and its exposure to the financial risk linked to a carbon price. These elements, as well as measures taken by the Group to implement its strategy to reduce its carbon footprint and reduce the risks linked to climate change are presented in paragraph 5.6 of the chapter "Corporate Social Responsibility").

HEALTH AND PUBLIC-SAFETY RISKS (ASBESTOS, LEGIONELLA, LEAD, CLASSIFIED FACILITIES, ETC.)

Altarea's assets could be exposed to human health and safety risks such as those related to asbestos, legionella, termites, and lead. As the owner of its buildings, facilities, and land, the Group could be formally accused of failure to adequately monitor and maintain its properties against these risks. Any proceedings invoking the Company's liability could have a negative impact on its operations, outlook, and reputation. The Group's actions on these risks are described in paragraph 8.3.3.4, "Risks Relating to Public Health or Safety".

6.11.4 Risks related to Altarea's financing policy and financial capacity

LIQUIDITY RISK – BORROWING CAPACITY – COMPLIANCE WITH BANK COVENANTS

Altarea finances some of its investments through fixed- or floating-rate loans and through the capital markets. The Company may not always have the desired access to capital markets or be able to obtain financing under favourable conditions. 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.

Altarea does not feel it has a significant exposure to liquidity risk as of the date of this Registration Document.

Some of the loan agreements entered into by Altarea with 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 entail prepayment 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.

Notes 6.2 and 8 to the consolidated financial statements (Chapter 3.6 of this Registration Document) provide information on the Group's cash position and set out the main financial covenants to be respected by Altarea and its subsidiaries.

INTEREST RATE AND HEDGING RISK

Concerning interest rate risk, Note 8 to the consolidated financial statements (Chapter 3.6 of this Registration Document) shows the interest rate sensitivity of variable-rate financial payables and derivative financial instruments to credit institutions, for the entire portfolio.

COUNTERPARTY RISK

The use of derivatives to limit interest-rate risk exposes the Group to a possible default by a counterparty.

EQUITY RISK

Altarea does not feel it has any material exposure to equity risk as of 31 December 2016.

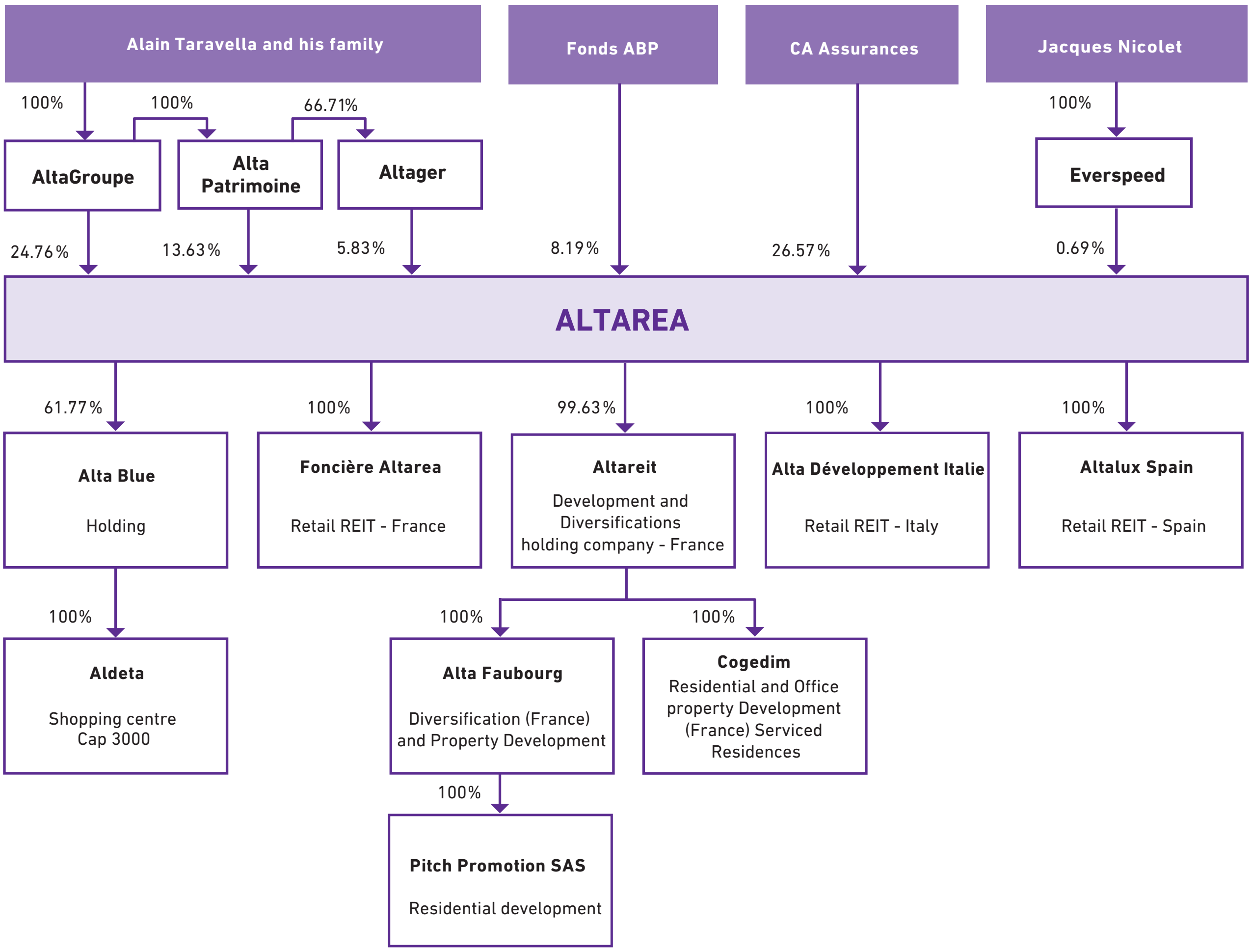
CURRENCY RISK

At the date of this Registration Document, Altarea operates exclusively in the euro zone. The Company is therefore not exposed to currency risk.

6.11.5 Risks of conflicts of interest

Altarea has entered into partnerships or protocol agreements with other organisations, 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.

6.12 SIMPLIFIED FLOWCHART AT 31 DECEMBER 2016



Altarea centralises the Group's cash surpluses. Note 8 to the consolidated financial statements shown in Chapter 3 of this Registration Document on financial instruments and market risks provides information on the main banking covenants. The main assets and borrowings are carried by the subsidiaries that conduct the corresponding business operations.

The offices held by the executive officers and corporate officers of Altarea in the Company's subsidiaries are listed in Chapter 7 of this Document.

During the 2016 financial year, the Company invested in Alta Valmy SAS (at 100%), Alta Vaugirard (at 80%) and Bezons Cœur de Ville Commerces SNC (at 99%) when they were created, specified that no other significant investment occurred in this period except for the acquisition, by intermediary of its subsidiary Alta Favart, on 26 February 2016, of 100% of the capital of the developer Pitch Promotion as announced on 16 November 2015 (see §6.2.2.7 above). Pitch Promotion has been consolidated since 2016 in Altarea Group's financial statements.

6.13 HISTORY AND DEVELOPMENT OF THE COMPANY

1994

Altarea was founded by Alain Taravella and Jacques Nicolet.

1995

Control of Gerec, a company specialising in shopping centre development and created in 1973. Altarea is selected following a competition sponsored by the city of Le Havre for development of Espace Coty.

1996

Altarea wins a competition sponsored by the city of Roubaix for the development of Espace Grand'Rue. Completion of a residential building in Asnières. Control of Espace Aménagement, the Retail property management arm of Foncière Rallye.

1997

Launch of Bercy Village.

1999

Opening of Espace Coty in Le Havre.

2000

Completion of Bercy Village.

2001

Start of operations in Italy with the creation of Altarea Italia.

2002

Opening of shopping centres: Espace Jaurès in Brest, Espace Grand'Rue in Roubaix, Côté Seine in Argenteuil, Boutiques Gare du Nord in Paris. Start of Retail Parks business with the creation of Compagnie Retail Park. Funds managed by Morgan Stanley acquire a 20% stake in Altarea.

2003

Altarea wins awards for the development of Carré de Soie (Vaulx-en-Velin/Villeurbanne), Porte Jeune (Mulhouse), L'Aubette (Strasbourg). Altarea Italia enters into a partnership agreement for the development of a shopping centre in Rome (Casetta Mattei Center). Delivery of 117 residences in Argenteuil.

2004

Start of operations in Spain with the creation of Altarea España. Acquisition of Imaffine and merger of Altarea into Imaffine. Altarea is listed on Euronext Paris. Completion of Les Tanneurs in Lille.

2005

Altarea Group chooses SIIC tax treatment. Opening of Casetta Mattei Center in Rome.

2006

Acquisition of property assets of Bail Investissement Foncière. Equity investment in RosEvroDevelopment (Russian property company).

2007

Acquisition of Cogedim. Structures adapted to SIIC 4 regime. Altarea is converted into a *société en commandite par actions* (a French partnership limited by shares). The Group becomes the largest shareholder alongside the French government, with a 34% stake in Semmaris (*Société d'économie mixte d'aménagement et de gestion du marché d'intérêt national de la région parisienne*), which manages the Rungis National Interest Market (MIN), the world's largest food wholesale market in volume terms, under a concession contract running until 2034. Opening of five shopping centres in France and Italy. Shareholder structure simplified by merging Altafinance and Altarea.

2008

€375 million capital increase; ABP pension fund acquires a stake in Altarea. Reorganisation by business line, with the spin-off of property development and diversification companies to Altareit, also listed on Euronext Paris.

2009

Rebirth of a legendary site: La Salle Wagram. Altarea takes on the challenge of ecology and sustainable development: Altarea receives one of the first three HQE® Commerce (high environmental quality) certifications for its Okabe shopping centre in Le Kremlin-Bicêtre. NF Démarche HQE® (French national building standard, HEQ) certification approach applied to all residential projects.

2010

Acquisition of Cap 3000 regional shopping centre in Nice. Altarea breaks ground for development of the former Laennec hospital site by creating a new "city neighbourhood" in the 7th arrondissement in downtown Paris. Altarea invests in renewable energy by acquiring a stake in 8 minutes 33.

2011

In partnership with the ABP Fund and Predica, Altarea Group creates Alta Fund, an office property investment vehicle with equity of €350 million[(1)].

2012

Following an initial public offering, the Group takes control of e-commerce operator Rue du Commerce. Altarea brings its stake in Alta Blue to 61.77%. Alta Blue in turn holds the entire share capital of Aldeta, the company that owns the Cap 3000 regional shopping centre in Nice. The Group raises €530 million in corporate funding, including €250 million in bonds.

2013

Altarea enters into a long-term partnership with Allianz Real Estate for a portfolio of five shopping centres over which Altarea will retain control and management.

(1) Currently €650 million.

2014

Altarea delivers the Qwartz regional shopping centre in Villeneuve-la-Garenne, with a surface area of 67,000 m^2 GLA. The Group is selected as a partner by French rail operator SNCF to modernise the Paris-Montparnasse train station. The Group launches the extension-renovation project of the Cap 3000 shopping centre, located outside of Nice. The Group acquires 55% of the capital of Histoire & Patrimoine, a company specialising in renovation and redevelopment of urban heritage properties. The acquisition is carried out essentially via a capital increase. A partnership is concluded with Crédit Agricole Assurances in the company operating Cogedim Club® residences. The Group raises €805 million in corporate funding, including €230 million in bonds.

2015

The Group has increased its stake from 50% to 100% in the Qwartz Regional Connected Shopping Centre. Altarea wins the tender for the transformation of the retail space at the Paris-Austerlitz train station. Altarea breaks ground on the Place du Grand Ouest neighbourhood in Massy, opens the Cogedim Club® Serviced Residence in Sèvres, inaugurates the extension-renovation of the Jas de Bouffan shopping centre, Marques Avenue A13 in Aubergenville, the Sky programme to reconvert offices into housing in Courbevoie, the programme to renovate the Arras Citadel in connection with its subsidiary Histoire & Patrimoine, and launches its mixed-use project in the Coeur de Ville urban development zone in Bezons. The Group takes advantage of unusual market conditions to refinance a large part of its balance sheet, with nearly €2.2 billion of financing concluded.

2016

The Group carried out a strategic re-centring of its activities with the disposal of Rue du Commerce to Carrefour and the acquisition of 100% of the capital of the developer Pitch Promotion. It delivered the shopping centres L'Avenue 83 in Toulon-La Valette (51,000 m^2) and Le Parks in Paris (33,000 m^2), as well as the first phase of the redevelopment of the Cap 3000 centre in Nice. The Group won competition for new large mixed projects such as the revitalisation of the Bobigny city centre, the planning of the Bordeaux Belvédère neighbourhood and the Issy-les-Moulineaux Cœur de Ville project. The Group raises €1,241 million in corporate funding, including €599 million in new resources.

6.14 RESEARCH AND DEVELOPMENT

The Department of Studies and Forecasting in the Retail REIT division has five employees. The Department provides concrete assistance by offering information needed on essential changes to be made to the property portfolio through operational guidance on retail trends. It is responsible for studies on project potential and procedures for obtaining business permits and for interfacing with the relevant staff in charge of development, valuations, sales and legal affairs, as well as operational personnel. The Department of Studies and Forecasting also coordinates the economic and competition analysis of the property portfolio.

In 2015, the Group created a cross-cutting innovation department, AltaFuture. It is responsible for identifying and selecting innovations that can be implemented by the operational teams in their various business lines. AltaFuture is also responsible for building contacts and partnerships with companies and organisations outside of the pure real estate world and developing an ecosystem of young, innovative businesses. This office reports to the Group's Executive Management in charge of innovation and digitalisation.

7

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The report of the Chairman of the Supervisory Board (see Chapter 8) sets out the composition and practices of the Supervisory Board and its special committees, and the restrictions on the powers of the Management. This chapter supplements the Chairman's report and, where applicable, the notes to the consolidated financial statements concerning the Company's Executive Management.

7.1 COMPOSITION AND PRACTICES OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Altarea is a *société en commandite par actions* (a French partnership limited by shares).

It is run by Management. The Supervisory Board is responsible for ongoing control over the Company's management.

In the passages below, the number[(1)] indicates that a company is listed, the number[(2)] specifies that it is directly or indirectly controlled by Altarea, and the number[(3)] indicates that it is a foreign company.

7.1.1 Management

COMPOSITION

At 31 December 2016, the Company's Management consisted of Alain Taravella and the companies Altafi 2 and Atlas.

It is noted that Alain Taravella is Chairman of Altafi 2 and Atlas. Gilles Boissonnet and Stéphane Theuriau are Chief Executive Officers of Atlas. Mr Taravella, Mr Boissonnet and Mr Theuriau form the Management.

ALAIN TARAVELLA
Co-Manager

Alain Taravella was appointed Co-Manager on 26 June 2007 for a term of ten years. 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 which he was appointed Chief Executive Officer in 1985. In 1994, he founded the Altarea Group, which he has managed since. Alain Taravella is a *Chevalier de la Légion d'Honneur*.

Corporate offices held at 31 December 2016

Other corporate offices in the Group[(1)]

- Member and Chairman of the Supervisory Board: Cogedim (SAS)[(2)]; Altarea France (SNC)[(2)]
- Director: Alta Blue; Pitch Promotion (SAS)[(2)]
- Representative of Altarea, Chair: Alta Blue[(2)]; Alta Développement Italie[(2)]; Alta Rungis[(2)]; Alta Valmy[(2)]
- Representative of Alta Faubourg, Chair: Alta Saint Germain; Alta Reim
- Representative of Alta Penthièvre, Chair: Altacom
- Representative of Alta Blue, Chair: Aldeta[(2)]
- Permanent Representative of Altarea, Director: Société d'Économie Mixte d'Aménagement et de gestion du Marché d'Intérêt National de Rungis – Semmaris
- Representative of Altarea, Co-Manager of foreign companies: Alta Spain Archibald BV[(2)(3)]; Alta Spain Castellana BV[(2)(3)]; Altalux Spain[(2)(3)]; Altalux Italy[(2)(3)]

Corporate offices outside the Group

- Chairman: Altafi 2; Altafi 3; Atlas (formerly Altafi 4); Altafi 5; AltaGroupe (formerly Altafinance 2); Altager (formerly Alta Pat 1); Alta Patrimoine
- Representative of Altafi 2, Manager: Altarea[(1)]; Altareit[(1)(2)]
- Representative of AltaGroupe (formerly Altafinance 2), Manager: SCI Sainte Anne
- Representative of Alta Patrimoine, Manager: SNC Altarea Commerce; SNC ATI; SCI Matignon Toulon Grand Ciel

Corporate offices expired within the past five years

- Chairman of the Board of Directors & Chief Executive Officer – Director: Aldeta[(2)]
- Director: Boursorama[(1)]; Picth Promotion (SA)[(2)]
- Representative of Altarea, Chair: Alta Delcassé[(2)]
- Representative of Alta Faubourg, Chair: Alta Reim
- Representative of Alta Penthièvre, Director: Altacom

- Representative of Altacom, Director: Rue du Commerce
- Chairman and/or director of foreign companies: Altarag Srl(2)(3) ; Altarea Italia Srl(2)(3); Altarea Inc.(2)(3); Altarea España(2)(3);

As of 31 December 2016, to the Company's knowledge, Alain Taravella owned 6,790,718 shares in Altarea, directly or indirectly through AltaGroupe (formerly known as Altafinance 2), Alta Patrimoine and Altager, which he controls, and through members of his family.

ATLAS
Co-Manager

Atlas is a French *société par actions simplifiée* (simplified limited liability company) with share capital of €61,000.

Its registered office is located at 8 avenue Delcassé, 75008, Paris.

Its registration number in the Paris Commercial and Companies Registry (RCS Paris) is 518 994 678.

It is wholly owned by AltaGroupe, which is controlled by Alain Taravella.

Alain Taravella serves as Chairman of Atlas. Gilles Boissonnet and Stéphane Theuriau serve as Chief Executive Officers.

Atlas was appointed as Co-Manager of the Company on 11 December 2014 for a term of ten years.

