ALTAREA COGEDIM

LEADER IN PROPERTY DEVELOPMENT IN FRENCH REGIONS

2017 REGISTRATION DOCUMENT

CONTENTS

REGISTRATION DOCUMENT **2017**

Including the 2017 Annual financial report and the 2017 Integrated strategic report

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Registration Document was filed with the Autorité des Marchés Financiers on 15 March 2018, in accordance with Article 212-13 of the AMF General Regulation.
This document may be used in support of a financial transaction only if it is supplemented by an offering circular (note d'opération) approved by the Autorité des Marchés Financiers. This document has been drawn up by the issuer and is the responsibility of its signatories.

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 79 and 132, the annual financial statements and corresponding audit report provided on pages 135 and 154, as well as the management report provided on page 49 of the 2016 Registration Document filed with the Autorité des Marchés Financiers on 10 March 2017 under number D. 17-0144;
- 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 GROUP

Founded in 1994, Altarea Cogedim today stands as the only group in France operating across the full breadth of the real estate sector: retail, residential and offices. This unique integrated model has been the source of new skills in the completion of large mixed-use, making Altarea Cogedim the leader in property development in French regions.

Agile and innovative, driven by a genuine entrepreneurial spirit, the Group has laid down strong regional foundations, a guarantee of profitable and sustainable growth. A key player in cities and metropolitan areas, Altarea Cogedim is seen as a **general interest partner** with an understanding of the needs of cities, their residents and their users: the Group offers its customers urban solutions with a human dimension, without damaging the environment.

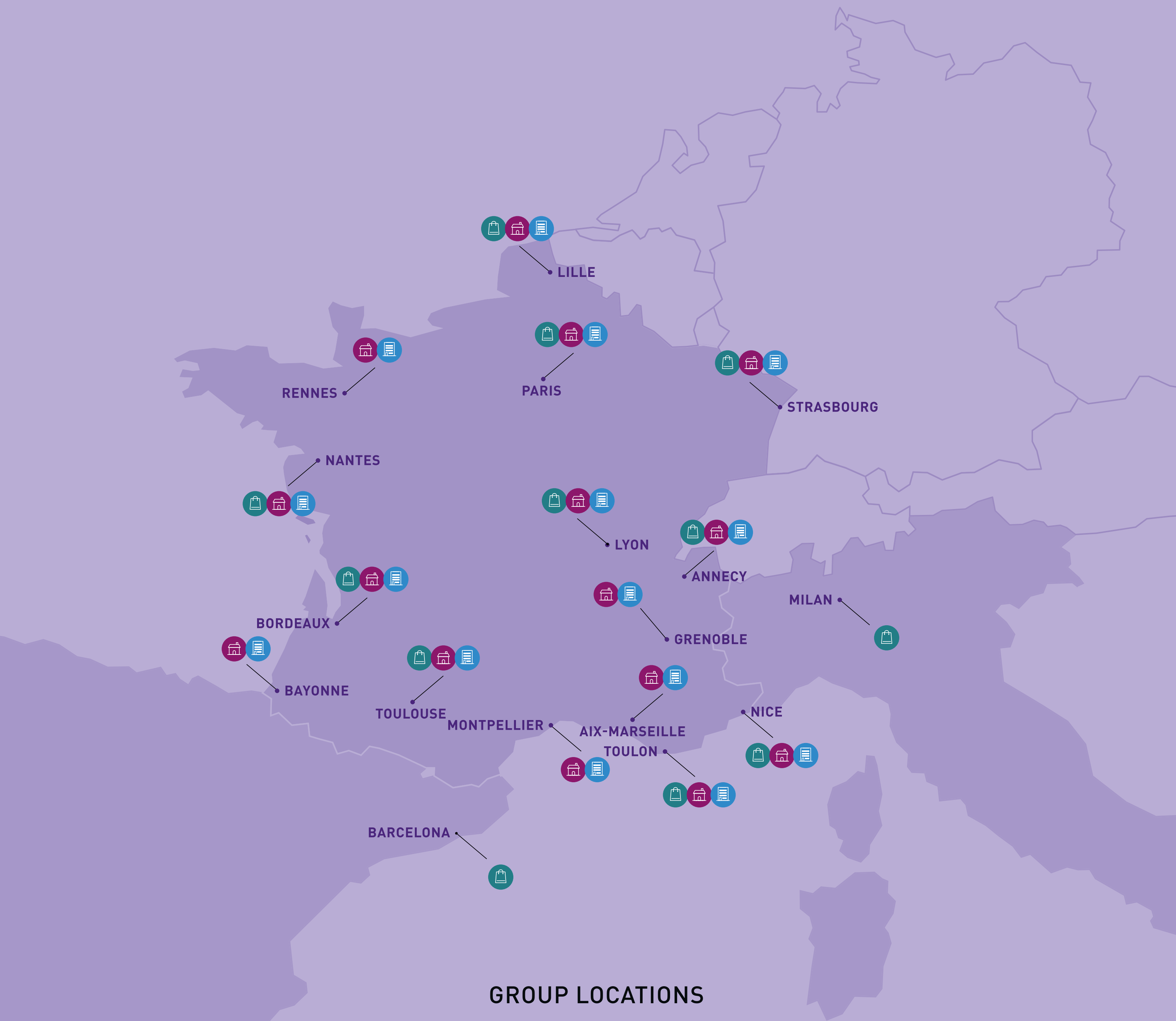
In partnership with the French regions, our 1,700 employees, under the leadership of the Chairman & Founder, Alain Taravella, forge ahead and innovate day after day to implement our vision: **Urban entrepreneur** by developing genuine urban life and lifestyles **that dovetail with today's major** societal, ecological, territorial and technological transitions, and by **creating urban value for tomorrow.**

Listed on Euronext Paris compartment A since 2004, Altarea Cogedim had market capitalisation of €3.3 billion at 31 December 2017.

A HISTORY OF GROWTH, AN ENTREPRENEURIAL CULTURE

Value < €1 million 5 employees	€0.3 billion Market capitalisation 160 employees	€1.9 billion Market capitalisation 750 employees	€3.3 billion Market capitalisation 1,742 employees
1994	2004	2007	2017
Creation of Altarea by Alain Taravella	Initial Public Offering	Altarea Cogedim Group	Leader in property development in French regions

Market capitalisation at 31 December of the relevant year.



GROUP LOCATIONS

IN FRANCE

ALTAREA COMMERCE

RESIDENTIAL OFFICES

PARIS: Cogedim Paris Métropole
PARIS REGION: Cogedim Île-de-France
AIX-MARSEILLE-TOULON: Cogedim Provence
BAYONNE: Cogedim Pays Basque
BORDEAUX: Cogedim Aquitaine
GRENOBLE-ANNECY: Cogedim Savoies Léman
LILLE: Cogedim Hauts-de-France
LYON: Cogedim Grand Lyon
MONTPELLIER: Cogedim Languedoc-Roussillon
NANTES: Cogedim Atlantique
NICE: Cogedim Méditerranée
RENNES: Cogedim Rennes Bretagne
STRASBOURG: Cogedim Est
TOULOUSE: Cogedim Midi-Pyrénées

INTERNATIONAL

BARCELONA: Altarea Spain
MILAN: Altarea Italy

A ROBUST FINANCIAL PERFORMANCE IN 2017

€1.9 bn
REVENUE
+22.6%[1]

36.1%
LTV (LOAN TO VALUE)
−110 bp[1]

€256.3 million
FFO, GROUP SHARE
+33.5%[1]

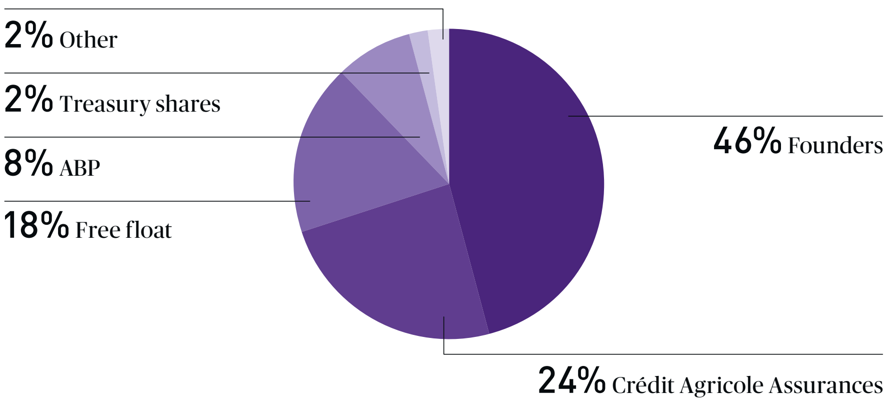
€16.42/share
FFO PER SHARE
+20.7%[1]

€2.8 bn
DILUTED GOING CONCERN NAV
+16.5%[1]

€174.00
NAV PER SHARE
+9.1%[1]

(1) Change compared with 31 December 2016.

SHAREHOLDING STRUCTURE AT 31 DECEMBER 2017

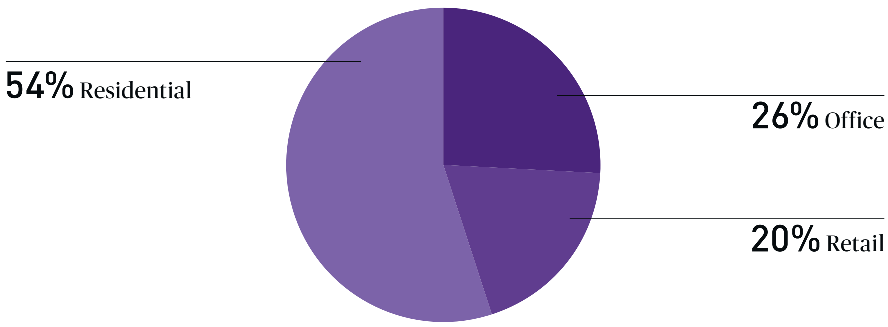


LEADING POSITIONS IN FRANCE

€17.1 bn

PIPELINE IN POTENTIAL VALUE

BREAKDOWN OF THE PIPELINE BY BUSINESS AT 31 DECEMBER 2017



#1
DEVELOPER OF LARGE MIXED-USE PROJECTS

#1
DEVELOPER OF RETAIL PROJECTS

IN THE **TOP 3**
RESIDENTIAL DEVELOPERS

#1
DEVELOPER OF OFFICE

#1
IN THE 2017 GRESB RANKINGS

1 DIRECT JOB **= 30**
JOBS SUPPORTED
in the regions

100%
OF RETAIL PORTFOLIO
certified BREEAM® In-Use

100%
OF RESIDENTIAL DEVELOPMENTS
certified NF Habitat

#1
COGEDIM VOTED BEST CUSTOMER SERVICE OF THE YEAR 2018

BUILDING ON ITS UNIQUE INTEGRATED MODEL, ALTAREA COGEDIM TODAY RANKS AS THE LEADER IN PROPERTY DEVELOPMENT IN FRENCH REGIONS.

URBAN ENTREPRENEUR

The world is changing, uses are evolving. Our model offers a clear vision for meeting today's challenges: we make the spaces of urban life a canvas for life experiences. This is what drives our commitment to serving our stakeholders, our customers and our partners. **The strength of our integrated model rests on our expertise in the three core business lines in the field of real estate sector – residential, offices and retail.** The links between the three, which we are the only company to master, are key to the success of the large mixed-use urban projects we are developing. They underpin the excellence of our projects and give us the agility and boldness we need to anticipate the needs and expectations and create urban value for all. **Architectural value** to offer residents harmonious cities. Practical value to offer users functional and flexible programmes. **Commercial value** to enable retailers to capitalise on attractive spaces. **Economic value** to guarantee investors that each project will be profitable. A major comprehensive player of cities, **Altarea Cogedim today ranks as the leader in property development in French regions.**

ARCHITECTURAL VALUE

PRACTICAL VALUE

COMMERCIAL VALUE

ECONOMIC VALUE

Message from Alain Taravella,

URBAN ENTREPRENEUR

Recent years have seen a revolution across the board in our ways of being, thinking, acting, committing, working, living, moving, producing and consuming.

Our lifestyles are changing, so are our behaviours – and city life is mirroring this change. Shifts can also be seen in our relationship to the environment, the creation of public spaces, the mix of uses, economic development, employment and social bonds. Our job is to respond to these new needs, these new expectations. **Altarea Cogedim sees the city of tomorrow above all as a human space that creates commercial, economic, architectural and practical value for itself, its surrounding area and its residents.** Altarea Cogedim's strength, as the **leader in property development in French regions,** lies in its ability to think globally thanks to the wealth of its expertise and its rich array of business lines.

In 2017, we enjoyed tremendous sales growth in all of our businesses, confirming our change of dimension.

Altarea Cogedim is currently well ahead of plan.

– Firstly, it's ahead on its financial targets. After having raised our FFO guidance for 2017 from €14.50 to €16.00/share last May 2017, we ultimately reached €16.42, for a record increase of +20.7% over one year. All business lines have contributed to this over performance: residential and offices, as well as retail, the model for which now incorporates a growing component of property development programmes;

– It's ahead on our strategic objectives. Altarea Cogedim is today the leader in property development in France, in all asset classes.

• **In property development, we won substantial market share.** We beat our objective of selling 10,000 housing units across the Group, while strengthening the quality of our projects and our customer relations. On that front, Cogedim's election as "2018 Customer Service of the Year" was a great accolade.

• **In office property, we had the immense satisfaction of seeing prestigious users** such as Orange (Bridge) and Parfums Christian Dior (Kosmo) choose our projects for their headquarters, backing up our convictions on the future of office buildings. Our portfolio of projects reflects our position as leader in corporate property development in France.

• **In retail, we had a good year,** combining significant gains on our buying and selling activity and growth in our rental income. We also won an emblematic project for our new concept of retail property, which combines culture and leisure, in Ferney-Voltaire (Ain Dpt, France).

And our unique development model won greater praise than ever thanks to the successful delivery of Massy Place du Grand Ouest (Essonne Dpt, 91) and ongoing work on 10 large mixed-use urban projects. We also enjoyed great success in the "Inventons la Métropole du Grand Paris" call for projects (Cachan, Le Kremlin-Bicêtre), while at the same time winning major developments in Neuilly-sur-Marne, Toulouse and Nice Méridia.

My strong belief is that we can transform cities to bring them down to a more human dimension. We think of mixed-use spaces, shared living spaces, spaces for exchanges and encounters. And our challenge is to help develop regional areas and breathe entrepreneurship into cities and their economies.

• **Urban entrepreneurship means maximising the creation of urban value for communities, people, users, businesses and investors. Value of this nature is precisely what allowed us to deliver such a stellar financial outperformance in 2017.**

• **Urban entrepreneurship also means demonstrating genuine societal responsibility by promoting their economic and social development. In 2017, we generated no fewer than 53,000 direct, indirect and induced jobs across France.**

• **Finally urban entrepreneurship means staying fast and flexible, so we can implement the emerging usages in the projects we design.**

In this area, new technologies, listening to our customers and smart analysis of urban data will be assets going forward.

"The creation of urban value allowed us to deliver a stellar financial outperformance in 2017."

ALAIN TARAVELLA,
Chairman and founder of Altarea Cogedim

Today, our strength lies in our long-standing and proven model, and our demanding commitments to a sustainable society.

This unique positioning is reflected in the quality of our 2017 results, which confirm the Group's *momentum,* the pertinence of its model and the commitment of its employees, all of whom belong to a vast employee share ownership plan, "Tous en actions!"

Recognising the risks inherent in the transformations at work in today's society, we can nonetheless capitalise on our fundamentals to cement our leadership. They give us great visibility over the coming three years, further enhanced by the economic recovery.

My ambition, shared with all of the Group's employees, is to continue to grow, with **strong financial resources and proven expertise in all business lines.**

LUDOVIC CASTILLO,
Chairman of the Management Board
of Altarea Commerce

Cross talk

CONVICTIONS ARE OUR CORE BUSINESS

▸ **LUDOVIC CASTILLO,**
Chairman of the Management Board of Altarea Commerce

▸ **ÉRIC DUMAS,**
Chief Financial Officer

▸ **PHILIPPE JOSSÉ,**
Chairman of the Management Board of Cogedim

Our vision of urban entrepreneurship has spawned a unique integrated model, a real competitive advantage, based on the complementary fit between our three activities: retail, residential and offices. Strong convictions are what our business is built on; they enable us to meet the expectations of our customers in the face of new uses and the transitions sweeping today's world.

▶ **How do you contribute to creating value in the regions?**

— **Ludovic Castillo:** The development of cities is inherently tied up with that of commercial spaces. But the challenges facing retail property are not confined to economic aspects. They also include social, societal and environmental expectations. Today's consumers are looking not just for places to exchange goods and services, but also places where they can express themselves, have fun and meet others. They also want to consume responsibly. Being positioned simultaneously on large shopping centres and corner stores, allows us to meet the needs of all our customers. **Our ambition is**

therefore to be agile enough to fit into specific areas by designing tailor-made approaches. We offer an "enhanced" shopping experience by creating multipurpose, serviced, connected shopping centres, such as Qwartz, *Gare* Paris-Montparnasse and Cap3000: places visited by nearly 450 million people each year – railway stations included. These spaces reflect the diversity of formats offered by Altarea Cogedim to regions, retailers and shoppers. Our vision of retail property, and our focus on front-ranking assets allows us to create commercial value for our customers.

—— **Philippe Jossé:** Our vision of property development has changed considerably in recent years. In Residential, we have grasped our customers' needs to be able to see themselves in their future apartment. Modular volumes within apartments, enhanced functionalities and equipment in buildings, and customisation are all means to an end: **we want to facilitate our customers' daily lives, today and in the future, and to let them take part in designing their home.** The Cogedim stores – in Paris and french metropolises – and our digital exchange platforms serve two functions: they allow us to take on board our customers' expectations and to demonstrate **our commitment to ensuring their satisfaction. The same goes for Offices: buildings with a single purpose are a thing of the past. Our Group strives to integrate trends and new uses in order to offer functional offices that promote well-being, along the lines of Eria or Landscape, in Paris-La Défense.**

PHILIPPE JOSSÉ,
Chairman of the Management Board of Cogedim

ÉRIC DUMAS,
Chief Financial Officer

—— **Éric Dumas:** Altarea Cogedim is a successful group whose proactive development strategy has allowed it to become the leader in property development in France, serving the French regions, in the space of just a few years.
This year, we delivered a robust financial performance, with €256.3 million in FFO Group share. We are continuing our deleveraging, with our loan-to-value ratio (LTV) now down to 36.1%. We develop profitable projects: our pipeline of secured projects now stands at €17.1 billion, all products combined. **We are France's leading office developer, in the top 3 of french residential developers and one of its most active developers in retail property nationwide. This performance reflects the quality of the results we delivered in 2017.**

A group and its brands dedicated to value creation

For our customers, we imagine new experiences in terms of consumption, living spaces and working environments. Our unique model and our brands are assets providing concrete answers and creating the prerequisites of well-being in cities.

A GROUP, ITS BRANDS

▶ A NEW ENHANCED SHOPPING EXPERIENCE WITH ALTAREA COMMERCE

Offer an "enhanced" shopping experience. Both developer and investor, Altarea Cogedim focuses its building complex development and restructuring strategy on four product categories: large regional shopping centres, travel retail (outlets in railway stations), large retail parks and convenience stores. The Group currently ranks as the leading retail property developer, with a portfolio of 40 shopping centres representing a total value of €4.7 billion.

▶ LIFE EXPERIENCES WITH: Cogedim, Cogedim Investissement, Altarea Cogedim Partenaires and Cogedim Club®

Design homes suited to all lifestyles, all types of users. The Group and its brands offer customers development programmes designed with the utmost rigour and renowned partners (architects, designers, landscapers, etc.). With 11,189 sales of housing units in 2017, the Group's difference lies in its ability to offer programmes for all profiles (first-time buyers, seniors, investors, etc.), in any region in France, without compromising on quality standards in its developments.

▶ HISTOIRE & PATRIMOINE

Preserve heritage, renovate and rehabilitate historic centres. 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.

▶ PITCH PROMOTION

Invent sustainable property solutions. As a multi-professional developer with a solid reputation for the quality of its developments, Pitch Promotion has enabled the Group to consolidate its leading position by tapping new markets, thereby accelerating its growth.

▶ NEW WORKING SPACES WITH ALTAREA COGEDIM ENTREPRISE

Imagine the future of workspaces. Anticipating changes in society, working methods and the emerging expectations of companies and their employees, Altarea Cogedim Entreprise has the future of office space on its drawing board. The Group is working on numerous projects in both the Paris Region and elsewhere across the country, all of which are more connected, more flexible and more open to their host city. Its business model is based on three major pillars: the delivery of services and turnkey offices for users and investors.

"Commitment, responsiveness and a demanding approach have consistently guided the development of Pitch Promotion. These values have made us preferred and sought-after partners for our public or private sector customers. With determination, our work within the Altarea Cogedim Group is characterised by a involvement to excellence in all our developments, an unfailing determination to 'Build the future together'."

CHRISTIAN TERRASSOUX,
Supervisory Board member
Chairman and founder of Pitch Promotion

AN ORGANISATION PRIMED FOR PERFORMANCE

▶ As a guenine urban designer, Altarea Cogedim participates in the creation of new living spaces, combining the role of investor, asset manager, marketer, manager, developer, designer, promoter and project manager. Altarea Cogedim's difference is expressed in its ability to reinvent cities and the life that pulses through them. The company calls on values such as entrepreneurial spirit, creativity, innovation and diversity to perpetuate its model over the long term and offer solutions that match its customers' expectations.

▶ To achieve its objectives, Altarea Cogedim applies a demanding and ambitious managerial culture in the service of an integrated, unique and efficient business model.

RETAIL DIVISION ASSETS

- Focus on strategic assets
- A mix between optimisation of Standing Assets and long-term investments
- An "enhanced" customer experience matching new uses
- A retail offer built on four product lines including travel retail, one of the Group's distinctive features

PROPERTY DEVELOPMENT – STRENGTHS

- Acknowledged excellence in customer satisfaction
- Customisation of the offer to meet all needs
- A proven production process that has allowed us to multiply residential sales by 3.5 times since 2012
- A "multi-brand" strategy

"By accelerating the deployment of HR practices with high added value, we aim to make business performance and employee well-being central to our model. Today, no one underestimates the importance of human capital in creating value for businesses."

PHILIPPE MAURO,
Group General Secretary

"GOVERNANCE IN THE SERVICE OF A VISION"

CHRISTIAN DE GOURNAY,
Chairman of the Supervisory Board

"To support the Group in applying its vision, the Supervisory Board examines and validates Altarea Cogedim's strategy. It also oversees the Company's management. These tasks call on the full array of business skills existing within the Supervisory Board. To achieve our entrepreneurial ambition, the status of partnership limited by shares (*société en commandite par actions – SCA*) promotes rapid decision-making aligned with a long-term vision. It also allows a strict separation of powers between the management and supervisory bodies."

The Executive Committee and the executive committees in the three business lines meet periodically. They are the guarantors of the Company's values. They also ensure the flow of information between the various activities.

FIND OUT MORE
RSI 2017 > 04. Our strategy, our performance

VALUE #1: ENTREPRENEURIAL SPIRIT

Created almost twenty-five years ago, Altarea Cogedim has consistently been acknowledged for the **boldness of its choices,** the projects it promotes, the answers it provides. Each project is unique, and the company develops responses that reflect the initiative that drives it with enthusiasm, energy and commitment.

VALUE #2: CREATIVITY

Each year, **employees devote themselves to finding solutions** for residential pathways, retail experiences and new expectations relating to the working environment. To boost creativity within the Group, Altarea Cogedim challenges its business processes to innovate incrementally, go beyond its traditional business lines, create unique, unparalleled, differentiating projects and thus adapt to a changing environment.

VALUE #3: INNOVATION

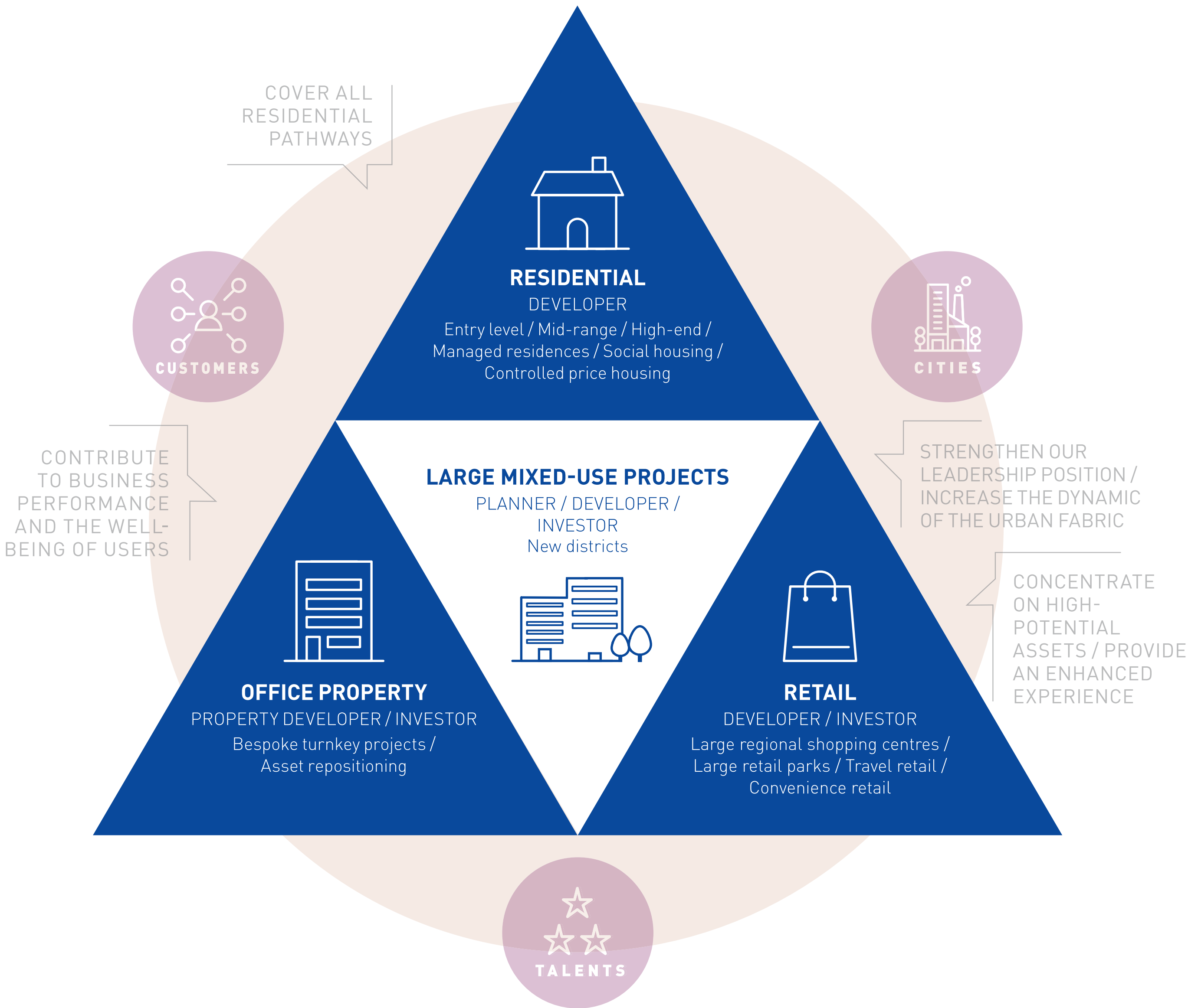
Innovation consistently takes pride of place in the concepts imagined, technologies mobilised, materials used and services offered. It is seen as a source of value creation. Innovation informs the Company's organisation, its businesses, its products and its programmes. Identifying trends, testing and learning, taking innovations to a larger scale, partnering with incubators, collaborating with start-ups, pursuing an open innovation policy are just some of the means by which the Group uses innovation for the benefit of its internal and external customers and explores new lines of business such as real estate services marketing.

VALUE #4: DIVERSITY

The vast **range of profiles and skills** it encompasses enables the Group to devise integrated and comprehensive solutions for its customers, whatever their field of business. Diversity within the Company is also illustrated by the presence of the Group in **all segments of the real estate sector,** making Altarea Cogedim a unique operator contributing to the growth of cities.

OUR TRENDS

OUR ACTIVITIES



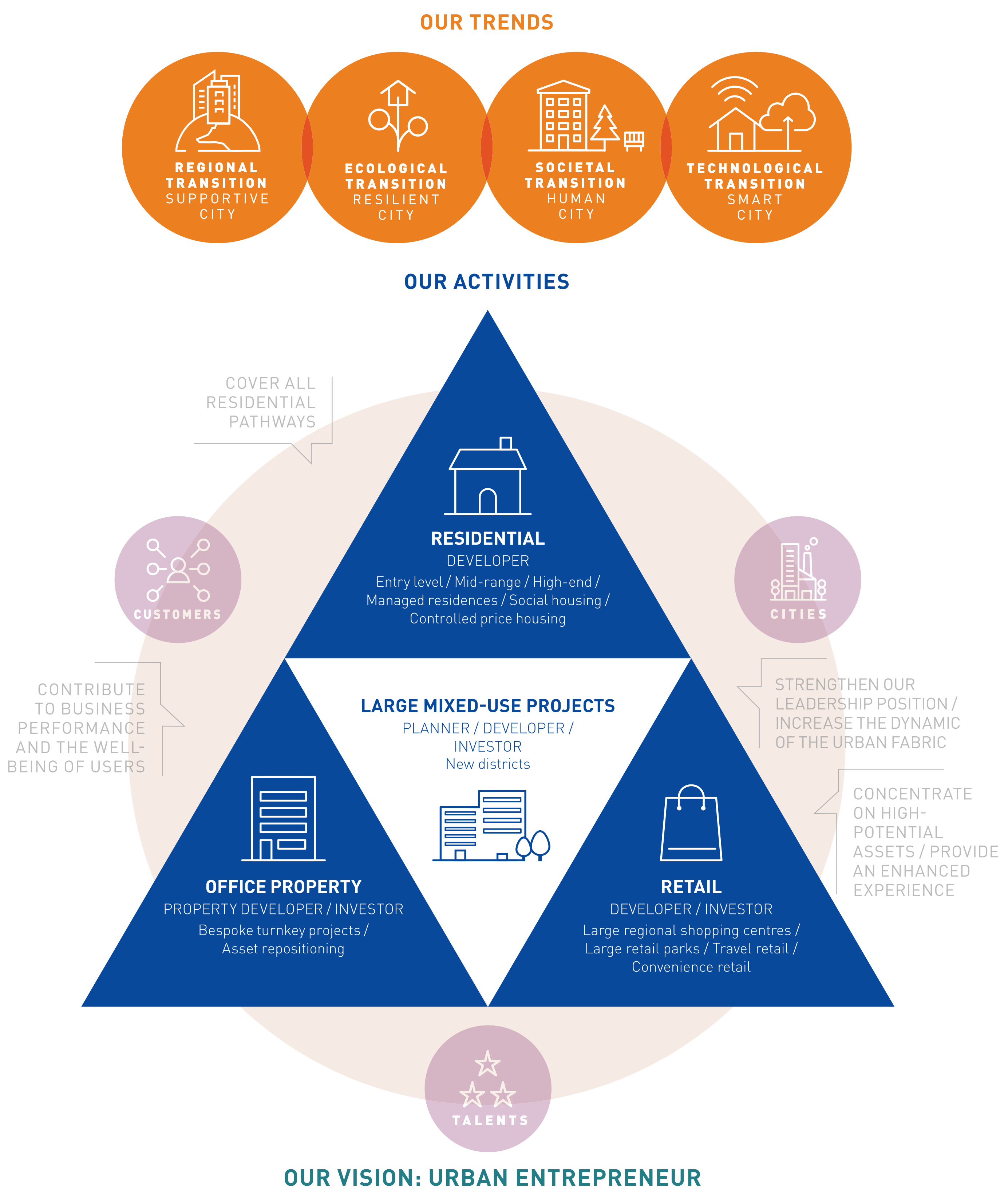
OUR VISION: URBAN ENTREPRENEUR

OUR ACTIVITIES

Investor	Asset Manager	Leasing	Manager
Property Developer	Planner	Urban Developer	Project manager

Altarea Cogedim is where today's transitions converge

In a changing environment where the circular economy and the sharing economy are growing in importance and our mode of consumption is shifting from ownership to use, **cities are becoming a stage for transitions** that complement each other, flow into each other and gather pace together: **transitions that are territorial, ecological and societal, but also technological.** Younger generations have been the source of this paradigm shift opening the door to horizontal dialogue: more informed, more vigilant and more demanding, the metropolitans of the future have great expectations in terms of ethics and commitment to economic, social and environmental challenges, and their world view is revolutionising urban life and lifestyles. **These transitions transform themselves into opportunities by the very essence of our business model.** Altarea Cogedim breathes entrepreneurship into cities, contributes to the reinvention of its regional, ecological, economic and societal dynamics, to **guarantee a consistently high quality of life to today's residents and tomorrow's.**


OUR TRENDS
REGIONAL TRANSITION
SUPPORTIVE CITY
ECOLOGICAL TRANSITION
RESILIENT CITY
SOCIETAL TRANSITION
HUMAN CITY
TECHNOLOGICAL TRANSITION
SMART CITY
OUR ACTIVITIES
COVER ALL RESIDENTIAL PATHWAYS
CUSTOMERS
RESIDENTIAL
DEVELOPER
Entry level / Mid-range / High-end / Managed residences / Social housing / Controlled price housing
CITIES
CONTRIBUTE TO BUSINESS PERFORMANCE AND THE WELL-BEING OF USERS
LARGE MIXED-USE PROJECTS
PLANNER / DEVELOPER / INVESTOR
New districts
STRENGTHEN OUR LEADERSHIP POSITION / INCREASE THE DYNAMIC OF THE URBAN FABRIC
CONCENTRATE ON HIGH-POTENTIAL ASSETS / PROVIDE AN ENHANCED EXPERIENCE
OFFICE PROPERTY
PROPERTY DEVELOPER / INVESTOR
Bespoke turnkey projects / Asset repositioning
RETAIL
DEVELOPER / INVESTOR
Large regional shopping centres / Large retail parks / Travel retail / Convenience retail
TALENTS
OUR VISION: URBAN ENTREPRENEUR

Regional transition

Understand the needs of urban France by seeing local areas and their inhabitants as a whole, without neglecting smaller cities: recycling of districts, revitalisation of city centres, upgrading of historic centres, urban renewal, creation of shopping and service hubs, etc.