Corporate offices held at 31 December 2016

Other corporate offices in the Group[1]

None

Corporate offices expired within the past five years

None

As of 31 December 2016, to the Company's knowledge, Atlas did not own any shares of Altarea.

ALTAFI 2
Co-Manager

Altafi 2 is General Partner of the Company and is presented in paragraph 7.1.2 below.

APPOINTMENT AND TERMINATION OF OFFICE (ARTICLE 13 OF THE ARTICLES OF ASSOCIATION)

The Company is managed and administered by one or more Managers, who may or may not be General Partners (*associé-commandité*).

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 directors 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 outgoing sole Manager shall be renewed under the conditions set out in paragraph 13.3 of the Articles of Association. 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. Insofar as the Company now has a sole General Partner who also serves as Manager, this removal is currently not an option.

Managers 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 fixed compensation set out in Article 14.1 of the Articles of Association, 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 in accordance with Article 14.3.

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)

Each Manager 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 the 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 some 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 Managers shall have a duty of care in running the Company's affairs.

7.1.2 General Partner

IDENTITY

Altafi 2 is a *société par actions simplifiée unipersonnelle* (simplified limited liability company) with share capital of €38,000 divided into 38,000 shares owned by Alta Groupe (formerly Altafinance 2), in turn controlled by Alain Taravella. It is registered with the Paris Trade and Companies Registry under registration number 501 290 506.

Alain Taravella is the Chairman of Altafi 2. His term is for an unlimited period.

On 2 January 2012, Altafi 2 resigned from its position of Supervisory Board member of Altareit[1][2] As of that date, it is Manager of Altareit[1][2]. It is Co-Manager of Altarea and represents Altareit, Chair of Alta Penthièvre[2], Alta Faubourg[2] and Alta Percier[2].

At 31 December 2016, to the Company's knowledge, Altafi 2 owned ten shares of Altarea.

APPOINTMENT AND TERMINATION OF OFFICE (ARTICLE 24)

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.

Any merger transaction resulting in the absorption of the Manager or General Partner by a company controlled by Alain Taravella within the meaning of Article L. 233-3-I of the French Commercial Code will give rise to the transfer to the absorbing company of the rights of the General Partner or Manager, as the case may be, provided that the absorbing company remains controlled by Alain Taravella.

7.1.3 Supervisory Board

Information on the appointment and termination of office of members of the Supervisory Board, their powers, the dates of their appointment and the dates of expiry of their terms of office, is set out in Chapter 8 in relation with the Supervisory Board Chairman's report on the Company's internal control system. This paragraph contains the identity of the members of the Supervisory Board and offices held in other companies.

In accordance with Article 15.2 of the Articles of Association, the members of the Supervisory Board are appointed or removed by Ordinary General Meetings. Shareholders with the status of General Partner (Altafi 2 on the date of this document assuming that this company is a shareholder) may not take part in the vote on the relevant resolutions.

At 31 December 2016, the Supervisory Board does not include any representative elected by the employees or any member other than the members listed below and who are also listed in Chapter 8 containing the report of the Chairman of the Supervisory Board on the Company's internal control system.

CHRISTIAN DE GOURNAY
Member and Chairman of the Supervisory Board

Christian de Gournay is a French citizen, born in Boulogne-Billancourt (Hauts-de-Seine) in 1952.

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 real estate 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.

Christian de Gournay was co-opted by the Supervisory Board at its meeting of 5 March 2014 to replace resigning member Opus Investment. The nomination was ratified by the annual General Meeting of 7 May 2014. At its meeting of 5 March 2014, the Supervisory Board appointed Christian de Gournay Chairman of the Supervisory Board as from 2 June 2014. These appointments will expire at the close of the Annual Ordinary General Meeting to be held in 2019 to approve the financial statements for the financial year ending 31 December 2018.

Corporate offices held at 31 December 2016

Other corporate offices in the Group

- Chairman and Member of the Supervisory Board: Altareit[1][2]

Corporate offices outside the Group

- Manager: SCI Schaeffer-Erard
- Director: Opus Investment

Corporate offices expired within the past five years

- Chairman and Member of the Management Board: Cogedim
- Manager: Cogedim Valorisation

At 31 December 2016, to the Company's knowledge, Christian de Gournay directly or indirectly owned 197,940 shares in the Company.

JACQUES NICOLET
Supervisory Board member

Jacques Nicolet, a French citizen, was born in Monaco in 1956. From 1984 to 1994, Jacques Nicolet served successively as Program 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 *société en commandite par actions* (a French partnership limited by shares), Chairman of the Supervisory Board.

Jacques Nicolet was appointed as a member and Chairman of the Supervisory Board on 26 June 2007. His term of office will expire at the end of the General Meeting called to vote on the 2018 financial statements. Jacques Nicolet resigned from his duties as Chairman at the Supervisory Board Meeting of 5 March 2014, effective 2 June 2014, in order to better focus on his own professional activities. He remains a member and continues to chair the Investment Committee as mentioned in the report of the Chairman of the Supervisory Board on internal control.

Corporate offices held at 31 December 2016

Other corporate offices in the Group

- Member of the Supervisory Board of SCA: Altareit(1)(2)
- Supervisory Board member: Altarea France(2) (SNC); Cogedim(2) (SAS)

Corporate offices outside the Group

- Chairman of SAS: Everspeed (formerly JN Holding); Everspeed Motorsport (formerly JN Investissements)
- Chief Executive Officer: Circuit du Maine
- Manager: SCI 14, rue des Saussaies; SCI Damejane; SNC JN Participations
- Chairman and/or director of foreign companies: SA Monégasque Productions de Monte-Carlo(3); HP Composites Srl(3)
- Representative of Everspeed, Chair: Immobilière Dame Jane; Everspeed Learning (formerly JN Automotive); Everspeed Asset (formerly named JN Properties); Onroak Automotive; Proj 73; HP Composites France (formerly Proj 78); Proj 87; SODEMO (fomerly Proj 89), Shootshareshow, Ecodime; ABM Holding; Ecodime Academy; DPPI Media; DPPI Production; Proj 2016 and Proj 2017.
- Representative of Everspeed, Chief Executive Officer: AOT Tech; SAS Les 2 Arbres Circuit du Vigeant
- Representative of Everspeed, itself Chair of Everspeed Learning, Chair: OAK Invest
- Representative of Everspeed, itself Chair of Everspeed Asset, Manager: SCI Immotech; SCI Innovatech; SCI Les Fleurs
- Representative of Everspeed Motorsport, Chair: OAK Racing
- Permanent representative of Everspeed, Director: ABM Holding
- Representative of Everspeed, Chair of foreign companies: Ecodime Italia
- Permanent representative of Ecodime, Chair: Mind Values (formerly Proj 56)

Corporate offices expired within the past five years

- Chairman of the Supervisory Board of SCA: Altarea(1); Altareit(1)(2)
- Permanent representative of Alta Rungis(2), Director: Société d'Économie Mixte d'Aménagement et de gestion du Marché d'Intérêt National de Rungis – Semmaris
- Chairman and/or Director of foreign companies: SSF III Zhivago Holding Ltd(2)(3); Altarea Italia(2)(3); Galleria Ibleo S.R.L.(2)(3) (formerly Altarag S.R.L.); Altarea España(2)(3)

At 31 December 2016, to the Company's knowledge, Jacques Nicolet owned 104,366 shares in Altarea, directly or indirectly through Everspeed (formerly JN Holding), which he controls.

GAUTIER TARAVELLA

Supervisory Board member

Gautier Taravella is a French citizen, born in Maisons-Laffitte (Yvelines) in 1980. After having been a member of the Supervisory Board from 26 June 2007 to 9 March 2016, he was appointed as a member of the Supervisory Board on 15 April 2016. His term of office will expire at the end of the General Meeting called to vote on the 2021 financial statements. Gautier Taravella is Alain Taravella's son.

Corporate offices held at 31 December 2016

Other corporate offices in the Group

None

Corporate offices outside the Group

- Chief Executive Officer: AltaGroupe (formerly Altafinance 2)

Corporate offices expired within the past five years

None

At 31 December 2016, to the Company's knowledge, Gautier Taravella owned 56,750 shares in Altarea.

MATTHIEU TARAVELLA

Supervisory Board member

Matthieu Taravella, a French citizen, was born in Paris (16th) in 1978. He was appointed as a member of the Supervisory Board on 26 June 2007. His term of office will expire at the end of the General Meeting called to vote on the 2018 financial statements. Matthieu Taravella is Alain Taravella's son.

Corporate offices held at 31 December 2016

Other corporate offices in the Group

None

Corporate offices outside the Group

- Chairman: Allevarat
- Chief Executive Officer: AltaGroupe (formerly Altafinance 2)
- Manager: SARL Galerie Sakura

Corporate offices expired within the past five years

- Director/Vice-Chairman: Altarea Inc(2)(3)

At 31 December 2016, to the Company's knowledge, Matthieu Taravella owned 57,011 shares in Altarea.

FRANÇOISE DEBRUS

Supervisory Board member

Françoise Debrus, a French citizen, born on 19 April 1960, is a graduate of the École Nationale du Génie Rural des Eaux et des Forêts and of the Institut National Agronomique Paris-Grignon. From 1984 to 1987 she was Head of the economic and agricultural production department of the French Ministry of Agriculture and Forestry. With the Crédit Agricole Group since 1987: first as an auditor and then as audit team manager of the Internal Audit Department of Caisse Nationale de Crédit Agricole (CNCA), prior to becoming head of management control and then of financial management of Unicredit. In 1997, she was appointed head of the debt collection/lending department of the Finance Division of Crédit Agricole SA. In 2001, she became head of finance and tax at the Fédération Nationale du Crédit Agricole (FNCA). In 2005, she was appointed Chief Financial Officer of the Caisse Régionale d'Île-de-France. Since 27 March 2009, she has been with Crédit Agricole Assurances as Head of Investments. She was appointed as a member of the Supervisory Board on 20 May 2009. Her term of office expires at the end of the General Meeting called to vote on the 2018 financial statements.

Corporate offices held at 31 December 2016

Other corporate offices in the Group

None

Corporate offices outside the Group

- Supervisory Board member: Foncière des Murs(1)
- Permanent representative of Predica, Director: Eurosic(1); Korianmedica(1); Aéroport de Paris(1)

Corporate offices expired within the past five years

- Director: Socadif; SICAV Portfolio Stratégie de CAAM; Ramsay Santé; Beni Stabili[(1)(3)]
- Supervisory Board member: Foncière Développement Logement[(1)]
- Permanent representative of Predica, Director: Foncière des Régions[(1)]; Crédit Agricole Immo. Development; Medica
- Permanent representative of Predica, Supervisory Board Member: Foncière Paris France SA[(1)]
- Permanent representative of CAA, Director: Générale de Santé[(1)]

At 31 December 2016, to the Company's knowledge, Françoise Debrus owned five shares of Altarea.

ÉLIANE FREMEAUX
Supervisory Board member

Éliane Frémeaux, a French citizen, born in Paris (15th) on 8 September 1941, was a partner in the Notary firm of SCP Thibierge Associés until 18 October 2012. A Chevalier of the French Legion of Honor, Éliane 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 honor 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). Eliane Fremeaux 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. She was appointed as a member of the Supervisory Board on 27 June 2013 and her term of office expires at the end of the General Meeting called to vote on the 2018 financial statements.

Corporate offices held at 31 December 2016

Other corporate offices in the Group

None

Corporate offices outside the Group

- Co-Manager: SCI PALATIN

Corporate offices expired within the past five years

- Co-Manager: S.C.P. Thibierge Associés

At 31 December 2016, to the Company's knowledge, Éliane Fremeaux owned 388 shares of Altarea.

DOMINIQUE RONGIER
Supervisory Board member

Dominique Rongier, a French citizen, born on 26 June 1945 in Paris (16th), graduated from the HEC Business School (École des Hautes Études Commerciales) in 1967. He served in succession as Auditor with Arthur Andersen (1969-1976), Chief Financial Officer of the Brémond – Pierre & Vacances Group (1976-1983), and Chief Financial Officer of the Brossette SA Group (1983-1987). In 1987, he designed and set up a holding structure for the Carrefour Group, and from 1988 to 1990, he was Corporate Secretary of Bélier, a member of the Havas-Eurocom network, before becoming Chief Financial Officer of the holding company Oros Communication, which holds majority interests in the communications sector, from 1991 to 1993. Since September 1993, Dominique Rongier has been an independent consultant with DBLP & associés SARL, of which he is Manager and majority shareholder. His main activity is strategic and financial management consultancy. 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. Until 31 March 2009, Dominique Rongier was Chairman of a software publishing company specialising in sports and health.

He was first appointed as a member of the Supervisory Board on 20 May 2009, and his term was renewed on 5 June 2015. His term expires at the close of the General Meeting called to vote on the 2020 financial statements.

Corporate offices held at 31 December 2016

Other corporate offices in the Group

- Supervisory Board member: Altareit[(1)(2)]

Corporate offices outside the Group

- Director: SA Search Partners

Corporate offices expired within the past five years

- Manager: DBLP & Associés

At 31 December 2016, to the Company's knowledge, Dominique Rongier owned ten shares of Altarea.

PREDICA – CRÉDIT AGRICOLE ASSURANCES
Supervisory Board member

PREDICA was appointed as a member of the Supervisory Board on 26 June 2007. The company's term of office expires at the end of the General Meeting called to vote on the 2018 financial statements.

The company's permanent representative is Émeric Servin.

ÉMERIC SERVIN
Permanent representative of PREDICA

Émeric Servin, a French citizen, was born in 1949 in Versailles (Yvelines). He has a degree in law and a master's degree in public law, and a postgraduate degree in finance from the HEC Business School (École des Hautes Études Commerciales).

Corporate offices held at 31 December 2016

Other corporate offices in the Group

- Member of the Board of Directors: Alta Blue[(2)]

Corporate offices outside the Group

- Chairman of the Board of Directors: OPCI Predica Commerces; OPCI Iris Invest; OPCI Camp Invest; OPCI Messidor; OPCI SAS CAA Kart
- Chairman of the Supervisory Board: SCPI Unipierre Assurance
- Chairman of SAS: Holding Euromarseille; IMEFA (142 to 144); SAS CAA Résidences Seniors
- Director of SAS: SAS Carmila
- Manager – Co-Manager, Management Council: (140) SCI IMEFA; (19) SCI FEDER; SCI Le Village Victor Hugo; SCI Euromarseille 1; SCI Euromarseille 2; SCI Carpe Diem; SCI Dahlia; SCI NEW Vélizy; SCI Fondis; SCI Washington; SCI DS Campus; SCI 1 Place Valhubert; SCI Parc des Vergers; SCI 3/5 Bis, Boulevard Diderot; SCI 17, Avenue de l'Europe; SCI Grenier Vellefaux; SCI Longchamp Montevideo; SCI Medibureaux; SCI Medic Habitation; SCI Vicq d'Azir Vellefaux; SCI Vicq-Neuilly; SCI Baudin Vellefaux; SCI La Croix au Beau; SCI Petersbourg Vellefaux; SCI Royal Opéra; SCI Sedaine Vellefaux
- Permanent Representative of Predica, Board of Directors: OPCI Predica Bureaux; OPCI B2 Hôtels Invest; SAS Louvresses Developpement 1

Corporate offices expired within the past five years

- Chairman of the Board of Directors: SAB Immobilier; SA Resico
- Chairman of SAS: IMEFA 145
- Director: Aldeta[2]
- Manager – Co-Manager, Management Council: SCI Place de l'Europe; SCI Montparnasse Cotentin; OPCI CAA Commerces 2
- Chairman and Chief Executive Officer, Director: SA Foncière Hypersud; SA Francimmo Hotels
- Permanent Representative of Predica, Supervisory Board: SAS OFELIA; SCA Foncière des Murs[1]; SARL Imméo Wohen GmbH[3]; SA Foncière Développement Logements[1]

At 31 December 2016, to the Company's knowledge, Predica owned 3,993,953 shares in Altarea, directly or indirectly through Groupe Crédit Agricole Assurances, its parent company.

At 31 December 2016, to the Company's knowledge, Emeric Servin did not own any shares of Altarea in his own name.

SOCIÉTÉ STICHTING DEPOSITARY APG STRATEGIC REAL ESTATE POOL (FONDS ABP)

Supervisory Board member

Algemene Pensioen Groep NV (APG) was appointed as a member of the Supervisory Board on 28 May 2010. It was replaced by Stichting Depositary APG Strategic Real Estate Pool by cooptation on 20 November 2015. His term expires at the close of the General Meeting called to vote on the 2018 financial statements.

The company's permanent representative is Alain Dassas.

ALAIN DASSAS

Permanent representative of APG

Alain Dassas, a French citizen, is a graduate of the ESCP (École Supérieure de Commerce de Paris) Europe business school and holds a Master's degree in Econometrics and a Master's degree in Management Science from Stanford University. Alain Dassas began his career with Chase Manhattan Bank in 1973. In 1983, he joined Renault Group, where he successively served as Head of the representative office in New York, Head of banking relationships and financial markets, Finance Director of Renault Crédit International, Head of Financial Operations then Head of Financial Services. In 2003, Alain Dassas was appointed a member of the Renault Group Executive Committee, then Chairman of Renault F1 Team. In 2007, Alain Dassas was named a member of the Executive Committee of Nissan Motor Company in Tokyo. Since 2010, Alain Dassas has acted as a consultant for the Renault Group and as Chief Financial Officer of Segula Technologies.

Corporate offices held at 31 December 2016

Other corporate offices in the Group

None

Corporate offices outside the Group

- Director: Dassas Consulting SAS

Corporate offices expired within the past five years

- Director: Strategic Initiatives (London)[3]

At 31 December 2016, to the Company's knowledge, APG and its parent company Groupe ABP owned 1,231,504 shares in Altarea.

At 31 December 2016, to the Company's knowledge, Alain Dassas did not hold any shares of Altarea in his own name.

ATI

Supervisory Board member

ATI is a *société en nom collectif* (general partnership) with capital of €10,000, whose registered office is at 8, avenue Delcassé, 75008 Paris, and which is registered in the Paris Commercial and Companies Registry (RCS Paris) under registration number 498 496 520. Its Manager is SAS Alta Patrimoine, represented by Alain Taravella.

ATI was first appointed to the Supervisory Board on 20 May 2009, and its term was renewed on 5 June 2015. His term will expire at the close of the General Meeting called to vote on the 2020 financial statements.

ATI does not hold any other offices.

At 31 December 2016, to the Company's knowledge, ATI owned one share of Altarea.

Its representative is Léonore Reviron.

LÉONORE REVIRON

Permanent representative of ATI

Léonore Reviron, a French citizen, is a graduate of the EDHEC Business School (École des Hautes Études du Commerce). From 2008 to 2011, she was a financial audit Manager at Ernst & Young. In 2011, she joined a listed REIT group, where she served as a corporate financial analyst until 2013, when she became a financial risk Manager. Léonore Reviron is the step daughter of Alain Taravella.

Corporate offices held at 31 December 2016

Other corporate offices in the Group

- Permanent Representative of Alta Patrimoine, Supervisory Board Member: Altareit[1][2]

Corporate offices outside the Group

None

Corporate offices expired within the past five years

None

At 31 December 2016, to the Company's knowledge, Léonore Reviron owned 1,000 shares of Altarea in her own name.

CHRISTIAN TERRASSOUX

Supervisory Board member

Christian Terrassoux, a French citizen, born on 31 July 1959 in Tulle (19), is an engineering graduate of the École Supérieure de l'Armement Terrestre. He began his career in 1983 at the Direction Générale de l'Armement (French Defence Procurement Agency). In 1983, Christian Terrassoux founded the Pitch Promotion Group, a leading French real estate development company in residential and office property, which was acquired by Altarea on 26 February 2016. Christian Terrassoux has served as Chairman and CEO of Pitch Promotion since 1989. Since 1995, Christian Terrassoux has been a member of the national steering committee of the Fédération des Promoteurs Immobilier and became its Vice-President in 2015. Since 2014, Christian Terrassoux has been President of the Chambre Régionale d'Ile-de-France de la Fédération des Promoteurs Immobiliers. Christian Terrassoux is a *Chevalier de la Légion d'Honneur*. He was appointed member of the Supervisory Board on 9 March 2016 by co-option ratified by the General Meeting of 15 April 2016. His term of office will expire at the end of the General Meeting called to vote on the 2018 financial statements.

Corporate offices held at 31 December 2016

Other corporate offices in the Group

- Chairman: Pitch Promotion SAS

Corporate offices outside the Group

- Chairman: Fédération des Promoteurs Immobiliers Île de France
- Vice-President: Club Athlétique Briviste Corrèze Limousin; Fédération des promoteurs immobiliers France
- Chief Executive Officer: SAS Serie-Flex Habitat
- Director: Institut Fournier; ASFO Grand Sud; Festival de Ramatuelle
- Supervisory Board member: Primaxia
- Manager: EURL Société de Patrimoine Immobilier SPI; SCI Voltaire SPI; SARL Altana Investissements; SDAB SOCANCO Finance et Conseil; SCF Terra Nova; SNC Lognes A 413; SCEA des Courcelles et de la Moricière

Corporate offices expired within the past five years

- Chairman and Chief Executive Officer: Pitch Promotion SA; Phocéa International SA
- Director and Vice-President of Foreign Companies: Wagram Real Estate Inc (United States)
- Manager: SNC Château Inkermann; SARL Les Fruits du Berry

As of 31 December 2016, to the Company's knowledge, Christian Terrassoux owned 180,000 shares of Altarea.

MICHAELA ROBERT

Supervisory Board member

A French citizen, born in Saint-Jean-de-Luz (64) on 20 October 1969, Michaela Robert is a graduate of the University of Paris IX Dauphine and Paris X Nanterre. She worked for ten years as a property and structured financing lawyer at international firms. In 2005, she joined a property investment fund managed by Morgan Stanley as Chief Financial Officer. Her roles as finance officer for all the investments made by different funds in France, Spain and Benelux have enabled her to build a solid banking network and acquire diverse expertise in legal issues and legal constraints. In 2010, she founded FINAE Advisors, a property financing firm specialised in particular in origination, structuring and debt raising, of which she is Manager. She was appointed member of the Supervisory Board by the General Meeting of 15 April 2016. Her term will expire at the close of the General Meeting called to vote on the 2021 financial statements.

Corporate offices held at 31 December 2016

Other corporate offices in the Group

None

Corporate offices outside the Group

Manager: FINAE Advisors

Corporate offices expired within the past five years

None

As of 31 December 2016, to the Company's knowledge, Michaela Robert owned one share of Altarea.

MARIE-ANNE BARBAT-LAYANI

Supervisory Board member

Marie-Anne Barbat-Layani, a French citizen, born on 8 May 1967 in Ussel (19), is a general inspector of finance. A graduate of the Institut d'Études Politiques de Paris and an alumna of the École Nationale d'Administration, she is Chief Executive Officer of the French Banking Federation since January 2014. From 2010 to 2012, she was Deputy Chief of Staff for the French Prime Minister. She served as Deputy General Director of the Fédération nationale of Crédit Agricole from 2007 to 2010. From 2002-2007, she served as assistant director of Banking and Financing of General Interest Activities at the Treasury and Economic Policy Directorate General. From 2000 to 2002, she was Head of the office of credit institutions and investment firms, after having served as a technical advisor to the French Minister of the Economy, Finance, and Industry and holding several positions in the Directorate General of the Treasury and the Permanent Representation of France to the European Union in Brussels. Marie-Anne Barbat-Layani is a *Chevalier de la Légion d'Honneur* and of the Order of Merit.

Corporate offices held at 31 December 2016

Other corporate offices in the Group

None

Corporate offices outside the Group

- Chief Executive Officer: Fédération Bancaire Française (FBF); Association Française des Banques (AFB); Association Française des Établissements de Crédit et des Entreprises d'Investissement (AFECEI)
- Director: Association d'Économie Financière; Centre des Professions Financières; CFPB (Centre de Formation de la Profession Bancaire); Europlace; Fédération Bancaire Européenne; Finance Innovation (Competitiveness Hub); MEDEF International; ETHIC Labex Refi
- Executive Committee member: Groupement des Professions de Services (GPS); MEDEF

Corporate offices expired within the past five years

None

As of 31 December 2016, to the Company's knowledge, Marie-Anne Barbat-Layani owned one share of Altarea.

ALTAFI 5

Supervisory Board member

ALTAFI 5 is a *société en nom collectif* (general partnership) with capital of €38,000, whose registered office is at 8, avenue Delcassé, 75008 Paris, and which is registered under the Paris Commercial and Companies Registry (RCS Paris) under registration number 798 710 612. Its Chairman is Alain Taravella.

ALTAFI 5 does not hold any other offices. She owns one share of the company Altarea.

(1) ALTAFI 5 appointed Florence Lemaire as Permanent Representative on the Supervisory Board of Altarea dating from 21 February 2017. Florence Lemaire, a French citizen, born on 10 August 1965 in Blois (41), holds a Master's degree in Business Law and a DEA degree in Economic Law (Universités d'Orléans and Vermillion, South Dakota, US). She created and was Manager of the Legal Department of Foncia Group from 1990 to 2000. She was then attorney at the Paris Bar from 2000 to 2007 in the law firm Desfilis & Mc Gowan, prior to joining the Corporate Legal Department of Altarea Group where she today is Deputy Legal Director.

7.2 COMPENSATION

7.2.1 Presentation

As a *société en commandite par actions* (a French partnership limited by shares), the Company is run by a Management and overseen by a Supervisory Board. It also has one or more General Partners.

7.2.1.1 MANAGEMENT

The methods for determining Management compensation, stipulated in Article 14 of the Articles of Association, are shown below:

"With effect from 1 January 2013, the Management's compensation is fixed for successive periods of three years by the Ordinary General Meeting of shareholders (limited partners) in accordance with the provisions of Article L. 226-8 of the French Commercial Code, on a proposal from the General Partners and after consultation of the Supervisory Board;

If there is more than one Manager, they will decide how to distribute the said compensation amongst themselves;

No other compensation may be paid to the Managers in respect of their office unless previously approved by the Ordinary General Meeting with the prior unanimous agreement of the General Partners;

The Managers are also entitled to reimbursement of all business, travel and other expenses of any nature incurred in the interests of the company;

The compensation to which the Managers are entitled shall be invoiced directly to Altarea or its subsidiaries. In the latter case, the portion of compensation received by the Manager which is attributable economically to Altarea, shall be deducted from the compensation to be paid by Altarea."

In accordance with Article 18 of the Articles of Association, the Management Compensation Committee, comprised entirely of independent members of the Management, submitted its management compensation proposal to the Supervisory Board at its meeting on 23 February 2016. The General Partner decided to present a compensation proposal identical to that of the Management Compensation Committee at the Ordinary General Meeting of 15 April 2016. On 9 March 2016, the Supervisory Board unanimously reported favourably on the General Partner's compensation proposal, which was inserted into the fifth resolution submitted to the Annual Ordinary General Meeting, the text of which is included below. The General Meeting approved the resolution that was proposed to it and consequently set Managers' compensation for 2016, 2017 and 2018 as follows:

Fifth resolution
(Determination of Compensation for Management)

The General Meeting, voting under the conditions for quorum and majority required for Ordinary General Meetings,

- having considered the Company management report and the unanimously favourable report of the Supervisory Board, through prior consultation in accordance with Article 14 of the Articles of Association, on the proposal of the General Partner, decides to determine compensation for the Management as follows:

- fixed annual compensation of €2,000,000 before tax, one quarter of which is due at each quarter, the amount being established in January 2016 and revisable each year according to changes in the Syntec index;
- variable compensation determined according to the Group share of consolidated FFO and the average number of shares in circulation each year, *i.e.*:
  - 1.5% of FFO reached each year above €120 million and up to €150 million,
  - 3% of FFO reached each year if the latter is above €150 million.

In FY 2015, Altarea's average number of shares in circulation was 12,367,215 shares; should the number of shares comprising Altarea's share capital increase due to the creation of new shares during a financial year, the €120 million and €150 million thresholds applicable to this financial year and future ones shall be revised as follows:

$$\frac{\text{€120 million or €150 million x the average number of shares for the current financial year}}{\text{Average number of shares in circulation during FY 2015 (12,367,215 shares);}}$$

The average number of shares for a given financial year is published in the Altarea annual report.

This variable compensation shall be due no later than 31 March following the end of the financial year, *i.e.*, on 31 March 2017 for FY 2016.

- decides that the Management shall be awarded, in accordance with Article 14 of the Articles of Association of the Company, annual compensation in the form of fees as follows:

- fixed annual compensation of €2,000,000 before tax, one quarter of which is due at each quarter, the amount being established in January 2016 and revisable each year according to changes in the Syntec index;
- variable compensation determined according to the Group share of consolidated FFO and the average number of shares in circulation each year, *i.e.*:
  - 1.5% of FFO reached each year above €120 million and up to €150 million,
  - 3% of FFO reached each year if the latter is above €150 million.

In FY 2015, Altarea's average number of shares in circulation was 12,367,215 shares; should the number of shares comprising Altarea's share capital increase due to the creation of new shares during a financial year, the €120 million and €150 million thresholds applicable to this financial year and future ones shall be revised as follows:

$$\frac{\text{€120 million or €150 million x the average number of shares for the current financial year}}{\text{Average number of shares in circulation during FY 2015 (12,367,215 shares)}}$$

The average number of shares for a given financial year is published in the Altarea annual report.

This variable compensation shall be due no later than 31 March following the end of the financial year, *i.e.*, on 31 March 2017 for FY 2016.

The annual compensation of the Management shall be determined according to the conditions set out above for the three-year period corresponding to the financial years ending 31 December 2016, 31 December 2017, and 31 December 2018."

7.2.1.2 SUPERVISORY BOARD

Supervisory Board

Article 19 of the Articles of Association states that annual compensation may be paid to members of the Supervisory Board only 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 is maintained until the Ordinary General Meeting decides 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 General Meeting held to approve the 2008 financial statements, which took place on 20 May 2009, decided to allocate total compensation of €600,000 to the members of the Supervisory Board in respect of 2009 and for every subsequent year until the Ordinary General Meeting adopts a new decision. This compensation, which has been unchanged since 2009, is therefore expected to remain the same for the year 2017, unless the Ordinary General Meeting decides otherwise.

Chairman of the Supervisory Board

At its meeting of 19 February 2013, the Management Compensation Committee, comprised entirely of independent members of the Management, proposed to the Supervisory Board to establish gross annual compensation of €300,000 for the Chairman of the Supervisory Board. This proposal was unanimously adopted by the Supervisory Board on 27 February 2013.

At its 5 March 2014 meeting, upon the appointment of Christian de Gournay as incoming Chairman of the Supervisory Board to replace Jacques Nicolet, the Supervisory Board confirmed that the amount of compensation paid to its Chairman would remain unchanged. This compensation encompasses all work done for the Supervisory Board and is exclusive of any other compensation.

Members

To encourage members of the Supervisory Board to effectively participate in the Board's work, and taking into account the directors' fees awarded by comparable companies, the Supervisory Board decided at its 27 February 2013 meeting to set the amount of directors' fees at €2,500 for each attendance at a meeting of the Board or its special committees.

7.2.1.3 GENERAL PARTNERS

Article 32 paragraph 5 of the Company's Articles of Association states that: "The General Partner is entitled to a priority dividend equal to 1.5% of the annual dividend paid".

7.2.2 Information on compensation

APPLICATION OF THE AFEP-MEDEF RECOMMENDATIONS

As described in the report of the Chairman of the Supervisory Board on internal controls (see Chapter 8), the Company has adopted the AFEP-MEDEF Corporate Governance Code for Listed Companies (the "AFEP-MEDEF Code") as its reference code, which it applies where the provisions are compatible with the legal form of an SCA (*société en commandite par actions*, a French partnership limited by shares) and with the Company's Articles of Association.

The information provided below complies with the AMF recommendation on disclosure of compensation of corporate officers (the "Recommendations"), in paragraph 3.5 of the AMF Guide to the Preparation of Registration Documents (AMF Position-Recommendation No. 2009-16).

Important note: Article 24.3 of the AFEP-MEDEF Code recommends to consult with the shareholders on the individual compensation of the executive corporate officers. The Company's practice with respect to establishment of Management compensation goes beyond that recommendation. As such, Management compensation is determined directly by the Ordinary General Meeting of the shareholders, which has a real decision-making power, a power that is exercised ex-ante. The General Meeting is not simply consulted after the fact to make a determination on compensation awarded to Management by another Company body. Management compensation is set directly and upstream by the General Meeting. The Meeting may thus not issue an opinion on its own decisions.

In 2016, the Management's compensation was allocated globally to the management.

Altafi 2, in its capacity as General Partner, receives a bonus dividend of 1.5% of the annual dividend. This amounted to €1,715,518.50 for FY 2013, €1,853,624.85 for FY 2014 and €2,076,460.32 for FY 2015. It is proposed at the annual Ordinary General Meeting, which is responsible for approving the financial statements for FY 2016 and appropriating its results, to paying the shareholders a dividend representing a payment of €2,557,944.54 to the General Partner Altafi 2.

The Company's Management is an executive officer, a function fulfilled by three Co-Managers: Alain Taravella, the company Altafi 2 and the company Atlas. Both companies have as their Chairman Alain Taravella and are controlled by him as defined by the provisions of Article L. 233-3-I of the French Commercial Code. Furthermore, the Chief Executive Officers of Atlas are Gilles Boissonnet and Stéphane Theuriau.

The non-executive corporate officers are the Supervisory Board members.

Table 1 – Summary of compensation, stock options and shares allocated to each executive corporate officer, as well as the CEOs of Atlas, Co-Manager

(€ thousands)	FY 2015	FY 2016
1. Alain Taravella – Co-Manager		
Compensation due in respect of the financial year (itemised in Table 2)	0	0
Value of options allocated during the financial year (itemised in Table 4)	0	0
Value of performance shares allocated during the financial year (itemised in Table 6)	0	0
Total Alain Taravella	**0**	**0**
2. Altafi 2 – Co-Manager		
Compensation due in respect of the financial year (itemised in Table 2)	4,702[a]	3,779[b]
Value of options allocated during the financial year (itemised in Table 4)	0	0
Value of performance shares allocated during the financial year (itemised in Table 6)	0	0
Total Altafi 2	**4,702**	**3,779**
3. Atlas – Co-Manager		
Compensation due in respect of the financial year (itemised in Table 2)	0	0
Value of options allocated during the financial year (itemised in Table 4)	0	0
Value of performance shares allocated during the financial year (itemised in Table 6)	0	0
Total Atlas	**0**	**0**
3a. Stéphane Theuriau, Chief Executive Officer of Atlas		
Compensation due for the financial year[c] (itemised in Table 2)	800	800
Value of options allocated during the financial year[d] (itemised in Table 4)	0	0
Value of performance shares allocated during the financial year (itemised in Table 6)	0	1,024
Total Stéphane Theuriau	**800**	**1,824**
3b. Gilles Boissonnet, Chief Executive Officer of Atlas		
Compensation due in respect of the financial year[e] (itemised in Table 2)	800	800
Value of options allocated during the financial year[f] (itemised in Table 4)	0	0
Value of performance shares allocated during the financial year (itemised in Table 6)	0	1,024
Total Gilles Boissonnet	**800**	**1,824**

(a) Final amount of €4,196 thousand for management of Altarea and €506 thousand for management of Altareit, a subsidiary of Altarea.
(b) Provisional amount of €3,179 thousand for management of Altarea and €600 thousand for management of Altareit, a subsidiary of Altarea.
(c) Stéphane Theuriau did not receive any compensation from Altarea or Atlas. He did not receive any compensation as executive corporate officer of the Company. This sum compensates him for his operational duties as Manager of Altarea subsidiary Cogedim Gestion.
(d) Free shares granted for his operational duties in Cogedim Gestion, assumed by this latter.
(e) Gilles Boissonnet does not receive any compensation from Altarea or Atlas. He did not receive any compensation as executive corporate officer of the Company. This sum compensates him for his operational duties as Manager of Altarea subsidiary Altarea France.
(f) Free shares granted for his operational duties in Altarea France, assumed by this latter.