CHALLENGES

→ Foster and anchor wealth creation in the regions

46%
of jobs in France are located in urban areas with more than 500,000 inhabitants, 22% in Paris and 24% in regional cities.

30%
of French people believe that local authorities should increase spending in favour of economic development and the promotion of the local area.

→ Bring together smaller cities, rural spaces and gateway cities for harmonious growth

22
French inter-municipality associations classed as gateway cities on 1st of January 2018, up from 15 in 2017.

1.4%
average growth in employment catchment areas including the 12 French gateway cities between 1999 and 2014, compared with 0.8% for the country as a whole.

→ Base city governance on listening and citizen participation

74%
of French people think that their opinions and their ideas should be taken into account to help elected officials act and make decisions.

47
cities had a participatory budget in 2017, up from 26 in 2016.

Sources: see page 126.

OUR ANALYSIS

FINDINGS

→ Structural and mounting shift towards decentralisation and devolution

→ Change in governing parties and our partners in the regions

→ All-time low borrowing rates

→ Surplus savings and low inflation

→ Extremely accommodative monetary policy

→ Public policies to favour home buyers including first-time buyers

OPPORTUNITIES

→ Help communities stimulate their local region

→ Help create and implement public housing policies

→ Foster dialogue with stakeholders (customers, suppliers, local authorities) to better meet their needs

→ Support the employment battle

Ecological transition

Mitigate climate change and its effects by the end of the century by systematically integrating into our specifications: a built environment with a limited carbon footprint, optimised energy consumption and flexible spaces allowing intensification of uses, etc.

CHALLENGES

→ Combat climate change and adapt to its effects

44%
of entrepreneurs believe that climate change is a major challenge.

45%
of French energy consumption and 25% of CO_2 emissions (over the whole life cycle of a building) come from the building sector.

→ Transform production methods to adapt to the scarcity of resources

€1
invested in natural disaster prevention saves €7 of reconstruction.

50%
of all raw materials processed worldwide are used in the building sector.

→ Envisage a less energy-intensive, more frugal model for society

50%
of French people think the city of the future will be "green" and "ecological".

More than 60%
of waste in Europe is produced by the building sector.

Sources: see page 126.

OUR ANALYSIS

RISK

→ Regulatory pressure has been intense over the last decade, as a result of the Grenelle laws and the Energy Transition for Green Growth law

→ Rapid transformation of uses and products in favour of carbon-free practices

→ Extreme weather events are becoming more common, with real impacts on property assets

OPPORTUNITIES

→ Anticipate and go further than regulations to win contracts, secure asset values and anticipate customer needs

→ Imagine projects and districts that anticipate the city and the uses of tomorrow: low carbon, reversibility, increased intensity in building use, with impacts on construction methods, mobility, flow and waste management, green spaces, etc.

→ Develop resilient cities adapted to new weather conditions

Societal transition

At a time when citizens are expressing new needs and expectations in terms of interactions, exchanges and services, our difference lies in our **ability to develop new,** redesigned, personalised spaces that promote comfort, diversity, well-being and quality of life.

CHALLENGES

→ Meet residents' expectations for quality of life and well-being in cities

81%
of French workers believe that new ways of working have a positive impact on well-being and job performance.

72%
of students say they are prepared to refuse a job opportunity in a city because of poor air quality or lack of space, 66% lack of calm and 52% distance from nature.

→ Promote the appropriation of cities by their inhabitants

78%
of French people would like to be consulted and involved with the construction of tomorrow's city centres.

1/5 of French people
have already given their opinion on a project or issue concerning their region, city or districts, on the web or social networks.

→ Promote social and intergenerational diversity

77%
of French people support intergenerational family housing.

73%
of French people believe that sensible construction of social housing is an essential driver, among others cited by the proposed law, of social diversity.

62%
of French people say that it is important to promote the recognition and development of urban cultures.

→ Develop a collaborative and supportive economy

61%
of French people regularly use collaborative economy platforms.

#1
France boasts the largest number of fab labs in Europe, and the second-largest worldwide.

Sources: see page 126.

OUR ANALYSIS

FINDING

→ Possible disconnect between users' expectations and the city as it is developed (density, safety, pollution, civic expression, etc.)

→ Shift in working patterns and approaches to mobility

→ Questions as to the safety of employees, users, customers, buildings

OPPORTUNITIES

→ Create new spaces demonstrating Altarea Cogedim's blended and multi-business expertise

→ Develop links, public-private partnerships and bring in NGOs to imagine the city of tomorrow

→ Promote well-being, comfort, safety in bringing our projects to fruition

Technological transition

Use digital technology to facilitate the daily lives of our customers and so help create smart cities that integrate technological and digital resources into all our developments (retail, residential, office).

CHALLENGES

→ **Help create smart cities that make it easy to optimise management of resources for the benefit of citizens**

50%
of French local authorities have started thinking about the smart city.

#4
in the Juniper 2015 ranking of the world's smart cities is Nice (Alpes-Maritimes Dpt, France). By installing 3,000 sensors, the city has achieved net savings of between 10% and 20% on energy, water and street lighting.

→ **Anticipate the constant development of new technologies**

32%
of the interactions between citizens and public authorities in Europe are online.

$400 bn
Size of the global market for smart systems by 2020.

→ **Take into account the boom in the Internet of Things, the increase in computing power, the massive use of smartphones**

14%
Projected annual growth of the smart city market between 2014 and 2020.

25%
Projected annual growth of the 3D printing market between 2017 and 2020.

→ **Preserve know-how and skills, protect sensitive personal data**

72%
of consumers are afraid that the retail sector will become dehumanised with the development of digital tools and artificial intelligence.

More than 2/3
of French people believe that digital technology is an opportunity for their jobs, the consumer, businesses and the economy as a whole.

Sources: see page 126.

OUR ANALYSIS

RISK

- → Possible obsolescence of buildings
- → Potential mismatch of products, services, leisure, spaces
- → Swift change in professions and the requisite skills
- → Insufficient grasp of the risks of data loss or breaches of their confidentiality

OPPORTUNITIES

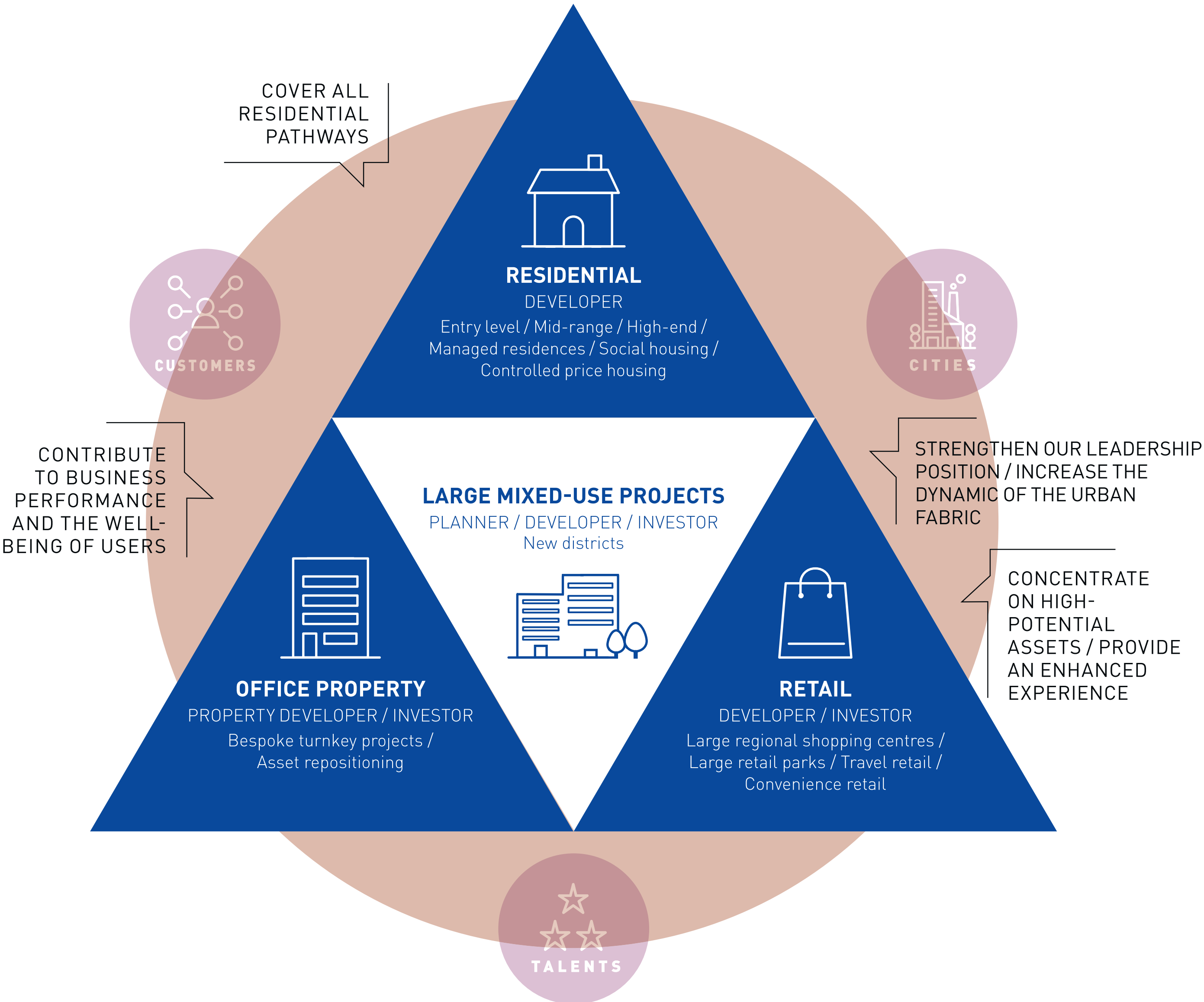
- → Allow buildings to evolve in line with new uses, thereby avoiding obsolescence
- → Develop digital solutions to enhance and personalise retail offerings
- → Tighten control of cyber risks and support awareness raising among major users on these issues

Leverage growth in each of our business lines

By keeping its finger on the pulse of a changing society, Altarea Cogedim can **create value** in tomorrow's **property market.** Its strengths for **detecting and tapping growth** are agility, creativity and expertise. As a pro-active operator, the Group is committed to the **positive transformation of cities.** Alongside local authorities, its role as a partner in public interest projects is acknowledged and appreciated, strengthening its position as **France's leader property developer.** In 2017, its activities and results reflected an **excellent performance,** attesting to the pertinence of its integrated model and its ability to respond to the transformations under way in today's world.

OUR TRENDS

OUR ACTIVITIES



OUR VISION: URBAN ENTREPRENEUR

OVERALL PERFORMANCE

#1
WORLDWIDE IN THE 2017 GRESB[1]
ranking of listed companies for CSR performance

VOTED 2018 CUSTOMER SERVICE OF THE YEAR
in the residential segment

1 JOB AT ALTAREA COGEDIM = 30 JOBS SUPPORTED
in regions

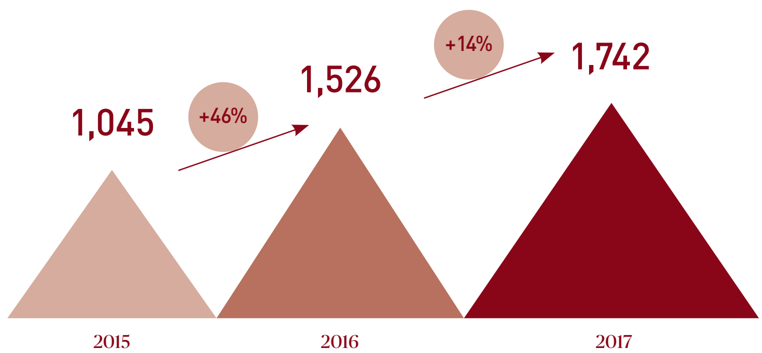
1ST
DELIVERY OF A GREATER PARIS MIXED-USE DISTRICT
(Massy – Essonne, France)

57%
REDUCTION IN CO_2 EMISSIONS

€17.1 bn
POTENTIAL VALUE OF OUR PORTFOLIO OF REAL ESTATE PROJECTS
At 31 December 2017

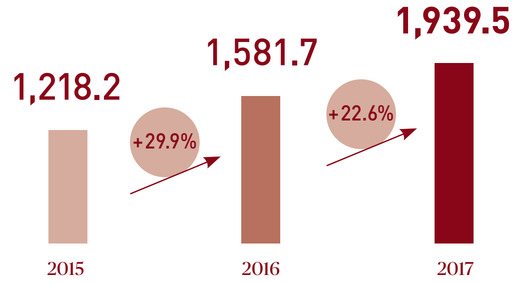
(1) Global Real Estate Sustainability Benchmark.

INCREASE IN WORKFORCE

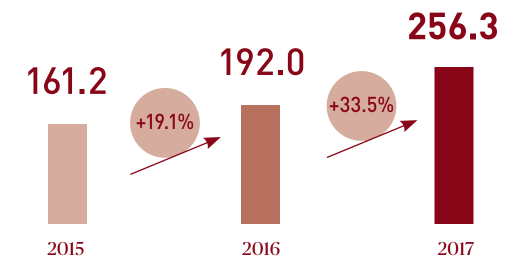


FINANCIAL PERFORMANCE

REVENUE (€ million)



FFO, GROUP SHARE (€ million)

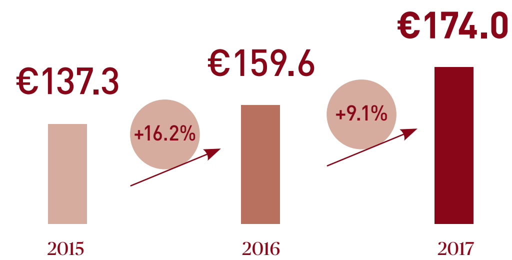


FFO/SHARE (GROUP SHARE)

€16.42

+20.7% vs 2016

NAV/SHARE

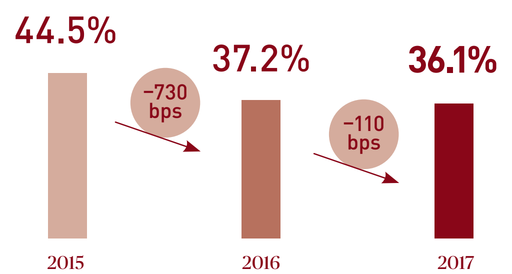


DILUTED GOING CONCERN NAV

€2,793.3 M

+16.5% vs 2016

LOAN TO VALUE



TOTAL SHAREHOLDER RETURN[1]

18.5% IN 2017

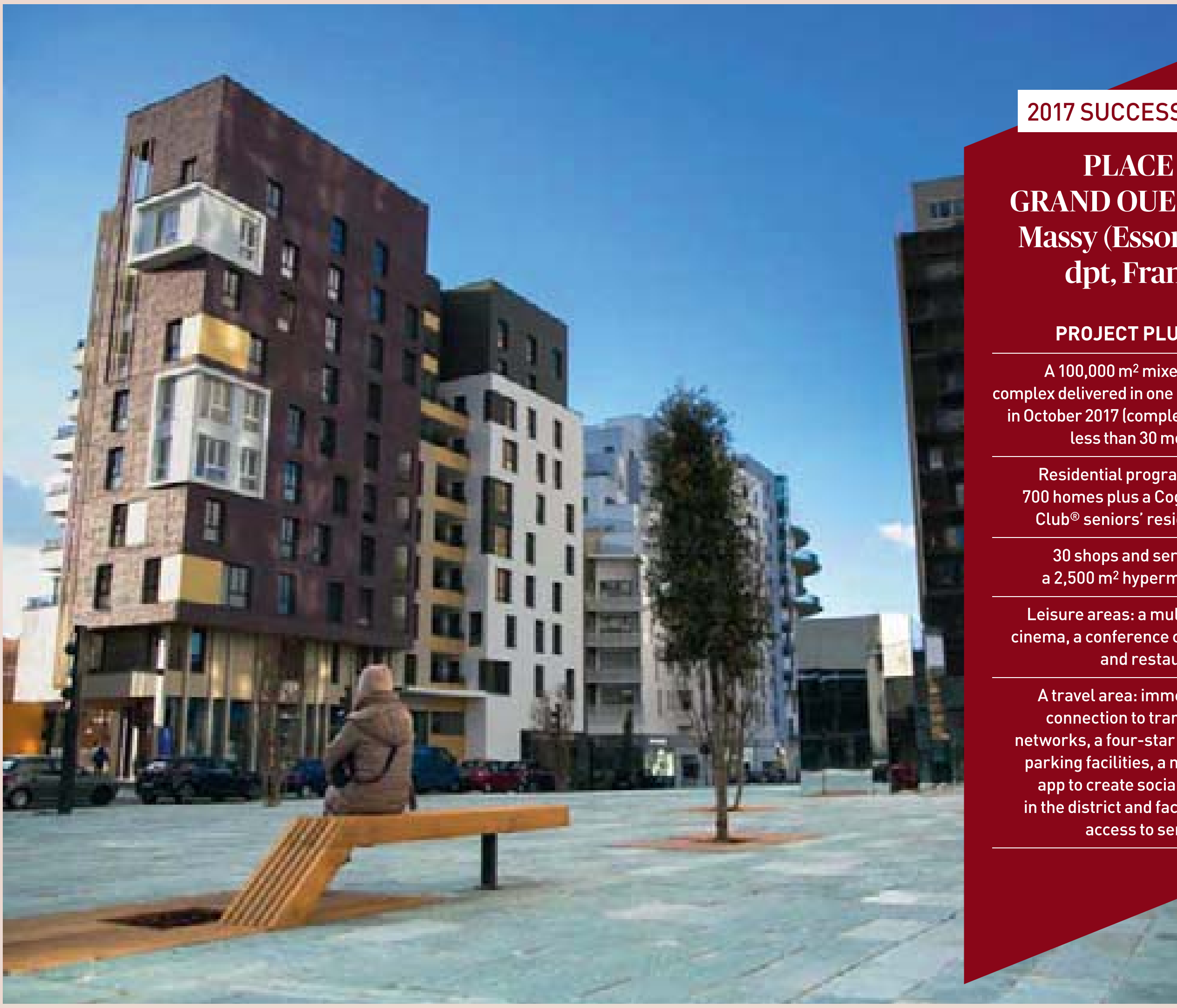
(1) Total shareholder return = stock market performance, dividends reinvested in the relevant financial year.

"Our unique model combines the operational know-how of a multi-product developer with the financial strength of an REIT. This means that Altarea Cogedim is both the property investor with the highest capacity for asset creation and the most financially agile developer."

ÉRIC DUMAS,
Chief Financial Officer

Large mixed-use projects

Altarea Cogedim combines the full range of its expertise and services to design and create genuinely innovative city centres blending shops, homes, offices and hotels. These large-scale projects (more than 40,000 m² of floor space and at least 400 residential units) redefine the place of the individual in an authentic, contemporary and connected city, where proximity, social bonds and quality of life are enhanced. Large mixed-use projects of this nature are managed in partnership with local authorities, planners, private stakeholders, investors and individuals, enabling the Group to participate in the public planning process.



2017 SUCCESSES

PLACE DU GRAND OUEST | Massy (Essonne dpt, France)

PROJECT PLUSES:

- A 100,000 m² mixed-use complex delivered in one phase in October 2017 (completed in less than 30 months)
- Residential programme: 700 homes plus a Cogedim Club® seniors' residence
- 30 shops and services, a 2,500 m² hypermarket
- Leisure areas: a multiplex cinema, a conference centre and restaurants
- A travel area: immediate connection to transport networks, a four-star hotel, parking facilities, a mobile app to create social links in the district and facilitate access to services

PERFORMANCE OF MAJOR MIXED-USE PROJECTS AS OF 5 MARCH 2018

9 projects
in progress

€2.9 bn
in potential value

758,400 m²
of total floor area, with 8080 residential units

MARKET ANALYSIS

- **Populations and jobs** are concentrated on gateway cities
- **Lifestyles are becoming more complex,** barriers are gradually breaking down between the various spheres of life
- **Individual, professional and family life balances** are being recast
- **There is aspiration for ease and proximity** (access to transport)
- **Local authorities are increasing keen to rethink local urban fabric**
- **People want providers to offer integrated urban solutions** with mixed know-hows

COMPETITIVE ADVANTAGES

- **Single partner for local authorities** across all dimensions of the project
- **Three areas of expertise:** retail, residential, offices
- **Financial strength** of a stable, sustainable and recognised group
- **Capacity to deliver large projects** in one phase
- **Anticipation and grasp of new uses** (field studies, etc.)
- **Regional roots** close to the needs expressed by regional and gateway cities

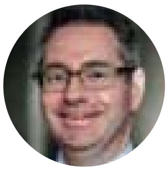
STRATEGY

→ **Maintain leadership:** Altarea Cogedim is the only French RE actor operating in all segments of the property market

→ **Pursue and reinforce property, multi-business and multi-activity synergies**

→ **Support the mixed use of programmes** – retail, office, residential – by aggregating the offer so as better to take into account uses, the living environment and the quality of the social environment

→ **Foster proximity** with the deployment of dedicated applications and the development of services and convenience stores



"Our job is to imagine real and concrete projects to breathe life into gateway cities and make the cities and districts that comprise them more liveable."

OLIVIER BUCAILLE,
General Manager, Large Projects at Cogedim

"Our group's response, through the programmes we offer to local communities, is to create the city of tomorrow, and make emerging metropolitan areas a success."

THIBAULT LAUPRÊTRE,
General Manager, Cross-cutting Projects

HIGHLIGHTS

JOIA MÉRIDIA | Nice

Pitch Promotion was the winner of a competition for the creation of a mixed-use district in the heart of Nice in partnership with Eiffage Immobilier. The project will focus on a signature building created by Fujimoto comprising residential units and shops on the ground floor. It will include a common area with a swimming pool. Joia Méridia will cover more than 70,000 m^2. The complex will constitute a new centrality in the heart of Nice Méridia, the 24-hectare urban technopolis developed by the Nice Éco-Vallée public development organisation in accordance with the principles laid down by Christian Devillers, the area's urban planner.

QUARTIER GUILLAUMET | Toulouse

Altarea Cogedim once again reaffirmed its multidisciplinary expertise with the gain of a new mixed-use district located on the former site of the CEAT (Toulouse Aeronautical Test Centre) in the Toulouse metropolis in partnership with Crédit Agricole Immobilier. This major project will call on the full range of the Group's expertise: it will combine residential, commercial and retail space over more than 100,000 m^2.

INVENTONS LA MÉTROPOLE DU GRAND PARIS | Le Kremlin-Bicêtre and Cachan

Altarea Cogedim won two urban projects as part of the "Inventons la Métropole du Grand Paris" (Inventing the Greater Paris Metropolis) call for projects in 2017. The two projects, L'Hospitalité in Le Kremlin-Bicêtre and Campus Habité in Cachan, stand out by virtue of their innovative and sustainable characteristics, which will contribute to making the capital-region a benchmark for urban development on a global scale. The two projects allow Altarea Cogedim to cater to the growing and multiple expectations of the residents of Greater Paris.

Retail

Altarea Cogedim reconnects retail with its essence: exchanges of goods and services and encounters. Keeping its fingers on the pulse of its customers' expectations, the Group is putting its expertise to work on popular formats: multi-use, open-plan, connected, reinvented spaces, etc. Altarea Cogedim creates spaces offering the prospect of shared experiences rather than just places. Our job is to create bonds. Both developer and investor, Altarea Cogedim focuses its building complex development and restructuring strategy on four product niches offering great potential: large regional shopping centres, travel retail (outlets in railway stations), large retail parks and convenience stores.

2017 SUCCESSES

FERNEY-VOLTAIRE | On the outskirts of Geneva

PROJECT PLUSES

AWARDED IN 2017

At the heart of an exceptional catchment area

A new shopping centre concept covering 46,400 m²

A cultural space: 1,800 m² dedicated to exchanges and the discovery of art in partnership with the Pompidou Centre

Leisure areas: 2,500 m² devoted to Universcience, offering an interactive and fun approach to neuroscience, a cinema

A selection of new and international eco-friendly retail banners

An approach of excellence in environmental, social and societal terms

"Our strategy: focus our development on four product lines: regional shopping centres, travel retail, large retail parks and convenience stores. The Group has consistently seen itself as a medium- to long-term developer/owner of these retail formats, but a growing portion of its pipeline is now earmarked for sale."

LUDOVIC CASTILLO,
Chairman of the Management Board of Altarea Commerce

MARKET ANALYSIS

- **Shift in the merchant model in cities,** shops are becoming multi-form, with large formats giving way to smaller outlets and travel retail undergoing a revolution
- **Change in customer expectations and uses,** consumption patterns are fragmenting: experiential shopping, individualisation of offers, accessibility, price attractiveness, leisure
- **Consolidation among retail banners,** the large networks are expanding
- **Unrelenting growth of e-commerce, with a breakthrough in mobile shopping;** new synergies between digital and in-store retail

COMPETITIVE ADVANTAGES

- **Substantial pipeline of projects** under development
- **Presence of the Group in major centres** (urban or peripheral), but also travel retail and convenience formats
- **Expertise in the offers of different retail banners,** with an international, national and local multi-sector mix
- **Ability to generate large volumes of flows** transformable into qualified customers
- **Architectural,** construction and **environmental quality** of projects built
- **Dominant position in Paris** for travel retail in railway stations

STRATEGY

→ **Focus on the development of a mixed-use and complementary commercial offering** (mix of local and major retailers, presence of exclusive retail banners, etc.)

→ **Promote the design of flexible retail spaces:** shared immersive and cultural experiences, spaces for encounters, forging bonds and interactions, for relaxation and well-being

→ **Integrate new leisure, recreational and service concepts and new entertainment experiences** (pop-up stores, corners, restaurants, day-care centres, etc.)

OUR PRODUCT LINES

→ **Large regional shopping centres.** The Group develops and manages large regional shopping centres (Qwartz, Cap3000, etc.). Its centres boast a wide commercial offering: restaurants, leisure, services, cultural spaces. What criteria do they share? Intensity, connectivity, digital technology, comfort and architectural excellence, all in the service of a demanding and unparalleled customer experience.

→ **Travel retail.** Altarea Cogedim designs projects to transform railway stations (travel areas) into real living environments, for travellers as well as for local residents.

→ **Large retail parks.** Refreshed commercial spaces of this nature are resolutely turned towards environmental performance, meticulous design and clear mass market positioning combined with an effective and attractive price/product offering.

→ **Convenience retail.** The Group has developed a qualitative offer in everyday retail and services, forging partnerships with local retailers and providing an attractive offer for local retailers and professionals (doctors, bakers, restaurants, etc.).

PERFORMANCE OF RETAIL STANDING ASSETS AT 31 DECEMBER 2017

40 sites
or
839,100 m²

€4.7 bn
of standing assets

€174.7 M
net rental income (+3.9% on like-for-like basis vs 2016)

113 M
visitors (excluding railway stations) and 450 millions visitors in total in our centres

38%
reduction in energy consumption since 2010

EXTENSION CAP3000 | Saint-Laurent-du-Var

PROJECT PLUSES:

- One of Europe's biggest shopping centres, and largest located on the seafront
- Located five minutes from Nice Côte d'Azur Airport
- Local services: medical centre, day-care centre
- Immersive digital experience
- Ultimately: 300 shops and restaurants over 135,000 m²
- First BiodiverCity® shopping centre
- On the extension to the centre, the Group is aiming to outperform prevailing energy regulation demands by 57%

PERFORMANCE OF THE RETAIL PIPELINE AT 31 DECEMBER 2017

100%
of our projects[1] in development certified to BREEAM® "Excellent" level or higher

(1) Excluding railway stations and convenience stores.

614,750 m²

€3.4 bn
potential value (pipeline)

GARE PARIS-MONTPARNASSE | Paris

The modernization of the Paris-Montparnasse railway station got under way in 2017. With a total surface area of 19,000 m², the project will further enhance the comfort of travellers and increase the range of services at their disposal by renovating travel areas and enriching the on-site commercial offering. The ambition is to meet the needs and expectations of all travellers, regardless their profile.

Residential

Lifestyles are changing fast; the urban fabric too. The personal, professional and family trajectories of Altarea Cogedim's purchasers and investors are increasingly shifting, diverse and sometimes complex. To meet this diversity of needs, the Group offers its buyers a wide choice of residential properties, ranging from entry level to high-end, on independent, subsidised or intermediate projects, individually or in block sales. **Altarea Cogedim works as a developer by providing solutions for all residential pathways, without compromising on quality.**

RÉVÉLATIONS | Conversion of a former prison in Nantes (Loire-Atlantique Dpt, France)

PROJECT PLUSES:

- First recycling of a former prison as a new urban project in France
- Outstanding landscape quality, common gardens and vegetable gardens
- Creation of a theatre space that can house local troupes

PERFORMANCE AT 31 DECEMBER 2017

11,189
housing units sold
+12% vs 2016

€2.6 bn
sales in value +15% vs 2016

Pipeline:
€9.2 bn
potential sales (incl. tax)

38,985 units

99% of our pipeline located in areas eligible under the Pinel lawl

100%
housing units NF Habitat certified

98%
of housing units located less than 500 metres from a public transport network[1]

(1) Excluding Pitch Promotion.

MARKET ANALYSIS

- **Improvement of the broader economic environment,** higher prices per square metre, persistently low lending rates
- **Stable regulatory framework,** favourable taxation (provisions of the Pinel law extended, interest-free loans)
- **Strong demand to buy property,** high sales volumes among developers, return of institutional investors (via social and controlled price housing bodies)
- **Healthy new housing segment,** with steady market growth
- **Change in customer expectations,** faster production and innovation cycles

COMPETITIVE ADVANTAGES

- **Among the top three residential developers in France**
- **A name synonymous with quality,** innovation and environmental performance
- **Housing surfaces designed to be multifunctional,** modular, adaptable
- **Sales support enriched by digital technology:** virtual tours, mobile apps

STRATEGY

→ **Integrate the customer into a tailor-made residential journey with a comprehensive offer:** entry level to premium, first and second-time buyers, serviced apartments, block-sale investments, etc.

→ **Continue to diversify products** to suit all types of buyers, all needs, all moments of life

→ **Consistently increase the level of customer satisfaction:** quality of the commercial relationship, customisation of the offer

→ **Design projects** and residential offers to match emerging customer expectations

OUR PRODUCT LINES

→ **An expanded and diversified residential offer.** Altarea Cogedim offers its buyers a wide choice of residential housing, providing an appropriate response to all market segments.

Entry level/mid-range. The Group ensures that its programmes cater to as many potential buyers as possible, without compromising on quality or practicality. The plans offer adjustable build-outs, tailored to family structures and lifestyles.

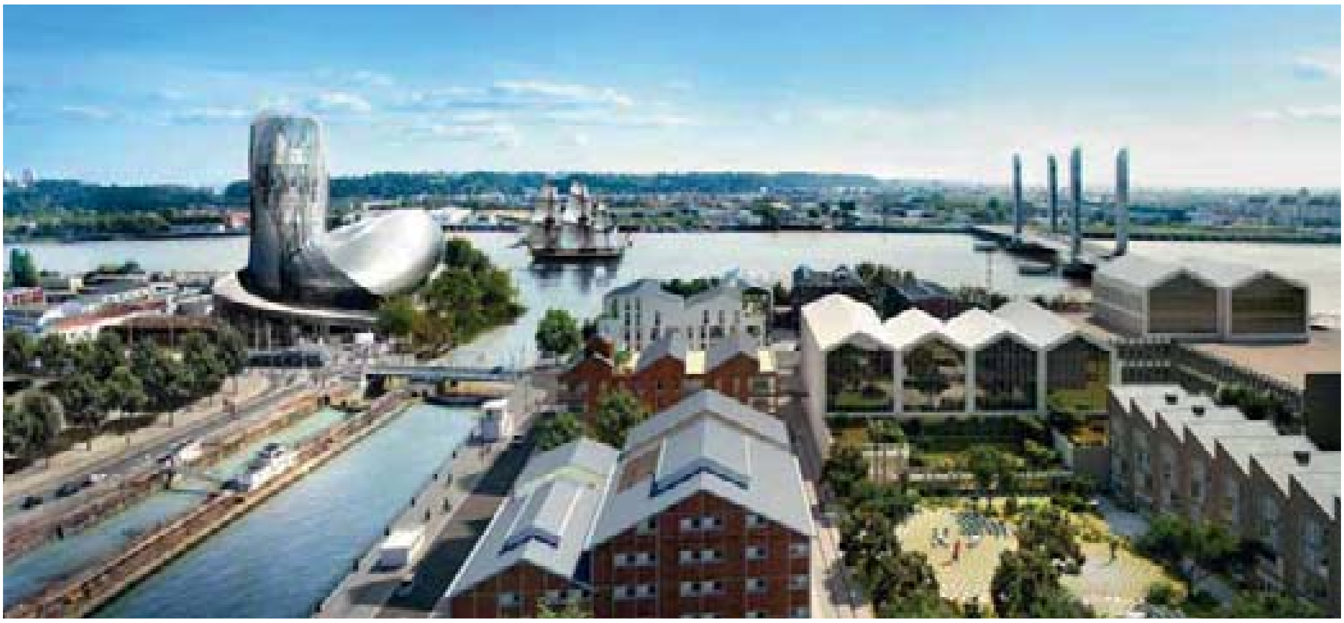
High-end. The Group has maintained its long-standing expertise on properties with demanding requirements in terms of location, architecture and quality.