Regarding application of Articles L. 225-102-1 and L. 233-16 of the French Commercial Code, note that outside of Altarea, its subsidiaries and Altafi 2, no other company paying compensation to a corporate officer falls within the scope of these provisions.

The amounts provided in the compensation table below and the following tables include all compensation due or paid by Altarea and the companies it controls. The figures below include amounts invoiced to Altarea and amounts invoiced directly to its subsidiaries.

Variable compensation of Management is calculated by applying the rules for Management compensation set out by the Ordinary General Meeting of the shareholders, which are presented in Article 7.2.1.1 above.

Table 2 – Summary of compensation of each executive corporate officer, as well as the CEOs of Atlas, Co-Manager

Name and position of executive officer *(€ thousands)*	FY 2015		FY 2016	
	Amount due		Amount due	Amount paid
1. Alain Taravella – Co-Manager				
Fixed compensation	0	0	0	0
Variable annual compensation	0	0	0	0
Variable multi-year compensation	0	0	0	0
Exceptional compensation	0	0	0	0
Other compensation	0	0	0	0
Directors' fees	0	0	0	0
Benefits in kind	0	0	0	0
Total	**0**	**0**	**0**	**0**
2. Altafi 2 – Co-Manager				
Fixed compensation	2,024	2,024	2,000	2,000
Variable annual compensation (paid in financial year n+1)	2,172[(a)]	1,125[(b)]*	1,179[(c)]	2,172[(d)]*
Variable multi-year compensation				
Exceptional compensation	0	0		
Other compensation[(e)]	506	506	600	600
Directors' fees	0	0	0	0
Benefits in kind	0	0	0	0
Total	**4,702**	**3,655***	**3,779**	**4,772***
3. Atlas – Co-Manager				
Fixed compensation	0	0	0	0
Variable annual compensation	0	0	0	0
Variable multi-year compensation	0	0	0	0
Exceptional compensation	0	0	0	0
Other compensation	0	0	0	0
Directors' fees	0	0	0	0
Benefits in kind	N/A	N/A	N/A	N/A
Total	**0**	**0**	**0**	**0**
3a. Stéphane Theuriau – Chief Executive Officer of Atlas				
Fixed compensation	0	0	0	0
Variable annual compensation	0	0	0	0
Variable multi-year compensation	0	0	0	0
Exceptional compensation	0	0	0	0
Other compensation[(f)]	800	800	800	800
Directors' fees	0	0	0	0
Benefits in kind	0	0	0	0
Total	**800**	**800**	**800**	**800**
3b. Gilles Boissonnet – Chief Executive Officer of Atlas				
Fixed compensation	0	0	0	0
Variable annual compensation	0	0	0	0
Variable multi-year compensation	0	0	0	0
Exceptional compensation	0	0	0	0
Other compensation[(g)]	800	800	800	800
Directors' fees	0	0	0	0
Benefits in kind	0	0	0	0
Total	**800**	**800**	**800**	**800**

(a) Corresponding to a provisional amount of €2,057 thousand for variable compensation recognised in 2015, increased by the amount of the 2015 final variable compensation adjustment of €116 thousand.
(b) Corresponding to the final amount of 2014 variable compensation after adjustment.
(c) Corresponding to a provisional amount of €1,179 thousand for variable compensation for 2016, recognised in 2016 that should be paid in 2017.
(d) Corresponding to the final amount of 2015 variable compensation after adjustment.
(e) Compensation paid solely for managing Altareit, a subsidiary of Altarea.
(f) Compensation paid solely for duties as corporate executive of Altarea subsidiaries; see above.
(g) Compensation paid solely for duties as corporate executive of Altarea subsidiaries; see above.
* *The amounts paid for variable compensation are those due for the previous financial year after taking into account any adjustments.*

Table 3 – Table of directors' fees and other compensation received by the non-executive corporate officers and, where applicable, by their permanent representatives.

The amounts below include not only directors' fees and other compensation granted by Altarea but also by its subsidiaries.

Non-executive corporate officers *(€ thousands)*	FY 2015 Directors' fees	FY 2015 Other compensation	FY 2016 Directors' fees	FY 2016 Other compensation
Christian de Gournay, Chairman of the Supervisory Board	0	300[a]	0	300[a]
Jacques Nicolet, Supervisory Board member	5	3[b]	7.5	3[b]
Matthieu Taravella, Supervisory Board member	12.5	0	5	0
Gautier Taravella, Supervisory Board member	0	0	0	0
APG, Supervisory Board member	0	0	0	0
Alain Dassas, Permanent Representative of APG	12.5	0	15	0
Prédica – Crédit Agricole Assurances, Supervisory Board member	0	0	0	0
Émeric Servin, Permanent Representative of Prédica	7.5	0	7.5	0
Françoise Debrus, Supervisory Board member	12.5	0	12.5	0
Dominique Rongier, Supervisory Board member	12.5	3[b]	15	3[b]
ATI, Supervisory Board member	0	0	0	0
Léonore Reviron, Permanent Representative of ATI	N/A	N/A	10	3[b]
Éliane Frémeaux, Supervisory Board member	7.5	0	7.5	0
Marie Anne Barbat-Layani, Supervisory Board member	N/A	N/A	2.5	0
Michaela Robert, Supervisory Board member	N/A	N/A	5	0
Christian Terrassoux, Supervisory Board member	N/A	N/A	0	1,213[c]
Total	**70**	**306**	**87.5**	**1,522**
OVERALL TOTAL	**376**		**1,609.5**	

(a) Compensation paid by Altarea for duties as Chairman of the Supervisory Board.
(b) Compensation paid as directors' fees for attending the meetings of the Supervisory Board of Altareit.
(c) €129,310 for compensation as Chairman and Chief Executive Officer of Pitch Promotion SA then as Chairman of Pitch Promotion SAS, and €1,083,330 in fees paid by Pitch Promotion SNC to Terra Nova that he manages and controls.

Table 4 – 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, namely Alain Taravella, Altafi 2 or Atlas, Co-Managers, by the Company or by any other Group company.

Table 5 – Stock options exercised during the year by the executive corporate officers

No stock options were exercised during the financial year by the executive corporate officers, Alain Taravella, Altafi 2 or Atlas, Co-Managers.

Table 6 – Free shares allocated to each corporate officer

No free shares were granted during the financial year to the corporate officers, namely Alain Taravella, Altafi 2 or Atlas, Co-Managers, and the members of the Supervisory Board, by the Company or by any other Group company.

None of the corporate officers, namely Alain Taravella, Altafi 2, or Atlas, Co-Managers, benefit from a free share plan in a vesting period.

It is however specified that Stéphane Theuriau and Gilles Boissonnet, Chief Executive Officers of Atlas, Co-Manager of the Company, benefited from the general share allocation plan "All in action" (Tous en actions!) detailed in paragraph 5.5.3.1.1. of this document. The free shares granted during the past year are presented in paragraph 4.3.3.4 and in Note 6.1 to the consolidated financial statements shown in paragraph 3.6 of this document.

The table below provides details on the free shares granted to Stéphane Theuriau and Gilles Boissonnet, due to their respective operating functions in Cogedim Gestion and Altarea France, the cost of which was borne by these latter:

	Plan number	Plan date	No. of shares allocated	Valuation of shares(a)	Vesting date	Date of availability
Stéphane Theuriau Chief Executive Officer of Atlas, Co-Manager	Plan No. 32	01/02/2016	75	€12,158.37	01/02/2017	01/02/2018
	Plan No. 33	08/02/2016	1,667	€266,334.91	08/02/2017	08/02/2018
	Plan No. 40	19/10/2016	2,000	€316,525.70	30/03/2018	19/10/2018
	Plan No. 41	10/11/2016	1,667	€262,208.15	30/03/2018	10/11/2018
	Plan No. 42(b)	10/11/2016	2,000	€158,531.03	11/04/2019	11/04/2019
	Plan No. 44	15/11/2016	50	€8,225.89	01/02/2018	15/12/2018
Total	-	-	**7,459**	**€1,023,984.05**	-	-
Gilles Boissonnet Chief Executive Officer of Atlas, Co-Manager	Plan No. 32	01/02/2016	75	€12,158.37	01/02/2017	01/02/2018
	Plan No. 33	08/02/2016	1,667	€266,334.91	08/02/2017	08/02/2018
	Plan No. 40	19/10/2016	2,000	€316,525.70	30/03/2018	19/10/2018
	Plan No. 41	10/11/2016	1,667	€262,208.15	30/03/2018	10/11/2018
	Plan No. 42(b)	10/11/2016	2,000	€158,531.03	11/04/2019	11/04/2019
	Plan No. 44	15/11/2016	50	€8,225.89	01/02/2018	15/12/2018
Total	-	-	**7,459**	**€1,023,984.05**	-	-

(a) According to the method used for the consolidated financial statements.
(b) The acquisition of a 60% proportional share of the free shares granted under this plan is subject to the attainment of performance conditions related to the change in the market price of the Altarea share, in particular compared to the IEIF Immobilier France index.

Table 7 – Free shares allocated to each corporate officer that became available

No free shares allocated during the financial year to the corporate officers, namely Alain Taravella, Altafi 2 or Atlas, Co-Managers, and the members of the Supervisory Board, by the Company or by any other Group company, became available during the past year.

Table 8 – History of stock option grants and share purchases

There is currently no stock option plan for which the corporate officers, namely Alain Taravella, Altafi 2, ou Atlas, Co-Managers, are eligible, including other financial instruments convertible to capital (share subscription warrants, redeemable share subscription warrants, founders' warrants, etc.).

Table 9 – Stock options granted to and exercised by the top 10 employees excluding corporate officers and options exercised by them

There is currently no stock option plan for which the top 10 employees excluding corporate officers are eligible, including other financial instruments convertible to capital (share subscription warrants, redeemable share subscription warrants, founders' warrants, etc.).

Table 10 – History of free share allocations

No free shares were granted during the financial year to the corporate officers, namely Alain Taravella, Altafi 2 or Atlas, Co-Managers, and the members of the Supervisory Board, by the Company or by any other Group company.

None of the corporate officers, namely Alain Taravella, Altafi 2, or Atlas, Co-Managers, benefit from a free share plan in a vesting period.

Table 11 – Employment contracts, supplemental pension plans, severance or other termination payments or benefits and non-competition compensation payable to the executive corporate officers

None.

It is hereby specified that the Company made no commitment for its corporate officers, namely Alain Taravella, Altafi 2, ou Atlas, Co-Managers, for any compensation, payments or benefits due or liable to be due upon assumption, termination or any change in their office or subsequent thereto.

7.3 ABSENCE OF CONFLICTS OF INTEREST

No conflicts of interest have been detected at the level of the Company's administrative, management and supervisory bodies, or at the level of its Executive Management, between the duties of those bodies and any other potential duties they might have.

7.4 ABSENCE OF IMPROPER CONTROL

7.4.1 Nature of control over the Company

Alain Taravella, his family and the companies Alta Groupe, Alta Patrimoine and Altager, which he controls, Jacques Nicolet, together with Everspeed (formerly JN Holding), which he controls, and Gilles Boissonnet together with SCI Jouffroy 2, which he controls, and Stéphane Theuriau act in concert. At 31 December 2016, the concert members collectively held 46.45% of the capital and theoretical voting rights of the Company and 47.04% of actual voting rights (those that could effectively be cast at General Meetings, taking into account treasury shares stripped of their voting rights).

7.4.2 Measures preventing improper control

Regarding governance, the Chairman's report on internal control (Chapter 8) specifies: The Supervisory Board examines investments and divestments starting from a very low threshold (€15 million); the Supervisory Board's Special Committees, *i.e.*, the Audit Committee, Investment Committee and Management Compensation Committee, include independent members. More than one third of the members of the Supervisory Board are independent members.

7.4.3 Absence of improper control

Measures have been adopted to prevent any improper control. The Company is controlled as described above; however, the Company considers that there is no risk that control could be exercised in an improper way.

7.5 CONVICTIONS, BANKRUPTCIES, PROSECUTIONS

The undersigned hereby represents and warrants that to his knowledge, no Co-Manager or member of the Supervisory Board has, in the last 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);
- been disqualified by a court from acting as a member of an issuer's administrative, management or supervisory bodies or from being involved in the management or conduct of the affairs of any issue.

ALTAFI 2
Represented by its Chairman
Alain Taravella
Co-Manager

7.6 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.

7.7 ABSENCE OF MATERIAL CHANGES IN THE FINANCIAL OR BUSINESS POSITION

Over the last 12 months, with the exception of what may appear in Note 11 to the consolidated financial statements (paragraph 6 of chapter 3 of this Registration Document), the Company has not experienced any material changes in its financial position or business situation.

The Group composed of the Company and its subsidiaries enjoys both the recurring revenue characteristic of a retail REIT and the added value of a developer active on the three main real estate markets (Retail, Residential and Offices).

7.8 SENIOR MANAGEMENT

7.8.1 Executive Management

This consists of Alain Taravella, Gilles Boissonnet and Stéphane Theuriau, who form the Management.

The Company is managed by Alain Taravella personally and by the companies ALTAFI 2 and ATLAS. Alain Taravella is Chairman of ALTAFI 2 and ATLAS. Gilles Boissonnet and Stéphane Theuriau are Chief Executive Officers of ATLAS.

7.8.2 Operational Management

Gilles Boissonnet is in charge of Retail REIT. He is Manager of Foncière Altarea.

Stéphane Theuriau is in charge of the Residential and Office Property Development division. He is Chairman of the Management Board of Cogedim.

7.8.3 Committees

Bearing in mind that the main subsidiaries of Altarea[1] feature Operational Committees, several committees hold regular meetings to examine going concerns and assist Executive Management in decision-making.

These committees are the Expanded Executive Committee, the Executive Management Committee and the Expanded Executive Management Committee.

7.8.4 Absence of firm commitments made by Management and not communicated by the Company

As of the date of this Registration Document, the management bodies have made no firm commitment on significant investments about which the Company has not provided information.

7.9 COMPLIANCE WITH CORPORATE GOVERNANCE REGIME

In accordance with Article 16.4 of Annex I of Regulation EC 809/2004 implementing EC Directive 2003/71/EC, the undersigned hereby declares and warrants that the Company complies with the corporate governance regime applicable in France as set out in the law on commercial companies and subsequent legal instruments.

ALTAFI 2
Represented by its Chairman
Alain Taravella
Co-Manager

(1) See the Chairman's report on internal control in Chapter 8 of the Registration Document.


IMAX

8

REPORT OF THE CHAIRMAN

REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD ON INTERNAL CONTROL

8.1 DILIGENCE PERFORMED – FRAMEWORK AND REFERENCE CODE

The Chairman of the Supervisory Board prepared this report. The Corporate Secretary and the Group's Finance Department also participated. This report was submitted and presented to the Supervisory Board, which approved it at its meeting on 21 February 2017.

In accordance with the provisions of Article L. 225-37 of the French Commercial Code, the Company declares that it has based its Corporate Governance Code on the Corporate Governance Code for Listed Companies (the "AFEP-MEDEF Code"), published by the Association Française des Entreprises Privées (AFEP) and the Mouvement des Entreprises de France (MEDEF), revised in November 2016. The Company refers to the principles set forth in the AFEP-MEDEF Code, which it applies where compatible with the legal form of an SCA (*société en commandite par actions*, a French 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. Therefore, changes relating to the collegiate nature of the Board of Directors, and the separation of functions of the Chairman of the Board of Directors and the Chief Executive Officer, the lead director, cannot be applied to partnerships limited by shares. Because the Company is an SCA (*société en commandite par actions*, a French partnership limited by shares), the financial statements are established by Management and 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 Articles of Association also give the Supervisory Board significantly greater powers than required by law, for example in reviewing investments. Lastly, the Company affords shareholders greater powers than provided for in applicable legislation or in the AFEP-MEDEF Code, in particular with respect to establishment of Management compensation. This compensation was set in the Company's Articles of Association until 2012. Since 2013, Management compensation is determined by the Ordinary General Meeting, for successive three-year periods on a proposal from the General Partners and after consultation with the Supervisory Board.

Pursuant to the "comply or explain" principle, the Company specifies, in the summary table below, which of the recommendations from the AFEP-MEDEF Code were not implemented, taking account of the Company's form as a *société en commandite par actions* (a French partnership limited by shares), with explanations and, where necessary, remedial measures.

Recommendation	Code heading	Explanations or remedial measures
Board of Directors: collegiate body	1	In a société en commandite par actions (a French partnership limited by shares), each Manager has the powers to bind the company.
The separation of duties of the Chairman of the Board of Directors and the Chief Executive Officer	2	In a société en commandite par actions (a French partnership limited by shares), each Manager has the management power, so this separation is not possible.
The Rules of Procedure of the Board	1.3 – 3.1 – 11.1	The Supervisory Board did not deem that such rules of procedure of the Supervisory Board were necessary given that the Articles of Association describe the Meeting procedure and the powers of the Supervisory Board, and because there are detailed rules of procedure for the Audit Committee and Investment Committee, specialised committees of the Board.
The Board of Directors and business strategy	3	In a société en commandite par actions (a French partnership limited by shares), Management has exclusive competence to review and decide on operations of strategic importance. However, the Supervisory Board of the Company reviews investments and divestments or loan transactions of more than €15 million.
Representation of employees	7 – 12.3	Sociétés en commandite par actions (French partnerships limited by shares) are not subject to Article L. 225-23 of the French Commercial Code, which prescribes the appointment of employee representatives because Article L. 226-1 of the French Commercial Code excludes from the scope of Articles L. 225-17 to L. 225-93 of said Code partnership limited by shares. On the other hand, the obligation to appoint an employee representative, in compliance with the provisions of Article L. 226-5-1 of the French Commercial Code which the Company is bound by, will apply during the 2018 financial year.
Evaluation of the Board of Directors	9	There is no formal system for evaluating the work of the Supervisory Board. However, the Board freely reviews its operations and ways to improve those operations every year.
Board meeting without the presence of the executive corporate officers	10.3	In compliance with the stipulations of Article 16.3 of the Company's Articles of Association, 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.
The term of office of directors	13	In a French société en commandite par actions (partnership limited by shares), management powers are exercised by Management, not by a Board of Directors.
The committee in charge of selection or nomination	8.4 – 16	In a French société en commandite par actions (partnership limited by shares), Managers are appointed by the General Partners and the Supervisory Board examines itself questions relating to its composition.
"Say on pay"	26	The Company's practice with respect to the establishment of Management compensation goes beyond the AFEP-MEDEF recommendation. Management compensation is determined directly by the Ordinary General Meeting of the shareholders, which has real decision-making power, which it exercises before the event. The General Meeting is not simply consulted after the fact to approve or disapprove of compensation awarded to Management by another Company body. Management compensation is set directly and in advance by the General Meeting. The General Meeting therefore has no need to issue an opinion on its own decisions.

8.2 PREPARATION AND ORGANISATION OF THE BOARD'S WORK

8.2.1 Scope and powers (Article 17 of the Articles of Association)

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. It appoints an Acting Manager if none of the existing Managers and General Partners are able to serve. It submits a list of nominees to the General Meeting for the appointment of new Statutory Auditors. 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 French law, the Supervisory Board prepares a report for the Annual Ordinary General Meeting, which approves the Company's financial statements: the report is provided to the shareholders along with the management report and the full-year financial statements for the financial year. 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. The Supervisory Board also plays an important role in terms of the Company's investments and commitments, above and beyond the usual role played by this body in SCAs. Management is required to consult with the Supervisory Board before the following important decisions are made: (i) any investment greater than €15 million, (ii) any divestment greater than €15 million, (iii) any commitment by the Company greater than €15 million, (iv) any loan agreement for more than €15 million. Lastly, the Board reviews the social and environmental report and the Management's comparative report on the terms and conditions of employment and training of men and women.

8.2.2 Composition of the Supervisory Board

MEMBERS

As of the date of this report, the Supervisory Board consisted of the following 14 members:

Name	Duties	Permanent Representative	Expiration of term[(a)]
Christian de GOURNAY	Chairman	–	2019
Jacques NICOLET	Member	–	2019
Matthieu TARAVELLA	Member	–	2019
Gautier TARAVELLA	Member	–	2022
Christian TERRASSOUX	Member	–	2019
Françoise DEBRUS	Member	–	2019
Éliane FRÉMEAUX	Member	–	2019
Dominique RONGIER	Member	–	2020
APG	Member	Alain DASSAS	2019
Crédit Agricole Assurances	Member	Émeric SERVIN	2019
ATI	Member	Léonore REVIRON	2020
Michaela ROBERT	Member	–	2022
Marie Anne BARBAT-LAYANI	Member	–	2022
ALTAFI 5	Member	Florence LEMAIRE	2022

(a) Year of Annual Ordinary General Meeting.

Chapter 7 of the Registration Document lists the ages, nationalities, experience and professional duties, including in international matters, of the members of the Supervisory Board and the offices they hold or have held over the last five financial years. Each member must hold at least one Company share as stipulated in Article 15.4 of the Articles of Association.

BALANCED GENDER REPRESENTATION ON THE SUPERVISORY BOARD

As of the date of this document, the Supervisory Board has increased the percentage of women members to 43%. The Company is currently in compliance with the requirements of Law no. 2011-103 of 27 January 2011, as neither gender represented less than 40% of the Supervisory Board at the first Ordinary General Meeting held after 1 January 2017.

AVERAGE AGE

As of the date of this report, the average age of the members of the Supervisory Board was 56.

OFFICES HELD IN OTHER COMPANIES

A list of all offices held by Supervisory Board members outside the Company is provided in paragraph 7.1 of this Registration Document.

COMPENSATION

Principles

Article 19 of the Articles of Association states that annual compensation may be paid to members of the Supervisory Board only 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 is maintained until the Ordinary General Meeting decides 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.

Decision of the General Meeting

The Ordinary General Meeting of 20 May 2009 allocated total compensation of €600,000 to Supervisory Board members in respect of 2009, the same amount as in prior years.

This amount payable in respect of 2009 will remain unchanged for future years until modified by a new decision of an Ordinary General Meeting.

Payments

Chairman of the Supervisory Board

At its meeting of 19 February 2013, the Compensation Committee, composed entirely of independent members, proposed to the Supervisory Board to establish gross annual compensation of €300 thousand for the Chairman of the Supervisory Board. This proposal was unanimously adopted by the Supervisory Board on 27 February 2013.

At its 5 March 2014 meeting, upon the appointment of Christian de Gournay as incoming Chairman of the Supervisory Board to replace Jacques Nicolet, the Supervisory Board confirmed that the amount of compensation paid to its Chairman would remain unchanged. This compensation encompasses all work done for the Supervisory Board and is exclusive of any other compensation.

Members

To encourage members of the Supervisory Board to effectively participate in the Board's work, and taking into account the directors' fees awarded by comparable companies, the Supervisory Board decided at its 27 February 2013 meeting to set the amount of directors' fees at €2,500 for each attendance at a meeting of the Board or its special committees.

Details on compensation are presented in paragraph 7.2 of this Registration Document.

INDEPENDENT MEMBERS

Choice of independence criteria

At its meeting on 31 August 2009, the Supervisory Board unanimously voted, on the Chairman's recommendation, to adopt the independence criteria proposed by the AFEP-MEDEF Code. Under the terms of Article 8.5 of the Code, in its revised version of November 2016, the criteria guiding the Board to classify a member as independent are the following:

- to not be and not have been in the previous five years (i) an employee or executive corporate officer of the Company or (ii) an employee, executive corporate officer or director of a company consolidated by the Company, of the Company's parent company or of any company consolidated by this parent company;
- to not be an executive corporate officer of a company in which the Company holds, directly or indirectly, a directorship or in which a designated employee or an executive corporate officer of the Company (currently serving or having served in the previous five years) holds a directorship;
- to not be a customer, supplier, a significant corporate banker or investment banker for the Company or of the Group or for which the Company or the Group, represents a significant portion of business;
- to not have a close family link with a corporate officer;
- to not have been a statutory auditor of the Company in the previous five years;
- to not have been a Company director during the previous 12 years.

Application to Supervisory Board members

The Board examines the situation of its members with regard to the independence criteria each year.

The latest review of the independent status of Board members was carried out by the Supervisory Board at its meeting of 21 February 2017. On the basis of the independence criteria it had adopted, the Board deemed that Dominique Rongier, Alain Dassas, Éliane Frémeaux, Marie Anne Barbat-Layani and Michaela Robert qualified as independent members.

8.2.3 Frequency of meetings

The Board met three times in 2016. The effective attendance rate was 89% and the attendance rate in person or by proxy was 100%.

8.2.4 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.

8.2.5 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.

8.2.6 Meeting location – Management attendance

Meetings take place at the 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. At Board meetings, Management presents the Company's financial statements, discusses business developments and presents any investment or divestment plans. 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.

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.

8.2.7 Rules of procedure

The Supervisory Board currently has no rules of procedure. The Supervisory Board did not deem such a document necessary given that Articles 16 and 17 of the Articles of Association describe the Meeting procedure and the powers granted to the Supervisory Board, and because there are detailed rules of procedure for the Board's Special Committees, *i.e.*, the Audit Committee and the Investment Committee.

8.2.8 Special Committees

Article 18 of the Articles of Association allows the Supervisory Board to delegate tasks to Special Committees, apart from any powers that French law explicitly assigns to the Supervisory Boards of SCAs (*sociétés en commandité par actions*).

The Supervisory Board has three Special Committees: an Accounting Committee known as the Audit Committee, an Investment Committee and a Management Compensation Committee.

The Special Committees present their work at Supervisory Board meetings. The work is presented by committee chairs, all of whom are members of the Board.

INVESTMENT COMMITTEE

Members

Investment Committee members are appointed by the Supervisory Board. The Investment Committee currently consists of the following members:

- Jacques NICOLET;
- Alain DASSAS, representing ABP (APG) Fund;
- Émeric SERVIN, representing Predica;
- Christian de GOURNAY;
- Philippe MAURO;
- Eric DUMAS.

The Committee is chaired by Jacques NICOLET.

Operational Managers involved in the investment project(s) also participate in the meeting.

Proceedings – Minutes

Investment Committee recommendations are adopted by a majority of members present. The Chairman has a double vote in the event of a tie vote. Minutes are drawn up and signed during the meeting indicating the decision made. The Company's annual report contains a summary of the resolutions issued by the Investment Committee.

Frequency of meetings

The Investment Committee meets when convened by its Chairman. It can be called at any time in the event of an emergency. Notices of meeting may be sent by any means (post, fax, email, etc.).

Missions

The Investment Committee is delegated by the Supervisory Board to advise on investment and divestment decisions for amounts between €15 million and €100 million, under the following conditions:

a) Investment and divestment opportunities of between €15 million and €50 million may be presented either to:

- the Investment Committee directly; or
- the Chairman of the Investment Committee for an initial recommendation, especially in urgent situations, which is ratified at the next Investment Committee meeting.

b) Investment and divestment opportunities of between €50 million and €100 million are presented to the Investment Committee before any final decision is made.

c) For transactions initiated by the Cogedim subsidiary, the €15 million ceiling is understood to be:

- before entering into any bilateral sales agreements for real estate over €15 million;
- before signing any deeds for real estate over €15 million, including following a unilateral sales agreement;
- before commencing any construction work if the cost price, including land and after deducting any reservations and block sales, exceeds €15 million.

d) Investments and divestments of:

- less than €15 million do not require a Supervisory Board recommendation;
- over €100 million must be submitted to the Supervisory Board for a recommendation.

These limits are adjusted annually on the basis of the Syntec index.

e) Finally, the disposal of investment properties and equity interests in companies owning investment properties, within the aforementioned limits.

f) The limits given above apply as a percentage of the Group's equity interests, and exclude tax.

Work of the Committee

The Investment Committee did not meet in 2016 because all investment and divestment opportunities were reviewed by the full Supervisory Board as required by Article 17.6 of the Articles of Association (see 8.2.1 above and 8.2.9. below), or by its Chairman, considering the amounts involved.

AUDIT COMMITTEE

Members

Audit Committee members are appointed by the Supervisory Board. They are chosen for their experience in the industry and their knowledge of the Company. The Audit Committee currently consists of the following members:

- Françoise DEBRUS;
- Léonore REVIRON;
- Alain DASSAS;
- Dominique RONGIER;
- Éliane FRÉMEAUX;
- Michaela ROBERT.

The rules of procedure of the Audit Committee were last amended on 21 February 2017 on the appointment of Éliane Fremeaux and Michaela Robert as new members and to bring the Committee's powers and missions into line with Article L. 823-19 of the French Commercial Code, as amended by Ordinance no. 2016-315 of 17 March 2016.

Dominique Rongier serves as Chairman of the Audit Committee.

Skills and experience of the Audit Committee members relevant to the Committee's responsibilities:

- Françoise Debrus has worked as head of internal audit and of financial management at Unicredit; head of debt collection and lending in the finance department of Crédit Agricole SA; head of finance and taxation at the Fédération Nationale du Crédit Agricole; Chief Financial Officer at the Caisse Régionale d'Île-de-France; and investment director at Crédit Agricole Assurances;
- Alain Dassas, independent member, was head of banking relations and financial markets at Renault; Finance Director at Renault Crédit International; and head of financial operations and financial services at Renault;
- Dominique Rongier, Committee Chairman, independent member, was an auditor at Arthur Andersen; Chief Financial Officer of the Brémond-Pierre & Vacances Group; Chief Financial Officer of Brossette SA; and Chief Financial Officer of the holding company Oros Communication;
- Léonore Reviron is a graduate of the EDHEC Business School. From 2008 to 2011, she was a financial audit Manager at Ernst & Young. In 2011, she joined a listed REIT group, where she served as a corporate financial analyst until 2013, when she became a financial risk Manager;

- Éliane Frémeaux was a partner in the Notary firm of SCP Thibierge & Associés until 18 October 2012. She 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 French Ministry of Sustainable Development's High Council for Classified Installations.
- Michaela Robert is a graduate of the University of Paris IX Dauphine and Paris X Nanterre. She worked for ten years as a property and structured finance lawyer at international firms. In 2005, she joined Morgan Stanley as Chief Financial Officer for property investment funds under its management. In 2010 she founded a property financial advising firm, of which she is Manager.

Members meeting the criteria in Article L. 823-19 of the French Commercial Code

The Audit Committee is currently composed of four independent members. Consequently, the Company meets (i) the legal requirement that the Audit Committee must have at least one independent member, and (ii) recommendation 15.1 of the AFEP-MEDEF Code that two-thirds of members should be independent. Nor does the Committee include any executive corporate officers, again complying with Article 15.1 of the Code.

Proceedings – Minutes

The Committee is quorate when at least half of the members are present. Recommendations are adopted by a majority of members present. The Chairman has a double vote in the event of a tie. If it deems it necessary to do so, the Audit Committee prepares minutes of its meetings; these minutes are drafted by the Chairman. The Chairman presents its report on the half-year and full-year financial statements to the Supervisory Board.

Frequency of meetings

The Audit Committee meets when convened by the Chairman, on dates set according to the Company's schedule for approving the half-year and full-year financial statements. A meeting can be called at any time if necessary. Notices of meeting may be sent by any means (post, fax, email, etc.). The Group's Finance Department sends any necessary documentation prior to the meeting.

During the 2016 financial year, the Committee met twice to examine the following points:

- meeting of 8 March 2016: review of the annual financial statements at 31 December 2015 – presentation of the update of the Group's risk map – renewal of the mandate of the Statutory Auditors;
- meeting of 27 July 2016: review of the main internal control actions and risk management actions carried out during the first half of 2016 – review of the half-year financial statements at 30 June 2016.

Missions

The Audit Committee helps the Supervisory Board in its role of oversight and control of the Company. The Audit Committee is responsible for the following:

- monitoring of the preparation of the Company's financial information, and making any recommendations needed to guarantee its integrity. The Committee reviews this information by analysing the accounting impact of significant events or operations that had an effect on the Company's financial statements. In the event of failures in the process, the Committee makes sure corrective measures have been applied;
- monitoring of the effectiveness of the systems of internal control and risk management of the Company as well as of internal audit, as necessary, concerning the procedures related to the preparation and processing of accounting and financial information without harming its independence. The Committee reviews risks that have an impact on the Company's financial statements (including information in the Notes) and risks identified by the internal control systems established by Management and that could have an impact on the financial statements. The Committee may consider the potential impacts on financial information arising from a significant unidentified risk that it learns of or identifies during its work and may follow up other main risks identified by Management and/or the Corporate Secretary. In the event shortcomings are identified, the Committee ensures that (i) appropriate action plans have been set up and that (ii) the situation has been addressed. The Company's internal control and risk management systems are based on guidelines drawn up by the AMF and updated on 22 July 2010, to take into account the report of the working group chaired by Olivier Poupart-Lafarge. The Committee familiarises itself with the Supervisory Board Chairman's report on internal control and risk management procedures and, where applicable, formulates observations on matters within its scope;
- monitoring of the Statutory Auditors' work. The Committee reviews the main risks and uncertainties identified by the Statutory Auditors in the parent company and consolidated financial statements, including the half-year financial statements. The Committee also reviews their audit approach and any difficulties they encountered in their work. It takes into account the observations and conclusions of the Haut conseil du commissariat aux comptes (Audit Office Control Board) following controls performed in application of Articles L. 821-9 *et seq.*;
- review and monitoring of the Statutory Auditors' compliance with the independence conditions defined in Book VIII, Title II, Chapter II-2 of the French Commercial Code. It oversees compliance with the rules for the rotation of Statutory Auditors and their engagement partners in Articles L. 822-14 and L. 823-3 *et seq.*, of the French Commercial Code. The Committee monitors the budget for the Statutory Auditors' fees to ensure that it is appropriate to their work. If total fees paid by the Company represent more than 15% of the fees received by the Statutory Auditor during each of the last three financial years, the Audit Committee takes the necessary steps to apply paragraph 3 of Article 4 of EU Regulation no. 537/2014. In these circumstances, the Statutory Auditor must inform the Audit Committee and analyse with it the risks to its independence and the safeguard measures applied to mitigate these risks. The Audit Committee examines whether the audit mission should be subject to a quality control review by another Statutory Auditor prior to publication of the audit report. It also ensures compliance with the conditions mentioned in Article 6 of the said regulation relating to the preparation and the legal control of financial statements and the evaluation of the risks potentially affecting the independence of the Statutory Auditors. The Committee makes sure that the Co-statutory Auditor is efficiently assured. Each year, the Statutory Auditors provide (i) a statement of independence; (ii) the total amount of fees paid to the Statutory Auditors by companies controlled by the Company or the companies that controls it with respect to services not related directly to the statutory audit mission; and (iii) an additional report in compliance with the provisions of Article 11 or EU Regulation no. 537/2014 of 16 April 2014, which presents the results of the legal audit of the financial statements;

- approval of the provision to the Company or its subsidiaries by the Statutory Auditors, or by their network, of any services other than the certification of the financial statements mentioned in Article L. 822-11-2 the French Commercial Code, on the understanding that the Committee must express an opinion having analysed the risks potentially affecting the independence of the Statutory Auditor and any safeguard measures applied. At its meeting of 20 February 2017, the Audit Committee decided unanimously to authorise the Statutory Auditors to provide certain services other than the certification of the financial statements corresponding to (i) the missions required by law or regulations and (ii) the usual missions provided by Statutory Auditors which posed no risk to their independence given their purpose and the terms and conditions under which they would be carried out. The Statutory Auditors must provide the Audit Committee with a half-year report on these services. All other services must be authorised in advance by the Audit Committee;
- ensuring that the Company's operations comply with all applicable laws and regulations.

The Audit Committee maintains working relationships with the Company's Executive Management, internal controllers, internal auditors and Statutory Auditors. It may ask the Statutory Auditors to attend Committee meetings to answer questions about subjects within their competence. The Audit Committee may also ask a Company employee to attend a meeting, in order to clarify a specific issue. The Audit Committee recommends to the Supervisory Board all measures it deems useful.