Cogedim Investissement. The Group offers private investors an alternative investment product in the form of programmes marketed if needed, other brands can provide the market with social and price controlled housings.

Serviced residences. Altarea Cogedim develops customised products for each type of target customer (students, business travel, seniors, etc.). Under the Cogedim Club® brand, its offering for active seniors combines locations in city centres with a range of à la carte services.

Restoration of historic buildings. Under the Histoire & Patrimoine brand, the Group has a range of products for Historical Monuments, Malraux Law properties and Real Estate Tax Losses.

HIGHLIGHTS



BASSINS À FLOT EMBLEM | Bordeaux

The Group's Emblem residential programme contributes to the strength of the property market in Bordeaux, offering a new city lifestyle that skilfully combines technology, respect for the environment and immense volumes. A superlative programme (lofts with atypical surfaces, rooftop terraces, rooftop swimming pool, etc.), offering a comprehensive and complementary range of residential units ranging from single- to five-room apartments, the Emblem complex shows the Group's determination to make customer satisfaction the cornerstone of its designs.

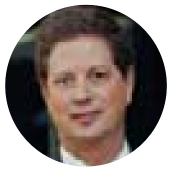
GAIRAUT | Nice

This year, Altarea Cogedim laid the foundations of Domaine de Gairaut. This high-end project comprises apartments with generous architecture and luxurious fittings: exceptional terraces with panoramic sea and mountain views, sports facilities (fitness centre, swimming pool, tennis courts, putting green, etc.) and gardens.

COGEDIM CLUB® | Suresnes

Altarea Cogedim continues to develop residences for active seniors. It opened three Cogedim Club® residences in 2017, including one in Suresnes. Located in the heart of the Carnot-Gambetta eco-district, it inspires well-being by virtue not only of its design but also its facilities, with a range of services designed to foster social ties.

HIGHLIGHTS



"With Altarea Cogedim, we support communities that match current needs as closely as possible, preserving past heritage while at the same time creating tomorrow's."

RICHARD HENNESSY,
Chairman
of History & Patrimoine

SITI | Orléans

Dating back to the 1960s, this building, exceptional by virtue of the intelligence of its scalable architecture, will soon be renovated to create a new living space. The SITI Orléans restoration project, initiated by Histoire & Patrimoine this year, will eventually create 63 exceptional apartments and offer future residents the opportunity to "live in a work of art", in a building inspired by the modern movement.

"Within 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,
Member of the Supervisory Board,
Chairman and founder
of Pitch Promotion

PALOMAYA | Montpellier

Work on the Palomaya residence, ideally located on Place Pablo-Picasso, continued in 2017. It will ultimately offer a set of exceptional apartments around a large central landscaped garden. The apartments, ranging from one to five rooms, will open on to beautiful terraces offering views over the city, the sea or the gardens. The ground floor will be dedicated to offices, shops and local services. The complex, built by Pitch Promotion, will be delivered in the second quarter of 2019.

Office

Companies increasingly want to **take up residence in city centres, and allow their employees to enjoy a qualitative environment with an ever-wider choice of amenities.** Companies attract and retain talent by being increasingly connected, ever attentive to their employees' well-being and reinventing themselves. In greenfield development and redevelopment alike, today's office buildings promise links with their cities and their commercial spaces. Whether acting as a developer, investor or service provider, Altarea Cogedim anticipates the expectations of companies and their employees by proposing tailor-made projects, flexible, scalable, accessible and modular offices, mirroring the company's culture. Altarea Cogedim offers them office buildings seen as assets: they constitute tangible and intangible capital, guaranteeing that users will be able to attract and retain key talents, and their businesses can look forward to sustainable growth. The property "product" is currently a real accelerator for companies.

RICHELIEU | The new "Home of Altarea Cogedim"

PROJECT PLUSES:

- An exceptional location at the heart of the vibrant world of French Tech and the exciting Bourse-Opéra district
- Creative redevelopment of the former head office of Allianz France
- An inner street opening the development up to the city and exchanges
- Treatment of space on the ground floor open on the renewed city, with the integration of reversible spaces
- A business centre and a public access building lit by large patios in the basement
- Remarkable, planted terraces, accessible from the sixth floor
- An independent 1,500 m² office complex in an 18th century town house, listed by the historical building trust
- Bright, flexible and modular office spaces

PERFORMANCE AS OF 31 DECEMBER 2017

51 projects

€4,491 M
in potential value

€1,073 M
invested (+80%)

100%
of Altarea Cogedim offices certified at least to NF HQE™ "Excellent" and BREEAM® "Very Good" level

100%
of Altarea Cogedim projects located within 500 metres of public transport

82%
of Altarea Cogedim projects(1) in the Paris Region in the process of Well certification

(1) Excluding Pitch Promotion.

MARKET ANALYSIS

- **Economic recovery,** driven by strong demand and low interest rates
- **Job creation, business transformation:** large groups are moving their headquarters
- **Investor competition** in the face of the scarcity of premium and new projects
- **Strong rental demand** in newbuild or redeveloped office buildings

COMPETITIVE ADVANTAGES

- **Altarea Cogedim,** France's leading office developer
- **Major player in redevelopment,** recognised for its creative projects (covering more than half of its activity)
- **Comprehensive and integrated operator:** medium-term investor directly or via AltaFund (fund dedicated to the development of prime assets in the Paris Region), promoter and service provider (DPM)
- **Modern offer:** flexible spaces, collaborative spaces
- **Environmental and social excellence** of newbuild and renovation programmes

STRATEGY

→ **Design and develop office programmes** suited to new ways of working, tailored to the needs of companies

→ **Position office property in the heart of the most popular markets:** city centres, vibrant and connected districts (shops, amenities, transport hubs), territories undergoing urban renewal

→ **Increase quality per square meter** of office floor space through digital technology

→ **Promote corporate performance** through the personal development of employees in a human-friendly workspace

→ **Break away from single-use buildings**

OUR PRODUCT LINES

→ **In the corporate property market, Altarea Cogedim creates or redevelops office buildings to meet new expectations and new ways of working.** They guide complex design and revolve around four main themes:

→ **Ambitious architecture serving well-being:** the Group is uncompromising on its architectural requirements. Its programmes accordingly modulate materials, natural light, interior and exterior spaces and volumes to offer the richest working experience;

→ **Modular and adaptable volumes** meeting the expectations of employee-users and adepts of new work concepts (co-working, telecommuting, collaborative work);

→ **Innovation is given pride of place,** above all by taking into account the issues of sustainable development and reducing energy consumption;

→ **Projects open to the city** favouring a friendly environment and offering comprehensive services within its buildings coupled with an alternative offers in the surrounding area (restaurants, shops, services, public spaces).

"With unemployment low in the executive job market, companies are forced to be more attractive and innovate to attract talent."

LAURIAN DOUIN,
general manager of Altarea Cogedim Entreprise

HIGHLIGHTS

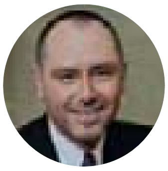
BRIDGE – ORANGE'S FUTURE HEADQUARTERS | Issy-les-Moulineaux (Hauts-de-Seine Dpt, France)

PROJECT PLUSES:

- Connection to transport networks
- Spaces opening up to the city, generous overhanging gardens and terraces offering unrivalled views of Issy-les-Moulineaux, Paris, the Seine and Saint-Germain Island
- Creation of an atrium recreating an "inner city"
- Respect for historical heritage with the removal and reintegration of an Eiffel-style covered hall on the site

THALES | Labège

The Group received the Pyramide de Vermeil for office property awarded by the Federation of Property Developers for the Thales project, conducted by Pitch Promotion. Delivered in October 2016, this property complex, located on more than 20,000 m² of land, adjoins Lake Labège, near Toulouse, a "green lung" area with dense vegetation. On land where buildings cover just 40% of the surface, Thales's 600 employees benefit from a pleasant working environment, close to a space for walking and relaxing.



"Newbuild or redeveloped, office buildings are a great working tool for the company. They meet a fundamental need in terms of image, business performance and the comfort offered to employees."

JEAN-FRÉDÉRIC HEINRY,
General Manager, Office Property France
at Altarea Cogedim Entreprise

HIGHLIGHTS

BORÉAL | Lyon

An exemplary eco-responsible building, the new headquarters of the Boehringer Ingelheim animal health group was opened in Lyon in October 2017. A set of four buildings totalling 11,900 m^2 of offices and 3,600 m^2 of services, it is the first BEPOS-certified office complex in Lyon, consuming less energy than it produces. 700 employees work there.

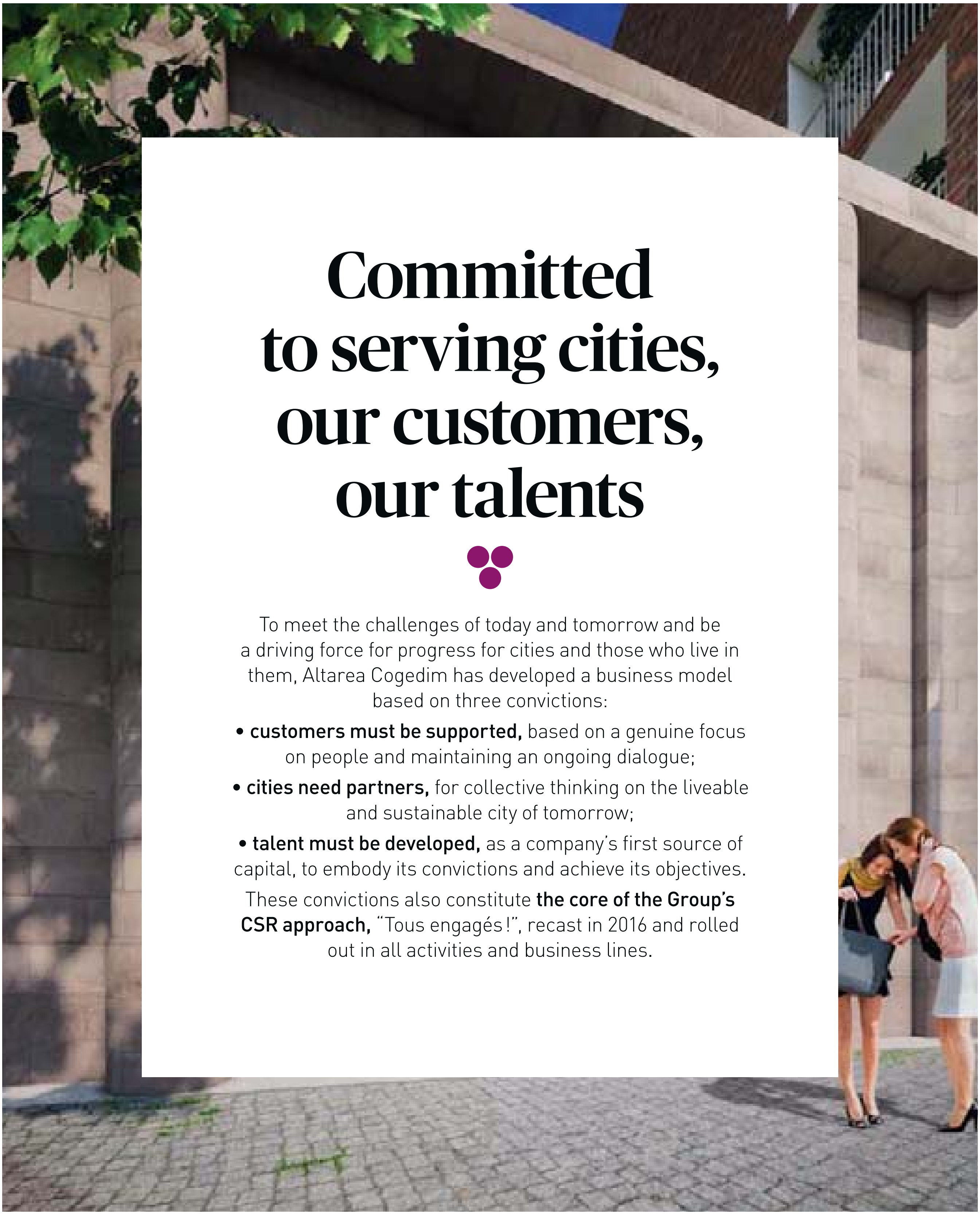
KOSMO | Neuilly-sur-Seine

Prestigious company Parfums Christian Dior chose Altarea Cogedim's Kosmo project in 2017 for its future headquarters in Neuilly-sur-Seine. An ambitious creative redevelopment project slated for delivery in late 2018, the programme's emblematic and iconic status mirrors that of the luxury brand itself. Kosmo will offers its users terraces with 360° views of Paris and La Défense.

LANDSCAPE | La Défense

AltaFund and Goldman Sachs are giving a new lease of life to the Pascal towers with Landscape. This large-scale redevelopment project led by Altarea Cogedim will offer a unique residential complex with spaces bathed in natural light. In addition to a full and particularly ambitious restoration carried out with the assistance of Dominique Perrault Architecture, Landscape is the opportunity to add 10% additional floor space to the historic Pascal towers, exceptional by virtue of their volumes, heights and views. It will integrate a comprehensive and innovative range of services (catering areas, gym, full service concierge, wellness area), and will be adapted to the latest standards of environmental requirements (NF HQE™ "Exceptional", BREEAM® "Very Good", BBC-Effinergie Rénovation). The project has already obtained the WiredScore[1] label in November 2017, guaranteeing a high level of connectivity.

(1) WiredScore is an assessment system for offices that allows owners to understand, improve and promote the connectivity of their properties. **More than two-thirds of Cogedim projects in the Paris Region now aim to obtain this label.**



Committed to serving cities, our customers, our talents

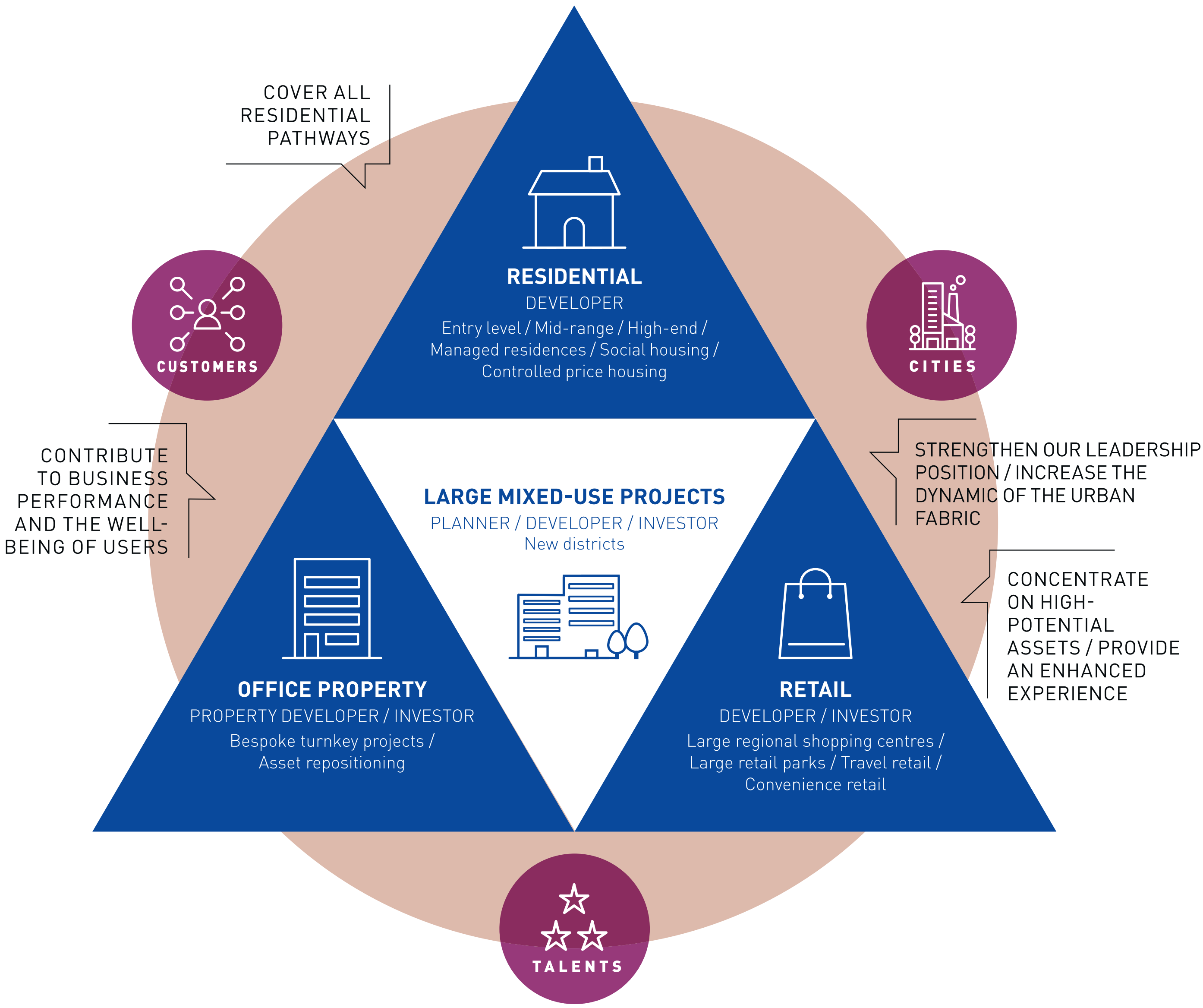
To meet the challenges of today and tomorrow and be a driving force for progress for cities and those who live in them, Altarea Cogedim has developed a business model based on three convictions:

- **customers must be supported,** based on a genuine focus on people and maintaining an ongoing dialogue;
- **cities need partners,** for collective thinking on the liveable and sustainable city of tomorrow;
- **talent must be developed,** as a company's first source of capital, to embody its convictions and achieve its objectives.

These convictions also constitute **the core of the Group's CSR approach,** "Tous engagés !", recast in 2016 and rolled out in all activities and business lines.

OUR TRENDS

OUR ACTIVITIES



OUR VISION: URBAN ENTREPRENEUR

ACT TO ENSURE OUR CUSTOMERS' SATISFACTION

Technological, societal and environmental challenges are radically changing our customers' view of property. Whether they are companies, local authorities, individual purchasers or consumers, Altarea Cogedim understands and anticipates their needs. In all activities, their satisfaction is our goal of excellence. Altarea Cogedim takes the time to listen attentively, calling on surveys and studies, social interaction, both face to face or digital and virtual formats, or simply quality of service.

MAPPING OF OUR CUSTOMERS

TAKE ON BOARD ALL CUSTOMER REQUIREMENTS

SHOPPERS

Offer lively experiences, renewed and hybrid (experiential, digital, fertile, fun, well-being, etc.), but at the same time provide users with a service

COMMUNITIES

Participate in the revitalisation of metropolitan areas, become long-term partners through public and private investments, support communities in regional development projects

PARTNER INVESTORS

Offer products that meet expectations and needs

KEY ACCOUNTS

Express the company's culture, equip it to win the battle for talents, support its performance and business

BUYERS

Satisfy their expectations and advise them throughout the home-buying journey

CITIZENS

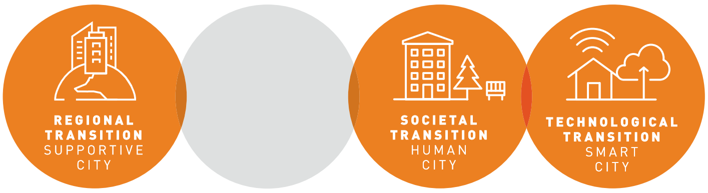
Fully meet their expectations in regard to consumption, housing and working environment

EMPLOYEES

Offer spaces adapted to new ways of working

RETAIL BANNERS

Support and participate in the transformation of Retail sector by offering innovative and qualitative spaces to capture traffic and win consumer preference



A CUSTOMER CENTRIC STATE OF MIND

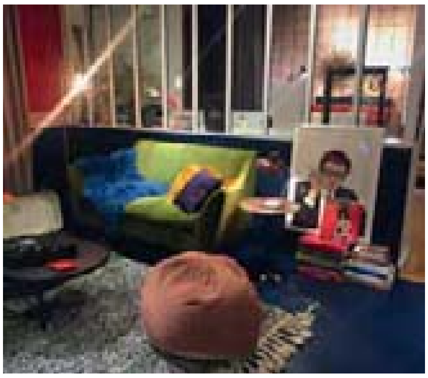
OUR CONVICTION

For all projects conducted by Altarea Cogedim, whatever the business, customer satisfaction leads the Group's actions. Altarea Cogedim opts for a corporate culture that enhances and deepens its approach to property while integrating the new expectations of increasingly well-informed consumers.

OUR ACTIONS

Interior view of Cap3000, Saint-Laurent-du-Var.

The interior atrium of the Austerlitz office building, Paris 13.



The exclusive Marie Claire Maison **customisation pack** available at the Cogedim Store.

▶ **Projects responding to new uses:**

• **Relaxation and indulgence in shopping centres.** The Group's shopping centres feature refined furniture and design, softer environments, improved entertainment and reception offers, turning them into living and leisure spaces where everyone finds a quality environment and activities guaranteeing moments of pleasure and well-being to share;

• **Offices to change the way we work.** The expectations of companies, employees and investors in offices have changed. In the age of the connected enterprise, Altarea Cogedim's office buildings have become places of openness, exchange and creativity: mobility, work in motion favoured by wireless connections, meeting spaces and a welcoming atmosphere;

• **Customised homes.** Uniformity is a thing of the past: today, all new homebuyers can customise their property down to the smallest detail. Packages by profile or by ambience are available.

CUSTOMERS CITIES TALENTS

Act to ensure our customers' satisfaction

OFFER CUSTOMERS A UNIQUE EXPERIENCE

OUR CONVICTION

Property is a perpetually unfolding story: Altarea Cogedim transforms each of its projects in each of its business lines. Shopping act is becoming experiential, cultural, connected; large mixed-use projects draw on virtual reality and neighbourhood applications; work environments must be conducive to collaborative approaches and well-being for companies. Altarea Cogedim anticipates trends of this nature and offers unique, bold and innovative solutions.

OUR ACTIONS

► **Attractive customised offers and services:**

• **Proximity with the Cogedim Store.** Altarea Cogedim has opened its first 400 m² regional concept store in Toulouse. Featuring a fully finished full-sized apartment incorporating a gallery showcasing choices for floors, wallpapers and painting, the store embodies everything that makes Cogedim distinctive and reflects our desire to be the leader in customisation.

• **Support for innovation in retail property.** The Group is rolling out the Alta Expérience, a laboratory serving to identify and support the best innovative initiatives in the world of sales and retailing. Experiments are underway, like The Walk at the Cap3000 shopping centre in the Var which began in spring 2017.

• **Neighbourhood applications.** The Easy Village platform, developed in partnership with Docapost, a subsidiary of the La Poste Group, is offered to residents and users of districts born of large mixed-use projects, encouraging the rollout of local services.

.

Cogedim Store. The Cogedim Stores, located in Paris and Toulouse, are dedicated entirely to customers. Their aim is to offer personalised accompaniment support, as well as a comprehensive pathway giving visitors a grasp of all the facets of new property.

Customers have access to a wide range of assistance, from **personalisation packs** and display rooms to immersive digital offers, to help buyers on a day-to-day basis.

LeHub

Easy Village. Altarea Cogedim has launched a digital neighbourhood app known as "EasyVillage" in partnership with the La Poste Digital Hub. Based on a unique digital platform, Easy Village fosters the development of connected urban services promoting convenience, comfort and social interaction between and for the benefit of residents. A scalable digital base, the EasyVillage app will eventually be able to combine new applications and innovative connected objects by adding possible future urban services. This development is part of the partnership with Docapost, a subsidiary of the La Poste Group, and the Altarea Cogedim group's open innovation strategy initiated in 2016.

OUR ACTIONS

▶ A dedicated customer process for all lifestyles:

• **A single contact.** Prospective purchasers or investors have a designated relationship manager who follows their project in its entirety, from purchase to delivery.

• **A dedicated customer area.** Each customer has a personalised online space offering up-to-the-minute information about the project, whatever stage it is in, as well as a point of contact with the Altarea Cogedim customer service and theme-based forums. www.mon-cogedim.com

• **A nationwide after-sales service.** The Group has established a nationwide after-sales service that steps in when the keys have been handed over and ensures the continuity of the customer support, while offering a local proximity network.

• **A shared platform.** The "Altarea Cogedim Partenaires" network offers a range of advantageous services to wealth management advisers and their customers: advice, training, tools, offers of properties. The platform is pooled for all of the Group's brands.

• **Customised offers.** To match customers' needs as closely as possible, the Group's offers are fully customised. For example, Cogedim Investissement offers the possibility of becoming a homeowner at reduced prices through bare-ownership acquisitions.

"Our good rankings in the field of customer relations inspire us to continue our efforts by maintaining our demanding standards."

PHILIPPE JOSSÉ,
Co-Manager and Chairman of the Management Board of Cogedim

OUR ORGANISATION

▶ Serving customers in the residential segment

• A dedicated customer centre
• A customer platform
• www.mon-cogedim.com
• A new after-sales service
• A system of surveys conducted throughout the year

Top 10

More than 20 places gained since the 2016 HCG/Evertest – Les Echos customer relationship rankings, which rates customer service in 200 companies.

2018

Voted customer service of the year in the Property Development category.

OUR ACTIONS

▶ Digital solutions for property in tomorrow's world:

• **An established Open Innovation policy.** Initiated in 2016, the Group's Open Innovation strategy focuses on 4 specific axis:
- start-up incubators;
- organisers of calls for proposals;
- major partnerships;
- research organisations.

With partners such as Paris & Co, Docapost and French IoT, Altarea Cogedim aims to strengthen the Group's culture of innovation and encourage testing for the continuous improvement of internal processes and offers and of products and services dedicated to customers. As part of the French IoT (Internet Of Things) programme, the Group sponsors the "Smart City/Smart Home" theme, which has enabled it to support start-ups in their business development, with awards being given in this field at the CES in Las Vegas.

• **Optimised online communication.** In 2017, the Group modernised its various websites and its customer extranet, adapting them to be viewable on different devices, now the norm, facilitating interactions by including voice communications.

• **Use of floor space enhanced thanks to digital technology.** Consumers are no longer looking simply for retail space. Two dimensional floor space has acquired a third dimension through connectivity. Altarea Cogedim's spaces embrace digital technology: digital displays, dynamic information, relay of omni-channel communication, mobile network equipment. They also offer their share of surprises (virtual reality), innovation (pop-up stores) and chic, such as the Chanel pop-up store at Cap3000.

• **Operational responsiveness.** Altarea Cogedim can design large urban projects buildable in one while thinking outside the box to challenge itself and its partners. And to continue to meet the expectations of its stakeholders and improve operational efficiency, the Group is currently experimenting building intelligence modelling (BIM).

"As our company grows and the digital age takes hold, it's up to us to adapt our work methods, our business lines and the solutions we offer our customers."

ALBERT MALAQUIN,
General Manager, Digitisation and Innovation

OUR ORGANISATION

▶ In the service of innovation: AltaFuture

• Reporting to the Digitisation and Innovation department

• Dedicated team of five people with a stand-alone budget

• Specific organisation by business line to ensure implementation of solutions and foster open innovation

• In 2017, AltaFuture organised three future-oriented lectures with external speakers, four test and learn events, one start-up pitch party, etc.

SUPPORT CITY DEVELOPMENT

Altarea Cogedim has assumed a leading role in helping cities address the regional, ecological, societal and technological transitions facing them today. By anticipating change, updating its vision of the city of tomorrow, ensuring that everyone benefits from the power of innovation, and reinventing its businesses, the Group believes that its growth can be consistent with the principles of corporate social responsibility, and that its developments can serve the public interest.

CONTRIBUTE SIGNIFICANTLY TO LOCAL ECONOMIC DEVELOPMENT

OUR CONVICTION

The Group firmly believes that proximity to communities is a challenge for itself and the regions concerned. As a general-interest partner, Altarea Cogedim works as closely as possible with its customers to adapt its projects, in that way guaranteeing their smooth running and value for society, serving the revitalisation of local economic fabric and sustainable regional attractiveness.

OUR ACTIONS

► **Develop local employment.** Meeting the challenge of the "regional contribution" of corporate activity is emerging as a key expectation among public actors and within civil society.
We have responded to this challenge by developing a **process of regional "pollination".** The pollinator concept, created by American economist Michael Shuman, is based on the powerful specific effects that a company's actions can have to stimulate local economic development. **Altarea Cogedim, for instance, contributes through its activities and purchases to supporting employment in a wide variety of sectors and sectors.** A study carried out by an independent body[1] on the Group's socioeconomic footprint in France estimated the spread of the direct impacts of the Group's business and its indirect impacts throughout its supply chain, including induced impacts in the form of consumption from wages paid and public expenditure funded by taxes paid. **In 2017, Altarea Cogedim supported more than 52,000 jobs in France.**

► **In the retail segment,** programmes in development or operation go hand in hand with employment schemes in the form of job agreements or the organisation of job dating events. By way of example, 950 visitors came to events to learn more about jobs on offer at the Promenade de Flandre shopping centre in 2017. Another example is a partnership with Pôle Emploi aimed at encouraging local recruitment in the Qwartz shopping centre, located in Villeneuve-la-Garenne (92). 2,000 jobs were generated on site, making it possible

to bring the local unemployment rate, which previously stood at 17% of the active population, down by 2 points. In total, the Group's shopping centres have generated more than 15,000 jobs.

▶ **Work with local suppliers.**
66% of purchases on its residential projects are local (in the surrounding département). 100% are French. Numerous partnerships have been established with local incubators, such as in Le Quartier de la Création, in Nantes, or with TUBÀ, in Lyon.

▶ **Actions in favour of local retailers.**
Whether by integrating shops into each programme, including food shops, by focusing on the mix of local shops or by establishing partnerships in shopping centres, as in Ruaudin (72), with the installation of La Ruche qui dit Oui !, an NGO dedicated to short circuits and local products.

▶ **Promote the appropriation of cities by their inhabitants.** To improve the readability of Altarea Cogedim's programmes, project houses have been created to provide information on the project's progress and aims. Artistic operations and events are organised to convey the ambitions and challenges of the projects for the community and its inhabitants. Lastly, the project's consistency with its location is factored in upstream, through reflections on intermodality, integration into districts and surrounding natural areas: 77% of Standing Assets sites have been audited by an ecologist to guarantee their integration into their surrounding areas.

(1) Utopies.

FIND OUT MORE
www.altareacogedim.com

1,742
SALARIED EMPLOYEES
in the Altarea Cogedim Group

52,700
JOBS SUPPORTED

76%
JOBS SUPPORTED BY THE GROUP ARE OUTSIDE GREATER PARIS

MAIN BUSINESS SECTORS SUPPORTED

10,600
JOBS IN PUBLIC WORKS

7,900
JOBS IN HEALTH AND EDUCATION (1)

(1) Related to household consumption and taxation.

6,900
CONSULTING / APPRAISER JOBS

4,500
JOBS IN RETAIL SALE AND WHOLESALE

CUSTOMERS CITIES TALENTS

Support city development

DEVELOP SUSTAINABLE BUILDINGS TO GUARANTEE SUSTAINABLE CITIES

OUR CONVICTION

The building sector is a major player in the energy and ecological transition, which is why Altarea Cogedim is committed to playing an exemplary role in sustainable building. In addition to its certification process, the Group is actively working on adapting tomorrow's property developments, carrying out monitoring and forward-looking work and by setting ambitious targets to reduce its carbon footprint. As a signatory of the Paris Climate Action Charter, Altarea Cogedim is actively involved in the fight against climate change.

OUR ACTIONS

38%
reduction in energy consumption in Standing Assets between 2010 and 2017

57%
reduction in CO_2 emissions in Standing Assets between 2010 and 2017

70%
reduction in CO_2 emissions in Standing Assets between 2010 and 2020

92%
of technical teams trained on carbon issues in the building sectort

95%
of waste from our commercial property building sites reused

82%
of new office projects in the Paris Region in the process of Well certification

98%
of waste on the portfolio reused

▶ Share the thinking.
Altarea Cogedim is a participant in local organisations and working groups such as the Low Carbon Building Association and the International Biodiversity & Property Council and it is a partner of the Sustainable Property Observatory. The Group also supports public policies aimed at rethinking cities.

▶ An extended carbon approach.
To improve its direct carbon footprint, Altarea Cogedim aims to reduce its CO_2 emissions per m^2 by 70% by 2020. On its indirect footprint, the Group is committed to:
• reducing transport-related emissions (55% of the footprint): in 2016, 98% of Cogedim's residential programmes were located within 500 metres of public transport;
• reducing material-related emissions (24%): in 2017, 55% of Cogedim's office projects in France were renovations;
• the energy excellence of buildings, "outperforming" regulations and allowing occupants to avoid roughly 240 kg of CO_2/m^2/year in offices, 14% of the carbon footprint being linked to the operation of buildings.

▶ Preserve biodiversity.
Cap3000 has become the first BiodiverCity® certified shopping centre in France, highlighting Altarea Cogedim's concrete commitment to preserving biodiversity through its projects.

▶ A responsible purchasing policy.
The Group incorporates sustainable development criteria in its commercial relations with its suppliers.