The Audit Committee must be consulted for the following:

- Statutory Auditor appointments. Under Article 17.4 of the Articles of Association, the Supervisory Board is required to provide to the General Meeting a list of candidates for the renewal of the Statutory Auditors. For this purpose, the Audit Committee issues a recommendation, prepared in accordance with the provisions of Article 16 of EU Regulation no. 537/2014 of 16 April 2014 on the Statutory Auditors, that the Supervisory Board will propose to the General Meeting for appointment on the basis of a tender procedure. It also issues a recommendation to the General Meeting when the appointment of the auditor or auditors comes up for renewal as required by Article L. 823-3-1 of the French Commercial Code;
- any significant changes in accounting methods and principles that may seem likely or necessary;
- half-year and full-year financial statements.

The Audit Committee reports on its work regularly to the Supervisory Board. It also reports on the results of the mission of the certification of the financial statements, on the manner in which this mission contributed to the integrity of the financial information and on the role that it played in this process. It immediately reports any problem encountered.

The Audit Committee ensures that the Company has taken the appropriate measures, including protection of documents, files and systems, to operate as a going concern and to protect the company against fraud and malice.

The Audit Committee reviews the scope of consolidation and, where applicable, the reasons for which companies are not included.

If it deems necessary, the Committee may call on external experts, ensuring their competence and independence.

The Committee ensures that internal control and risk management systems exist, and monitors their use and the implementation of corrective actions in the event of deficiencies or material anomalies. To this end, it is informed of the main findings of the Statutory Auditors and the internal audit. It meets with the heads of the internal audit and of risk control and advises on the organisation of their departments. It is informed of the internal audit programme and receives internal audit reports and/or periodic summaries.

The Committee reviews significant risks and off-balance sheet commitments, assesses the seriousness of malfunctions or deficiencies of which it is made aware, and informs the Supervisory Board, if necessary.

MANAGEMENT COMPENSATION COMMITTEE

History

On 20 May 2009, the Extraordinary General Meeting voted to create a Management Compensation Committee, and for this purpose added a second paragraph to Article 18 of the Articles of Association concerning the Board's Special Committees.

This same meeting also amended the provisions of Article 14 of the Articles of Association regarding Management compensation: as of 1 January 2013, Management compensation will be determined by the Ordinary General Meeting for successive three-year periods on proposal of the General Partners and after consultation with the Supervisory Board.

The Supervisory Board, at its meeting of 26 July 2012, voted to create this Management Compensation Committee, in accordance with Article 18 of the Articles of Association. On the recommendation of its Chairman, the Supervisory Board voted to grant the Committee powers wider than those provided for by the Articles of Association. The Committee will participate in determining the compensation not only of Management but also of members of the Supervisory Board and of the Group's senior executives.

Members

The Management Compensation Committee is composed exclusively of members of the Supervisory Board, except for the Group Corporate Secretary, who performs secretarial duties during meetings but cannot vote.

All members of the Management Compensation Committee are independent of Company Management.

The Compensation Committee currently consists of the following members:

- Dominique Rongier;
- Alain Dassas;
- Dominique Rongier chairs the Management Compensation Committee.

Philippe Mauro, Corporate Secretary of the Group, was appointed as Secretary of the Management Compensation Committee.

Responsibilities (Article 18 of the Articles of Association)

The Management Compensation Committee submits proposals for Management compensation to the Supervisory Board.

Work of the Committee

The Committee used a study conducted by consultants Towers Watson and submitted to the Supervisory Board at its 27 February 2013 meeting proposals related to Management compensation. These proposals allowed the Supervisory Board to make an informed recommendation on the General Partner's proposal, in accordance with Article 14 of the Articles of Association, to the Ordinary General Meeting responsible for setting Management compensation.

The Management Compensation Committee also made proposals on the annual compensation of the Supervisory Board Chairman, which it advised to set at €300 thousand, and on the amount of directors' fees. The Committee advised that the latter be increased to €2.5 thousand to encourage members to actively participate in the work of the Supervisory Board.

At its 27 February 2013 meeting, the Supervisory Board decided to approve all the recommendations of the Management Compensation Committee.

During 2014, the Management Compensation Committee met on 8 April 2014 to review the compensation paid to the Chairman of the Supervisory Board and Group Operational Managers, and to make recommendations to the Supervisory Board and Management.

During 2016, the Committee met on 23 February 2016 to review Management compensation and develop proposals for the Supervisory Board, which then put recommendations to the Combined General Meeting of 15 April 2016 responsible for setting Management compensation.

8.2.9 Supervisory Board meetings and work in 2016

The Altarea Supervisory Board held the following meetings in 2016:

- meeting of 9 March 2016: Review of the parent company and consolidated financial statements at 31 December 2015 and review of the management report for the year ended 31 December 2015. Proposed appropriation of earnings at Annual Ordinary General Meeting. Authorisations granted to Management to effect capital increases or decreases. Preparation of the Supervisory Board's report to the Annual General Meeting. Financial strategy. Recommendation to be given on investment projects. Funding in 2016. Recommendation to Management for guarantees, pledges and endorsements given to the Company's subsidiaries. Review of forecast management documents. Review of corporate governance issues: Management compensation, change in the composition of the Supervisory Board and the Audit Committee, annual deliberation on the Company's policy on professional and salary equality, the social and environmental report, annual review of how the Supervisory Board's work is prepared and conducted, review of the independence criteria for the members of the Supervisory Board and the Special Committees. Approval of the Chairman's report on internal control. Replacement by co-option of a resigning member. Review of related party transactions already authorised by the Board. Expiry of Statutory Auditors' term of appointment; list of candidates to present to the Annual General Meeting. Review of the agenda and draft resolutions submitted to the Combined General Meeting;
- meeting of 28 July 2016: Review of the half-year financial statements as of 30 June 2016. Group's financial policy. Report on human resources and Management. Health/safety report. Recommendation to be given on investment and divestment projects. Forecast documents;
- meeting of 8 December 2016: Report on the Group's business activity. Recommendation to be given on investment projects.

8.2.10 Minutes of the meetings

The minutes of Board meetings are recorded in a special register and signed by the meeting Chairman and Secretary, or by a majority of Board members present.

8.2.11 Assessment of work of the Board and Special Committees

At its meeting of 21 March 2017, the Supervisory Board assessed the way in which its work is prepared and conducted. It unanimously concluded that the operating practices of the Board are appropriate and that no formal assessment procedures are necessary.

8.3 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

In accordance with Article L. 225-37 of the French Commercial Code, the following sections describe the principal measures that the Company took in 2016 and since the beginning of 2017 to enhance its internal controls.

8.3.1 Reminder of objectives of internal control and risk management

In accordance with AMF guidelines, Altarea Group's internal control system complies with the general principles of 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 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.

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, except for property development joint ventures that are managed by a commercial partner.

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 principle major risks considered sensitive are identified.

8.3.2 Overall organisation of internal control and risk management procedures

8.3.2.1 INTERNAL CONTROL ENVIRONMENT

Internal control is based on codes of conduct and integrity established by the Company's governing bodies and communicated to all employees.

Each new employee receives a copy of the Altarea Group's ethics charter when they are hired.

This ethics charter sets out Altarea Group's 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 Group employees in their daily tasks, enabling them to resolve issues of conduct, ethics and conflicts of interest in a clear and consistent way.

In accordance with AMF Recommendation no. 2010-07 of 3 November 2010 – Guide to Preventing Insider Misconduct by Executives of Listed Companies (paragraphs 2.2.2, 2.2.4 and 2.2.5), the Group's Charter:

- formally states the obligations placed on executives and any other persons who may have access to inside information;
- calls for the appointment of an ethics director and defines their role;
- defines "closed periods" during which the relevant persons must abstain from trading in shares of Altarea and its subsidiary Altareit.

The ethics charter may be viewed on the Group intranet site in the "Group" section.

8.3.2.2 PARTICIPANTS

Management

Management is responsible for the overall organisation of the internal control system. It establishes internal control procedures and defines focuses in order to control the risks associated with the Company's business.

In the performance of its responsibilities, Management has also implemented an Executive Committee, which is composed of the heads of each Group business line (retail, residential, offices, and support functions) and a number of general management committees. These latter are not directly involved in the general organisation of internal controls; however, they may express their views on topics pertaining to Group internal controls, as is the case for risk mapping.

Supervisory Board and Audit Committee

The Supervisory Board plays a significant role in the Company's internal control system as part of its general duties of ongoing oversight of Company management (see paragraph 8.2 "Preparation and organisation of the Board's work" in this report).

The Audit Committee helps the Supervisory Board in its Company oversight and control role. The Audit Committee's duties and responsibilities are described in this report in paragraph 8.2.8 "Special Committees".

Corporate Secretary

Internal control procedures are coordinated by the Corporate Secretary, who reports to Management. These controls are performed mainly within the various subsidiaries. The Corporate Secretary is also responsible for coordinating coverage of insurable risks and underwriting insurance policies at the Group level.

The internal control function is handled by two full-time employees and two employees assigned part time to internal control missions. An annual budget of €150 thousand (excluding personnel costs) is allocated to this function and is used primarily to commission external firms for internal-audit or control missions.

Priority missions are to:

- ensure that the Supervisory Board Special Committees follow rules of procedure and operating practices;
- identify the operating committees of Altarea and its subsidiaries;
- identify and assist the divisions in identifying risks related to:
  - the business operations of Altarea's subsidiaries in France and abroad,
  - Altarea's status as a listed company;
- to establish general and particular divisions in establishing specific procedures (corporate officers, delegation of powers, etc.);
- review the rules applying to the Company's operating commitments, and compile existing procedures and standardise them if needed;
- carry out all checks for compliance with internal control procedures.

The Corporate Secretary also works with a number of contacts within the Group to monitor and control risks and operational commitments.

In addition, every Altarea Group employee is urged to formulate 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.

External consultants

The Group regularly hires specialised firms to perform audits and provide advice or assistance.

8.3.2.3 COMPONENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The internal control system consists of four closely related components.

Organisation

The Altarea Group's internal control system is based on:

- an organisational structure composed of three business lines and an administrative division, with a system in place for delegation of powers and responsibilities;
- a definition of the duties and responsibilities of the governance bodies (see paragraph 8.2 "Preparation and organisation of the Board's work");
- information systems (see paragraph 8.3.3.2 "Risks related to the preparation of financial and accounting information" for a description of the main business line and financial information systems), and procedures and operating methods specific to risks related to the activities and goals of each of the Group's business lines;
- a human resources and skills-management system, based on a shared approach revolving around annual interviews.

Dissemination of information

The Group has tools for disseminating information within the Group, including an intranet, procedural notes, instructions and reporting timetables.

Risk management system

The Group's main risks are regularly presented in detail to the Audit Committee. They are identified through a risk-mapping process organised by business line processes and support functions. This risk map is regularly updated. The latest version was presented to the Audit Committee in March 2016.

The internal control department, which falls under the responsibility of the Corporate Secretary, uses the analysis of risks identified through risk mapping, for the preparation of 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.

Proportionate control activities

The procedures and controls instituted to cover the Altarea Group's main risks are described in the present report in paragraph 8.3.3 "Risks Covered".

8.3.3 Risks covered

The main risks covered are the following:

- risks inherent to Altarea's business (risks related to market trends, the economic climate and competitive environment, risks related to acquisitions, property development risks, and risks related to REIT assets and activities);
- risks related to the preparation of financial and accounting information;
- legal, regulatory, tax and insurance risks;
- social and environmental risks;
- information system risks;
- risks related to Altarea's financing policy and financial capacity.

8.3.3.1 RISKS INHERENT IN THE OPERATIONS OF THE ALTAREA GROUP

Risks related to trends in the market, the economic situation and the competitive environment

Altarea Group's positioning in multiple segments of the real estate market (shopping centres, residential, offices and serviced residences) enable it to optimise its risk-return profile. Moreover, Management and the Executive Committee closely monitor trends in these markets, the economy and the competitive environment; the strategy and policies that they implement are designed to anticipate and mitigate those risks.

Property development risks

1 – Shopping centre development

(i) France

These risks are controlled by the Investment Committee, a Special Committee of the Supervisory Board (see above, 8.2.8 "Special Committees") with support from several other committees:

- Development, Operations and Planning Committee: this committee, which meets weekly, works with the subsidiary's Executive Management to set operating targets for property development projects, oversee construction work, approve initial budgets and make any revisions thereto. Chaired by Group Management, it meets once a month to examine the most strategic issues;
- Coordination and Sales Committee: this committee helps the Executive Management to define and set sales targets for each project. Pre-marketing mitigates marketing risk;
- Interdisciplinary Committee: this committee brings together the members of the Executive Committee of Altarea Commerce and the subsidiary's main operating Managers. It meets every two weeks. It addresses all subjects relating to the subsidiary (development, operations, sales, valuation, and legal questions);
- The retail commitment pre-committee for mixed-use operations: the purpose of this committee, which was created in 2016 and meets every two weeks, is to monitor mixed-use operations and serve as the interface between the Retail division and the Group's other business activities.

The Research Department coordinates economic and competitive analyses of the portfolio and provides operational guidance to the teams on retail and business line trends in order to adapt the products developed to meet market needs.

Risks related to development operations are also monitored through several processes and reporting systems:

- investment monitoring: tracking of investments: authorised investments are tracked individually on a monthly basis and are subject to a control system carried out by the Operations Management and Finance Departments. Executive Management of Altarea Commerce then authorises payment based on previous controls;
- a quarterly report is drawn up for each project under development or in progress, showing commitments and expenditures to date and the balance to be invested;
- half-yearly validation of operation budgets: settlement of construction invoices with the accounting department and revision of interest expenses based on market conditions, review of planning schedules. This procedure provides for the budgets of developments under construction to be signed off by the subsidiary's Executive Management.

Administrative authorisation requests (building permits, regional retail development commissions, etc.) are subject to prior review by a specialised law firm.

(ii) Italy and Spain

New investments in these countries are reviewed by the Group Investment Committee.

- **In Italy,** the Management Committee meets monthly. Specific meetings with Group Management may also be organised according to topics on the agenda. Since 2011, the organisational, management and control model in Italy has been implemented in accordance with legislative decree no. 231/2001. This model stipulates that there must be a supervisory body that oversees the enforcement and suitability of the model, and includes two persons: a lawyer and a tax accountant.
- **In Spain,** new developments have been discontinued. Altarea Managers hold monthly meetings with the subsidiaries' Executive Management teams.

2 – Residential property development

(i) The main risks related to development operations pertain to the Property Development division. The established procedures are described below.

In the residential property segment, an Operations Management guide 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. This guide, which was updated in October 2016, is available on the Group's intranet and training sessions have been given to all employees involved.

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

- Commitment Committees: Cogedim has Commitment Committees that meet weekly and review all the real estate projects at key stages that represent a commitment for the Company: close of a land sale agreement, start of marketing, land purchase, start of construction. In addition to the advisability and advantages of carrying out such a transaction, objective data are validated at each stage: profit margin, percentage pre-letting on purchase of land and start of construction, approval of construction cost, WCR, etc.

- In addition to the processes of the Commitment Committees, the Commitments Manager works with the financial directors of the regional departments on all issues involving the Company but not directly covered by the Commitment Committees, and may be informed about all proposed agreements, preliminary sales agreements, 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 amounts involved or legal arrangements, for example. The Commitment Manager works with the Group's Corporate Secretary with regard to internal control issues.
- The national Technical Department of Cogedim is composed of the national Contracts Department and the national Construction Department:
  - the national Contracts Department sets up and oversees national procedures regarding the financial viability and the quality of estimates of operations. 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.
- Sales/marketing procedures: Cogedim has its own marketing tool created by a dedicated subsidiary named Covalens. This subsidiary includes among others: 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.

The national Technical Department and Covalens use their expertise to assist the regional departments, preparing and distributing national work procedures and supervising the marketing departments, after-sales services Managers, DDM and regional Construction Departments.

- Periodic reporting and periodic operating budget reviews: reports (reservations and consolidated deeds of sale, portfolio of projects under contract, tracking of projects under development) are sent monthly to the Cogedim Executive Management Committee, the Corporate Finance Department, the Chairman of the Supervisory Board and Altarea's 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) (revision with the accounting department, marketing and monitoring of operational work, planning schedule tracking, etc.).
- 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.
- Insolvency risk of buyers: in residential property, Cogedim does not hand over the keys until the buyer has paid the balance of the sale price. 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.

(ii) Finally, under the Cogedim Club ® brand, Altarea 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 2016, seven Cogedim Club® residences are in operation. The Group has chosen to manage the design and the development of these residences, as well as rentals during the buildings' operation. Along with the senior residences, the Group is developing an extended line of serviced residences: student residences, business travel residences, exclusive residences, and more.

3 – Office property development

The systems designed to hedge the risks relating to the property development transactions described above (see § 2, "Residential property development") are also applicable to office property development.

Risks related to REIT assets and activities

(i) France

The risks associated with REIT assets and activities are covered by the following systems:

- the Property Portfolio Committee helps Executive Management set asset management targets for each property. This committee draws primarily from the work of the Asset Management Department. The Asset Managers along with the Portfolio teams, represent owners at General Meetings of co-owners, participate in various internal committees, carry out arbitrage transactions, participate in the property-acquisition process, coordinate any operating and financial reporting for third parties, and measure the financial performance of assets, and implement the Group's strategy for the properties;
- due diligence before any acquisition of properties in operation in order to limit the risks linked to the valuation and the integration of these centres to the portfolio;
- on a weekly basis, the Marketing Coordination Committee monitors all re-marketing events in order to set the lease-renewal terms for properties in the portfolio. A system that includes progress sheets signed by the heads of the relevant business lines is also in place. In order to check that leases are being properly enforced, an independent external firm annually audits the correct invoicing of rents and charges on three or four different sites;
- the Executive Marketing Committee and the Interdisciplinary Committee meet every two weeks to take an inventory of the strategic challenges related to the operating shopping centres and to projects in development;

- property portfolio reports: property portfolio Managers regularly provide the Group Finance Department with financial statements and reports, including forecasts of rental income and non-collectable expenses, data on property vacancies, and changes in headline rents, billed rents and gross rents. Half-yearly property portfolio reports are also submitted to provide an overview of business at the company's shopping centres;
- systematic reporting of recovery rates and unpaid rents provides a forward-looking guide to insolvency risk on tenants in the REIT business. The rental management department produces this report and organizes monthly recovery meetings. Once a month, a rent abatement committee reviews solutions for tenants experiencing financial difficulty;
- insurance and assets in operation programme (see paragraph 8.3.3.3 "Risks related to the cost and availability of insurance coverage");
- safety of shopping centres in operation: technical and safety checks and visits carried out by inspection agencies and safety commissions are scheduled, and reports are reviewed by the national Technical Department as part of the monitoring procedure for safety-commission recommendations;
- furthermore, as part of the emergency procedures implemented since 2015 in conjunction with government departments, additional steps have been taken in order to ensure that sites visited by the public remain safe in case of emergency. Accordingly, employees and procedures related to managing people flow and technical facilities have been bolstered;
- electronic data management (EDM): all of the original paper documents, such as lease agreements, administrative authorisations and other documentation, have been scanned and the files stored with a specialised service provider. All of the original documents generated by the Company are therefore secure.

(ii) Italy and Spain

In Italy: the operations of all shopping centres in operation are reviewed by the Management and Re-marketing Committees. Monthly management reports on these centres are drawn up and sent to the Group's Executive Management.

In Spain: Altarea España owns a shopping centre that it manages for the portfolio. Monthly management and re-leasing reports are sent to the Group's Executive Management.

(iii) Valuation of property assets

Methods used for asset valuation

In accordance with IAS 40 and IFRS 13, Altarea has opted for the fair value model and measures its investment properties at fair value whenever this can be determined reliably.

- investment properties in operation are systematically measured at fair value, on the basis of independent appraisals. At 31 December 2016, an external appraisal was performed of all assets in operation[1];
- investment properties under development and construction are measured either at cost or at fair value in accordance with the following rules:
  - properties under development before land is purchased and land not yet developed are measured at cost,
  - properties under construction is measured at fair value if most of the uncertainties affecting the determination of fair value have been removed or if the project completion date is in the near future.

Selection of appraisers and form of appraisal work

Altarea Group assets are assessed twice a year by an independent appraiser. External valuation of Group assets has been entrusted to Cushman & Wakefield – (in France, Italy and Spain), and to Jones Lang Lasalle (in France).

A detailed report that is signed and dated is provided for each appraised property. The appraisers use two methods[2]: discounted cash flow and income capitalisation. They comply with French and UK standards applicable to property appraisals.

8.3.3.2 RISKS RELATED TO THE PREPARATION OF FINANCIAL AND ACCOUNTING INFORMATION

Finance Committee

The Group's Finance Committee meets monthly and includes the Management, the Chief Financial Officer, the Chief Executive Officers of the branches and when necessary, the appraisers they work with. The agenda is set by the Chief Financial Officer. The meetings address accounting, taxation and financial issues. During these meetings, the Committee defines and sets Altarea Group's financial objectives in line with the Group's financial equilibria.

This committee meeting is conducted in three parts: the Corporate Finance Committee, the REIT Finance Committee and the Property Development Finance Committee.

Accounting and financial organisation and main internal control procedures

1. Accounting and financial organisation

In order to enable controls at every level, the accounting and finance teams are structured by divisions (Group Holding division, REIT division of shopping centres France, Italy and Spain 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.

Each division prepares consolidated financial statements with dedicated teams.

Within the Corporate Finance Department, a deputy Chief Financial Officer is responsible for the quality and reliability of all published or regulatory accounting information: consolidated financial statements (IFRS), parent company financial statements (French standards) and Company projections (Act of 1984). This department is in charge of coordinating relations with the Statutory Auditors for the entire Group.

(1) See Note 2 to the consolidated financial statements (Chapter 3.6 of the Registration Document) for more information on asset valuation methods; see Note 7 to the consolidated financial statements (Chapter 3.6 of the Registration Document) for an analysis of investment properties on the balance sheet at 31.12.2016.

(2) For more information on the methods used by the appraisers, see Note 2.3.6 to the consolidated financial statements (Chapter 3.6 of the Registration Document).

At each half-year closing date, the Corporate Finance Department draws up a business review that is consistent with the accounting information.

2. Principal internal control procedures

The principal internal control procedures applied in the preparation of accounting and financial information are the following:

- formally documented budget tracking and planning process, performed twice a year (in April-May and October-November) with a comparison of actual and budgeted data approved by business-line and Group Managers. At the beginning of the fourth quarter, an update of this process supplements these budget sessions. 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 upstream (period-end timetables and instructions, quarterly meetings, tracking charts for information sharing), with audits carried out by the operating management controllers (by business line for the REIT division and by region for the Property Development division) 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 material events: events likely to have a material effect on the financial statements (acquisitions, disposals, restructuring, etc.) are modelled with financial software and described in explanatory notes written by the Corporate Finance Department or by the divisions. The accountancy applied to complex transactions (heavily structured transactions, Corporate financing transactions, tax impact on transactions) 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 the operating subsidiaries to Management and department heads in the REIT division (half-year Property Portfolio Report, monthly report on shopping centre operations, etc.), and in the Property Development for Third Parties division (monthly division report, monthly tracking tables of key business indicators for the subsidiaries);
- documentation of the period-end closing process:
  - REIT division: a matrix formally documenting the overall internal control procedures applying to the period-end closing process; summary files for each company, divided by function (purchases, sales, cash flow, capital, etc.) and designed to document economic, legal and financial processing of transactions; formal documentation of claims and legal disputes,
  - Property Development for third parties division: consolidation and accounting procedures guide, documentation of tracking of claims and disputes,
  - Holding division: Group accounting chart with glossary and table for transition between local and Group accounting; accounting templates for the most common transactions (operating leases, percentage-of-completion payments, etc.); electronic file documenting the consolidated financial statements classified by line items; notes to the financial statements, including taxes and off-balance sheet commitments;
- audit of the accounts of the French and foreign 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.

1. Rental property software

The REIT division uses the Altaix management software in France, Italy and Spain. This business line system allows for automatic transfer of corporate accounting data from Altaix to Sage. Moreover, Altaix automatically transmits data on entry of supplier invoices and monitoring of shopping centres' commitments to the centralised rental-property Management Department. This business software makes it possible to monitor merchants' declared revenue, thereby facilitating reconciliation of budget and actual figures for new development programmes.

2. Primpromo property transaction software

The Property Development division uses management software for real estate programmes that optimises monitoring and control of these programmes throughout the different phases. By integrating sales data in real time, daily accounting data and the position of cash management data (also daily), this sector-specific software makes it possible to track and manage the budget activity of every property transaction of the Property Development division.

Software updates and developments are tracked by a special committee composed of the financial controllers and business line Managers (Marketing, Accounting, etc.) and the division's head of information systems.

3. Corporate accounting software

The REIT division uses the Sage Ligne 1000 accounting software. Its unique database (chart of accounts, personal account, analysis, etc.) enables multi-company cross-cutting analyses. Rental management data are imported into the accounting system via an interface with the Altaix business software, and the following items are reconciled monthly: rent receipts, rent abatements, bad debt, re-invoicing of taxes, etc. Shopping centres under development are monitored using Sage and operating budgets are reconciled with accounting data on a quarterly basis to keep track of costs incurred. Use of the Altaix OPI module for new shopping centres under development allows for reliable control of costs incurred and reconciliation of budgets and accounting data.

The Property Development division uses Comptarel corporate accounting software, which is interfaced with the Primpromo software for property transactions. The version of Primpromo installed at the end of 2012 improves the monitoring of commitments in Primpromo, and automates, for all management events, the customer and supplier data generated by Primpromo fed to Comptarel. Data in the two systems are regularly reconciled.

In February 2016, the Group acquired the property development group Pitch Promotion that used Sage 100 software (for accounting) and GR IMMO (tor monitoring property transactions). Migration to the Group's systems was completed in October 2016, and was accompanied by the implementation of related procedures. The Group thus has identical management systems and procedures in all the companies whose business is property development.

For the contribution of the various divisions to Group consolidated financial statements, Comptarel and Sage data are transferred to SAP BFC account consolidation software through a shared Group-wide procedure. Because of the incorporation of this data, controls are performed on a quarterly basis by means of reconciliation of the Primpromo data from the Property Development division (project budgets, cumulative sales) and/or budget data (net income), and corporate and/or budget data from the Retail division (comprehensiveness of incorporated data, cut-off, gross rental income, net rental income, overhead expenses, HR, net debt, etc.).

4. Account consolidation software

SAP BFC – Business Financial Consolidation – software, based on unified and multi-business accounting charts using a single database, was introduced on 31 December 2012, for all of the Group's business segments: retail, residential and office property development. Thanks to its particular structure, this solution offers a platform that allows for considerable incorporation of accounting systems within the Group, thus reducing the risk of significant errors. This system authorises modifications to allow for continued compliance with regulatory requirements.

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 business software 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.

5. Software for financial planning and budget reporting

SAP BPC – Business Planning Consolidation – software for financial planning and budget reporting has been implemented for the entire Group. This software uses operating data from business line systems to generate consolidated budget data. Estimated consolidated information is compared with actual figures. Any material differences are justified.

6. Cash management software

The Group uses the Trésorerie Sage 1000 software for cash management. Unifying the cash management information systems within the Group, which was done in 2012, has made it possible to comply with the SEPA standards on payment method management, and it has helped to continue to automate the interfaces among the accounting, business line and cash management software packages.

The cash management unit reconciles bank balances and analyses changes in the cash balance for all divisions on a daily basis.

Data generated by the cash management software is interfaced automatically with corporate accounting software.

8.3.3.3 LEGAL, REGULATORY, TAX AND INSURANCE RISKS

Legal and regulatory risks

Due to the nature of their activities, the entities of the Altarea Group are subject to the risks of regulatory changes. They are therefore monitored closely by the Group's Legal Departments.

1. Property Legal Department

The Property Legal Department of the Group, reporting to the Corporate Secretary, provides support in the acquisition of construction sites and makes sure all applicable regulations are complied with and all required permits obtained. Mostly these relate to urban planning (business licences, building permits, etc.), construction rights, commercial leases, intellectual property and consumer law. Spanish subsidiaries use external law firms.

The Property Legal Department also acts on behalf of and at the request of Executive Management and operational teams, and as needed in collaboration with outside advisers, particularly for complex structured schemes. The Property Development operating Managers often use external specialised law firms.

2. Corporate Legal Department

This department reports to the Group Chief Financial Officer. It 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.

In order to manage all the investments and mandates of Altarea Group, the Visual Scope management software for holding companies and subsidiaries has been used since 2009. This centralised system makes it possible to automatically establish the legal and tax scopes and to monitor compliance with the related regulations. It has been deployed in France, Italy and Spain under the responsibility of the Group Corporate Legal Department.

3. Hoguet Act

Some Group entities, on account of their business activities, have licences for property transactions and/or property management, and are eligible for the guarantees provided by French law.

Litigation risk

Litigation matters arising in the course of the Group's business operations are monitored by Altarea's Legal Departments, operating Managers and law firms. Status reports on legal disputes are updated at period-end, with provisions recognised where necessary.

Tax risks related to SIIC status

The requirements for SIIC status in terms of control, voting rights and dividend distribution are set out in Altarea's Articles of Association[(1)].

Monitoring and oversight of the proportion of property-related operating and management operations in the Group are centralised by the Corporate Finance Department.

Risks related to the cost and availability of insurance coverage

Altarea believes that the type and amount of insurance coverage it and its subsidiaries have is consistent with practices in its industries.

(1) See paragraph 6.11.2"Legal, regulatory, tax and insurance risks" of risk factors.

1. General policy for insurance coverage

The Group's insurance coverage policy aims to protect corporate and employee assets. The Corporate Secretary, reporting to Management, 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 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.

Concerning foreign subsidiaries under Group control and management, when a subsidiary cannot be included in Group policies, it is insured locally and is responsible for monitoring its insurance coverage.

2. Summary of insurance coverage

The following guarantees have been updated and correspond to the principal insurance policies taken out by the Group for 2016. These policies were valid at the time this report was published. 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 2016, the overall budget for the Group's main insurance policies (excluding social coverage, Spain and Italy but including construction insurance) was estimated at approximately €11.2 million (compared to €10.2 million in 2015).

- **Properties in operation:** for all the assets in operation, since 1 January 2014, the Group has been insured by Chubb under policies taken out for "all risks with exceptions" property damage and by Allianz for general third-party liability. The damages portion covers the reinstatement value of buildings and operating losses over a period of two years. With regards to the Cap 3000 shopping centre, market-value partial complementary insurance is also taken into account. The damages portion includes non-occupant owners' insurance as of 1 January 2014. These insurance policies, which were renewed on 1 January 2016, are for the most part invoiced to tenants under contracts and regulatory provisions in force.
- **Properties under construction:** Altarea has "construction damages" and "all worksite risks" insurance policies with AXA for property under construction. The Group has a unique framework agreement for "construction damages" and "all worksite risks" for all construction sites that do not exceed a certain size.
- **Professional liability insurance:** Altarea and its subsidiaries hold professional liability insurance policies with various insurance firms, including Generali and Allianz.
- **Miscellaneous insurance:** other insurance covers various rented offices (multi-risk), automobile fleets, computer equipment (multi-risk) and 10-year builder liability. Finally, AXA provides a "senior executive and corporate officer civil liability" insurance policy.

8.3.3.4 SOCIAL AND ENVIRONMENTAL RISKS

Social risks

The Altarea Group, through different action plans, is implementing a human resources policy that allows to address the following challenges:

- in recruitment matters: Diversification of hiring sources and recruiting techniques, the involvement and complementarity of action in recruiting processes both of staff and HR Managers, combined with the dynamics of internal mobility (149 employees moved within the Company and 130 were promoted in 2016) allowed the Group to satisfy its personnel needs. 397 new workers were hired, including 316 on permanent contracts and 81 on fixed-term contracts, in the various business lines. The 279 transfers and promotions granted show the importance the Group gives to professional growth;
- concerning integration: The integration process has improved since 2016. "Crescendo" days are devoted each year to welcoming new permanent workers, allowing the participants to discover the Group and create a national internal professional network for themselves. Beyond that, each Manager must organise the arrival and integration of workers. In 2017, to assist new arrivals, a kit summarising best practice in welcoming employees will be provided to each Manager. Also, in 2017, an integration meeting will be conducted in the first two months of arrival of new hires;
- in training matters: the Group is developing an active training policy through targeted actions for specific business skills. These courses account for 81% of the total number of training hours. A interdisciplinary Group training platform facilitates the sharing of experiences. By the end of 2016, a total of 10,822 training hours were provided in the Group to 881 employees, a 23.5% increase in the number of training hours. In 2017, a strategic training policy will be put in place to place to support employees in developing their cooperative and individual skills and ensure their employability, in line with the Group's strategy;
- in creating loyalty: In 2016, the Group put in place free share allocations for all permanent employees. As of 1 January 2017, all workers present are now shareholders of the Group;
- in matters of employee dialogue: employee-management dialogue is maintained and formally documented by employee representative bodies, which play a vital role in transmitting and exchanging information. The social partners are regularly informed of the Group's current events. This information is conveyed in a report available to all of the Group's workers;
- the information is also available on a daily basis: in a magazine, via an intranet, internal presentations and committees combining the Group's main executives, are the main channels of communication.

Environmental risks

As detailed in the CSR section of the annual report and the Registration Document, the Group complies with all environmental regulations. In particular:

- for new developments, the Group complies with the RT 2012 thermal regulations, applicable since 1 January 2013, for residential, retail, and hotel properties. In addition, the Group is committed to exceeding this regulation for a significant portion of its operations. For example, in Paris, for new and renovated tertiary real estate projects, the Group has committed to improving its thermal performance by at least 40%, and by at least 10% for residential programmes;

- energy-consumption and environmental monitoring was carried out for the full surface area of all shopping centres owned and managed by the Group. The Group has also made commitments to reduce its consumption and emissions from now to 2020. On its leased sites, the Group introduced green leases for new leases and renewals, as a contractual way to collect environmental information on retailers' private-use areas. By combining these approaches, the Group can take measures to optimise and reduce energy consumption and CO_2 emissions, in anticipation of energy and environmental requirements to be announced when the next decree on existing buildings is published. The Group's overall progress-based approach is detailed in the CSR section of the Registration Document.

Risks linked to climate change

Altarea has anticipated the regulatory constraints linked to climate change, both for the reduction of emissions and a possible carbon tax.

The Group measures its carbon footprint over all of its scope (scopes 1, 2 and 3 as defined by the Greenhouse Gas Protocol) and carries out reduction actions on the majority of its emission points. Over its portfolio, these actions are closely linked to actions for the reduction of energy consumption.

Concerning potential future carbon pricing, for several years the Group has been calculating its exposure and conducts an annual risk analysis. The Group's overall progress-based approach is detailed in the CSR section of the Registration Document.

Health and public-safety risks (asbestos, legionella, lead, classified facilities, etc.)

To mitigate these risks, the Altarea Group closely follows all applicable public-health and safety regulations and takes a preventative approach involving diagnostics, and, where necessary, building work to bring buildings into compliance.

1. Asbestos

Asbestos represents a health risk for exposed persons, especially for customers of portfolio shopping centres.

In accordance with the French Health Code, the Altarea Group performs asbestos tests on all its assets whose building permits were issued prior to 1 July 1997. In addition, in accordance with the regulations, an asbestos technical report is completed for each of these assets and kept up to date. Property management teams make these reports available to the Group's clients.

Furthermore, in the event of a transaction, pursuant to the order of 21 December 2012, asbestos technical reports are to be updated for all affected sites.

In cases where asbestos materials present are found to be in a proper state of conservation and able to be maintained in the properties, regular visual inspections are performed on these materials.

Specially authorised contractors perform the removal of all such materials. Their elimination is also carried out according to specifically authorised and certified channels.

2. Legionella bacteria (cooling towers)

The primary source of legionella bacteria is at the level of the cooling towers used in certain shopping centres. These cooling towers come under category 2921 of the list of facilities classified for environmental protection (*Installations Classées pour la Protection de l'Environnement*, ICPE). Equipment subject to declaration for this category must abide by the requirements of the ministerial order of 13 December 2004. These cooling towers undergo methodological risk analyses every other year. A logbook accompanies these methodological risk analyses.