NUDGE | Paris 13

This innovative programme of 130 affordable housing units is inspired by modern behavioural science.

► Rethinking the way we live.
In 2017, Altarea Cogedim won the project to build 130 new homes in the Masséna-Chevaleret district in the 13th arrondissement of Paris, thanks in large part to the Nudge programme. This programme rethinks the way of we live, for instance by encouraging residents to adopt more virtuous behaviour in terms of eco-responsibility, socialisation with neighbours and creativity in everyday life.

#1
in the 2017 GRESB rankings

► A recognised example.
Altarea Cogedim is the first French commercial property company to have adopted certifications as a standard tool for environmental excellence. In 2017, 100% of Standing Assets were certified BREEAM® In-Use and 100% of new office developments had obtained NF HQE™ "Excellent" and BREEAM® "Very good" level certification at least.

100%
of Standing Assets certified BREEAM® In-Use since 2015

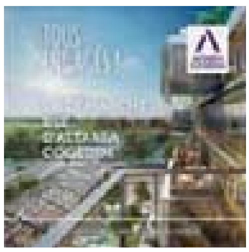
"With the complementarity of our expertise and our footprint covering the entire property value chain, we are the only player capable of acting as an end-to-end operator serving the regions and their economic development. This position gives us a special responsibility in creating the city of tomorrow."

NATHALIE BARDIN,
Institutional Relations, Communication and CSR Director

OUR ORGANISATION

► An organisation attune with CSR
- Environmental management system that irrigates all business lines
- Commitments subject to quarterly CSR committee meeting combining business lines and cross-functional departments
- Dedicated four-member team
- "Tous engagés!" Group-wide roadmap adapted to each business line

FIND OUT MORE
www.altareacogedim.com



Support city development

IMAGINE MAJOR PARTNERSHIPS FOR A MORE INCLUSIVE AND MUTUALLY SUPPORTIVE CITY

OUR CONVICTION

Altarea Cogedim works for cities and their residents. Its societal commitment fits into a broader strategic vision. As the largest owner developer in French regions, the Group wants to contribute, alongside public players, residents, employees and all stakeholders to the revitalisation of its host regions. As part of its CSR policy, the Group's corporate philanthropy is based on three fundamental principles: support for artistic creation, subjects related to development, transmission, education and social initiatives.

OUR ACTIONS

► Develop social housing.
Altarea Cogedim partners with large associations to encourage the development of social housing.

► Fight against poor housing.
The Group has partnered with Habitat & Humanisme in various forms for more than ten years, sponsoring skills, providing financial support for the creation of new reception structures and funding the creation of several management positions.

► Promote art in cities.
Altarea Cogedim is involved in numerous artistic partnerships aimed at fostering art in cities, such as at Bercy Village where opera is in the spotlight, its support for the third consecutive year for the Festival International d'Art Lyrique d'Aix-en-Provence and Lab 14, a temporary residence of artists housed in part of the old headquarters of La Poste in the 14th arrondissement of Paris. As a founding member, the Group supports the Palladio Foundation, which was created in 2008 to serve the public interest around the construction of the cities and living places. Lastly, the Group forms partnerships with renowned cultural institutions such as the Pompidou Centre to enrich its projects and promote the well-being of residents.

Altarea Cogedim, founding member of the Palladio Foundation.

A residential complex comprising 11 residential units for the homeless, at 14, rue Édouard-Charton, Versailles, in an old structure has been entrusted to Habitat & Humanisme, of which Altarea Cogedim is a major partner.

SUPPORTING THE OPERATIONAL EXCELLENCE OF OUR TALENTS

To support its growth and rise to new urban challenges, the Group reaffirmed its commitment to job creation and the management of talent and skills in 2017. Over the year, the Group's workforce grew by 14%, from 1,546 to 1,742. This reflects strong business, but it is also the result of a new talent attraction policy based on the choice of offering candidates a unique collaborative experience in a group with strong values and innovative projects.

EMPLOYEE INTEGRATION, TRAINING AND MOBILITY

OUR CONVICTION

To support and ensure its growth, Altarea Cogedim has made integration central to its HR approach, to help everyone appropriate the Group's model, its values, its projects, its specificities and the professional constraints associated with its sector.

OUR ACTIONS

▶ **Successful integration of new employees.** The integration programme was strengthened in 2017. New recruits receive a dedicated three-day programme designed to give them an overview of the Group, its business and its managerial culture. Workshops and meetings with the members of the Executive Committee are organised to help them grasp the values of creativity, cross-pollination and entrepreneurial spirit that inform Altarea Cogedim.
To facilitate the integration of all people within the company, the human resources department has created special kits for managers, tutors, trainees and other profiles, rooted in shared thinking on good practices and expectations with regard to the integration of new employees. Another innovation in 2017 was the Group-wide use of integration interviews to support and reassure new arrivals taking up their roles. It applies to all employees, permanent, fixed-term and trainee contracts.

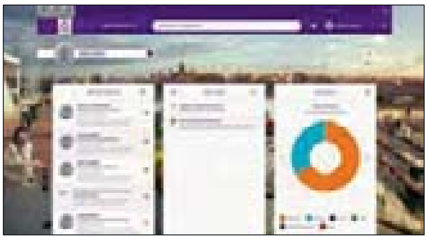
1,742
employees

More than 500
new hires in 2017

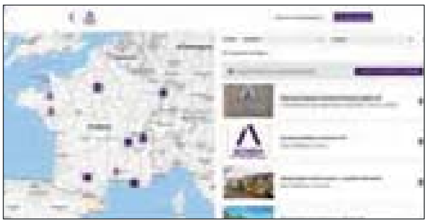
18,760
hours of training

1,160
people trained in 2017 via L'Académie

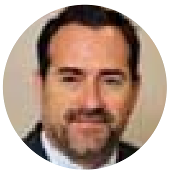
Supporting the operational excellence of our talent



My Soft Talent platform.



Career Space platform.



"In 2017, we conducted in-house training that benefited more than 200 employees, where they discussed the best practices to be observed in urban planning law."

LAURENT CAMPREDON,
real estate legal director of Altarea Cogedim

Manager's kit, offering tips and help in adopting the Group's culture.

Tutor's kit, to guide young people in their first steps in the company.

OUR ACTIONS

▶ **A learning and global development system.** L'Académie was designed to facilitate the integration of new employees, to inform, raise awareness and train employees on priority challenges, and last but not least to promote the sharing and transmission of knowledge. All formats come into play, from lectures to classic face-to-face training, blended courses calling on digital technology, and in-house training provided by business experts, to increase the skills and expertise of all Group employees. For training providers, the human resources department has created an internal trainer's kit, to allow as many people as possible to get a fuller picture of the various steps of successful training, from the review of the training request to the assessment of the actual course.

▶ **A digital recruitment process.** In 2017, we rolled out a new digital solution to promote the Group's job vacancies. The Espace Carrières, accessible via the Smart Portal or via the Group's website, gives employees and external candidates access to job vacancies in just a few clicks. The solution helps cement the Group's reputation, enhancing its employer image by giving it the means to achieve its ambitious hiring goals. By widely publicising vacant positions, we encourage both direct recruitment of new external talent and internal mobility between business lines and/or geographies. A mobility charter has been circulated within the Group to guarantee good practices in this area.

▶ **Strengthening digital culture.** In 2017, the Group strengthened its employees' digital culture by setting up training sessions to familiarise them with the Microsoft Office 365 tools, to which the company migrated in 2017. An LMS (Learning Management System) platform has also been developed within the L'Académie for initiatives aimed at raising awareness or refreshing knowledge delivered in face-to-face training.

CORPORATE CULTURE

OUR CONVICTION

As the Group grows, it is essential for it to spread a shared culture to enable employees to find their place within the company and have the resources to support their professional and personal development. With this in mind, Altarea Cogedim has decided give its employees a major role in its performance.

OUR ACTIONS

▶ **Raising employee awareness about the CSR approach.** The company has shared the "Tous engagés!" CSR approach with its employees. The approach sets out the Group's commitments in terms of corporate social responsibility. In 2017, seven training sessions were organised throughout France to make technical teams aware of regulatory changes geared towards making the property sector more responsible, more efficient and less carbon-intensive.

▶ **Development of collaborative tools.** In 2017, Altarea Cogedim created a new collaborative intranet, known as the "Smart Portal". This information base keeps users up to date with the Group's news in real time. It is a space where employees can keep up with the latest market trends. The Smart Portal is the single gateway to all the business platforms that employees need. Lastly, it brings together all project groups and communities of interest created by employees.

The Smart Portail, the new tool for sharing information internally.

▶ **Identifying new ideas.** The Youth Comity is a cross-functional committee of the Group's business lines that meets monthly to lay down the main guidelines. A pillar of the Company's transformation, its ambition is to give guidance inspired from Generations Y and Z.

▶ **Sharing the fruits of growth.** In 2017, the "Tous en actions!" scheme was extended for the third consecutive year. It allowed each employee on permanent contracts to share in the Group's development and earnings by allocating the equivalent of one month's salary in shares. A total of 94% of employees opted for one of the arrangements proposed under the "Tous en actions!" scheme in 2017, such as the monetisation of the RTT (reduced working time scheme) or the cash-to-stock scheme, with awards of Altarea shares based on individual performance. Efforts continued in this area this year, in the aim of implementing an attractive and fair wage policy.

"We have a lot of young managers within the Group. Being a manager is a full-time job. Our Group is becoming a high value-added company, which brings with it demands in terms of method, ability to manage risks and analyse trends. It is our duty is to help ease people into the role."

KARINE MARCHAND,
Human Resources Director

A shared value-creating model

CAPITAL

FINANCIAL CAPITAL
- **46% of share capital** held by its founder
- A market capitalisation of **€3.3 billion** at 31 December 2017

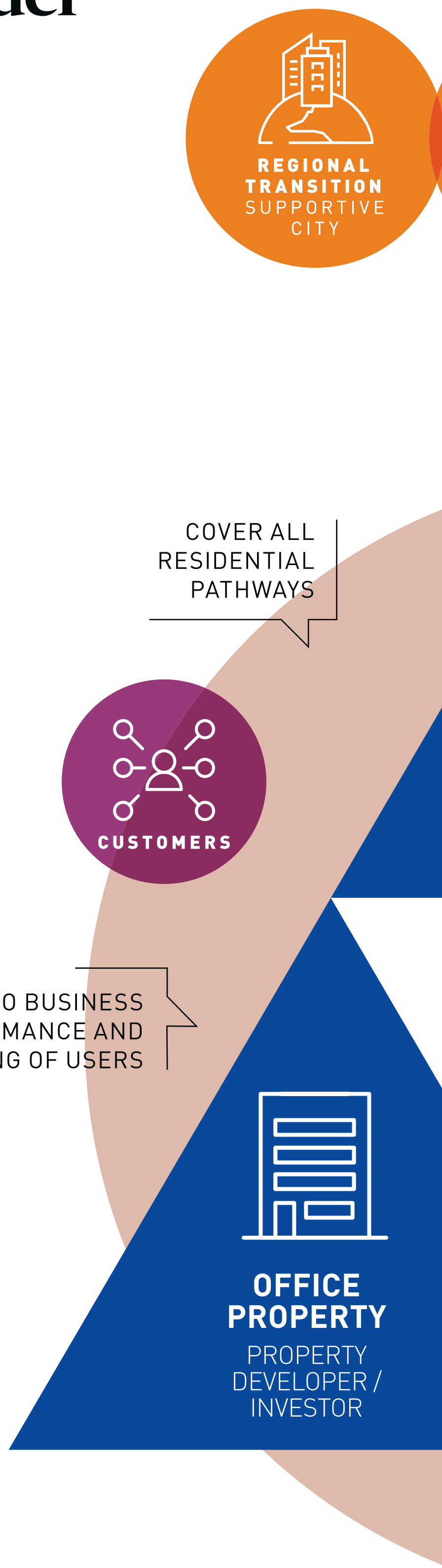
HUMAN CAPITAL
- **1,742** employees
- **406** new hires on permanent contracts
- **214** internal mobilities

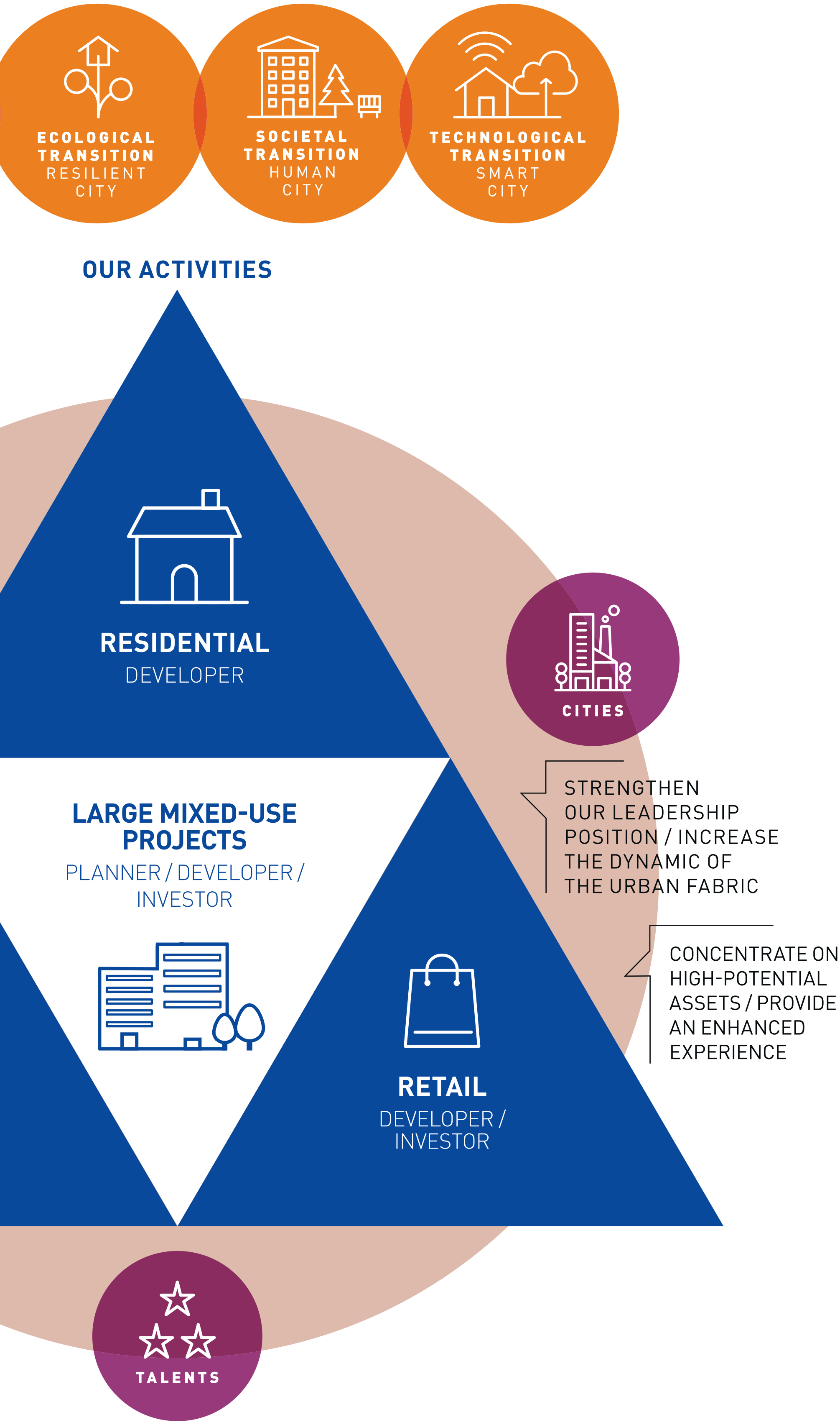
RELATIONSHIP CAPITAL
- **A 10-year partnership** with Habitat & Humanisme
- A communication campaign on the Cogedim brand launched in early 2017
- **13** external stakeholders interviewed on the CSR approach

INTELLECTUAL CAPITAL
- **People dedicated** to innovation who serve the Group's 1,700 employees
- **3 partnerships** with start-up incubators Paris & Co, Docapost and French IoT
- **Youth Comity,** a committee bringing together several of the Group's business lines to select innovations that are subsequently presented to the senior management

ENVIRONMENTAL CAPITAL
- **100%** of our shopping centres managed in France certified BREEAM® In-Use
- **98%** our housing within 500 metres of a transport network
- **100%** of our offices certified NF HQE™ "Excellent" or BREEAM® "Very Good" at least
- **100%** of housing units NF Habitat certified

Altarea Cogedim anticipates the needs of regions 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.





IMPACTS

FINANCIAL IMPACT
- FFO Group share: **€256.3 million (+33.5%)**
- NAV/share: **€174** per share **(+9.1%)**
- Loan-to-value ratio: **36.1%**
- Property development (Residential and Office) new orders: **€3.7 bn** including VAT (+29%)
- Net retail rental income: €174.7 million (+3.9% like-for-like)

ECONOMIC IMPACT
- **€2.9 billion** in GDP generated in the regions
- **52,700** jobs supported
- **15,500** jobs in shopping centres

HUMAN IMPACT
- **18,760 hours** of training
- **1,163** employees trained
- **28%** of women on the committee of managers

RELATIONSHIP IMPACT
- **7.7/10:** satisfaction index of customers in our shopping centres
- **1** pilot Well Community Standard district
- **82%** of Cogedim offices in the Paris Region undergoing Well Building Standard certification
- Cogedim voted 2018 customer service of the year

INTELLECTUAL IMPACT
- Innovations tested on all types of projects
- New products/services launched
- An internal knowledge-sharing platform
- 6,900 jobs supported in the intellectual services sector

ENVIRONMENTAL IMPACT
- **38% reduction** in energy consumption and **57% reduction** in greenhouse gas emissions on shopping centre assets between 2010 and 2017
- **98%** of waste recovered
- **66%** of office projects in the Paris Region are redevelopments promoting the circular economy

BUSINESS REVIEW 31 DECEMBER 2017

2

2.1 Introduction

2.1.1 Altarea Cogedim, leading property developer in France

A comprehensive offer

Altarea Cogedim is the only urban player with developer know-how in all asset classes.

This means that the Group manages the biggest secured property portfolio in France, representing 3.6 million m² (all products combined) or €17.1 billion in potential market value as at 31 December 2017[(1)].

Secured pipeline *(by product)*	**Surface areas** *(m²)*[(a)]	**Potential value** *(€M)*[(b)]
Retail	614,750	3,411
Residential	2,183,150	9,205
Office	835,900	4,491
TOTAL	**3,633,800**	**17,107**
Change vs 31/12/2016	*+19%*	*+17%*

(a) Retail surface area: in m² created, including convenience stores.
Residential surface area: living surface area (properties for sale and future offering).
Office surface area: floor area or usable area.
(b) Market value as of delivery date. Retail value: potential market value including transfer duties for projects for delivery (net rental income capitalised at market rates) at 100% and revenue excl. tax for the retail property development programme. Residential value: property for sale + future offering incl. tax. Office value: potential market value excluding transfer duties on the date of disposal for investment projects (at 100%), amount excluding tax of VEFA/CPI contracts signed or estimated for the other development programmes (at 100%, or Group share for jointly owned projects), and capitalised delegated project management fees.

This portfolio is almost exclusively secured in the form of options or sale agreements that the Group may activate according to commercial and financial criteria and so smoothly manage the pace of commitments.

The largest projects are also often set up as partnerships in order to share the risk. Accordingly, out of this €17.1 billion pipeline, only €1.4 billion corresponds to amounts committed[(2)] (in Group share), of which €0.5 billion paid out and €0.9 billion remaining to be paid out, a decrease of 7% over the year.

A unique model

Altarea Cogedim has developed a unique model that combines the operational know-how of a multi-product developer with the financial strength of an REIT.

With €17.1 billion in projects secured, the Group is the leading property developer in France in all product categories. Most of this pipeline is completed using a "developer" type of business model (development for sale). This model now applies to all asset classes, including retail, where a growing proportion of the projects are for sale (such as the Promenade de Flandre retail park project, which was sold this year prior to delivery).

Most of the Group's invested capital is, however, allocated to investor activity. The Group acts as an REIT Company for certain retail formats (with assets of €4.7 billion including rights as of 31 December 2017, or €3.1 billion as Group share) and as a medium-term investor for some significant office sites. This "REIT-investor" model thus provides the Group with a high recurrence of income from its rents and significant capital gains derived from its arbitrages.

In total, Altarea Cogedim is both the property investor with the highest capacity for asset creation and the most financially agile promoter.

Partnering with French gateway cities

The Group focuses its activities on the twelve major French metropolises, contributing to their territorial development in terms of employment and economic growth in particular. Accordingly, each direct job at Altarea Cogedim can support 30 additional jobs in the French economy, a total of about 52,700 jobs[(3)] in 2017.

Secured pipeline *(by metropolitan area)*	**Surface areas** *(m²)*[(a)]	**Potential value** *(€M)*[(b)]
Grand Paris	1,848,800	10,258
Métropole Nice-Côte d'Azur	238,800	1,471
Marseille-Aix-Toulon	377,500	1,405
Toulouse Métropole	253,800	810
Bordeaux Métropole	215,900	716
Grand Lyon	171,400	627
Grenoble-Annecy	148,000	883
Eurométropole de Strasbourg	71,700	258
Nantes Métropole	137,900	311
Métropole européenne de Lille	5,200	20
Montpellier Méditerranée Métropole	83,700	130
Métropole de Rennes	4,000	16
Other[(c)]	77,100	202
TOTAL	**3,633,800**	**17,107**

(a) (b) Please refer to the previous table.
(c) Other French and international cities (Italy and Spain).

(1) Excluding the large mixed-use project Joia Meridia in Nice (73,500 m2) won in January 2018.

(2) Commitments relate only to pipeline projects. These correspond to costs already spent or yet to be spent under the contract and not covered by sales. For 2016, total commitments amounted to €1.5 billion in Group share.

(3) Data from a study conducted in 2016 (and extrapolated for 2017) by Cabinet Utopies using the Local Footprint® method to model the functioning of the economy based on national accounting (Eurostat Input-Output tables).

Leader in large mixed-use projects

This segment of the property market is currently buoyed by very strong momentum driven by territorial metropolisation. Communities once located on the outskirts of main built-up areas are being transformed into real urban centres with multiple needs for property equipment.

In response to these needs, the Group has emerged over the past several years as the largest urban designer in France. This leading position is due to the combination of several factors:

- the multi-product know-how that allows the Group to be the single point of contact for local authorities;
- the retail/leisure expertise that is often a distinguishing factor for a project;
- the power of the Group, both operationally and financially.

Complex real estate programmes with a floor area of at least 40,000 m² offer a mix of Residential (400 units minimum), Retail and Office and also include public and leisure facilities such as hotel resorts and cultural and sports venues.

Altarea Cogedim currently manages 9 large mixed-use projects representing a potential market value of €2.9 billion[(1)].

Large projects at the publication date[(a)]	Residential *(units)*	Retail *(m²)*	Office *(m²)*	Total *(m²)*[(b)]
Belvédère (Bordeaux)	1,230	11,200	53,500	141,100
La Place (Bobigny)	1,450	13,600	9,500	107,000
Cœur de Ville (Issy les M.)	630	17,000	40,850	100,000
Quartier Guillaumet (Toulouse)	1,200	5,800	7,500	101,000
Aerospace (Toulouse)	640	11,800	19,400	75,000
Joia Meridia (Nice)	800	4,700	2,900	73,500
Cœur de Ville (Bezons)	730	18,300		66,900
Gif sur Yvette	820	5,800		52,500
Fischer (Strasbourg)	580	3,300		41,400
TOTAL	**8,080**	**91,500**	**133,650**	**758,400**

(a) This portfolio includes the large project won in early 2018 "Joia Meridia" in Nice.
(b) Floor area.

2.1.2 The year's highlights

A successful first bond issue

The Group successfully completed its first unrated 7-year bond issue[(2)] of €500 million, offering a fixed annual coupon of 2.25%. This transaction was part of the continuation of the diversification policy and drives to disintermediate the Group's financing. It demonstrates the confidence investors have in Altarea Cogedim's distinctive economic model, both as a REIT and a property developer, and in the quality of its credit profile.

Large mixed-use projects: first iconic delivery and new successes

In 2017 the Altarea Cogedim delivered "Place du Grand Ouest", the new heart of the town of Massy. This project is a perfect illustration of the Group's know-how in creating a coherent and sustainable urban complex combining shops, public facilities and services for users and local residents. The biggest development project in the Paris Region[(3)] (100,000 m²) and built from scratch in two and a half years, it has generated €290 million (incl. tax) in new orders, all products combined.

The Group has also confirmed its leading position in recent months by winning two major projects totaling 175,000 m² in surface area:

- in December, the "*Quartier Guillaumet*" project located at the former site of the CEAT (*Centre d'Essais Aéronautiques de Toulouse*), which will develop 1,200 residences, 7,500 m² of office space, 5,800 m² of shops and 10,000 m² of facilities on land of 101,000 m²;
- in January 2018, the "Joia Méridia" project in Nice. This new quarter of 73,500 m² will offer 800 housing units, 8,000 m² of hotels and resort accommodation, 4,700 m² of retail and local services, 2,900 m² of tertiary space and a car-park with over 1,200 places.

Solid performance of all business lines

Retail: €3.4 billion of pipeline[(4)]

As France's leading retail developer, the Group has enhanced its leadership by winning a number of public bidding processes.

At the end of 2017, the Group was chosen for the construction of the future retail & leisure centre of Ferney-Voltaire on the outskirts of Geneva in a catchment area with exceptional purchasing power. This project, with a GLA of 46,400 m², is unique for the novel offering of culture and leisure, with the first openings in shopping malls for the Pompidou Centre (1,800 m²) and Universcience[(5)] (2,500 m²).

The Group has continued the development of several high-profile projects (commercial launch of the Paris-Montparnasse railway station and extension of the Cap 3000 regional centre in particular) and intensified its development activity for third parties, for both neighbourhood shops and large-scale retail sites (sale of the "Promenade de Flandre" retail park to Auchan Group).

(1) These large projects, excluding "Joia Méridia" project, are included in the overall €17.1 billion pipeline.
(2) Bond issue launched on 29 June 2017, with settlement on 5 July.
(3) With an area of 100,000 m², the project comprises 850 residential units, the Cogedim Club senior residence, a conference hall and shops next to the RER and TGV stations.
(4) In potential market value at 100%.
(5) Universcience, a joint initiative of the Palais de la Découverte and the Cité des Sciences et de l'Industrie, aims to get people to know and adopt modern science and to promote scientific and technological culture.

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

The Group posted a new number of reservations record in 2017, with 11,189 units reserved (up by 12% on 2016), comfortably surpassing its objective of 10,000 residential units sold per year and confirming its positioning as one of France's top three residential property developers[1]. In value, reservations grew by +15%, to more than €2.6 billion.

In terms of development, the Residential pipeline (offering and land portfolio) amounted to €9.2 billion (+13%). The renewal of the Pinel Act in 2018 for a four-year period and its greater confinement to high-demand areas[2] confirms the Group's territorial strategy, with more than 99% of the pipeline being located in eligible areas.

Office: major leases signed in a buoyant pipeline

Thanks to its mixed developer/medium-term investor model in Office, the Group manages 51 projects including some of the most iconic schemes in Grand Paris, reinforcing the Group's leadership status in this market. There are potential projects worth €4.5 billion in the pipeline.

During the year the Group signed two flagship leases for the future world HQs of Orange and Parfums Christian Dior, respectively the Bridge building in Issy-les-Moulineaux and the Kosmo building in Neuilly-sur-Seine.

The Group has announced the move of its future headquarters to the Richelieu building, in the 2nd *arrondissement* of Paris. This property, in which the Group is also an investor with a 58% holding, will showcase its vision of the "Office of the Future".

In 2017, the Group launched four major projects: the Landscape and Eria towers in La Défense and the Richelieu and Bridge programmes in Paris.

Recognition of the quality of customer relationships

The Group continued its customer relations and satisfaction endeavours through a new organisational structure, new tools, single contacts, digitalisation, and Cogedim Stores.

In 2017, the Group launched the "mon-cogedim.com" website, a digital platform in which a single customer relationship Manager provides dedicated follow-up for each customer for the duration of the real estate project.

The results of these endeavours speak for themselves:

The N°1 developer for customer hospitality

The Group is rated first among property brands and eighth across all sectors combined in France in the rankings established by Les Echos/HCG/Evertest for Customer Hospitality and Experience[3].

"Customer Service of the Year" for Cogedim:

The first real estate developer to be awarded "Customer Service of the Year in 2018[4]", Cogedim was rewarded for standards of service and quality of customer relations.

CSR approach: global number 1 ranking by GRESB

Ranked as the leading commercial property Company evaluated by GRESB[5] for the past two years, Altarea Cogedim has confirmed the excellence of its CSR approach by becoming the world's No. 1 listed property Company (all products combined). Moreover, with a score of 96/100, the Group ranked second in the world, all categories combined (listed and unlisted companies).

The Group has rolled out environmental certification across its Retail assets (100% of the portfolio is certified BREEAM In-Use[6], and 100% of new Office developments have received at least a NF HQE™ rating of "Excellent" and a BREEAM® rating of "Very good".

Altarea Cogedim is also committed to preserving biodiversity. In 2017, Cap 3000 has become the first BiodiverCity® certified shopping centre in France.

Attracting talent and sharing value

The Group considers identifying and recruiting talent as key to its short, medium and long-term success. It also sees to it that its employees are offered professional careers with a wealth of opportunities and to develop their skills throughout their career.

As a result, at the end of 2017, some 1,742 employees were contributing to the Group's development, compared with 1,526 at the end of 2016 and 1,045 two years ago.

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.

With the "*Tous en Actions!*" scheme, nearly 388,000 shares (nearly €81 million[7]) have been attributed to all staff in the last three years as part of a programme of free share grants through various plans accompanied by commitments to increase working time and individual and collective performance criteria.

(1) Altarea Cogedim is France's second biggest developer in terms of value (with €2,636 million in orders) and third biggest in terms of units.

(2) The "high-demand areas" correspond to areas A bis, A and B1. At the end of 2017, only 321 units (i.e., less than 1% of the Residential pipeline) are located in area B2, and half of those are in French Genevois, which has strong appeal.

(3) Ranking by The Human Consulting Group and Evertest for les Echos, published on 29 January 2018. The survey tests the customer services of the 200 biggest companies in France to assess the overall quality of their customer approach. Each Company received ten phone calls, a letter, three e-mails, a message via the website and five messages via social media.

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

(5) GRESB (Global Real Estate Sustainability Benchmark), a leading international ranking, annually assesses the CSR performance of real estate companies around the world. In 2017 it assessed 823 companies and funds, of which 194 were listed companies.

(6) 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.

(7) Using the share price as at 31 December 2017.

2.2 Business

2.2.1 Retail

The Group's unique strength lies in the size of the pipeline of projects developed, whether for the purpose of ownership by the property Company (100% or in partnership) or development for third parties (development, commercialisation, sale).

In a mature market disrupted by mixed consumption modes (mobility and digitisation, practical/pleasure, physical/on-line purchases, desire for experience and leisure, etc.) and urban uses (pedestrian city centre, paid car parks, etc.), Altarea Cogedim has chosen to focus on four high-potential niches with very "premium" offers and positioning that are located in dynamic metropolises:

- **large regional shopping centres**, which have high levels of footfall and potential for development (land reserves for an extension programme) or redevelopment. As shopping destinations, these assets are resilient and dominant in their catchment area and destined to become living areas in their own right by integrating more of a leisure dimension to provide an ever richer and more diversified customer experience;
- **large retail parks**, whose price/product match makes them one of the most successful asset classes. This model developed by the Group has proven itself year after year with record footfall and revenue. Many brands that have historically been present in shopping centres are changing their formats to be present in retail parks. Many leisure activities are being developed successfully in these open-air centres;
- **travel retail**. As a forerunner in the establishment of international retailers at railway stations and with firm awareness of the new lifestyles and consumption practices outside of places normally reserved for that purpose, Altarea Cogedim has been imagining retail solutions for over ten years for transit areas such as Gare de l'Est or Gare du Nord in Paris. In 2017, the marketing of Gare de Paris-Montparnasse began with prestigious names;
- **convenience retail**. With changes in lifestyles and consumption, this format is once again popular with consumers. Since 2014, the Group has created "Alta Proximité" to provide a qualitative offer of shops and daily services for all of its development operations in city centres. As a result, the Group is forming partnerships with local retailers to industrialise the offering in the worlds of health, food/gastronomy, childcare and leisure. The Group has also developed special know-how to attract local merchants and professionals such as doctors, bakers and restaurant owners.

The Group has seriously ramped up its "Sports & Leisure" offering, a strong lever of attractiveness for city centres with iconic store-names for each segment:

- cinemas: UGC at Bercy Village, Pathé Gaumont at Carré de Soie and Avenue 83 (where the brand opened the first Imax cinema in France);
- sport: UCPA at Carré de Soie, Feel Sport and Feel Jump in Aubergenville;
- children: Cap Pirate in Aubergenville, Pirates Aventures at Avenue 83;
- culture and leisure: Universcience and a branch of the Pompidou Centre in the expanding centre of Ferney Voltaire, and Miniworld at Carré de Soie.

2.2.1.1 PIPELINE

The Group communicates on a portfolio of projects that are underway or secured[(1)], which does not include identified projects for which development teams are in the negotiation or advanced study phase.

The Retail pipeline includes the programmes that are designed to be owned (100% or in partnership) by the property Company, as well as property development programmes for external investors, which mainly concern the local retail programmes included in large mixed-use projects.

At 31 December 2017, the Retail pipeline represents a potential value of €3.4 billion (100% owned).