To address this risk, Altarea performs regular rigorous monthly controls using selected service providers. Measures are also taken in the system of distribution of hot water for sanitary use. Maintenance and repair procedures have also been established with service providers.

To reduce this risk, recently built properties are equipped with adiabatic dry coolers or dry coolers that do not fall under the ICPE 2921 category (Balticare or Jacir equipment lines).

3. Termites

The presence of termites, wood-boring insects, or mold in buildings can have serious consequences on their structure, leading to material damage and risks for shopping centre users.

Prefectoral orders on termites have been issued in municipalities at risk for wood-boring insects. In those municipalities, a termite diagnosis must be conducted in the event of any transaction. Upon selling or purchasing an asset subject to termite diagnosis, the Group carries out such studies.

4. Radon

Due to the commercial nature of the Group's portfolio, shopping centres are not concerned by the Decree of 22 July 2004 on the management of radon-related risks.

5. ICPE classification

The power consumption of certain technical facilities may exceed the declaration or authorisation thresholds set out in the list of facilities classified for environmental protection (*Installations Classées pour la Protection de l'Environnement*, ICPE) appended to Article R. 511-9 of the French Environmental Code.

Accordingly, Altarea ensures it has all the certifications or authorisations required for the relevant activities at all sites covered by the ICPE classification.

Management of ICPE compliance limits the environmental impacts and nuisances to users and local residents of assets.

6. Accessibility

Pursuant to the Act of 11 February 2005 on equal rights and opportunities, technical regulations regarding accessibility for people with disabilities apply as of 1 January 2007 to newly-built or renovated residential buildings and those housing establishments open to the public.

In accordance with the French Construction and Housing Code, the Altarea Group has conducted accessibility diagnoses on the common areas of all establishments whose building permits were issued prior to 1 January 2007.

7. Fire safety

To protect people and property against the risk of fire, Altarea has put in place regulatory fire safety systems, which are verified by authorised, certified organisations.

Periodic regulatory checks are carried out on the following: fire-hose stations, dry and wet risers, natural smoke evacuation systems, mechanical smoke extraction systems, security signage (lights and audible signals), fire extinguishing and emergency equipment (extinguishers, fixed water-based fire-extinguishing installations, fire doors, etc.).

8. Air quality

The Group ensures proper ventilation and adapts airflow to activity levels to guarantee a healthy distribution of fresh air.

For all of its new projects, Altarea complies with applicable health and safety regulations concerning the air renewal inside its shopping centres. The Group maintains a minimum 20% fresh air intake.

In shopping centres, air renewal is ensured through rooftops or air-handling units. These units may be adjusted manually or by CO_2 sensors, which adjust motor speed and air flap orientation. The use of CO_2 sensors allows for an optimal balance between mandated fresh air intake and heating cost control, by reducing the rate of mechanical ventilation to a minimum. Some centres are already equipped with such units. This is the case for the L'Aubette shopping centre in Strasbourg, with 100% fresh air intake for rates higher than 1,000 ppm.

Altarea is also aware of the importance of parking lot ventilation systems. To ensure regulatory indoor air renewal, its covered parking lots are equipped with carbon monoxide (CO) sensors that control ventilation fans. The parking lot ventilation system at the Okabé shopping centre in Kremlin Bicêtre is equipped with CO and NO sensors. Recent concerns regarding the carcinogenicity of diesel particles have made parking lot ventilation an ever more crucial issue. The parking lot at the Lifestyle Center Thiais Village is equipped with CO and NO sensors. It is also built around a central well that lets in fresh air naturally. To simplify parking lot organisation and optimise energy consumption, the Altarea Group favours well-ventilated parking lots wherever allowed by project layout.

The Group also ensures the safety of ventilation systems through regulatory checks and maintenance. The systems are replaced when needed to guarantee constant safety and efficiency. Rooftop and air handling unit filters are changed regularly.- For example, the Okabé shopping centre has filters on the rooftops. These filters have relative humidity sensors that are attached to a BMS. When the BMS indicates that the filters are clogged, they are changed. Visual checks are also performed on the filters. On average, the rooftop filters at Okabé are changed every three months.

9. Water sanitation

Water management at its shopping centres poses several challenges for the Altarea Group, including health-related issues.

To ensure the sanitary quality of the water provided to its tenants, Altarea only distributes water from municipal supply systems, which are subject to rigorous, regular checks and analysis.

10. Refrigerants

In accordance with European Regulation no. 2037/2000, the use of new HCFCs has been prohibited in new refrigeration systems since 1 January 2010, and as of 1 January 2015, recycled HCFCs cannot be refilled. R22 is the most common HCFC. The authorised alternatives are HFCs, the most common being R407C and R134A.

The main fluids used by the Group on its portfolio are HFCs 407C and R410A.

11. Natural and seismic risks

According to Article L. 125-5 of the French Environmental Code, a natural, mining and technological risk report must be drawn up in areas where any natural, technological, or seismic risks exist. These reports remain valid for six months.

Such reports are drafted each time an asset is sold, purchased or leased.

Some centres also have a natural risk prevention plan (PPRn) that covers the following: flooding and ground movement or drought, but none of the Group's sites are covered by a technological risk prevention plan (PPRt).

The Group complies with the requirements of any natural risk prevention plans when constructing new shopping centres.

Seismic zoning in France is defined in decree nos. 2010-1254 and 2010-1255 of 22 October 2010, and codified in Articles R. 563-1 to 8 and D. 563-8-1 of the French Environmental Code. The territory is divided into five levels of seismicity, from 1 (very low) to 5 (high).

8.3.3.5 INFORMATION SYSTEM RISKS

Information system risk within the Altarea Group is managed through a policy of logical security of the information systems in accordance with common standards and awareness building among employees. There are also formalised procedures of user and business line application management.

Every operating entity has a data-backup system that allows for secure, remote storage of the Company's critical data (secure, remote storage). Cogedim has a business recovery plan that is tested twice per year; Altarea is implementing a policy of backing up all servers housed at the registered office. Servers housed externally are backed up by the service providers. The company requires its technical partners to operate using the same level of security and redundancy.

For system security, the Group Information Security Department regularly commissions a security audit including internal and external intrusion tests for the whole Group. Based on the results of these audits, a remediation plan was implemented and the resulting recommendations were implemented. A Group insurance policy to cover Cyber risks is planned to be put in place in 2017.

8.3.3.6 RISKS RELATED TO ALTAREA GROUP'S FINANCING POLICY AND FINANCIAL CAPACITY

Liquidity risk – Borrowing capacity – Compliance with bank covenants

Altarea finances some of its investments through fixed- or floating-rate loans and through the capital markets. As part of its financing process, the Group must provide guarantees to financial institutions. Altarea manages liquidity risk by keeping track of debt maturities and credit lines and by diversifying its financing sources. The budget process for cash management and projected cash flow analysis also provides a way to anticipate and hedge these risks.

Moreover, the Group monitors its compliance with obligations under credit agreements and with banking covenants[1].

Interest rate and hedging risk

Altarea Group 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[2].

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 using only major financial institutions as counterparties.

8.3.3.7 OTHER RISKS

Risk of conflicts of interest

The Altarea Group has entered into partnerships or protocol agreements 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 of fraud and money laundering

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.

Moreover, since 2016, an awareness campaign for training in fraud risk (for example, "fake president" fraud or bank ID fraud) is carried out every six months.

In the area of money laundering risk, as a preventive measure, the REIT division has implemented a procedure to identify suppliers and clients. The national Contracts Department of the Property Development division is systematically involved in all calls for tender and consultations; it plays a decision-making role in choosing companies and favours working with companies that offer a full range of guarantees. Except in special cases, a systematic competitive bidding procedure is organised for all operations.

Moreover, a money laundering and terrorist financing prevention manual has been established in Spain and is the subject of an annual report by an external firm.

Finally, the Group is also now strengthening its systems to fight against money laundering, fraud and corruption, in compliance with application of the Sapin 2 Law.

Risk of workplace safety

Security and safety at the Group's registered office on Avenue Delcassé in Paris include a fire-detection system installed throughout the building, and an access control system with card readers. These preventive actions aim to prevent the risks of intrusion, provide for the safety of property and persons and strengthen data security.

8.3.4 Improvements planned for 2017

At the date of this document, the internal control roadmap describes several actions, including the strengthening of the systems for fighting money laundering and corruption, as mentioned above, and that of strengthening the Group's capacity to provide business continuity in the case of a major incident.

(1) See Note 8, "Management of financial risks", to the consolidated financial statements (Chapter 3.6 of the Registration Document).

(2) The financial instruments used are described in Note 8, "Management of financial risks", to the consolidated financial statements (Chapter 3.6 of the Registration Document).

8.4 EXECUTIVE MANAGEMENT POWERS

8.4.1 Procedures for exercising executive management powers

As an SCA (*société en commandite par actions*, a French partnership limited by shares), the Company is run by Management.

The Manager can be a natural person or legal entity. It may or may not be a General Partner.

The first Managers were named in the Company's Articles of Association as amended at the time of its transformation into an SCA. 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.

8.4.2 Limits on executive management powers and information provided to the Supervisory Board about the Company's financial position, liquidity and commitments

In accordance with Article 13.4 of the Articles of Association, each Manager has broad powers to act on behalf of the company, within the scope of the company's corporate purpose and subject to the powers explicitly granted to General Meetings of Shareholders or the Supervisory Board by either French law or the Articles of Association.

As set out in Article 17.1 of the Articles of Association, the Supervisory Board has the right to be provided the same documents by Management as those made available to the Statutory Auditors.

8.5 PRINCIPLES AND RULES USED DETERMINE COMPENSATION AND BENEFITS PAID TO CORPORATE OFFICERS

8.5.1 Management

As set out in Article 14 of the Articles of Association, Management compensation is fixed for successive periods of three years by the Ordinary General Meeting of Shareholders (limited partners) in accordance with the provisions of Article L. 226-8 of the French Commercial Code, on a proposal from the General Partners and after consultation of the Supervisory Board. The Supervisory Board also consults with the Management Compensation Committee, a specialised committee composed solely of Members independent of Management.

8.5.2 Supervisory Board

The compensation and benefits paid to Supervisory Board members is set in Article 19 of the Articles of Association.

The General Meeting can allocate annual compensation 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.

8.6 PARTICIPATION IN THE GENERAL MEETING AND INFORMATION REQUIRED BY ARTICLE L. 225-100-3 OF THE FRENCH COMMERCIAL CODE

Except for the requirements set by applicable laws and regulations, there are no particular procedures relating to shareholder participation in General Meetings.

The information mentioned in Article L. 225-100-3 of the French Commercial Code is provided in the notes to the management report to the Annual General Meeting, in Chapters 6 and 7 of this Registration Document.

Chairman of the Supervisory Board
Christian de Gournay

8.7 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 226-10-1 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD OF THE COMPANY

(For the financial year ended 31 December 2016)

To the Shareholders,

In our capacity as Statutory Auditors of ALTAREA and in accordance with Article L. 226-10-1 of the French Commercial Code, we hereby present you with our report on the Supervisory Board Chairman's report submitted in accordance with this Article for the financial year ended 31 December 2016.

It is the Chairman's responsibility to prepare and submit to the Supervisory Board a report on the Company's internal control and risk management procedures and to provide the other information required by Article L. 226-10-1 of the French Commercial Code relating in particular to corporate governance.

It is our responsibility:

- to submit to you our observations on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and treatment of accounting and financial information;
- to certify that the report contains all other information required by Article L. 226-10-1 of the French Commercial Code, it being specified that it is not our responsibility to verify the fair presentation of this other information.

We conducted our audit in accordance with the professional standards applicable in France.

INFORMATION CONCERNING INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND TREATMENT OF ACCOUNTING AND FINANCIAL INFORMATION

Professional guidelines require us to perform procedures to assess the fair presentation of information concerning internal control procedures relating to the preparation and treatment of accounting and financial information set out in the Chairman's report. These procedures notably consist of:

- understanding the internal control and risk management procedures relating to the preparation and treatment of accounting and financial information underlying the information provided in the Chairman's report, as well as existing documentation;
- understanding the work performed to prepare this information and existing documentation;
- determining whether appropriate information is provided in the Chairman's report about the major deficiencies in internal control relating to the preparation and treatment of accounting and financial information identified within the framework of our audit.

On the basis of these procedures, we have no matters to report concerning the information in the Supervisory Board Chairman's report on the internal control and risk management procedures relating to the preparation and treatment of accounting and financial information, submitted in accordance with Article L. 226-10-1 of the French Commercial Code.

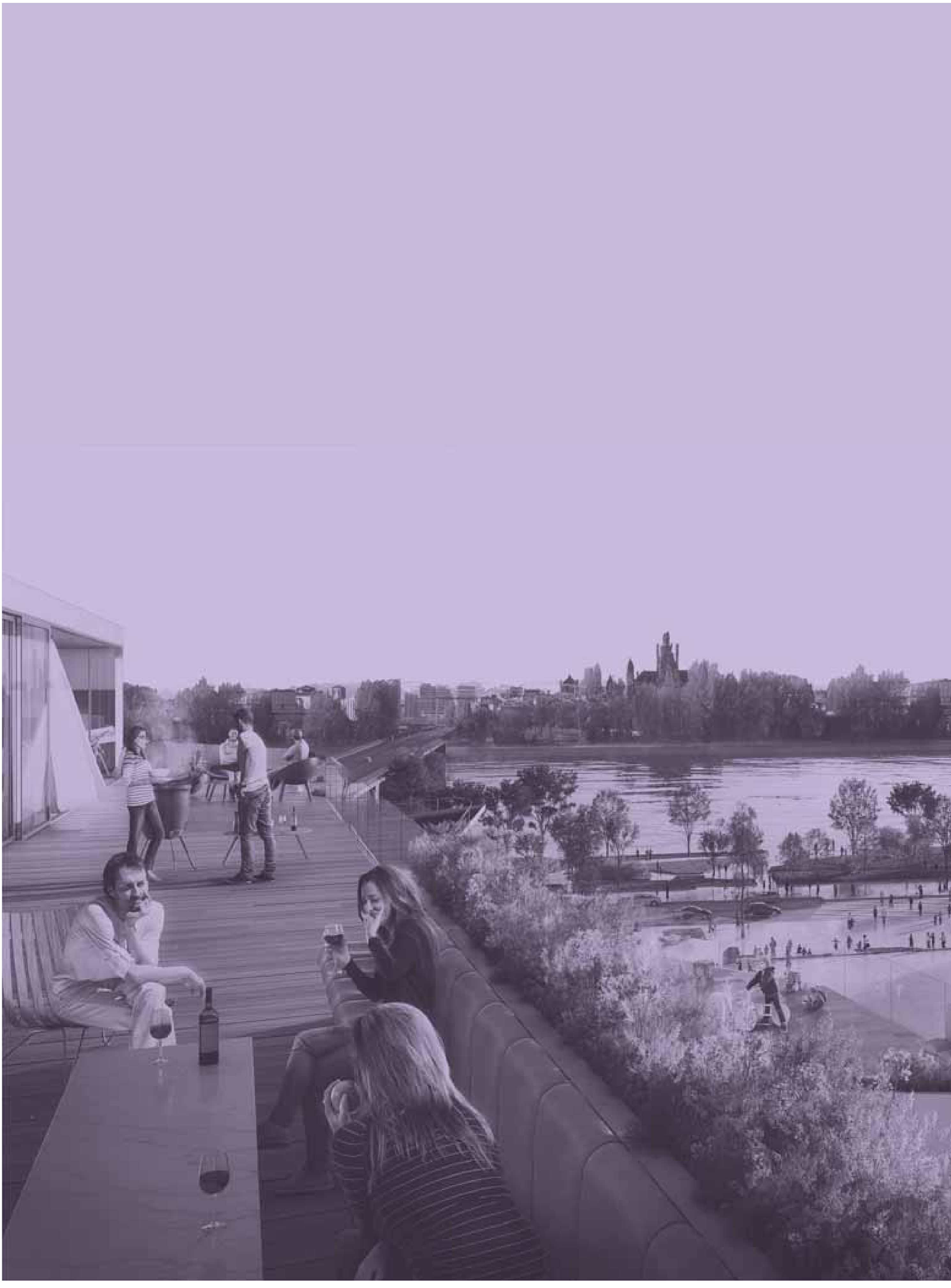
OTHER INFORMATION

We certify that the Supervisory Board Chairman's report contains the other information required by Article L. 226-10-1 of the French Commercial Code.

Neuilly-sur-Seine and Paris-La Défense, 10 March 2017

The Statutory Auditors

Grant Thornton French member of Grant Thornton International	**ERNST & YOUNG et Autres**
Laurent Bouby Partner	**Anne Herbein** Partner



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CROSS REFERENCE TABLE

CROSS-REFERENCE TABLE

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Front cover image: Pont d'Issy and La Place projects in Issy-les-Moulineaux (Hauts-de-Seine) and Bobigny (Seine-Saint-Denis) respectively.
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Illustrations: Bénédicte Govaert

Figures integrated strategic report: regional gross domestic product (RGDP): value in millions of euros. The GDP is that of the region and not that of the metropolitan area (e.g. Nice/Aix/Marseille/Toulon is that of the PACA region). Variations: 2013 figures – 2009 figures/2009 figures (x100). Indicators: business start-ups in 2014 and 2015. Business start-ups by department.
APCE annual data (Isère and Haute-Savoie for the Grenoble metropolitan area, Var and Bouches-du-Rhône for Aix-Marseille-Toulon).
Tourist overnight stays in 2014 and 2015. Overnight stays by region. Number of tourists (overnight stays by region). Directorate-General for Enterprises (http://www.entreprises.gouv.fr/). Students in 2013: number of higher education students by urban area. French Ministry of Higher Education. Calculation possible by metropolitan area. Addition of the Municipalities of Toulon (Aix-Marseille) and Annecy (Grenoble). Population: source INSEE, 2013 and 2014. Income: average income of all tax households (DGI 2014 on 2013 income).
Average income of all tax households (DGI 2010 on 2009 income). CI (Consumption Index): ACFCI (Assembly of French Chambers of Commerce and Industry), 2010.

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