	GLA *(in m²)*	**%**	**Potential value** *(€M)*[(a)]	**%**
Large regional SCs	265,100	43%	1,905	56%
Large retail parks	148,300	24%	477	14%
Travel retail	49,400	8%	522	15%
Convenience retail	151,950	25%	507	15%
TOTAL	**614,750**	**100%**	**3,411**	**100%**

(a) Potential market value, duties included, of fully delivered projects (net rents capitalised at a market rate) and revenue, excl. tax, for local retail development programmes).

(1) Projects underway: properties under construction. Secured projects: projects either fully or partly authorised, where the land has been acquired or for which contracts have been exchanged, but on which construction has not yet begun.

Mainly located in Grand Paris (64%) and the other most dynamic French cities (27%).

	GLA *(in m²)*	%
Grand Paris	395,600	64%
of which Paris inner city	*49,825*	*8%*
Other French cities	164,450	27%
International	54,700	9%
TOTAL	**614,750**	**100%**

Given the Group's cautious criteria, the decision to start 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 2024.

(€ millions, net)	At 100%	%	Group share
Committed	648	27%	354
o/w paid out	*305*	*13%*	*162*
o/w to be paid out	*342*	*15%*	*192*
Secured not committed	1,720	72%	1,667
TOTAL	**2,368**		**2,021**

Pipeline/Property investments

Bid won

Ferney Voltaire (Ferney-Genève)

The Group was awarded the project for the future shopping and leisure centre located in the heart of the Ferney-Geneva urban development area (Pays de Gex-Ain), with a total surface area of over 46,400 m².

This complex is part of the Greater Geneva development project called the Circle of Innovation. Altarea Cogedim's project stood out because of its unique commercial offer, perfect integration into the territory, architectural design by Jean-Michel Wilmotte, respect for the environment and unique cultural and leisure offer with Universcience and creation of a new branch of the Pompidou Centre, the institution's third establishment outside Paris, and the first in a shopping centre.

Progress of projects

Travel retail: The Paris-Montparnasse rail station

Following signature of the public space temporary occupancy agreement for the Paris Montparnasse station at the end of 2016, launch of the works site will be conducted in several phases. The contracts are currently being signed.

This exceptional site has an actual footfall of 70 million travellers per year and will grow with the opening of the high-speed Paris-Bordeaux and Paris-Rennes train lines. It offers a retail space with 90 boutiques and 30 restaurants, the delivery of which is planned as work proceeds, starting in 2018.

Marketing began with the Group's first Nespresso shop and the signing of an agreement to open a dozen restaurant brands with SSP, a specialist in train station restaurants and a Elior Group subsidiary.

National personal goods brands such as Levi's and Camaieu or Accessorize will join the restaurant brands.

The beauty and health sector will be represented by Lush, Yves Rocher and L'Occitane as well as a pharmacy.

Cap 3000 (Saint-Laurent-du-Var, Nice)

The extension of this exceptional centre is being rolled out in three stages, the first of which was completed this year with the opening of nine retail banners in the new "Biot" central area.

The next two stages will be:

- the opening in spring 2018 of the western central area, which includes the centre's new iconic entrance and around twenty new shops;
- and finally the delivery of the southern central area in 2019, with the transformation of the centre being competed in its golden anniversary year.

The offer of the new Cap 3000 (135,000 m² of which commercial areas will represent 105,000 m²), which will have doubled in size to accommodate 300 shops, will be based around three areas:

- a premium area (western hub) on the city side for high-end international "fashion and trend" brands that are new or rare in France and will set up their French concept store in the centre;
- new restaurant options in the central areas and seaside terraces (southern hub), through the participation of master chefs and the introduction of international restaurants with original concepts;
- digital services and innovation dedicated to improving the customer experience (concierges, personal shoppers, geolocation, etc.).

Leasing (leases signed)

In 2017, 79 leases were signed for the pipeline's assets, for a total of €23.1 million in rental income. These leases are mainly for the extension of Cap 3000, recently delivered projects (including Le Parks and Promenade de Flandre) and Gare de Paris-Montparnasse, with 15 brands that have signed leases.

Pipeline/Development

Sale of Promenade de Flandre

The Group sold the Promenade de Flandre retail park in Roncq to Auchan Group. The shopping centre was fully marketed by Altarea Cogedim's sales teams, then sold before delivery.

RETAIL PIPELINE at 31 December 2017 (investment and development)

Projects by type (at 100%)		Group share	GLA (in m2)[a]	Gross rent (€m)	Net invest. (€m)[b]	Yield	Potential value (€m)[c]	Progress
Cap 3000 (Nice)	Redev./ Expansion	33%	34,400					Under construction
Ferney-Voltaire (Geneva area)	Creation	100%	46,400					Secured
Sant Cugat (Barcelona)	Redev./Expansion	100%	10,000					Under construction
Ponte Parodi (Genoa)	Creation	100%	36,700					Secured
Le Due Torri (Lombardy)	Redev./ Expansion	100%	8,000					Under construction
Orgeval	Creation	100%	77,400					Secured
Other (2 operations)			52,200					
Shopping centre subtotal (8 projects)			**265,100**	**104.5**	**1,531**	**6.8%**	**1,905**	
L'Illiade (Chartres)	Creation	100%	49,600					Secured
PACA region	Creation	100%	43,500					Secured
Massy – X%	Redev./Expansion	100%	35,900					Secured
Aubergenville 2	Redev./Expansion	100%	9,400					Secured
La Vigie (Strasbourg)	Redev./Expansion	100%	9,900					Secured
Retail parks subtotal (5 projects)			**148,300**	**25.7**	**377**	**6.8%**	**477**	
Gare de Paris-Montparnasse	Creation	100%	18,200					Under construction
Gare de Paris-Austerlitz	Creation	100%	26,200					Secured
Gare de Paris-Est	Creation	51%	5,000					Secured
Travel retail subtotal (3 projects)			**49,400**	**27.1**	**355**	**7.6%**	**522**	
La Place (Bobigny)	Creation	100%	12,600					Secured
Cœur de Ville (Issy-les-M.)	Creation	100%	17,900					Secured
Convenience retail subtotal (2 projects)			**30,500**	**6.7**	**105**	**6.4%**	**128**	
TOTAL INVESTMENT (18 PROJECTS)			**493,300**	**164.0**	**2,368**	**6.9%**	**3,032**	
Group share			*458,417*	*141.5*	*2,021*	*7.0%*	*2,529*	
Convenience retail development (35 projects)			**121,450**	**27.6**	**355**	**7.8%**	**379**	
TOTAL AT 31 DECEMBER 2017 (53 PROJECTS)			**614,750**	**191.6**	**2,723**	**7.0%**	**3,411**	

(a) Total m^2 GLA created, including property development. For renovation/extension projects, figures represent additional GLA created.
(b) Total budget including interest expenses and internal costs.
(c) Potential market value including transfer duties for projects for delivery (net rental income capitalised at market rates) at 100% and revenue excl. VAT for the convenience store property development programme.

2.2.1.2 PORTFOLIO

Figures at 100%	No.	GLA (in m²)	Gross rent current (€M)[d]	Value (€M)[e]
Controlled assets[a]	33	724,600	187.6	4,260
Equity assets[b]	7	114,500	28.3	426
TOTAL PORTFOLIO ASSETS	**40**	**839,100**	**215.9**	**4,686**
o/w Group share	*na*	*624,670*	*145.9*	*3,086*
Management for third parties[c]	**7**	**150,700**	**30.3**	
TOTAL ASSETS UNDER MANAGEMENT	**47**	**989,800**	**246.2**	

(a) Assets in which Altarea Cogedim holds shares and over which the Group 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 leases signed as at 1 January 2018.
(e) Appraisal value including transfer duties.

Portfolio value

(€ millions)	Value[a]	Change
TOTAL AT 31 DECEMBER 2016	**4,512**	
France	*188*	
International	*17*	
Like-for-like change	**204**	**+4.5%**
Centres opened	40	
Sale	-70	
Total change	**174**	
TOTALE AT 31 DECEMBER 2017	**4,686**	**+3.8%**
o/w Group share	*3,086*	

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

The value of the portfolio[1] assets at 31 December 2017 was €4,7 billion, an increase of 3.8% year on year. This increase is attributable primarily to the opening of the Biot central area in Capillions 3000, the quality of re-leasing and lease renewals (particularly Bercy), and a compression of the capitalisation rate.

Property exit rate ("capitalisation rate")

The exit rate (or "capitalisation rate") is the rate used by appraisers to capitalise rents in the terminal period of their DCF models. It reflects the fundamental medium- to long-term quality of assets.

Average capitalisation rate at 100%	2017	2016
Total portfolio	4.83%	5.04%

The 21-basis-point decline in the capitalisation rate is attributable chiefly to strategic assets, which now account for approximately 85% of the Group's portfolio (at 100%). As a result, large regional shopping centres, major retail parks and railway station complexes are now valued at a rate of less than 5%, in line with transactions in France and Europe in general. Shopping centres (15% of the portfolio) are valued at between 5% and 8% depending on their location, their vacancy rate and their medium-term rental situation.

(1) Consolidation and equity-method recognition.

Significant events of the year

Deliveries

Cap 3000 (Saint-Laurent-du-Var)

The opening of the "Biot" shopping centre in April 2017 marks the first stage of the extension, with the arrival of Michael Kors, Palais des Thés, Old River, Armani Exchange, Adidas, Benetton, Hema, Bocage and Alice Delice to reinforce the retail line-up. The quality of the centre's renovation and overall design was distinguished by the 2017 Prix Versailles for Europe.

Since its classification in an International Tourist Zone in February 2016, the site has also benefited from the possibility of extending trading hours into the evening and on Sundays. The whole centre has taken advantage of this opportunity.

In terms of customer experience, the new central square is home to the "Digital Wave", a wave-shaped screen more than 5 metres tall, offering visitors total immersion into the projected image. This concept was rewarded by the prize for Excellence in marketing (Silver Customer Experience award) bestowed by ADETEM, the largest network of marketing professionals in France.

Together, these innovations have boosted footfall in the centre, which attracted more than 8 million visitors this year despite the extension work.

Arbitrage

Sale of L'Aubette (Strasbourg)

In July 2017, Altarea Cogedim sold the L'Aubette shopping centre. The transaction was part of the Group's arbitrage policy, which aims to focus its portfolio on regional assets located in major French cities.

Business activities of the centres

L'Avenue 83 (Toulon)

Eighteen months after its opening, L'Avenue 83 has confirmed its success. It has already established a loyal clientele, with annual footfall of 6.9 million visitors and a stellar performance by the Pathé cinema complex, ranked 10th among France's 200 most popular cinemas.

The development of the region is continuing with the creation of residential properties, offices and a hotel by the urban district of Toulon. The centre's line-up of retailers will be further enhanced by the opening of eight new shops under development on the ground floors of residential buildings.

In the second half, the site received BREEAM In-Use Excellent certification on the Asset side, Excellent on the Production side and Very Good on the Building Management side.

Bercy Village (Paris)

The Group's iconic site by virtue of its unique architecture, Bercy Village is completing a transformation dating back to 2016. With all units leased, Sunday trading authorised and performance indicators on the rise, the retail line-up is changing. The centre is now home to premium foodservice brands including Maison Pradier, a Parisian pastry chef who won the prize for the best chocolate éclair in Paris in 2015, not to mention Jour, a French customised salad concept. Lastly, Le Paradis du Fruit will open an outlet in the first half of 2018.

Carré de Soie (Vaulx-en-Velin)

The centre completed its repositioning this year with the opening in the second half of a mid-sized 4,600 m2 Carrefour supermarket, an Old Wild West theme restaurant, a JD Sports shop and a low-cost Babou banner. These arrivals come on top of those of Nike Factory, MiniWorld, L'Appart Fitness and Jennyfer. In the first half of 2018, the site will also welcome Chausséa.

The centre's footfall has risen by 6% since 1 January, 2017.

The reinforcement of the immediate catchment area continues, with the creation of housing and offices, a large part of which is being carried out by Altarea Cogedim.

Okabé (Kremlin Bicêtre)

Okabé has completed its transformation, with the arrival of the children's brand "Orchestra", which has opened its new global concept store, and the Dutch non-food chain Action. Footfall at the centre increased by 6.5% in 2017.

Le Due Torri (Stezzano - Italy)

At the beginning of the year, Due Torri confirmed its environmental performance by becoming the first Italian shopping centre awarded an Excellent BREEAM In-Use International rating in Asset Performance and Building Management. Redevelopment work ended with the opening of Sportland, as well as Piazza Italia and Calliope, two ready-to-wear fashion banners.

Gare de Paris-Est

The Group has extended its partnership with the SNCF by signing, in early 2017, a rider to the temporary occupancy authorisation at the Gare de Paris-Est, allowing commercial space in the Saint-Martin hall to be expanded with the arrival of ready-to-wear fashion stores Etam and Camaïeu in the second half of 2017. Further new stores, including popular foodservice concepts such as Factory & Co, already present at Bercy Village, and Monop', will open in 2018.

Operational performance

Economic environment

After the wait-and-see climate that prevailed early in the year, the final months of 2017 saw a slight rebound in activity driven by more encouraging economic indicators: GDP grew by 1.9% in 2017, compared with 1.1% in 2016, a growth rate that "has not been seen since 2011" according to INSEE.

Revenue[(1)] and footfall[(2)]

	Sales (incl. tax)	Footfall
France	2.0%	0.7%
International	0.4%	(2.1)%
TOTAL	**1.7%**	**0.3%**
Benchmark France (CNCC)	*(1.2)%*	*(1.8)%*

The increase in the revenue from tenants in France was driven in large part by the retail parks.

Net consolidated rental income

Net rental income (IFRS) was €174.7 million in 2017, an increase of 3.7% overall and 3.9% like-for-like. The increase in rental income reflects work conducted to improve the collection of rents and a noteworthy performance in variable rents and speciality leasing.

	€ millions	Change
Net rental income at 31 December 2016	**168.3**	
Acquisitions and openings	1.6	
Sale	(1.7)	
Like-for-like change	**6.4**	**+3.9%**
NET RENTAL INCOME AT 31 DECEMBER 2017	**174.7**	**+3.7%**

Occupancy cost ratio[(3)], bad debt ratio[(4)] and financial vacancy rates[(5)]

	2017	2016
Occupancy cost ratio	10.8%	10.3%
Bad debt ratio	1.2%	2.3%
Financial vacancy	2.4%	2.7%

The 0.5% increase in the occupancy cost ratio in 2017 was attributable to the one-off impact this year of renovations on the occupancy cost ratio at Cap 3000, one of the Group's main assets.

The significant reduction in the bad debt ratio in 2017 reflects the improvement in the Group's collection strategy and the good performance of retail banners.

The quality of leasing activity continues to pay off, both on the existing portfolio and with new assets, resulting in a further fall in the vacancy rate over the year.

Leasing (leases signed)

At 100%	Number of leases	New rent	Change
France	209	€18.4 m	€1.1 m
International	80	€7.3 m	€0.4 m
TOTAL	**289**	**€25.7 M**	**€1.4 M**

Combining the 79 initial marketing signatures on assets under development (see above) and the 289 signed leases, the teams worked on a total volume of 368 leases (compared with 310 in 2016), representing aggregate rental income of €48.8 million.

Lease expiry schedule

Lease expiry at 100%	€ millions, at 100%	% of total	3– year termination option	% of total
Past	16.7	7.7%	16.7	7.7%
2018	14.2	6.6%	36.4	16.9%
2019	9.6	4.4%	41.6	19.3%
2020	16.9	7.8%	43.1	20.0%
2021	16.0	7.4%	33.0	15.3%
2022	19.4	9.0%	12.0	5.6%
2023	20.8	9.6%	10.9	5.0%
2024	28.3	13.1%	4.0	1.9%
2025	28.1	13.0%	4.4	2.0%
2026	22.6	10.5%	4.3	2.0%
2027	16.1	7.5%	4.6	2.1%
2028	2.1	1.0%	0.2	0.1%
> 2028	5.1	2.4%	4.7	2.2%
TOTAL	**215.9**	**100%**	**215.9**	**100%**

Excluding assets managed for third parties, Altarea Cogedim manages a total of approximately 1,720 leases in France and internationally.

Detail of assets managed at 31 December 2017

(1) Change in merchant sales on a same-site basis in 2017. Excluding property being redeveloped.

(2) Like-for-like change in revenue from shopping centre tenants, excluding assets under refurbishment or in arbitrage

(3) Ratio of billed rents and expenses to tenants (including reductions) to sales revenue. Calculated including tax and at 100%. France and International. In 2016, the Group reported an occupancy cost ratio on the France scope and excluding restructuring-only assets of 9.9%. On the same scope of analysis, it would stand at 10.8% at the end of 2017.

(4) 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 %. France and International.

(5) Estimated rental value (ERV) of vacant units as a percentage of total estimated rental value. France and International. Excluding property being redeveloped.

Asset and type		GLA (in m²)	Gross rent (€M)[(d)]	Value (€M)	Group share	Group share (€M)
Cap 3000 (Nice)	SC	71,200			33%	
Espace Gramont (Toulouse)	SC	56,700			51%	
Avenue 83 (Toulon-La Valette)	SC	53,500			51%	
Qwartz (Villeneuve-la-Garenne)	SC	43,300			100%	
Bercy Village (Paris)	SC	23,500			51%	
Massy – X%	SC	18,400			100%	
La Vigie (Strasbourg)	SC	18,200			100%	
Family Village (Le Mans-Ruaudin)	RP	30,500			100%	
Family Village (Limoges)	RP	29,000			75%	
Family Village (Nîmes)	RP	28,800			100%	
Family Village (Aubergenville)	RP	27,800			100%	
Les Portes de Brest Guipavas	RP	28,600			100%	
Espace Chanteraines (Gennevilliers)	RP	23,700			51%	
Les Portes d'Ambresis (Villeparisis)	RP	20,300			100%	
XIV Avenue (Herblay)	RP	14,300			100%	
Marques Avenue A13 (Aubergenville)	RP	12,900			100%	
Pierrelaye	RP	10,000			100%	
Gare de l'Est (Paris)	TR	6,800			51%	
Grand Place & Les Tanneurs (Lille)	CG	25,500			100%	
Thiais Village	CG	22,800			100%	
Porte Jeune (Mulhouse)	CG	15,600			65%	
Okabé (Le Kremlin-Bicêtre)	CG	15,000			65%	
C. C. de Flins (Flins)	CG	9,800			100%	
Grand' Var (Toulon)	CG	6,400			100%	
Jas de Bouffan (Aix-en-Provence)	CG	4,500			100%	
Espace Saint Christophe (Tourcoing)	CG	4,300			100%	
C. C. d'Ollioules (Toulon)	CG	3,300			100%	
Various shopping centres (3 assets)	CG	14,800			100%	
Sub-total France		**639,500**	**163.1**	**3,822**		**2,440**
Sant Cugat (Barcelone)	SC	33,000			100%	
Le Due Torri (Bergame-Stezzano)	SC	30,900			100%	
Corte Lombarda (Bellinzago)	CG	21,200			100%	
Sub-total International		**85,100**	**24.5**	**438**		**438**
Controlled assets[(a)] (33 assets)		**724,600**	**187.6**	**4,260**		**2,878**
Carré de Soie (Lyon)	SC	51,000			50%	
Le Parks (Paris)	SC	33,300			50%	
Les Boutiques Gare du Nord (Paris)	TR	4,600			40%	
Espace Grand-Rue (Roubaix)	CG	12,000			32%	
Jas de Bouffan (Aix-en-Provence)	CG	5,300			50%	
Hôtel de Ville (Châlons)	CG	5,300			40%	
Various shopping centres (2)	CG	3,000			49%	
Equity assets[(b)] (7 assets)		**114,500**	**28.3**	**426**		**208**
TOTAL PORTFOLIO ASSETS (40 ASSETS)		**839,100**	**215.9**	**4,686**		**3,086**
Assets managed for third parties[(c)] (7 assets)		**150,700**	**30.3**			
TOTAL MANAGED ASSETS (47 ASSETS)		**989,800**	**246.2**			

(a) Assets in which Altarea Cogedim holds shares and over which the Group exercises operational control. Fully consolidated in the consolidated financial statements.
(b) Assets in which Altarea is not the majority Shareholder, but on which it exercises joint operational control or 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 1 January 2018.
(SC) Shopping centre – (RP) Retail park – (TR) Travel retail – (CS) Convenience store – (CG) Commercial gallery (mall)

2.2.2 Residential

A winning strategy

Ranked in the top 3 of French developers[1], with 8.6%[2] of the market in 2017 (11,189 units reserved), the Group recorded its highest growth in France for four years. New orders were multiplied by 3[3], representing the gain of 4.2 points of market share (of which 2.8 points resulting solely from organic growth).

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

Customers are at the core of the process

The Group stands out in the market by virtue of its capacity to tune into the wants and needs of its customers. To develop appropriate and suitable products, the Group has focused its efforts on three main areas.

Comprehensive customer support

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

- customisation of the offer: four collections featuring turnkey packs ("ready to live", "ready to rent", "connected", "security"); a catalogue of technical and decorative options. Customers can now make their choices in a Cogedim Store: the stores, open in Paris, Toulouse and Bordeaux, include display apartments, a room devoted to the choice of materials, and immersive digital experiences;
- the launch in 2017 of "mon-cogedim.com". This digital platform allows buyers to receive personalised support throughout their residential experience; the customer relationship Manager nurtures long-term dialogue with the buyer, who benefits from a single point of contact and dedicated follow-up, providing a service tailored to wants and needs;
- assistance in financing and rental management assistance for indivual investors.

These actions undertaken by the Group for the satisfaction of its customers have been rewarded: for instance, Cogedim became the first property developer to win "Customer Service of the Year" award for the level of service and quality of its customer relations in 2018. The Group also made its entry into the Top 10 French companies in the nationwide Les Echos/HCG ranking of customer reception (8th place), ranking 1st among French property developers.

A signature, a pledge of quality

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

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

The Group innovates by offering "new ways of living". In the 13th arrondissement of Paris for instance, the Nudge programme will encourage residents to adopt more virtuous behaviour in terms of eco-responsibility, socialisation with neighbours and creativity in everyday life.

Programmes rooted in their city

The Group strives to develop projects that fit seamlessly into their environment and match the end-needs of customers as closely as possible: close to shops, public transport and schools.

A multi-brand and multi-product strategy

The Group operates across France through three complementary brands: Cogedim, Pitch Promotion et Histoire & Patrimoine.

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

- High-end[4]: products defined by demanding requirements in terms of location, architecture and quality. In 2017, they accounted for 15% of the Group's orders by number of units, including three programmes currently on the market in Paris, where the Group is the leading developer[5];
- Entry level/mid-range[6]: these programmes, which accounted for 78% of the Group's new orders, 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, and
  - meet the challenges faced by social housing providers, with which the Group is developing genuine partnerships to help them increase their rental stock and upgrade some ageing assets;
- serviced residences: the Group develops an extended line (student residences, business tourism residences, exclusive residences, etc.). Under the Cogedim Club® brand, it also designs serviced residences for active seniors, combining locations in the heart of the city with a broad range of bespoke services. In 2017, three Cogedim Club® residences were opened in Bordeaux (33), Suresnes (92) and Massy (91), bringing the number of residences in operation to 10;
- sales in divided ownership: under the Cogedim Investissement brand, the Group develops programmes under a French government policy known as social rental usufruct. This additional offering, while meeting the need for low-cost housing in high-demand areas and thereby helping out local communities, provides an alternative investment product for private investors;
- rehabilitation of existing buildings: under the Histoire & Patrimoine brand, the Group has a range of products for Historical Monuments, Malraux Law properties and Real Estate Tax Losses.

(1) Altarea Cogedim is France's second biggest developer in terms of value (with €2,636 million in orders) and third biggest in terms of units.

(2) 129,817 units reserved in France in 2017 (+2.1% vs 2016) – Source: Ministry of Territorial Cohesion.

(3) In 2013, 85,151 units were reserved in France and 3,732 for the Group. Source: Ministry of Territorial Cohesion.

(4) Programmes at over €5,000 per m^2 in the Paris Region and over €3,600 per m^2 in other regions.

(5) By value of new orders.

(6) Programmes under €5,000 per m^2 in the Paris Region and under €3,600 per m^2 in other regions, as well as exclusive programmes.

Well-judged regional targeting

Operating in the largest and most dynamic regional gateway cities,the Group targets high-demand areas where the need for housing is the greatest.

The extension in 2018 of the Pinel tax scheme for a further four years and its strengthening in high-demand areas are welcome news for the Group in its regional strategy, as more than 99% of its pipeline (offering and future offering) is located in eligible areas[1].

The market and outlook in 2017

The housing market remained buoyant in 2017: with growth of 2.1%[2], 2017 reservations beat the 2016 level, which marked a return to pre-crisis levels.

The residential market as a whole, including institutional investors, private investors and homeowners, enjoyed continued low interest rates and effective incentives in the Pinel programme and increased Zero Rate Loans (ZRLs).

This improvement in the market is also reflected in building permits (+8.2% in 2017) and housing project commissioning (+15.7%)[3].

The refocusing of the Pinel tax scheme since 1 January 2018 is unlikely to seriously undermine market conditions, which remain favourable given the extent of needs.

Confident in the market trends, the Group aims to continue its trans-regional and multi-product developments in high-demand areas.

Reservations up[4] 15% by value and 12% by volume

11,189 units sold in 2017

The Group exceeded its target for new housing reservations in 2017. With 11,189 units sold (+12%), reservations reached €2.6 billion (inclusive of tax), an increase of 15% year on year.

	2017	2016	Change
Retail sales	1,780	1,598	+11%
Block sales	857	688	+25%
TOTAL (IN € MILLIONS)	**2,636**	**2,286**	**+15%**
o/w equity-method (Group share)	***€277***	***241***	***+15%***
Retail sales	6,692 units	5,964 units	*+12%*
Block sales	4,497 units	4,047 units	*+11%*
TOTAL (IN UNITS)	**11,189 UNITS**	**10,011 UNITS**	**+12%**

Reservations were driven by:

- retail sales, which were up 12% by volume compared with 2016, benefiting fully from households' increased solvency (low interest rates, ZRLs, Pinel tax scheme, etc.);
- block sales, which were up 11% by volume: the Group is a preferred partner for investors in both social housing (which accounts for 25% of total new orders) and intermediate or market-rent housing. The increase in block sales by 25% in value resulted in particular from a large number of sales in the immediate Paris Region.

Reservations by product range

Number of units	2017	%	2016	%	Change
Entry-level / mid-range	8,703	*78%*	6,561	*66%*	
High-end	1,680	*15%*	2,275	*23%*	
Serviced Residences	537	*5%*	1,006	*10%*	
Renovation/Rehabilitation	269	*2%*	169	*2%*	
TOTAL	11,189		10,011		+12%

Notarised sales: +49%

€ millions incl. tax	2017	%	2016	%	Change
Entry-level / mid-range	1,613	*61%*	1,080	*61%*	
High-end	855	*32%*	542	*30%*	
Serviced Residences	104	*4%*	101	*6%*	
Renovation/Rehabilitation	90	*3%*	60	*3%*	
TOTAL	2,663		1,783		+49%

The change in notarised sales reflects growth in the Group's business activity since 2015.

Revenue by % of completion: +33%[5]

(€ million) excl. tax	2017	%	2016	%	Change
Entry-level / mid-range	900	*63%*	659	*62%*	
High-end	441	*31%*	356	*33%*	
Serviced Residences	81	*6%*	52	*5%*	
TOTAL	1,422		1,067		+33%

(1) The "high-demand areas" correspond to areas A bis, A and B1. Only 321 units (i.e. less than 1% of the Residential pipeline) are located in area B2, and a large part of them are in French Genevois, which has strong appeal.

(2) Source: Ministry of Territorial Cohesion.

(3) Source: Ministry of Ecological and Solidarity Transition – Housing construction at the end of December 2017.

(4) Reservations net of withdrawals, in euros including tax when expressed in value. New orders at 100%, with the exception of projects under joint control (Group share of placements). Histoire & Patrimoine accounted for in proportion to the Group share (55%).

(5) 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.

Outlook

All the operational indicators reflecting the Group's outlook were up significantly.

Supply[1]: +4%

Supply	2017	2016	Change
€ millions (incl. tax)	4,016	3,853	+4%
Number of units	17,889	15,724	+14%

Commercial launches: +9%

Launches	2017	2016	Change
Number of units	12,841	11,147	+15%
Number of transactions	177	140	+26%
REVENUE INCL. TAX (€M)	**2,901**	**2,650**	**+9%**

Residential backlog[2]: +24%

(€ millions) excl. tax	2017	2016	Change
Notarised revenues not recognised on a % of completion basis	1,956	1,307	
Revenues reserved but not notarised	1,317	1,333	
BACKLOG	**3,273**	**2,640**	**+24%**
o/w equity-method (Group share)	*281*	*232*	*+21%*
Number of months	*28*	*24*	

The €3.3 billion backlog also includes projects on which the Group exercises joint control (projects consolidated by the equity method). The corresponding revenue is therefore not included in the consolidated revenue of the Group's Residential business line.

Projects under construction: +43 projects

At the end of 2017, 210 projects were under construction, compared to 167 at the end of 2016.

Properties for sale[3] and future offering: 42 months of pipeline[4]

(€ millions) incl. tax of potential revenue	2017	No. of month	2016	Ch.
Property for sale	1,581	7	1,337	
Future offering	7,624	35	6,809	
PIPELINE	**9,205**	**42**	**8,146**	**+13%**
In no. of units	*38,985*		*34,542*	*+13%*
In m²	*2,183,100*		*1,934,400*	*+13%*

Risk management

Breakdown of the Group's properties for sale at end-2017 (€1.6 billion incl. tax, or seven months of business), by percentage of completion:

	from lowest to highest risk			
(€ millions)	Project not yet started	Project under construction	In stock[a]	Total
Already spent[b]	184			
Cost price[c]		554	14	
PROPERTIES FOR SALE[d][e]	**839**	**700**	**18**	**1,557**
In %	*54%*	*45%*	*1%*	
Histoire & Patrimoine products				*17*
Measurement products				*7*
PROPERTIES FOR SALE[e]				**1,581**
o/w to be delivered	*in 2018*	*115*		
	in 2019	*387*		
	≥ 2020	*197*		

(a) Total value for sale on delivered programmes.
(b) Total amount already spent on operations in question, excl. tax.
(c) Cost price of properties for sale (excl. tax).
(d) Excl. Histoire & Patrimoine and Pitch Promotion renovation programmes.
(e) As revenue incl. tax.

(1) Sale agreements for land signed and valued as potential residential orders (incl. taxes).

(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) Units available for sale (incl. taxes value, or number count).

(4) Future offering consisting of secured projects (through an option on the land, mostly in unilateral form) whose launch has not yet occurred (value including taxes of potential revenue when expressed in euros).

Management of real estate commitments

54% of properties for sale (or €839 million) concerns programmes for which construction has not yet started (40% under preparation and 14% where the construction 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, and cost of property (if applicable).

45% of the offering (or €700 million) is currently under construction, including a limited share (16% or €115 million) representing units to be delivered by the end of 2018.

The stock amount of finished products is insignificant (1% of the total offer).

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

- the choice to prioritise unilateral preliminary sale agreements signings rather than bilateral sale and purchase agreements;
- requiring the consent of the Commitments Committee at all stages of the transaction: signature of the purchase agreement, marketing, land acquisition and launch of construction;
- strong pre-commercialisation required when acquiring land;
- abandonment or renegotiation of projects having generated inadequate take-up rates.

2.2.3 Office

An investor developer model

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

- as a promoter[(1)] in the form of off-plan sales, off-plan leases and property development contracts, with a particularly strong position on the turnkey users market, or as a service provider under delegated project management contracts;
- as an investor directly or through AltaFund[(2)] as part of an investment strategy in assets with high potential (prime location) in view of their medium-term sale once redeveloped[(3)].

The Group is systematically the developer of projects in which it acts as co-investor and Manager[(4)].

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

The market in 2017

After a record year in 2016[(5)], the amount of investments in office property reached €18.8 billion thanks notably to a very strong fourth quarter. The French market is very attractive for investors; transactions are focused primarily on the Paris region and the Lyon area, on premium assets of significant size[(6)].

This strength is also reflected in the rental market, with demand rising by 8% year on year in the Paris region to 2.6 million m². The Paris region vacancy rate accordingly edged down to 6.2%, and the scarcity of quality supply in the most sought-after business districts (CBD[(7)], La Défense, Western Crescent) is beginning to have an upward impact on headline rents.

€1.1 billion in new orders in 2017 (+80%)

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

- signing of property development or off-plan sales contracts in the development business[(8)];
- sale of assets in the investment business.

Business	Amount of placement	Recognition in accounts
Property Development	Amount (incl. tax) of the property development or off-plan sale contract	Revenue (excl. tax) by % of completion
Investment	Sale price, net of property development or off-plan sales contracts already signed (if applicable)	Capital gain recognised in profit[(a)]

(a) As the Group generally holds a minority stake in investment projects, the associated capital gain is recognised in equity-accounted income.

In 2017, the Group recorded significant commercial success, with a record level of new orders of €1.1 billion including tax (298,800 m²).

(€ millions) incl. tax	31/12/2017	31/12/2016	Change
Signing of property development or off-plan sales contracts	1,073	353	
o/w equity-method (Group share)	*75*	*29*	
Asset sales	–	245	
TOTAL	**1,073**	**598**	**+80%**

The main new orders related to the signature of the property development contracts for four projects: Bridge in Issy-les-Moulineaux, Landscape and Tour Eria in La Défense, and Richelieu in Paris. The impact of these orders on revenue will be seen in the coming years.

(1) This development activity does not present any commercial risk: Altarea Cogedim carries only a measured amount of technical risk.

(2) 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.

(3) Resold rented or not.

(4) Through marketing, sale, asset and fund management contracts.

(5) €19.1 billion invested in 2016. Source: Cushman & Wakefield/Immostat.

(6) Transactions covering an area of more than 5,000 m2. represent 43% of the surface market, an increase of 6 points year on year.

(7) Central Business District.

(8) New orders including tax at 100%, with the exception of projects under joint control (equity-accounted) for which placements are in Group share.

Pipeline: 51 projects underway

At 31 December 2017, the project portfolio comprised 51 developments, of which 8 are part of the Group's medium-term investment strategy and 4 represent delegated project management contracts.

The potential value at 100% of these projects under construction or secured is €4.5 billion.

At 31 December 2017	No.	Surface areas at 100% (m²)	Potential value at 100% (€m excl. tax)
Investments[a]	8	257,900	3,088
Property developer (property development or off-plan sales contracts)[b]	39	499,500	1,190
Delegated project management[c]	4	78,500	213
TOTAL	**51**	**835,900**	**4,491**

(a) Potential value: market value excluding project rights at the date of sale, held directly or via AltaFund.

(b) Projects intended for "100% external" customers only. Potential value: revenue (excl. tax) from signed or estimated property development or off-plan sale contracts, at 100%.

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

Commitments

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

On investment transactions, the Group's commitments correspond to the obligations of equity contributions in operations. For AltaFund projects, the equity that the Group was committed to contribute had already been handed over at 31 December 2017.

At the balance sheet date, the Group had accordingly committed a total of €291 million in Group share.

(In €m), Group share	Investment	Property Development	TOTAL Portfolio
Already invested	182	13	195
To be invested	96	–	96
TOTAL COMMITMENTS	**278**	**13**	**291**
Change 31/12/2016			*(17)%*

The residual commitments of the investment activity mainly concern a prime transaction located in the inner suburbs of Paris.

2.2.3.1 Investment

Eight investment projects at the end of 2017

At 31 December 2017, the Group was involved in eight medium-term investment projects, which it shares with leading institutional investors.

These projects covered the development or restructuring of office buildings in exceptional locations (Paris and inner suburbs), offering high potential once delivered.

The cost price of these projects was €2.1 billion at 100% (€637 million in Group share), representing a potential value of more than €3 billion (estimated selling price).

The deliveries of these transactions will be staggered between 2018 and 2023.

Leasing activity

In 2017, the Group signed two significant lettings for the future global headquarters of Orange and Parfums Christian Dior, respectively in the Bridge building in Issy-les-Moulineaux and Kosmo in Neuilly-sur-Seine.

Furthermore, in July the Group also announced plans to locate its future head office in the Richelieu building (Paris 2). This building, in which it is also an investor with a 58% share, will showcase its vision of the "Office of the Future".

It will host a new co-working concept and a business centre managed by Altarea Cogedim. Drawing on the Group's expertise in heavy redevelopment, the project will be delivered in the second quarter of 2019.

These three projects together account for over €60 million in headline rents. The value creation from these three transactions will fuel the Group's profits over the coming years[1].

(1) The average share for the Group in these three transactions represents 32% (of cost price).

Group investment projects at 31 December 2017

Project	Group share	Surface area (m²)	Estimated rental income (€m)[a]	Cost price (€m)[b]	Potential value (€m)[c]	Progress[d]
Kosmo – Neuilly-sur-Seine	17%	26,200				Under construction/leased
Richelieu (Paris)	58%	31,800				Under construction/leased
Bridge (Issy-les-Moulineaux)	25%	56,800				Under construction/leased
Landscape (La Défense)	15%	67,400				Under construction
Tour Eria, La Défense	30%	25,000				Under construction
Issy Cœur de ville – Hugo (Issy-les-Moulineaux)	26%	26,100				Secured
Issy CDV – Leclerc & Vernet (Issy-les-Moulineaux)	50%	15,100				Secured
La Place (Bobigny)	100%	9,500				Secured
TOTAL AT 100%	**30%[e]**	**257,900**	**128.0**	**2,146**	**3,088**	
o/w Group share			*38.2*	*637*	*923*	

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

2.2.3.2 Property Development

Property Development portfolio

In office development, the Group operates under off-plan and property development contracts, in two types of projects:

- projects in which the Group also acts as a medium-term investor (directly or via AltaFund), already presented above;
- "100% external" customer projects (investors, users).

	No.	Surface area (m²)	Revenue (€m)[a]
Group investments	8	257,900	920
100% external projects	39	499,500	1,190
PORTFOLIO 31/12/2017	**47**	**757,400**	**2,110**
o/w under construction	*19*	*297,300*	*1,055*
o/w secured projects	*28*	*460,100*	*1,056*

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

Altarea Cogedim is also acting as a delegated project Manager on four developments, some of which are among the most iconic in progress in the French capital.

The year's highlights

Supply

Altarea Cogedim took on 19 new projects representing a total of 222,000 m². The Group was notably selected for a 25,050 m² project in Rueil-Malmaison and for the future Orange regional headquarters in Balma near Toulouse (19,100 m²).

Deliveries

21 projects representing a total of 236,850 m² were delivered, including the Fhive building in Paris (4 th arrondissement, 22,700 m²), a 15,100 m² building in Lyon (Gerland district), and the "Austerlitz" building in the 13th arrondissement of Paris (14,800 m²).

Projects started

This year, work was started on 15 projects (representing a total of 264,000 m²), including the Richelieu building in Paris, Bridge in Issy-les-Moulineaux, and Landscape and the Eria Tower in La Défense.

Backlog[1] (off-plan, property development contracts and delegated project management)

(€ millions)	31/12/2017	31/12/2016	Change
Off-plan, property development contracts	906	626	
o/w equity-method (Group share)	*8*	*22*	
Fees (delegated project management)	3	4	
TOTAL	**908**	**630**	**+44%**

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

Development portfolio at 31 December 2017

	Type	Surface area *(m²)*	Revenue *(€m)*[(a)]	Progress[(b)]
Group investment projects (8 developments)		**257,900**	**920**	
Belvédère (Bordeaux)	Off-plan	53,500		Secured
Bassins à Flot (Bordeaux)	Off-plan	37,100		Secured
Orange (Lyon)	PDA	25,850		Under construction
Le Lumière (Reuil Malmaison)	Off-plan	25,050		Secured
Campus Orange (Balma, Toulouse)	Off-plan	19,100		Secured
Other (34 operations)	PDA/Off-plan sales	338,900		
Other "100% external" projects (39 developments)		**499,500**	**1,190**	
TOTAL OFF-PLAN, PROPERTY DEVELOPMENT CONTRACTS PORTFOLIO (47 PROJECTS)		**757,400**	**2,110**	
42 Vaugirard (Paris)		29,000		Under construction
52 Champs-Elysées (Paris)		24,000		Under construction
16 Matignon, Paris		13,000		Under construction
Tour Paris-Lyon (Paris)		12,500		Under construction
Delegated project management portfolio (4 developments)		**78,500**	**213**	
TOTAL DEVELOPMENT PORTFOLIO (51 PROJECTS)		**835,900**	**2,324**	

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

2.3 Consolidated results

2.3.1 Results

2.3.1.1 Strong growth in revenue and FFO (+22.6% and +33.5%)

Altarea Cogedim revenue was €1.9 billion (+22.6%), and recurring net result (FFO) Group share rose significantly to €256.3 million (+33%). This strong growth is mainly driven by very good Residential results: the significant investment levels achieved this year with Office have not yet had an impact on the 2017 financial year accounts.

Per share, FFO rose by 20.7% to €16.42 including the effect of the increase in the average number of shares (+1,488,547 shares compared with 2016). This creation of new shares is the result of equity-bolstering operations carried out over the last two years (impact in full year of capital increases of 2016 and of the payment of the scrip dividend in 2017).

(In M€)	Retail	Residential	Office	Other Corporate	funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	TOTAL
Revenue	**208.1**	**1,424.4**	**306.6**	**0.4**	**1,939.5**	**–**	**1,939.5**
Change vs 31/12/2016	*+1.2%*	*+33.4%*	*+1.4%*	*na*	*+23.0%*		*+22.6%**
Net rental income	174.7	–	–	–	174.7	–	174.7
Net property income	0.4	129.9	40.8	–	171.2	(5.5)	165.7
External services	17.8	2.0	15.0	0.4	35.2	–	35.2
Net revenue	**192.9**	**131.9**	**55.9**	**0.4**	**381.0**	**(5.5)**	**375.5**
Change vs 31/12/2016	*+1.4%*	*+52.5%*	*+36.3%*	*na*	*+19.7%*		
Own work capitalised and production held in inventory	6.4	138.0	22.0	–	166.4	–	166.4
Operating expenses	(54.3)	(174.2)	(38.9)	0.7	(266.8)	–	(266.8)
Net overhead expenses	**(48.0)**	**(36.2)**	**(16.9)**	**0.7**	**(100.4)**	**–**	**(100.4)**
Share of equity-method affiliates	49.4	21.5	4.4	–	75.3	1.3	76.6
Changes in value, calculated expenses and Retail transaction costs					–	202.5	202.5
Calculated expenses and Residential transaction costs					–	(12.3)	(12.3)
Calculated expenses and Office transaction costs					–	(2.2)	(2.2)
Other					–	(8.5)	(8.5)
Operating income	**194.3**	**117.2**	**43.4**	**1.1**	**355.9**	**175.2**	**531.1**
Change vs 31/12/2016	*+15.8%*	*+68.6%*	*+8.0%*	*na*	*+29.7%*		*+27.8%*
Net borrowing costs	(29.1)	(6.0)	(3.3)	–	(38.4)	(5.9)	(44.3)
Other financial results	4.0	–	–	–	4.0	4.7	8.8
Gains/losses in the value of financial instruments	–	–	–	–	–	2.9	2.9
Other	–	0.2	–	–	0.2	(0.2)	0.0
Corporate Income Tax	(5.5)	(5.2)	(4.7)	–	(15.4)	(7.0)	(22.5)
Net income	**163.8**	**106.2**	**35.3**	**1.1**	**306.4**	**169.7**	**476.1**
Non-controlling interests	(41.4)	(8.8)	0.1	–	(50.1)	(102.9)	(153.1)
NET INCOME, GROUP SHARE	**122.4**	**97.4**	**35.4**	**1.1**	**256.3**	**66.7**	**323.0**
Change vs 31/12/2016	*+22.9%*	*+65.3%*	*-2.8%*	*na*	*+33.5%*		*+95.2%*
Diluted average number of shares					15,608,950		15,608,950
NET INCOME, GROUP SHARE PER SHARE					**16.42**		**20.69**
Change vs 31/12/2016					*+20.7%*		*+76.6%*

* *Calculated change on revenue at 31/12/2016, including changes in value, calculated expenses and transaction costs of €1,581.7 million.*

2.3.1.2 FFO[1] Group Share: €256.3 million (+33.5%)

FFO Group share represents operating income after net borrowing costs, corporate income tax and non-controlling interests, for all Group activities.

FFO Retail: €122.4 million, +22.9%

FFO Retail illustrates the developer-investor model investor developed by Group. It is made up of:

- FFO Retail REIT which measures financial performance of the Group share assets;
- FFO Property Development and Retail Services which includes the retail assets development activity, and Altarea Commerce expenses not covered by fees and those linked to projects launched, redeveloped or commissioned but which cannot be capitalised in IFRS accounts.

(€ millions)	2017	2016	
Rental income	188.4	183.9	+2.4%
Rental costs/cost of land	(13.8)	(15.6)	
Net rental income	**174.7**	**168.3**	**+3.7%**
% of rental income	92.7%	91.5%	+1.2 pt
Contribution of EM associates	18.1	15.4	
Net borrowing costs	(29.1)	(27.0)	
Other financial results	4.0	–	
Other	–	0.1	
Corporate income tax	(0.5)	–	
Non-controlling interests	(41.4)	(41.3)	
FFO Retail REIT	**125.9**	**115.6**	**+8.9%**
Services	17.8	21.9	
Contribution of EM associates	31.3	–	
Net property income	0.4	–	
Own work capitalised and production held in inventory	6.4	9.4	
Operating expenses	(54.3)	(47.3)	
Corporate income tax	(5.0)	–	
FFO Property Development and Retail Services	**(3.5)**	**(16.1)**	
FFO Retail	**122.4**	**99.6**	**+22.9%**

FFO Retail REIT grew significantly in 2017 (+8.9%) thanks to the very good performance of portfolio assets both in leasing activity and asset management and administration.

Net rental income progressed 3.7% to €174.7 million (+3.9% on a like-for-like basis), boosted by a strengthening of the attractiveness of centres, particularly reflected in collection and bad debt indicators, and by the rise in specialty leasing, the deployment of which is now systematic in our centres.

Other financial results consist of income on hedging instruments, which follows the resolution of a dispute.

FFO Property Development and Retail Services this year registered the property development margin on the Promenade de Flandre retail park, whose income is registered under «Contribution from equity method associates». This project, developed and marketed by the Group, was transferred before opening to the Auchan Group.

(1) Funds From Operations or operating cash flow from operations.

FFO Residential: €97.4 million, +65.3%

FFO Residential has followed the progress made by property operations: spending relating to each Transaction Under Development is held in inventory and then reversed under net property income according to the percentage of completion[(1)] and commercial progress of the transaction.

(€ millions)	2017	2016	
Revenue	1,422.4	1,066.5	
Cost of sales and other expenses	(1,292.5)	(981.1)	
Net property income	**129.9**	**85.4**	**+52.2%**
% of revenue	9.1%	8.0%	
Services	2.0	1.1	
Production held in inventory	138.0	98.2	
Operating expenses	(174.2)	(134.0)	
Contribution of EM associates	21.5	18.9	
Operating income	**117.2**	**69.5**	**+68.6%**
% of (revenue + ext. serv. prov.)	8.2%	6.5%	+1.7 pt
Net borrowing costs	(6.0)	(6.5)	
Other	0.2		
Corporate income tax	(5.2)	(1.4)	
Non-controlling interests	(8.8)	(2.7)	
FFO RESIDENTIAL	**97.4**	**58.9**	**+65.3%**

2017 revenue stems from progress in operations mostly marketed in 2014 and 2015. The significant development of revenue (and associated margin) reflects the strong growth in new orders registered in these years.

Due to this growth and the control of structural costs, the margin[(2)] rose 1.7 points to 8.2%.

FFO Office: €35.4 million, (2.8)%

(€ millions)	2017	2016	
Revenue	291.6	295.9	
Cost of sales and other expenses	(263.1)	(261.4)	
Other income	12.4	–	
Net property income	**40.8**	**34.6**	**+18.2%**
% of revenue	14.0%	11.7%	
Services	15.0	6.4	
Production held in inventory	22.0	16.4	
Operating expenses	(38.9)	(26.1)	
Contribution of EM associates	4.4	8.8	
Operating income	**43.4**	**40.1**	**+8.0%**
% of (revenue + ext. serv. prov.)	14.1%	13.3%	+0.9 pt
Net borrowing costs	(3.3)	(3.7)	
Corporate income tax	(4.7)	–	
Non-controlling interests	0.1	–	
FFO OFFICE	**35.4**	**36.4**	**(2.8)%**

FFO Office, at €35.4 million, is mainly made up of margins on operations delivered (or close to delivery) in 2017. It does not yet reflect the significant volumes expected from new orders and the major construction projects begun this year, which will have a strong impact on results over the next two years.

Potential rises in value of investment projects, from significant lettings, signed this year, have not been taken into account either at this stage. They will boost future Group results in the form of capital gains accounted in contributions from equity method associates.

Other income relates to the margin on the "turnkey" Vaugirard operation (project acquired and re-sold during the year).

FFO per share: €16.42, +20.7%

The average number of shares in 2017 was 15,608,950 compared to 14,120,403 in 2016 (+1,488,547 shares).

This increase results from the impact of the weighted average (over the period) of the Group's equity reinforcement transactions:

- in 2016:
  - 2015 dividend payment in shares (821,762 shares issued),
  - capital increase in the market (1,503,028 shares issued),
  - reserved capital increase as part of the acquisition of Pitch Promotion (190,000 shares issued);
- and in 2017, 2016 dividend payment in shares (1,021,555 shares issued).

Despite this increase in the average number of shares, FFO per share was up by 20.7% thanks to the strong growth in the Group's results.

(1) At 31 December 2017, the Group applied IAS 18, percentage of completion calculated according to the stage of construction, not including land.

(2) Operating income (FFO) revenue.

2.3.1.3 Changes in value and calculated expenses: €66.7 million

Group share	*€ millions*
Change in value Investment properties	197.3
Change in value – Financial instruments	2.9
Disposal of assets and transaction costs	8.4
Share of equity-method associates	1.3
Deferred tax	(7.0)
IFRS 2 stock grant plan charges	(17.1)
Other estimated expenses[(a)]	(16.0)
Total	**169.7**
Non-controlling interests	(102.9)
TOTAL	**66.7**

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

2.3.1.4 Changes in accounting standards

Starting 1st of January 2018, the Group has applied IFRS 15 (Revenue from contracts with customers) which impacts revenues from property development projects: The standard means swifter recognition of percentage-of-completion[(1)] revenue and of the resulting net property income.

2.3.2 Net asset value (NAV)

2.3.2.1 Diluted going concern NAV: €174.0 per share (+9.1% over a year)

The Diluted Going Concern NAV increased significantly over the year up to €2.8 billion (+€395 million, *i.e.* +16.5%). On a per share basis, the NAV was up 9.1% to €174.0/share after the impact of the shares issuance (see above).

	31/12/2017				31/12/2016	
GROUP NAV	€ millions	Change	€/share	Change/share	€ millions	€/share
Consolidated equity, Group share	**1,904.8**		**118.7**		**1,620.9**	**107.8**
Other unrealised capital gains	722.1				636.5	
Restatement of financial instruments	26.2				68.7	
Deferred tax on the balance sheet for non-SIIC assets[(a)]	30.2				23.9	
EPRA NAV	**2,683.3**	**+14.2%**	**167.2**	**6.9%**	**2,350.0**	**156.4**
Market value of financial instruments	(26.2)				(68.7)	
Fixed-rate market value of debt	9.1				(14.4)	
Effective tax for unrealised capital gains on non – SIIC assets[(b)]	(29.5)				(27.2)	
Optimisation of transfer duties[(b)]	84.6				90.8	
Partners' share[(c)]	(20.2)				(18.5)	
EPRA NNNAV (NAV liquidation)	**2,701.2**	**+16.8%**	**168.3**	**9.4%**	**2,312.1**	**153.8**
Estimated transfer duties and selling fees	92.8				86.7	
Partners' share[(c)]	(0.7)				(0.7)	
DILUTED GOING CONCERN NAV	**2,793.3**	**+16.5%**	**174.0**	**9.1%**	**2,398.1**	**159.6**
Number of diluted shares:	*16,051,842*				*15,030,287*	

(a) International assets.
(b) Depending on disposal structuring (asset deal or share deal).
(c) Maximum dilution of 120,000 shares.

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:

- the Rental Management and Retail Property Development division (Altarea France);
- the Property Development (Residential and Office) division (Cogedim, Histoire et Patrimoine and Pitch Promotion);
- the Office Investment division (AltaFund);
- a hotel going concern (Wagram hotel);
- the Group's interest in the Rungis Market (Semmaris).

These assets are valued once a year within the framework of the annual closing by external appraisers.

(1) The methods for measuring the transfer of control (percentage of completion) will change. The whole cost price will now be included in the calculation, including land-related costs.

For retail and the hotel going concern, the valuation is entrusted to Cushman & Wakefield and Jones Lang LaSalle. The appraisers use two methods:

- discounting cash flows (DCF method), 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 Institution 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 Evaluation 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	38%
Cushman & Wakefield	France & International	62%

The valuations for Altarea France and Semmaris are entrusted to Accuracy.

The Property Development (Residential and Office) division and the Office Investment division are valued by two experts, Accuracy and 8 Advisory.

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. Eight Advisory 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.

Transfer Taxes

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.

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 per share at 31 December 2017 has risen strongly to €174.0 compared with 31 December 2016 (at €159.6 per share). This change breaks down as follows:

Diluted Going Concern NAV	*€ millions*	€/share
AS AT 31 DECEMBER 2016	**2,398.1**	**159.6**
2016 dividend	**(173.9)**	**(11.5)**
Capital increase[(a)]	**157.1**	**(0.2)**
Share buyback[(b)]	**(33.4)**	**(2.1)**
PROFORMA DIVIDEND AND FINANCIAL TRANSACTIONS.	**2,347.9**	**145.8**
Deferred tax	**(13.3)**	**(0.8)**
Change in value of fin. instruments[(c)]	**23.4**	**1.5**
2017 FFO	256.3	16.4
Creation of REIT value[(d)]	111.2	6.9
Creation of property development value	77.8	4.8
Other[(e)]	(10.0)	(0.6)
Creation of real estate value	**435.2**	**27.6**
AT 31 DECEMBER 2017	**2,793.3**	**174.0**

(a) 2016 scrip dividend payment option at €153.84 below opening NAV (diluting effect).
(b) Impact of the share buyback intended for the bonus share plans.
(c) Including fixed-rate market value of debt.
(d) Including change in value of Retail.
(e) Including allowances for depreciation and amortisation and partners' share.

(1) Equity market value assuming a continuation in business, taking into account the potential dilution related to the SCA status.

2.4 Financial resources

2.4.1 Financial position

Success of inaugural bond issue of €500 million

The Group carried out its first bond issue for an amount of €500 million in July 2017. This unrated bond, with a maturity of seven years, offers a fixed annual coupon of 2.25%.

The Group thus entered a new phase on the capital markets, having carried out €380 million of Euro PP since 2012.

This transaction was part of the continuation of the diversification policy and drives to disintermediate the Group's financing. It demonstrates the confidence investors have in Altarea Cogedim's distinctive economic model, both as a REIT and a property developer, and in the quality of its credit profile.

Reinforcement of equity: €157.1 million raised

In 2017, the success of the option to receive a scrip dividend in 2016 enabled the Group to bolster its equity by €157.1 million. The subscription rate was 91.69%, which resulted in the issuance of 1,021,555 new shares.

Consolidated net debt: €2,526 million

As at 31 December 2017, the Group's net financial debt stood at €2,526 million, up €101 million compared to 31 December 2016.

The average duration remains stable in relation to 31 December 2016, at 5 years and 4 months.

(€ millions)	31/12/2017	31/12/2016
Corporate and bank debt	541	490
Credit markets[a]	1,769	995
Mortgage debt	1,071	1,142
Property development debt	316	276
TOTAL GROSS DEBT	**3,696**	**2,903**
Cash and cash equivalents	(1,169)	(478)
TOTAL NET DEBT	**2,526**	**2,425**

(a) This figure includes €838 million in treasury notes.

(€ millions)	TOTAL	REIT division	Property Development division
Corporate and bank debt	541	199	342
Credit markets[a]	1,769	1,300	469
Mortgage debt	1,071	1,071	
Property development debt	316		316
TOTAL GROSS DEBT	**3,696**	**2,569**	**1,127**
Cash and cash equivalents	(1,169)	(716)	(453)
TOTAL NET DEBT	**2,526**	**1,852**	**674**

(a) This figure includes €838 million in treasury notes.

€600 million in long-term financing secured

During the 2017 financial year, the Groupe put in place €600 million worth of new financing:

- €100 million in corporate credit with a five year and three-month term;
- €500 million in bonds with a seven-year term.

Treasury notes

Altarea Cogedim has two treasury bill programmes (maturities from one month to one year) for which the maximum amounts are €750 million for Altarea SCA and €600 million for Altareit SCA[1].

As at 31 December 2017, the outstanding amounts were respectively €369 million and €469 million for Altarea SCA and Altareit SCA.

(1) Altareit is a subsidiary 99.85% held by Altarea Cogedim, listed on Euronext Paris (AREIT), mainly grouping the Residential and Office activities of the Group.

Available liquity

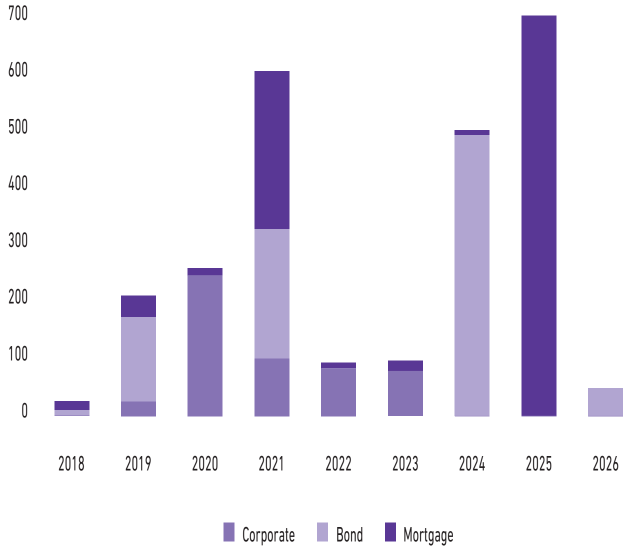
As at 31 December 2017, available liquidity, to be drawn at any time and immediately, was composed of:

- €959 million in cash;
- €659 million in undrawn committed revolving credit facilities;
- €37 million in overdraft authorisations.

This available liquidity includes €838 million in treasury bills with an average term of five months.

Debt maturity schedule(1)

The following graph shows the debt of the Group by maturity at 31 December 2017 including the bond issued on 5 July 2017.



The mortgage debt due in 2021 corresponds to Cap 3000, the extension of which will have been completed the previous year. The bond related-debt due in 2024 corresponds to the term of the bond issued in July 2017.

The 2025 maturity corresponds to the mortgage financing put in place on a portfolio of shopping centres in 2015.

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 debt(2) with the balance exposed to the three months Euribor.

Hedging instruments are processed at Group level. Most of them are not tied to specific financing agreements (including a significant portion of the mortgage financing). They are accounted at fair value in the consolidated financial statements.

In 2017, the Group continued to improve the profile of its average hedge ratio through the cancellation of the swap restructuring.

The average hedge rate now stands between 0.43% and 1.03% up to 2026. With this strategy, the Group has a strong visibility over its medium-term hedged cost of debt.

Maturity	Swap *(€m)*(a)	Fixed-rate debt *(€m)*(a)	Cap strike 0% *(€m)*(a)	Total *(€m)*(a)	Average swap rate(b)
2017	487	740	802	2,029	0.32%
2018	1,335	953	107	2,395	0.43%
2019	1,696	938		2,635	0.52%
2020	2,035	798		2,833	0.82%
2021	2,072	795		2,867	0.88%
2022	1,964	793		2,757	0.89%
2023	1,963	790		2,753	0.89%
2024	1,853	537		2,391	0.92%
2025	959	168		1,127	1.02%
2026	–	50		50	0.63%

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

In addition, the Group has optional shorter-term instruments out of the money.

(1) Credit drawn at 31 December 2017 excluding development debt and treasury notes.
(2) Including fixed-rate bonds.

Average cost of drawn debt: 1.75% (1.92% at year-end 2016)(1)

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. Over the year the Group also benefited from the success of its treasury note programme and the first effects of the renegotiations of its financing terms for property development.

Altarea Cogedim anticipates keeping an average cost of debt under 2.50% over the coming years thanks to the tight control of its liabilities and to its hedging strategy, regardless of changes in interest rates.

2.4.3 Covenants

Loan to Value (LTV)

As at 31 December 2017, the LTV ratio, which corresponds to consolidated net debt/market value of assets, stood at 36.1% (compared with 37.2% as of 31 December 2016).

The Group set an objective to keep an LTV around 40%.

At 31/12/2017	*€ millions*
Gross debt	3,696
Cash and cash equivalents	(1,169)
Consolidated net debt	**2,526**
Shopping centres at value (FC)[a]	4,261
Shopping centres at value (EM affiliates' securities) and Other[b]	370
Investment properties valued at cost[c]	526
Office Investments[d]	237
Enterprise value of Property Development[e]	1,610
Market value of assets	**7,004**
LTV RATIO	**36.1%**

(a) Market value (including transfer taxes) of shopping centres in operation recorded according to the fully consolidated method.
(b) Market value (including transfer taxes) of shares of equity-method affiliates carrying shopping centres and other retail assets.
(c) Net book value of investment properties in development valued at cost.
(d) Market value (including transfer taxes) of share of equity-method affiliates carrying investments in Office and other Office assets.
(e) Value assessed by property development specialist (Enterprise value).

Interest Coverage Ratio (ICR)

The coverage ratio of net borrowing costs by operating income was 9.3x in 2017, an improvement over 2016.

	Covenant	31/12/2017	31/12/2016	Delta
LTV[a]	≤ 60%	36.1%	37.2%	(1.1) pt
ICR[b]	≥ 2.0 x	9.3 x	7.4 x	+1.9 x

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

As at 31 December 2017, the Group largely complied with all covenants.

(1) Including related fees (commitment fees, non-use fees, etc.).

Consolidated Income statement by segment at 31 December 2017

(€ millions)	31/12/2017 Funds from operations (FFO)	31/12/2017 Changes in value, estimated expenses and transaction costs	31/12/2017 TOTAL	31/12/2016 Funds from operations (FFO)	31/12/2016 Changes in value, estimated expenses and transaction costs	31/12/2016 TOTAL
Rental income	188.4	–	188.4	183.9	–	183.9
Other expenses	(13.8)	–	(13.8)	(15.6)	–	(15.6)
Net rental income	**174.7**	**–**	**174.7**	**168.3**	**–**	**168.3**
External services	17.8	–	17.8	21.9	–	21.9
Own work capitalised and production held in inventory	6.4	–	6.4	9.4	–	9.4
Operating expenses	(54.3)	(3.1)	(57.4)	(47.3)	(3.6)	(50.8)
Net overhead expenses	**(30.2)**	**(3.1)**	**(33.3)**	**(16.1)**	**(3.6)**	**(19.6)**
Share of equity-method affiliates	**49.4**	**(0.4)**	**49.0**	**15.4**	**(2.1)**	**13.3**
Net allowances for depreciation and impairment	**–**	**(1.4)**	**(1.4)**	**–**	**(2.6)**	**(2.6)**
Income/loss on sale of assets	**0.4**	**9.7**	**10.1**	**–**	**(0.3)**	**(0.3)**
Income/loss in the value of investment property	**–**	**197.3**	**197.3**	**–**	**177.2**	**177.2**
Transaction costs	**–**	**(0.0)**	**(0.0)**	**–**	**(1.6)**	**(1.6)**
NET RETAIL INCOME	**194.3**	**202.1**	**396.4**	**167.7**	**167.1**	**334.8**
Revenue	1,422.4	–	1,422.4	1,066.5	–	1,066.5
Cost of sales and other expenses	(1,292.5)	(2.9)	(1,295.3)	(981.1)	(2.4)	(983.5)
Net property income	**129.9**	**(2.9)**	**127.1**	**85.4**	**(2.4)**	**83.0**
External services	2.0	–	2.0	1.1	–	1.1
Production held in inventory	138.0	–	138.0	98.2	–	98.2
Operating expenses	(174.2)	(9.9)	(184.1)	(134.0)	(6.9)	(140.9)
Net overhead expenses	**(34.2)**	**(9.9)**	**(44.1)**	**(34.8)**	**(6.9)**	**(41.6)**
Share of equity-method affiliates	**21.5**	**(0.3)**	**21.2**	**18.9**	**(2.0)**	**16.9**
Net allowances for depreciation and impairment	**–**	**(1.8)**	**(1.8)**	**–**	**(3.0)**	**(3.0)**
Transaction costs	**–**	**(0.6)**	**(0.6)**	**–**	**(0.3)**	**(0.3)**
NET RESIDENTIAL INCOME	**117.2**	**(15.5)**	**101.7**	**69.5**	**(14.6)**	**55.0**
Revenue	291.6	–	291.6	295.9	–	295.9
Cost of sales and other expenses	(263.1)	(2.7)	(265.8)	(261.4)	(2.2)	(263.6)
Other income	12.4	–	12.4	–	–	–
Net property income	**40.8**	**(2.7)**	**38.2**	**34.6**	**(2.2)**	**32.4**
External services	15.0	–	15.0	6.4	–	6.4
Production held in inventory	22.0	–	22.0	16.4	–	16.4
Operating expenses	(38.9)	(1.8)	(40.8)	(26.1)	(2.3)	(28.3)
Net overhead expenses	**(1.9)**	**(1.8)**	**(3.7)**	**(3.2)**	**(2.3)**	**(5.5)**
Share of equity-method affiliates	**4.4**	**2.0**	**6.4**	**8.8**	**(1.3)**	**7.4**
Net allowances for depreciation and impairment	**–**	**(0.4)**	**(0.4)**	**–**	**(0.7)**	**(0.7)**
Transaction costs	**–**	**–**	**–**	**–**	**–**	**–**
NET OFFICE INCOME	**43.4**	**(2.9)**	**40.5**	**40.1**	**(6.5)**	**33.6**
Other (Corporate)	1.1	(8.5)	(7.5)	(2.9)	(4.7)	(7.6)
OPERATING INCOME	**355.9**	**175.2**	**531.1**	**274.5**	**141.2**	**415.7**
Net borrowing costs	(38.4)	(5.9)	(44.3)	(37.2)	(6.3)	(43.5)
Other financial results	4.0	4.7	8.8	–	–	–
Discounting of debt and receivables	–	(0.3)	(0.3)	–	(0.3)	(0.3)
Change in value and income from disposal of financial instruments	–	2.9	2.9	–	(75.8)	(75.8)
Proceeds from the disposal of investments	–	0.1	0.1	–	(0.1)	(0.1)
Dividend	0.2	–	0.2	0.1	–	0.1
PROFIT BEFORE TAX	**321.8**	**176.7**	**498.5**	**237.5**	**58.7**	**296.3**
Corporate income tax	(15.4)	(7.0)	(22.5)	(1.4)	(27.5)	(28.9)
NET INCOME FROM CONTINUING OPERATIONS	**306.4**	**169.7**	**476.1**	**236.1**	**31.3**	**267.4**
Minority shares in continued operations	(50.1)	(102.9)	(153.1)	(44.1)	(57.8)	(101.8)
NET INCOME FROM CONTINUING OPERATIONS. GROUP SHARE	**256.3**	**66.7**	**323.0**	**192.0**	**(26.5)**	**165.5**
Net income (loss) from discontinued operations	–	–	–	–	2.3	2.3
NET INCOME	**306.4**	**169.7**	**476.1**	**236.1**	**33.5**	**269.6**
Non-controlling interests	(50.1)	(102.9)	(153.1)	(44.1)	(57.8)	(101.8)
NET INCOME. GROUP SHARE	**256.3**	**66.7**	**323.0**	**192.0**	**(24.2)**	**167.8**
Diluted average number of shares	15,608,950	15,608,950	15,608,950	14,120,403	14,120,403	14,120,403
NET INCOME PER SHARE, GROUP SHARE (IN €)	**16.42**	**4.28**	**20.69**	**13.60**	**(1.72)**	**11.88**

Balance sheet at 31 December 2017

(€ millions)	31/12/2017	31/12/2016
Non-current assets	**5,437.9**	**5,034.9**
Intangible assets	258.5	257.9
o/w goodwill	155.3	155.3
o/w brands	89.9	89.9
o/w client relations	–	5.5
o/w other intangible assets	13.3	7.2
Property. plant and equipment	18.5	14.2
Investment properties	4,508.7	4,256.0
o/w investment properties in operation at fair value	3,983.8	3,797.0
o/w investment properties under development and under construction at cost	525.0	459.0
Securities and investments in equity affiliates and unconsolidated interests	564.0	412.0
Loans and receivables (non-current)	9.3	9.1
Deferred tax assets	79.0	85.7
Current assets	**3,154.8**	**2,046.6**
Net inventories and work in progress	1,288.8	978.1
Trade and other receivables	630.8	524.0
Income tax credit	8.6	9.4
Loans and receivables (current)	49.3	46.4
Derivative financial instruments	8.2	10.2
Cash and cash equivalents	1,169.1	478.4
TOTAL ASSETS	**8,592.8**	**7,081.4**
Equity	**3,164.7**	**2,758.3**
Equity attributable to Altarea SCA Shareholders	**1,904.8**	**1,620.9**
Capital	245.3	229.7
Other paid-in capital	563.2	588.3
Reserves	773.2	635.1
Income associated with Altarea SCA Shareholders	323.0	167.8
Equity attributable to minority Shareholders of subsidiaries	**1,259.9**	**1,137.4**
Reserves associated with minority Shareholders of subsidiaries	911.8	840.5
Other equity components. Subordinated Perpetual Notes	195.1	195.1
Income associated with minority Shareholders of subsidiaries	153.1	101.8
Non-current liabilities	**2,886.9**	**2,337.6**
Non-current borrowings and financial liabilities	2,826.1	2,280.7
o/w participating loans and advances from associates	82.6	82.3
o/w bond issues	920.7	428.0
o/w borrowings from lending establishments	1,822.9	1,770.3
Long-term provisions	20.1	20.0
Deposits and security interests received	32.2	31.7
Deferred tax liability	8.6	5.3
Current liabilities	**2,541.1**	**1,985.5**
Current borrowings and financial liabilities	1,032.2	799.9
o/w bond issues	9.9	104.4
o/w borrowings from lending establishments	103.3	240.0
o/w treasury notes	838.0	358.6
o/w bank overdrafts	0.8	2.5
o/w advances from Group Shareholders and partners	80.2	94.3
Derivative financial instruments	34.9	75.3
Accounts payable and other operating liabilities	1,460.3	1,109.9
Tax due	13.8	0.4
TOTAL LIABILITIES	**8,592.8**	**7,081.4**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3

3.1 Consolidated statement of comprehensive income

(€ millions)	Note	31/12/2017	31/12/2016
Rental income		188.4	183.9
Property expenses		(4.6)	(4.8)
Unrecoverable rental expenses		(8.1)	(6.8)
Management costs		1.7	1.5
Net charge to provisions for current assets		(2.8)	(5.5)
Net rental income	5.1	**174.7**	**168.3**
Revenue		1,715.9	1,368.0
Cost of sales		(1,464.8)	(1,178.2)
Other income		12.4	–
Selling expenses		(81.6)	(61.9)
Net charge to provisions for current assets		(14.5)	(8.2)
Amortisation of customer relationships		(5.5)	(4.6)
Net property income	5.1	**161.9**	**115.0**
External services		35.2	29.9
Own work capitalised and production held in inventory		166.4	124.0
Personnel costs		(200.9)	(163.9)
Other overhead expenses		(80.1)	(62.2)
Depreciation expense on operating assets		(5.6)	(5.0)
Net overhead expenses		**(85.0)**	**(77.2)**
Other income and expenses		(3.8)	(0.6)
Depreciation expenses		(0.8)	(0.8)
Transaction costs		(1.4)	(2.7)
Other		**(6.0)**	**(4.1)**
Proceeds from disposal of investment assets		80.0	2.9
Carrying amount of assets sold		(68.6)	(2.8)
Net charge to provisions for risks and contingencies		(1.5)	–
Net gain/(loss) on disposal of investment assets		**9.9**	**0.1**
Change in value of investment properties	7.1	198.7	177.2
Net impairment losses on investment properties measured at cost		(1.4)	–
Net impairment losses on other non-current assets		0.4	(0.0)
Net charge to provisions for risks and contingencies		1.4	(1.1)
OPERATING INCOME BEFORE THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES		**454.5**	**378.1**
Share in earnings of equity-method affiliates	4.4	44.0	37.6
OPERATING INCOME AFTER THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES		**498.6**	**415.7**
Net borrowing costs	5.2	(44.3)	(43.5)
Financial expenses		(60.0)	(59.4)
Financial income		15.7	15.9
Other financial results		8.8	–
Change in value and income from disposal of financial instruments	5.2	2.9	(75.8)
Discounting of debt and receivables		(0.3)	(0.3)
Proceeds from the disposal of investments		32.6	(0.1)
Dividend		0.2	0.1
Profit before tax		**498.5**	**296.3**
Income tax	5.3	(22.5)	(28.9)
NET INCOME FROM CONTINUING OPERATIONS		**476.1**	**267.4**
of which Net income from continuing operations, Group share		323.0	165.5
of which Net income from continuing operations attributable to minority interests		153.1	101.8
NET INCOME FROM DISCONTINUED OPERATION		**–**	**2.3**
of which Net income from discontinued operations, Group share		–	2.3
of which Net income from discontinued operationsattributable to minority interests		–	–
NET INCOME		**476.1**	**269.6**
of which Attributable to shareholders of Altarea SCA		323.0	167.8
of which Attributable to minority interests in subsidiaries		153.1	101.8
Average number of non-diluted shares		15,436,934	13,994,904
Non-diluted net income per share from continuing operations attributable to shareholders of Altarea SCA *(€)*		20.92	11.83
Non-diluted net income per share from discontinued operations attributable to shareholders of Altarea SCA *(€)*		–	0.16
Net income per share attributable to shareholders of Altarea SCA *(€)*	5.4	**20.92**	**11.99**
Diluted average number of shares		15,608,950	14,120,403
Diluted net income per share from continuing operations attributable to shareholders of Altarea SCA *(€)*		20.69	11.72
Diluted net income per share from discontinued operations attributable to shareholders of Altarea SCA *(€)*		–	0.16
Diluted net income per share attributable to shareholders of Altarea SCA *(€)*	5.4	**20.69**	**11.88**

Other items of comprehensive income

(€ millions)	31/12/2017	31/12/2016
NET INCOME FROM CONTINUING OPERATIONS	**476.1**	**267.4**
Actuarial differences on defined-benefit pension plans	(0.3)	(0.2)
o/w Taxes	*0.1*	*0.1*
Subtotal of comprehensive income items that may not be reclassified to profit or loss	**(0.3)**	**(0.2)**
OTHER ITEMS OF COMPREHENSIVE INCOME	**(0.3)**	**(0.2)**
COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS	**475.8**	**267.2**
o/w Net comprehensive income from continuing operations attributable to Altarea SCA shareholders	322.7	165.4
o/w Net comprehensive income from continuing operations attributable to minority interests in subsidiaries	153.1	101.8
NET INCOME FROM DISCONTINUED OPERATIONS	**–**	**2.3**
Actuarial differences on defined-benefit pension plans	–	–
o/w Taxes	–	–
Subtotal of comprehensive income items that may not be reclassified to profit or loss	**–**	**–**
OTHER ITEMS OF COMPREHENSIVE INCOME	**–**	**–**
COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS	**–**	**2.3**
o/w Net comprehensive income from discontinued operations attributable to Altarea SCA shareholders	–	2.3
o/w Net comprehensive income from discontinued operations attributable to minority interests in subsidiaries	–	–
NET INCOME	**476.1**	**269.6**
Actuarial differences on defined-benefit pension plans	(0.3)	(0.2)
o/w Taxes	*0.1*	*0.1*
Subtotal of comprehensive income items that may not be reclassified to profit or loss	**(0.3)**	**(0.2)**
OTHER ITEMS OF COMPREHENSIVE INCOME	**(0.3)**	**(0.2)**
COMPREHENSIVE INCOME	**475.8**	**269.4**
o/w Net comprehensive income attributable to Altarea SCA shareholders	322.7	167.6
o/w Net comprehensive income attributable to minority interests in subsidiaries	153.1	101.8

3.2 Consolidated statement of financial position

(€ millions)	Note	31/12/2017	31/12/2016
Non-current assets		**5,437.9**	**5,034.9**
Intangible assets	7.2	258.5	257.9
o/w Goodwill		*155.3*	*155.3*
o/w Brands		*89.9*	*89.9*
o/w Client relations		*–*	*5.5*
o/w Other intangible assets		*13.3*	*7.2*
Property, plant and equipment		18.5	14.2
Investment properties	7.1	4,508.7	4,256.0
o/w Investment properties in operation at fair value		*3,983.8*	*3,797.0*
o/w Investment properties under development and under construction at cost		*525.0*	*459.0*
Securities and investments in equity affiliates and unconsolidated interests	4.4	564.0	412.0
Loans and receivables (non-current)		9.3	9.1
Deferred tax assets	5.3	79.0	85.7
Current assets		**3,154.8**	**2,046.6**
Net inventories and work in progress	7.3	1,288.8	978.1
Trade and other receivables	7.3	630.8	524.0
Income tax credit		8.6	9.4
Loans and receivables (current)		49.3	46.4
Derivative financial instruments	8	8.2	10.2
Cash and cash equivalents	6.2	1,169.1	478.4
TOTAL ASSETS		**8,592.8**	**7,081.4**
Equity		**3,164.7**	**2,758.3**
Equity attributable to Altarea SCA shareholders		**1,904.8**	**1,620.9**
Capital	6.1	245.3	229.7
Other paid-in capital		563.2	588.3
Reserves		773.2	635.1
Income associated with Altarea SCA shareholders		323.0	167.8
Equity attributable to minority shareholders of subsidiaries		**1,259.9**	**1,137.4**
Reserves associated with minority shareholders of subsidiaries		911.8	840.5
Other equity components, Subordinated Perpetual Notes		195.1	195.1
Income associated with minority shareholders of subsidiaries		153.1	101.8
Non-current liabilities		**2,886.9**	**2,337.6**
Non-current borrowings and financial liabilities	6.2	2,826.1	2,280.7
o/w Participating loans and advances from associates		*82.6*	*82.3*
o/w Bond issues		*920.7*	*428.0*
o/w Borrowings from lending establishments		*1,822.9*	*1,770.3*
Long-term provisions	6.3	20.1	20.0
Deposits and security interests received		32.2	31.7
Deferred tax liability	5.3	8.6	5.3
Current liabilities		**2,541.1**	**1,985.5**
Current borrowings and financial liabilities	6.2	1,032.2	799.9
o/w Bond issues		*9.9*	*104.4*
o/w Borrowings from lending establishments		*103.3*	*240.0*
o/w Treasury notes		*838.0*	*358.6*
o/w Bank overdrafts		*0.8*	*2.5*
o/w Advances from Group shareholders and partners		*80.2*	*94.3*
Derivative financial instruments	8	34.9	75.3
Accounts payable and other operating liabilities	7.3	1,460.3	1,109.9
Tax due		13.8	0.4
TOTAL LIABILITIES		**8,592.8**	**7,081.4**

3.3 Consolidated statement of cash flows

(€ millions)	Note	31/12/2017	31/12/2016
Cash flow from operating activities			
Net income from continuing operations		**476.1**	**267.4**
Elimination of income tax expense (income)	5.3	22.5	28.9
Elimination of net interest expense (income)		39.4	43.4
Net income before tax and before net interest expense (income)		**537.9**	**339.7**
Elimination of share in earnings of equity-method subsidiaries	4.4	(44.0)	(37.6)
Elimination of depreciation and impairment		10.8	11.0
Elimination of value adjustments	7.1/5.2	(200.6)	(102.6)
Elimination of net gains/(losses) on disposals[1]		(42.3)	0.2
Elimination of dividend income		(0.2)	(0.1)
Estimated income and expenses associated with share-based payments	6.1	17.1	16.4
Net cash flow from continuing operations		**278.6**	**226.9**
Tax paid		(1.3)	(15.2)
Impact of change in operational working capital requirement (WCR)	7.3	(70.6)	(69.5)
CASH FLOW FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS		**206.8**	**142.1**
Cash flow from investment activities			
Net acquisitions of assets and capitalised expenditures	7.1	(142.5)	(246.1)
Gross investments in equity-method subsidiaries and non-consolidated investments	4.4	(189.7)	(29.4)
Acquisitions of consolidated companies, net of cash acquired	4.3	(0.5)	(81.3)
Other changes in Group structure		0.7	(0.0)
Increase in loans and advances		(5.1)	(21.3)
Sale of non-current assets and reimbursement of advances and down payments[1]		83.2	2.6
Disposals of holdings in equity-method subsidiaries and non-consolidated investments	4.4	46.0	57.5
Disposals of consolidated companies, net of cash transferred	4.3	48.8	(0.5)
Reduction in loans and other financial investments		3.3	5.7
Net change in investments and derivative financial instruments		(39.0)	(26.4)
Dividends received		11.3	23.3
Interest income		27.0	14.7
CASH FLOW FROM INVESTMENT ACTIVITIES OF CONTINUING OPERATIONS		**(156.3)**	**(301.1)**
Cash flow from financing activities			
Capital increase[2]		–	237.9
Subordinated Perpetual Notes[3]		–	37.0
Minority interests share in capital increases in subsidiaries[2]		0.8	38.3
Dividends paid to Altarea SCA shareholders	6.1	(16.7)	(13.5)
Dividends paid to minority shareholders of subsidiaries		(33.0)	(22.3)
Issuance of debt and other financial liabilities	6.2	2,789.9	2,524.5
Repayment of borrowings and other financial liabilities	6.2	(2,006.3)	(2,362.5)
Net sales (purchases) of treasury shares	6.1	(38.3)	(14.8)
Net change in security deposits and guarantees received		0.5	1.6
Interest paid		(55.0)	(51.2)
CASH FLOW FROM FINANCING ACTIVITIES OF CONTINUING OPERATIONS		**641.9**	**375.0**
Net cash flows from held-for-sale operations		–	(1.3)
CHANGE IN CASH BALANCE		**692.4**	**214.8**
Cash balance at the beginning of the year	**6.2**	**475.9**	**261.1**
Cash and cash equivalents		478.4	266.0
Bank overdrafts		(2.5)	(4.9)
Cash balance at period-end	**6.2**	**1,168.3**	**475.9**
Cash and cash equivalents		1,169.1	478.4
Bank overdrafts		(0.8)	(2.5)

(1) 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.
(2) See change in equity.
(3) As at 31 December 2016, this concerned perpetual subordinated securities issued by Altarea SCA and subscribed by APG; debt settled in 2016.

3.4 Consolidated statement of changes in equity

(€ millions)	Capital	Other 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 2016	**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*[(2)]	*38.3*[(1)]	*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
As at 31 December 2016	**229.7**	**588.3**	**(29.9)**	**832.8**	**1,620.9**	**1,137.4**	**2,758.3**
Net income	–	–	–	*323.0*	*323.0*	*153.1*	*476.1*
Actuarial difference relating to pension obligations	–	–	–	*(0.3)*	*(0.3)*	*(0.0)*	*(0.3)*
Comprehensive income	–	–	–	322.7	322.7	153.1	475.2
Dividend distribution	–	*(166.6)*	–	*(7.3)*	*(173.9)*	*(31.8)*	*(205.7)*
Capital increase	*15.6*	*141.5*	–	*0.0*	*157.1*[(3)]	*0.8*	*158.0*
Measurement of share-based payments	–	–	–	*11.3*	*11.3*	*0.0*	*11.3*
Elimination of treasury shares	–	–	*(24.1)*	*(9.3)*	*(33.4)*	–	*(33.4)*
Transactions with shareholders	15.6	(25.0)	(24.1)	(5.3)	(38.8)	(31.0)	(69.9)
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	–	–	–	–	–	0.5	0.5
Other	(0.0)	–	–	(0.0)	(0.0)	(0.0)	(0.0)
At 31 December 2017	**245.3**	**563.2**	**(54.0)**	**1,150.2**	**1,904.8**	**1,259.9**	**3,164.1**

(1) This relates to the share of minority interests in the capital increase of the subsidiary Altablue, net of issuance. costs, in June 2016.
(2) Three successive capital increases at Altarea SCA: in February, an issue reserved to the vendor shareholders of the Pitch Group, in part payment of their contribution, for €31.7 million; in April an issue 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) Capital increase at Altarea SCA by conversion of the dividend into shares in May.

3.5 Consolidated income statement by segment

	31/12/2017			31/12/2016		
(€ 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	188.4	–	188.4	183.9	–	183.9
Other expenses	(13.8)	–	(13.8)	(15.6)	–	(15.6)
Net rental income	**174.7**	**–**	**174.7**	**168.3**	**–**	**168.3**
External services	17.8	–	17.8	21.9	–	21.9
Own work capitalised and production held in inventory	6.4	–	6.4	9.4	–	9.4
Operating expenses	(54.3)	(3.1)	(57.4)	(47.3)	(3.6)	(50.8)
Net overhead expenses	**(30.2)**	**(3.1)**	**(33.3)**	**(16.1)**	**(3.6)**	**(19.6)**
Share of equity-method affiliates	**49.4**	**(0.4)**	**49.0**	**15.4**	**(2.1)**	**13.3**
Net allowances for depreciation and impairment	**–**	**(1.4)**	**(1.4)**	**–**	**(2.6)**	**(2.6)**
Income/loss on sale of assets	**0.4**	**9.7**	**10.1**	**–**	**(0.3)**	**(0.3)**
Income/loss in the value of investment property	**–**	**197.3**	**197.3**	**–**	**177.2**	**177.2**
Transaction costs	**–**	**(0.0)**	**(0.0)**	**–**	**(1.6)**	**(1.6)**
Net retail income	**194.3**	**202.1**	**396.4**	**167.7**	**167.1**	**334.8**
Revenue	1,422.4	–	1,422.4	1,066.5	–	1,066.5
Cost of sales and other expenses	(1,292.5)	(2.9)	(1,295.3)	(981.1)	(2.4)	(983.5)
Net property income	**129.9**	**(2.9)**	**127.1**	**85.4**	**(2.4)**	**83.0**
External services	2.0	–	2.0	1.1	–	1.1
Production held in inventory	138.0	–	138.0	98.2	–	98.2
Operating expenses	(174.2)	(9.9)	(184.1)	(134.0)	(6.9)	(140.9)
Net overhead expenses	**(34.2)**	**(9.9)**	**(44.1)**	**(34.8)**	**(6.9)**	**(41.6)**
Share of equity-method affiliates	**21.5**	**(0.3)**	**21.2**	**18.9**	**(2.0)**	**16.9**
Net allowances for depreciation and impairment	**–**	**(1.8)**	**(1.8)**	**–**	**(3.0)**	**(3.0)**
Transaction costs	**–**	**(0.6)**	**(0.6)**	**–**	**(0.3)**	**(0.3)**
Net residential income	**117.2**	**(15.5)**	**101.7**	**69.5**	**(14.6)**	**55.0**
Revenue	291.6	–	291.6	295.9	–	295.9
Cost of sales and other expenses	(263.1)	(2.7)	(265.8)	(261.4)	(2.2)	(263.6)
Other income	12.4	–	12.4	–	–	–
Net property income	**40.8**	**(2.7)**	**38.2**	**34.6**	**(2.2)**	**32.4**
External services	15.0	–	15.0	6.4	–	6.4
Production held in inventory	22.0	–	22.0	16.4	–	16.4
Operating expenses	(38.9)	(1.8)	(40.8)	(26.1)	(2.3)	(28.3)
Net overhead expenses	**(1.9)**	**(1.8)**	**(3.7)**	**(3.2)**	**(2.3)**	**(5.5)**
Share of equity-method affiliates	**4.4**	**2.0**	**6.4**	**8.8**	**(1.3)**	**7.4**
Net allowances for depreciation and impairment	**–**	**(0.4)**	**(0.4)**	**–**	**(0.7)**	**(0.7)**
Transaction costs	**–**	**–**	**–**	**–**	**–**	**–**
Net office income	**43.4**	**(2.9)**	**40.5**	**40.1**	**(6.5)**	**33.6**
Other (Corporate)	1.1	(8.5)	(7.5)	(2.9)	(4.7)	(7.6)
OPERATING INCOME	**355.9**	**175.2**	**531.1**	**274.5**	**141.2**	**415.7**
Net borrowing costs	**(38.4)**	**(5.9)**	**(44.3)**	**(37.2)**	**(6.3)**	**(43.5)**
Other financial results	**4.0**	**4.7**	**8.8**	**–**	**–**	**–**
Discounting of debt and receivables	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**	**(0.3)**
Change in value and income from disposal of financial instruments	**–**	**2.9**	**2.9**	**–**	**(75.8)**	**(75.8)**
Proceeds from the disposal of investments	**–**	**0.1**	**0.1**	**–**	**(0.1)**	**(0.1)**
Dividend	**0.2**	**–**	**0.2**	**0.1**	**–**	**0.1**
PROFIT BEFORE TAX	**321.8**	**176.7**	**498.5**	**237.5**	**58.7**	**296.3**
Corporate income tax	(15.4)	(7.0)	(22.5)	(1.4)	(27.5)	(28.9)
NET INCOME FROM CONTINUING OPERATIONS	**306.4**	**169.7**	**476.1**	**236.1**	**31.3**	**267.4**
Minority shares in continued operations	(50.1)	(102.9)	(153.1)	(44.1)	(57.8)	(101.8)
NET INCOME FROM CONTINUING OPERATIONS, GROUP SHARE	**256.3**	**66.7**	**323.0**	**192.0**	**(26.5)**	**165.5**
NET INCOME FROM DISCONTINUED OPERATIONS	**–**	**–**	**–**	**–**	**2.3**	**2.3**
Minority shares in discontinued operations	–	–	–	–	–	–
Net income from discontinued operations, Group share	**–**	**–**	**–**	**–**	**2.3**	**2.3**
Net income	**306.4**	**169.7**	**476.1**	**236.1**	**33.5**	**269.6**
Non-controlling interests	(50.1)	(102.9)	(153.1)	(44.1)	(57.8)	(101.8)
NET INCOME, GROUP SHARE	**256.3**	**66.7**	**323.0**	**192.0**	**(24.2)**	**167.8**
Diluted average number of shares	15,608,950	15,608,950	15,608,950	14,120,403	14,120,403	14,120,403
Net income per share from continuing operations, Group share	**16.42**	**4.28**	**20.69**	**13.60**	**(1.88)**	**11.72**
NET INCOME PER SHARE *(€/SHARE)*, **GROUP SHARE**	**16.42**	**4.28**	**20.69**	**13.60**	**(1.72)**	**11.88**

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

3.6 Notes to the consolidated financial statements

SOMMAIRE

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*) as of 1 January 2005.

Altarea and its subsidiaries, ("Altarea" or "the Company" or "the Group") together make up one of the leading players in the real estate sector. As both REIT and developer, Altarea is present in all three major property segments: retail, residential and office.

Altarea's main activity is as a REIT investing in shopping centres. This activity includes the asset and property management functions performed on a proprietary basis and for third parties.

Altarea is also a global operator in the property market, both as a REIT and a developer in the shopping centre segment, and a significant player in the residential and office development segments.

The Group has thus created a unique integrated model allowing it to assert itself as a true urban property Manager providing a high quality of life.

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 2017 were approved by the Management on 5 March 2018 having been examined by the Audit Committee and the Supervisory Board.

NOTE 2 ACCOUNTING PRINCIPLES AND METHODS

2.1 Accounting standards applied by the Company

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

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

The information relating to the year ended 31 December 2016, presented in the reference document filed with the *AMF* (French Financial Markets Authority) on 10 March 2017 under number D17-0144, are incorporated by reference.

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

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

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

None.

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

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

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

The main expected impact of this new standard by the Group relates to revenue from property development projects sold off-plan under VEFA (*Vente en l'état futur d'achèvement*) or CPI (*Contrat de promotion immobilière*) arrangements.

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

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

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

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

- **IFRS 9 –** Financial instruments

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

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

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

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

- IAS 40 – Transfers of Investment Property
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Amendment to IFRS 4 – Application of IFRS 9 with IFRS 4
- **IFRS 16 –** Leases

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

The agreements were identified and are currently in review.

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

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

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

2.2 Use of estimates

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

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

Measurement of intangible assets not subject to amortisation

- measurement of goodwill and brands related to Cogedim, acquired in 2007, and Pitch Promotion, acquired in 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 "Tax on Income"); note that the Group has applied the cut in tax rates programmed by the Finance Act currently in force since 31 December 2016;
- measurement of share-based payments (see Notes 6.1 "Equity" and 2.3.13 "Share-based payments");
- measurement of financial instruments (see Note 8 "Financial risk management").

Operating income estimates

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

Non-current assets held for sale and discontinued operations

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

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

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

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

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

Investments in associates are presented in accordance with IFRS 12.

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

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

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

2.3.3 Business combinations and goodwill

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

Business combinations are accounted for in accordance with the acquisition method of IFRS 3 as amended: upon initial consolidation of an entity of which the Group has acquired control, the assets and liabilities as well as identifiable contingent liabilities are recognised at their fair value at the acquisition date. Intangible assets are specifically identified whenever they are separable from the acquired entity or result from legal or contractual rights. Under IFRS 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 are measured either at fair value or at the proportionate share of the acquirer's assets; the choice is made on an acquisition-by-acquisition basis.

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

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

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

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

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

2.3.4 Intangible assets

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

In accordance with IAS 38,

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

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

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

2.3.5 Property, plant and equipment

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

2.3.6 Investment properties

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

The investment properties held by the Group are primarily 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 have been estimated at 6.9% in France (except in the Paris region (Île-de-France) where they are set at 7.5%), at 4% in Italy and 2.5% in Spain (Catalonia, as opposed to 1.8% in 2016).

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. The appraisers have often preferred results obtained using this method;
- a method based on capitalising net rental income: the appraiser applies a yield rate reflecting the characteristics of the site (area, competition, rental potential, etc.) to the rental income (comprising the guaranteed minimum rental, the variable rental and the market rental of the vacant units) restated for all the charges borne by the owner. The second method is used to validate the results obtained from the first method.

Rental income takes into account:

- the changes in rentals that should be applied on renewals (maturities of leases, change of tenants, etc.);
- the normative vacancy rate;
- the impact of future rental gains resulting from the letting of vacant units;
- the increase in rental income from stepped rents;
- a delinquency rate.

The measurement of investment property at fair value is in accordance with the recommendations of the report on the valuation of property assets of publicly traded companies issued in 2000 by the French Securities and Exchange Commission (COB) working Group chaired by Mr Georges Barthès de Ruyter (the "Barthès de Ruyter Report"). 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 2017, an external appraisal was performed of all assets in operation (2017).

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

In addition to the acquisition price of the land, the costs incurred for the development and construction of properties are capitalised from the start of the programme, as of the development phase (prospecting, preparation: replying to tenders and pre-sales, prior to the signing of preliminary property sales agreements; administrative phase: obtaining authorisations, if necessary with the signing of preliminary property purchase agreements), once there is reasonable assurance that administrative authorisations will be obtained. The primary expenses incurred for these properties are:

- design fees;
- pre-sale fees;
- external management fees;
- fees within the Group;
- legal fees;
- demolition costs (if applicable);
- land order fees or guarantees;
- early termination fees;
- financial vacancy rate;
- 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 delivery 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 capitalisation rate, 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 calculate 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 equipment and intangible assets subject to amortisation are tested for impairment whenever any internal or external evidence of impairment is observed.

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

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

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

The basic principles of the DCF method are:

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

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

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

Sensitivity tables are created for all impairment tests carried out.

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

2.3.9 Inventories

Inventories relate to:

- programmes for Property Development for Third Parties and the portion of shopping centre developments 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:
  - relate to deposits paid on projects,
  - are the offsetting amount of security deposits paid into escrow accounts by shopping centre tenants and/or,
  - are security deposits paid on buildings occupied by the Group.
- Receivables relating to participating interests in equity-method affiliates are classified in the balance sheet under "Securities and receivables on equity-method affiliates or non-consolidated interests". Other receivables from participating interests and Shareholders' accounts classified in the balance sheet under "Financial receivables and loan" relate mainly to advances made to minority partners of consolidated or deconsolidated companies.
- Derivative financial instruments are considered to be held for trading purposes. They are measured at fair value. The change in fair value of derivatives is recognised in the income statement.
- The Company has no held-to-maturity assets.
- Cash as defined in IAS 7 includes liquid assets in bank current accounts, 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. Initial effective interest rates are determined by an actuary. The effective interest rates were not reviewed given the backdrop of a decline in interest rates because the impact on the effective interest rates was not material.
- Derivative financial instruments are considered to be held for trading purposes. They are measured at fair value. The change in fair value of derivatives is recognised in the income statement.
- The portion of borrowings and financial liabilities due in less than one year is shown under current liabilities.
- 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 (TSDI) 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, rights to free share grants and employee investment plans (PEEs).

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

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

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

2.3.14 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.

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

2.3.15 Employee benefits

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

Post-employment benefits

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

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

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

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

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

- discount rate: Rate of return on AA-rated corporate bonds *(euro zone)* with maturities of more than 10 years. The Group uses the Iboxx rate which stands at 1.21%;
- mortality table: Women's Table (TF) and Men's Table (TH) 2000-2002;
- reason for departure: depending on local laws and for France, voluntary retirement on the date of eligibility for full pension benefits;
- turnover: annual average turnover observed over the last 3 years, standing at between 4% and 8% depending on branch and age Group;
- long-term salary adjustment rate (including inflation): 2.2%.

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

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

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

Other post-employment benefits

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

Other long-term benefits

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

Severance pay

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

Short-term benefits

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

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

2.3.16 Provisions and contingent liabilities

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

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

Non-current provisions consist mainly of provisions arising from litigation between the Group and third parties 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 Corporate income 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 carry forwards, 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.

1. 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 for impairment for bad debts.

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 losses on bad debts.

2. Net property income

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

It corresponds primarily to the profit margin on the Residential and Office sectors, plus the profit margin on sales of projects related to the development business in the Retail sector.

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

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

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

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

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

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

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

3. Net overhead expenses

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

Income

For each operating segment, income includes payments for services provided to third parties, such as delegated project management fees related to property development activities, rental management fees (syndicate agent, co-ownership management), and fees for marketing and other services, 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.

4. 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 disposal of 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 to value of investment properties

Adjustments to the value of each property measured at fair value are recognised in the income statement under "Adjustment in value of investment properties" 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 – "Operating segments" requires the presentation of operating segments to reflect the Company's organisation and internal reporting system, which is presented in compliance with IFRS recognition and measurement principles. An operating segment represents an activity of the Company that incurs income and expenses, and whose operating income is regularly reviewed by the Company's Management and executive bodies. Each segment has separate financial information.

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

- funds from operations (FFO[1]);
- changes in value (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;
- Office: 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 correspond to the recognition of tax losses.

1. Funds from operations (FFO)

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

Operating income line

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

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

- Net income of the segment, including impairment of current assets:
  - 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 associates: the share in income of equity-method affiliates excluding the share in income recognised from changes in value.

Net borrowing costs line

Net borrowing costs excluding estimated expenses defined below.

Tax line

Tax due for the period excluding deferred tax and current tax relating to changes in value (exit tax, etc.) and distribution of dividends.

Minority interests line

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

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

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

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

(1) *Funds From Operations*

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 Retail 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 2017

(€ millions)	Retail	Residential	Office	Other	Total
Operating assets and liabilities					
Intangible assets	17.0	212.2	21.5	7.8	258.5
Property, plant and equipment	2.1	9.5	5.0	1.9	18.5
Investment properties	4,470.5	–	38.3	–	4,508.7
Securities and receivables in equity affiliates and unconsolidated interests	177.5	160.5	226.0	–	564.0
Operational working capital requirement	38.7	560.3	(2.1)	(0.2)	596.8
TOTAL OPERATING ASSETS AND LIABILITIES	**4,705.6**	**942.6**	**288.7**	**9.5**	**5,946.4**

As at 31 December 2016

(€ millions)	Retail	Residential	Office	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**

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

	31/12/2017			31/12/2016		
(€ 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	188.4	–	188.4	183.9	–	183.9
Property expenses	(4.6)	–	(4.6)	(4.8)	–	(4.8)
Unrecoverable rental expenses	(8.1)	–	(8.1)	(6.8)	–	(6.8)
Management costs	1.7	–	1.7	1.5	–	1.5
Net charge to provisions for current assets	(2.8)	–	(2.8)	(5.5)	–	(5.5)
Net rental income	**174.7**	**–**	**174.7**	**168.3**	**–**	**168.3**
Revenue	1,715.9	–	1,715.9	1,362.4	5.5	1,368.0
Cost of sales	(1,464.8)	0.0	(1,464.8)	(1,172.7)	(5.5)	(1,178.2)
Other income	12.4	–	12.4	–	–	–
Selling expenses	(81.6)	–	(81.6)	(61.9)	–	(61.9)
Net charge to provisions for current assets	(10.7)	(3.8)	(14.5)	(7.8)	(0.4)	(8.2)
Amortisation of customer relationships	–	(5.5)	(5.5)	–	(4.6)	(4.6)
Net property income	**171.2**	**(9.3)**	**161.9**	**119.9**	**(4.9)**	**115.0**
External services	35.2	–	35.2	29.9	–	29.9
Own work capitalised and production held in inventory	166.4	–	166.4	124.0	–	124.0
Personnel costs	(183.0)	(17.9)	(200.9)	(148.3)	(15.6)	(163.9)
Other overhead expenses	(79.9)	(0.2)	(80.1)	(61.8)	(0.4)	(62.2)
Depreciation expenses on operating assets	–	(5.6)	(5.6)	–	(5.0)	(5.0)
Net overhead expenses	**(61.4)**	**(23.6)**	**(85.0)**	**(56.3)**	**(21.0)**	**(77.2)**
Other income and expenses	(3.8)	–	(3.8)	(0.6)	–	(0.6)
Depreciation expenses	–	(0.8)	(0.8)	–	(0.8)	(0.8)
Transaction costs	–	(1.4)	(1.4)	–	(2.7)	(2.7)
Other	**(3.8)**	**(2.2)**	**(6.0)**	**(0.6)**	**(3.5)**	**(4.1)**
Proceeds from disposal of investment assets	–	80.0	80.0	–	2.9	2.9
Carrying amount of assets sold	–	(68.6)	(68.6)	–	(2.8)	(2.8)
Net charge to provisions for risks and contingencies	–	(1.5)	(1.5)	–	–	–
Net gain/(loss) on disposal of investment assets	**–**	**9.9**	**9.9**	**–**	**0.1**	**0.1**
Change in value of investment properties	–	198.7	198.7	–	177.2	177.2
Net impairment losses on investment properties measured at cost	–	(1.4)	(1.4)	–	–	–
Net impairment losses on other non-current assets	–	0.4	0.4	–	(0.0)	(0.0)
Net charge to provisions for risks and contingencies	–	1.4	1.4	–	(1.1)	(1.1)
OPERATING INCOME BEFORE THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES	**280.6**	**173.9**	**454.5**	**231.4**	**146.7**	**378.1**
Share in earnings of equity-method affiliates	42.7	1.3	44.0	43.1	(5.5)	37.6
OPERATING INCOME AFTER THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES	**323.4**	**175.2**	**498.6**	**274.5**	**141.2**	**415.7**
Net borrowing costs	(38.4)	(5.9)	(44.3)	(37.2)	(6.3)	(43.5)
Financial expenses	(54.1)	(5.9)	(60.0)	(53.1)	(6.3)	(59.4)
Financial income	15.7	0.0	15.7	15.9	–	15.9
Other financial results	4.0	4.7	8.8	–	–	–
Change in value and income from disposal of financial instruments	–	2.9	2.9	–	(75.8)	(75.8)
Discounting of debt and receivables	–	(0.3)	(0.3)	–	(0.3)	(0.3)
Net gain/(loss) on disposal of investments[(a)]	32.6	0.1	32.6	–	(0.1)	(0.1)
Dividend	0.2	–	0.2	0.1	–	0.1
Profits before tax	**321.8**	**176.7**	**498.5**	**237.5**	**58.7**	**296.3**
Income tax	(15.4)	(7.0)	(22.5)	(1.4)	(27.5)	(28.9)
Tax due	(15.4)	–	(15.4)	(1.4)	–	(1.4)
Deferred tax	–	(7.0)	(7.0)	–	(27.5)	(27.5)
NET INCOME FROM CONTINUING OPERATIONS	**306.4**	**169.7**	**476.1**	**236.1**	**31.3**	**267.4**
o/w Income from continuing operations attributable to Altarea SCA shareholders	**256.3**	**66.7**	**323.0**	**192.0**	**(26.5)**	**165.5**
o/w Income from continuing operations attributable to minority interests in subsidiaries	50.1	102.9	153.1	44.1	57.8	101.8
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**–**	**–**	**–**	**–**	**2.3**	**2.3**
o/w Income from discontinued operations attributable to Altarea SCA Shareholders	**–**	**–**	**–**	**–**	**2.3**	**2.3**
o/w Income from discontinued operations attributable to minority interests in subsidiaries	–	–	–	–	–	–
NET INCOME	**306.4**	**169.7**	**476.1**	**236.1**	**33.5**	**269.6**
o/w Net income attributable to Altarea SCA shareholders	**256.3**	**66.7**	**323.0**	**192.0**	**(24.2)**	**167.8**
o/w Net income attributable to minority interests in subsidiaries	50.1	102.9	153.1	44.1	57.8	101.8
Average number of non-diluted shares	15,436,934	15,436,934	15,436,934	13,994,904	13,994,904	13,994,904
Non-diluted net income per share from continuing operations attributable to shareholders of Altarea SCA (€)	16.60	4.32	20.92	13.72	(1.89)	11.83
Non-diluted net income per share from discontinued operations attributable to shareholders of Altarea SCA (€)	–	–	–	–	0.16	0.16
NET INCOME PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF ALTAREA SCA *(€)*	**16.60**	**4.32**	**20.92**	**13.72**	**(1.73)**	**11.99**
Diluted average number of shares	15,608,950	15,608,950	15,608,950	14,120,403	14,120,403	14,120,403
Diluted net income per share from continuing operations attributable to shareholders of Altarea SCA *(€)*	16.42	4.28	20.69	13.60	(1.88)	11.72
Diluted net income per share from discontinued operations attributable to shareholders of Altarea SCA *(€)*	–	–	–	–	0.16	0.16
DILUTED NET INCOME PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF ALTAREA SCA *(€)*	**16.42**	**4.28**	**20.69**	**13.60**	**(1.72)**	**11.88**

(a) Gains or losses on disposals of equity interests are reallocated to each of the activities in proportion to the share of equity-method affiliates when the Company disposed of was previously an equity-method company.

3.4 Revenue by geographical region and operating segment

By geographical region

	31/12/2017					31/12/2016				
(€ millions)	France	Italy	Spain	Other	TOTAL	France	Italy	Spain	Other	TOTAL
Rental income	163.9	14.7	9.8	–	188.4	162.0	14.0	8.0	–	183.9
External services	17.2	0.3	0.3	–	17.8	21.4	0.3	0.3	–	21.9
Revenues from net property income	2.0	–	–	–	2.0	5.5	–	–	–	5.5
Retail	**183.1**	**15.0**	**10.1**	**–**	**208.1**	**188.9**	**14.2**	**8.2**	**–**	**211.3**
Revenue	1,422.4	–	–	–	1,422.4	1,066.5	–	–	–	1,066.5
External services	2.0	–	–	–	2.0	1.1	–	–	–	1.1
Residential	**1,424.4**	**–**	**–**	**–**	**1,424.4**	**1,067.6**	**–**	**–**	**–**	**1,067.6**
Revenue	291.6	–	–	–	291.6	295.9	–	–	–	295.9
External services	14.4	–	–	0.6	15.0	5.9	–	–	0.5	6.4
Office	**306.0**	**–**	**–**	**0.6**	**306.6**	**301.8**	**–**	**–**	**0.5**	**302.4**
Other (Corporate)	0.4	–	–	–	0.4	0.5	–	–		0.5
TOTAL REVENUES	**1,913.8**	**15.0**	**10.1**	**0.6**	**1,939.5**	**1,558.8**	**14.2**	**8.2**	**0.5**	**1,581.7**

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

NOTE 4 MAJOR EVENTS AND CHANGES IN THE SCOPE OF CONSOLIDATION

4.1 Major events

Reinforcement of equity: €157.1 million raised

In 2017, the success of the option to receive a scrip dividend in 2016 enabled the Group to bolster its equity by €157.1. The subscription rate was 91.69%, which resulted in the issuance of 1,021,555 new shares.

Success of the inaugural bond issue of €500 million

The Group carried out its first bond issue for an amount of €500 million in July 2017. This unrated bond, with a maturity of seven years, offers a fixed annual coupon of 2.25%.

This transaction was part of the continuation of the diversification policy and drive to disintermediate the Group's financing. It illustrates investors confidence in the Company's original business model as both REIT and developer, and in the quality of its credit profile.

Large mixed-use projects: first emblematic delivery

In 2017 the Group delivered "Place du Grand Ouest", the new heart of the town of Massy. This project is a perfect illustration of the Group's know-how in creating a coherent and sustainable urban complex combining shops, public facilities and services for users and residents. The biggest development project in the Paris Region (1) (100,000 m^2) and built from scratch in two years, it has generated €290 million incl. tax in new orders (all products combined).

Retail

As France's leading retail developer, the Group accentuated its leadership thanks to a number of public bidding processes won, particularly at the end of 2017, for the future Ferney-Voltaire shopping and leisure centre on the outskirts of Geneva. This project, with a GLA of 46,400 m^2., is distinguished by an unprecedented offering of culture and leisure notably including the first establishments in the Centre Pompidou shopping centre (1,800 m^2 and Universcience (2) centre (2,500 m^2).

The Group also continued the development of several high-profile projects (notably the renovation of Gare Paris-Montparnasse and the extension of the Cap 3000 regional centre) and strengthened its development activity for third parties both on neighbourhood shops and large-scale retail sites (sale of "Promenade de Flandre" retail park project to Auchan Group).

Cap 3000 (Saint-Laurent-du-Var)

The extension to this exceptional shopping centre will be rolled out in three phases, the first of which was completed during the year: opening of the "Biot" central area in April 2017, with nine new retail banners to strengthen the retail offering.

Sale of l'Aubette (Strasbourg)

In July 2017, Altarea Cogedim sold L'Aubette shopping centre. This transaction was carried out as part of the Group's policy of adjusting its Standing Assets to concentrate on large regional complexes in major French gateway cities.

Sale of Promenade de Flandre

The Group sold the Promenade de Flandre retail park in Roncq to Auchan Group. The shopping centre was fully marketed by Altarea Cogedim's sales teams, then sold before delivery.

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

The Group posted a new record number of reservations in 2017, with 11,189 units reserved (up by 12% on 2016), comfortably surpassing its objective of 10,000 residential units sold per year and confirming its positioning as one of France's top 3 residential property developers.

Office: plenty of big name business in the pipeline

Thanks to its mixed developer/ medium-term investor model in Office, the Group manages 51 projects including some of the most iconic ones in of Grand Paris, strengthening the Group's lead position in this market.

During the year the Group signed two emblematic leases on the future world HQs of Orange and Parfums Christian Dior, the Bridge building in Issy-les-Moulineaux and the Kosmo building in Neuilly-sur-Seine respectively.

Apart from that, the Group announced the installation of its future headquarters in the Richelieu Building (Paris, 2nd arrondissement). This property, in which the Group is also an investor, with 58%, will illustrate its vision of the "Office of the Future".

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

(1) With an area of 100,000 m^2, the project comprises 850 residential units, the Cogedim Club senior residence, a convention hall and shops next to the RER and TGV stations.

(2) Universcience, a joint initiative of the Palais de la Découverte and the Cité des Sciences et de l'Industrie, aims to get people to know and love modern science and to promote scientific and technological culture.

4.2 Consolidation scope

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

			31/12/2017			31/12/2016		
COMPANY	SIREN		Method	Interest	Consolidation	Method	Interest	Consolidation
ALTAREA SCA	335,480,877	parent company	FC	100.0%	100.0%	FC	100.0%	100.0%
Retail France								
ALTAREA FRANCE	324,814,219		FC	100.0%	100.0%	FC	100.0%	100.0%
ALDETA SAS	311765762		FC	33.3%	100.0%	FC	33.3%	100.0%
ALTA BLUE SAS	522,193,796		FC	33.3%	100.0%	FC	33.3%	100.0%
ALTAREA PROMOTION COMMERCE SNC	420490948		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA CRP AUBERGENVILLE SNC	451,226,328		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA AUBETTE SNC	452,451,362		FC	65.0%	100.0%	FC	65.0%	100.0%
ALTA AUSTERLITZ SNC	812,196,616		FC	100.0%	100.0%	FC	100.0%	100.0%
BERCY VILLAGE SCI	384,987,517		FC	51.0%	100.0%	FC	51.0%	100.0%
ALTA CARRÉ DE SOIE SCI	449,231,463	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%
FONCIERE ALTAREA SAS	353,900,699		FC	100.0%	100.0%	FC	100.0%	100.0%
Société d'Amenagement de la GARE de L'EST SNC	481,104,420		FC	51.0%	100.0%	FC	51.0%	100.0%
ALTA CRP GENNEVILLIERS SNC	488,541,228		FC	51.0%	100.0%	FC	51.0%	100.0%
ALTA GRAMONT SAS	795,254,952		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%
CENTRE COMMERCIAL DU KB SNC	485,045,876		FC	65.0%	100.0%	FC	65.0%	100.0%
LIMOGES INVEST SCI	488,237,546		FC	75.0%	100.0%	FC	75.0%	100.0%
SCI MACDONALD COMMERCES	524,049,244	affiliate	EM	50.0%	50.0%	EM	50.0%	50.0%
ALTAREA MANAGEMENT	509,105,375		FC	100.0%	100.0%	FC	100.0%	100.0%
SOCIÉTÉ DU CENTRE COMMERCIAL MASSY SNC	950,063,040		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC RETAIL PARK LES VIGNOLES	512,086,117		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA ORGEVAL SNC	795338441		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC AVENUE PAUL LANGEVIN	428,272,751		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA Qwartz (formerly ORI ALTA SNC)	433,806,726		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA CRP RUAUDIN SNC	451248892		FC	100.0%	100.0%	FC	100.0%	100.0%
CENTRE COMMERCIAL DE THIAIS SNC	479,873,234		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA CRP LA VALETTE SNC	494,539,687		FC	51.0%	100.0%	FC	51.0%	100.0%
Retail Italy								
ALTABASILIO SRL	N/A		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTACERRO SRL	N/A		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTAREA ITALIA SRL	N/A		FC	100.0%	100.0%	FC	100.0%	100.0%
Retail Spain								
ALTAREA ESPANA S.L	N/A		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTAREA PATRIMAE S.L	N/A		FC	100.0%	100.0%	FC	100.0%	100.0%
Diversification								
SEMMARIS	662,012,491	affiliate	EM	33.3%	33.3%	EM	33.3%	33.3%

			31/12/2017			31/12/2016		
COMPANY	SIREN		Method	Interest	Consolidation	Method	Interest	Consolidation
Residential								
Altareit SCA	552,091,050		FC	99.9%	100.0%	FC	99.9%	100.0%
ALTAREA COGEDIM IDF GRANDE MÉTROPOLE	810,928,135		FC	99.9%	100.0%	FC	99.9%	100.0%
ALTAREA COGEDIM RÉGIONS	810,847,905		FC	99.9%	100.0%	FC	99.9%	100.0%
MASSY GRAND OUEST SNC – AF050	793,338,146		FC	99.9%	100.0%	FC	99.9%	100.0%
ALTA FAUBOURG SAS	444,560,874		FC	99.9%	100.0%	FC	99.9%	100.0%
HISTOIRE ET PATRIMOINE SAS	480,309,731	affiliate	EM	55.6%	55.6%	EM	55.6%	55.6%
ALTAREA COGEDIM ZAC VLS (SNC)	811,910,447		FC	99.9%	100.0%	FC	99.9%	100.0%
PITCH PROMOTION SAS (FORMERLY ALTA FAVART SAS)	450,042,338		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV SEVRAN FREINVILLE	801,560,079		FC	59.9%	100.0%	FC	59.9%	100.0%
SCCV SAINT-CYR COEUR DE PLAINE	813,335,148		FC	79.9%	100.0%	FC	79.9%	100.0%
PITCH PROMOTION SNC	422,989,715		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV ROMAINVILLE NÉO PARC	798,508,263	affiliate	EM	50.9%	51.0%	EM	50.9%	51.0%
SCCV AMARRAGE 2013	799,401,302	affiliate	EM	59.9%	60.0%	EM	59.9%	60.0%
SCCV HAUTE DURANNE	794,046,912	affiliate	EM	48.9%	49.0%	EM	48.9%	49.0%
SCCV CENON GRAND-ANGLE	810,214,874		FC	99.8%	100.0%	FC	99.8%	100.0%
SNC COGEDIM GESTION	380,375,097		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COVALENS	309,021,277		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM PARIS MÉTROPOLE	319,293,916		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC CORESI	380,373,035		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM GRAND LYON	300,795,358		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM MEDITERRANÉE	312,347,784		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM PROVENCE	442,739,413		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM MIDI-PYRÉNÉES	447,553,207		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM GRENOBLE	418,868,584		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM SAVOIES-LEMAN	348,145,541		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM AQUITAINE	388,620,015		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM ATLANTIQUE	501,734,669		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM EST	419,461,546		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM SAS	54,500,814		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV ASNIÈRES ALPHA	529,222,028	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
SCCV RADOIRE ORDET	808,870,323		FC	79.9%	100.0%	FC	79.9%	100.0%
SCCV RACINE CARRE - AIX LA DURANNE	801,954,132	joint venture	EM	48.9%	49.0%	EM	48.9%	49.0%
SCCV PARIS CAMPAGNE PREMIÈRE	530,706,936		FC	50.9%	100.0%	FC	50.9%	100.0%
SCCV LAMY ÎLOT AUBERVILLIERS	798,364,030		FC	79.9%	100.0%	FC	79.9%	100.0%
SCCV PANTIN MEHUL	807,671,656		FC	50.9%	100.0%	FC	50.9%	100.0%
SCCV ALFORTVILLE MANDELA	814,412,391		FC	50.9%	100.0%	FC	50.9%	100.0%
SCCV JOINVILLE PARIS LIBERTÉ	814,629,655		FC	50.9%	100.0%	FC	50.9%	100.0%
SCCV STRASBOURG RUE DE COLMAR	822,392,262		FC	84.9%	100.0%	FC	84.9%	100.0%
Office								
ALTAREA COGEDIM ENTREPRISE PROMOTION SNC	535,056,378		FC	99.9%	100.0%	FC	99.9%	100.0%
ACEP INVEST 2 CDG NEUILLY/FORMERLY ACEP INVEST 4	794,194,274	affiliate	EM	16.6%	16.7%	EM	16.6%	16.7%
LYON 7 GARNIER VERCORS SNC	798,069,365		FC	100.0%	100.0%	FC	100.0%	100.0%
AF INVESTCO 4 (Snc)	798,601,936	affiliate	EM	58.3%	58.4%	EM	58.3%	58.4%
GERLAND 1 SNC	503,964,629	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
ISSY PONT SCI	80,486,596	joint venture	EM	25.0%	25.0%	EM	25.0%	25.0%
PASCALPROPCO (SAS)	437,929,813	affiliate	EM	15.0%	15.1%	EM	15.0%	15.1%
SNC COGEDIM ENTREPRISE	424,932,903		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC EUROMED CENTER	504,704,248	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
SNC ROBINI	501,765,382	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%

4.3 Changes in consolidation scope

(In number of companies)	31/12/2016	Acquisition	Creation	Sale	Absorption, dissolution, deconsolidation	Change in consolidation method	31/12/2017
Fully consolidated subsidiaries	355	5	23	(1)	(11)	(1)	370
Joint ventures *	88	1	8	(2)		1	96
Associates *	108		16	(1)	(16)		107
TOTAL	**551**	**6**	**47**	**(4)**	**(27)**	**–**	**573**

* *Companies accounted for using the equity method.*

4.3.1 Detail of net acquisitions of consolidated companies, net of cash acquired

The Pitch Promotion group was acquired during 2016.

(€ millions)	31/12/2017	31/12/2016
Investments in consolidated securities	(0.5)	(116.7)
Cash of acquired companies	0.0	35.5
TOTAL	**(0.5)**	**(81.3)**

4.3.2 Detail of disposals of consolidated companies, net of cash disposed of

An impact of €48.8 million was recognised for the year. In particular, in Retail Property Development, the Group sold its share in the Promenade de Flandre retail park project, located in Roncq, near the Belgian border, to Immochan.

4.4 Securities and investments in equity affiliates and unconsolidated interests

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

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

(€ millions)	31/12/2017	31/12/2016
Equity-accounting value of joint ventures	86.7	76.7
Equity-accounting value of affiliated companies	141.7	141.2
Value of stake in equity-method affiliates	**228.5**	**218.0**
Non-consolidated securities	**1.2**	**0.8**
Receivables from joint ventures	103.4	90.2
Receivables from affiliated companies	230.9	103.0
Receivables from equity-method subsidiaries and non-consolidated interests	**334.3**	**193.2**
TOTAL SECURITIES AND RECEIVABLES IN EQUITY AFFILIATES AND UNCONSOLIDATED INTERESTS	**564.0**	**412.0**

The individual carrying value of each of these companies is not significant for the Group.

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

(€ millions)	Joint venture	Affiliate	31/12/2017	Joint venture	Affiliates	31/12/2016
BALANCE SHEET ITEMS, GROUP SHARE:						
Non-current assets	143.2	436.6	579.8	176.5	325.6	502.1
Current assets	223.7	286.6	510.4	203.4	324.4	527.7
Total Assets	**367.0**	**723.2**	**1,090.2**	**379.9**	**649.9**	**1,029.8**
Non-current liabilities	99.8	311.7	411.6	120.7	152.2	272.9
Current liabilities	180.5	269.7	450.2	182.5	356.5	539.0
Total Liabilities	**280.3**	**581.5**	**861.8**	**303.1**	**508.7**	**811.9**
Net assets (equity-accounting basis)	**86.7**	**141.7**	**228.5**	**76.7**	**141.2**	**218.0**
SHARE OF INCOME STATEMENT ITEMS, GROUP SHARE:						
Operating income	**19.1**	**33.6**	**52.7**	**20.3**	**29.8**	**50.1**
Net borrowing costs	(1.9)	(1.4)	(3.4)	(2.7)	(2.1)	(4.8)
Change in value of hedging instruments	0.5	(0.1)	0.3	(0.4)	(0.0)	(0.4)
Proceeds from the disposal of investments	–	0.0	0.0	–	0.0	0.0
Dividend	(0.0)	0.2	0.2	–	0.5	0.5
Net income before tax	**17.6**	**32.3**	**49.9**	**17.2**	**28.2**	**45.3**
Corporate income tax	1.9	(7.8)	(5.9)	(2.6)	(5.0)	(7.7)
Net income after tax, Group share	**19.6**	**24.5**	**44.0**	**14.5**	**23.1**	**37.6**
Non-Group net result	(0.0)	(0.0)	(0.0)	0.1	(0.0)	0.0
Net income, Group share	19.5	24.4	44.0	14.5	23.1	37.6

Group revenues from joint ventures amounted to €12.6 million for the year to 31 December 2017, compared with €7.1 million for 2016.

Group revenues from associates amounted to €16.3 million for the year to 31 December 2017, compared with €16.5 million for 2016.

4.4.3 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 €34.8 million.

Commitments received

At 31 December 2017, the main commitments received by the joint ventures concerned security deposits received from tenants for €0.3 million (in Group share).

NOTE 5 INCOME

5.1 Operating income

5.1.1 Net rental income

Net rental income came to €174.7 million for the year, up by €6.3 million or 3.7 % on 2016. The increase in rental income reflects the work done on improving collections and a significant performance in variable rentals and specialty leasing.

5.1.2 Net property income

The Altarea Group's net property income came to €161.9 million for the year as against €115.0 million in 2016. It includes other income relating to the margin obtained on the turnkey transaction for Vaugirard.

5.2 Cost of net financial debt and other financial items

5.2.1 Cost of net financial debt

(€ millions)	31/12/2017	31/12/2016
Bond and bank interest expenses	(56.3)	(51.9)
Interest on partners' advances	(1.1)	(1.1)
Interest rate on hedging instruments	(4.4)	(5.6)
Non-use fees	(3.3)	(2.5)
Other financial expenses	(0.6)	(0.8)
Capitalised interest expenses	11.4	8.8
FFO financial expenses	**(54.1)**	**(53.1)**
Net proceeds from the sale of marketable securities	–	0.0
Interest on partners' advances	7.3	5.2
Other interest income	0.8	2.0
Interest income on bank current accounts	0.0	0.0
Interest rate on hedging instruments	7.7	8.7
FFO financial income	**15.7**	**15.9**
FFO NET BORROWING COSTS	**(38.4)**	**(37.2)**
Spreading of bond issue costs and other estimated charges(1)	(5.9)	(6.3)
Estimated financial expenses	**(5.9)**	**(6.3)**
NET BORROWING COSTS	**(44.3)**	**(43.5)**

(1) Relates mainly to the deferral in accordance with the amortised cost method of the issue costs of borrowings and issue premiums of bond borrowings in accordance with IAS 32/39 for €5.6 million.

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

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

The Group's average cost of financing was 1.75 % in 2017, including margin, compared with 1.92 % in 2016.

5.2.2 Other financial results

Other financial results relate to the favourable resolution of a dispute regarding financial instruments.

5.2.3 Impact of result of financial instruments

Changes in value of financial instruments and gains and losses on their disposal resulted in net income of €2.9 million for 2017 compared with a net expense of €75.8 million in 2016. This refers to changes in the value of interest rate hedging instruments and balancing cash payments and premiums paid to restructure several hedging instruments. Balancing cash payments and premiums represented an outflow of €38.9 million for the year (2016: €25.5 million outflow).

5.3 Income tax

Analysis of tax expense

Tax expense is analysed as follows:

(€ millions)	31/12/2017	31/12/2016
Tax due	**(15.4)**	**(1.4)**
Tax loss carry forwards and/or use of deferred losses	2.1	(20.9)
Valuation differences	4.7	6.5
Fair value of investment properties	(5.7)	(3.4)
Fair value of hedging instruments	0.8	0.7
Net property income on a percentage-of-completion basis	(7.1)	(7.2)
Other timing differences	(1.9)	(3.2)
Deferred tax	**(7.0)**	**(27.5)**
TOTAL TAX INCOME (EXPENSE)	**(22.5)**	**(28.9)**

Effective tax rate

(€ millions)	31/12/2017	31/12/2016
Pre-tax profit of consolidated companies (excluding discontinued operations)	**454.5**	**258.6**
Group tax savings (expense)	**(22.5)**	**(28.9)**
EFFECTIVE TAX RATE	**(4.94)%**	**(11.17)%**
Tax rate in France	34.43 %	34.43 %
Theoretical tax charge	**(156.5)**	**(89.0)**
Difference between theoretical and effective tax charge	**134.0**	**60.1**
Differences related to entities' SIIC status	*95.7*	*71.5*
Differences related to treatment of losses	*37.2*	*(11.7)*
Other permanent differences and rate differences	*1.0*	*0.3*

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)	31/12/2017	31/12/2016
Tax loss carry forwards	155.2	153.1
Valuation differences	(23.2)	(27.9)
Fair value of investment properties	(32.2)	(26.5)
Fair value of financial instruments	(0.0)	(0.8)
Net property income on a percentage-of-completion basis	(25.7)	(16.6)
Other timing differences	(3.7)	(0.9)
NET DEFERRED TAX ON THE BALANCE SHEET	**70.4**	**80.4**

As at 31 December 2017 the Group had unrecognised tax loss carry-forwards of €486.8 million (basis).

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 2018 Finance Act provides for a gradual decrease in the rate of corporate income tax, which would be set at 32.02 % in 2019, 28.92 % in 2020, 27.37 % in 2021 and 25.83 % as of 1 January 2022.

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

Proposed corrections:

Alta Développement Italie, a subsidiary of Altarea SCA, underwent an inspection covering the years ended 31 December 2014 and 2015. The Company received a notice of assessment and an appeal to the departmental commission on direct taxes and duties is now under way. This assessment notice calls into question the tax loss carry-forwards established upon recognising impairment of receivables held on foreign subsidiary companies. These losses have not been used or recognised. The maximum risk amounts to €7.4 million in duties. With its advisers' agreement the Company is challenging the entire assessment and does not envisage an outflow of financial resources.

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 consider the potentially dilutive effect of all equity instruments issued by the Company.

In 2017 as in 2016, the dilution arose only from the granting of rights to free shares in Altarea SCA to Group employees or corporate officers.

(€ millions)	31/12/2017	31/12/2016
Numerator		
Net income from continuing operations, Group share	323.0	165.5
Net income from discontinued operations, Group share	–	2.3
Net income, Group share	323.0	167.8
Denominator		
Weighted average number of shares before dilution	15,436,934	13,994,904
Effect of potentially dilutive shares		
Stock options	*0*	*0*
Rights to free share grants	*172,016*	*125,499*
Total potential dilutive effect	172,016	125,499
Weighted diluted average number of shares	15,608,950	14,120,403
Basic net income per share attributable to Group shareholders from continuing operations *(in €)*	**20.92**	**11.83**
Basic net income per share attributable to Group shareholders from discontinued operations *(in €)*	–	0.16
BASIC NET INCOME PER SHARE ATTRIBUTABLE TO GROUP SHAREHOLDERS *(in €)*	**20.92**	**11.99**
Diluted net income per share attributable to Group shareholders from continuing operations *(in €)*	20.69	11.72
Diluted net income per share attributable to Group shareholders from discontinued operations *(in €)*	–	0.16
DILUTED NET INCOME PER SHARE ATTRIBUTABLE TO GROUP SHAREHOLDERS *(in €)*	**20.69**	**11.88**

NOTE 6 LIABILITIES

6.1 Total equity

6.1.1 Capital, share-based payments and treasury shares

Capital

Altarea SCA share capital *(in €)*

(In number of shares and in €)	Number of shares	Nominal	Share capital
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**
Conversion of dividends into shares	1,021,555	15.28	15,609,360
NUMBER OF SHARES OUTSTANDING AT 31 DECEMBER 2017	**16,051,842**	**15.28**	**245,280,324**

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 €17.1 million in 2017 compared to €16.4 million in 2016.

Stock option plan

No stock option plan was under way at 31 December 2017.

Free share grants

On existing plans as of 31/12/2016, in 2017:

- 12,617 rights were cancelled or altered;
- 100,009 shares were delivered;
- 17,882 free shares were awarded.

Award date	Number of rights awarded	Vesting date	Rights in circulation as at 31/12/2016	Awarded	Delivery	Amendments to rights[(a)]	Rights in circulation as at 31/12/2017
Stock grant plans on Altarea shares							
01 February 2016	32,975	1 February 2017	30,480		(29,609)	(871)	–
08 February 2016	30,864	8 February 2017	30,054		(29,826)	(228)	–
25 February 2016	19,050	25 February 2017	18,700		(18,250)	(450)	–
31 March 2016	33,210	31 March 2018	32,770			(1,706)	31,064
7 April 2016	8,506	7 April 2017	8,496		(8,276)	(220)	–
15 April 2016	5,225	15 April 2017	5,040		(4,748)	(292)	–
11 July 2016	5,250	11 July 2017	5,250		(5,250)	–	–
25 July 2016	4,775	25 July 2017	4,420		(4,050)	(370)	–
19 October 2016	5,500	30 March 2018	5,500			(2,000)	3,500
10 November 2016	7,927	30 March 2018	7,677			250	7,927
10 November 2016	12,450[(b)]	11 April 2019	12,450			(2,000)	10,450
14 December 2016	33,365[(b)]	10 April 2019	33,365			(1,478)	31,887
15 December 2016	26,490	01 February 2018	26,490			(1,471)	25,019
16 December 2016	33,216	01 February 2018	33,216			(1,005)	32,211
22 March 2017	1,500[(b)]	10 April 2019		1,500		(500)	1,000
23 March 2017	537	23 March 2018		537		–	537
6 April 2017	11,500[(b)]	30 April 2019		11,500		–	11,500
13 July 2017	4,345	13 July 2018		4,345		(275)	4,070
TOTAL	**276,685**		**253,908**	**17,882**	**(100,009)**	**(12,617)**	**159,164**

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

Valuation parameters for new free share grants

	31/12/2017
Expected dividend rate	6.00 %
Expected volatility*	21.20 % for Altarea share price and 15.99 % for IEIF Immobilier France index
Risk-free interest rate	0.00 %
Model used	Binomial Cox-Ross-Rubinstein model/ Monte Carlo method*

* *Only for plans subject to performance criteria.*

Treasury shares

The acquisition cost of treasury shares was €54.0 million at 31 December 2017 for 287,055 shares (including 286,142 shares intended for allotment to employees under free share grant or stock option plans and 913 shares allocated to a liquidity contract), compared with €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). 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 €14.2 million before tax at 31 December 2017 (€9.3 million after tax) compared with €7.5 million at 31 December 2016 (€4.9 million before tax).

The negative impact on cash flow from purchases and disposals over the period came to €38.3 million at 31 December 2017 compared to €14.8 million at 31 December 2016.

6.1.2 Dividends proposed and paid

Dividends paid

(€ millions)	31/12/2017	31/12/2016
Paid in current year in respect of previous year		
Dividend per share (in euros)	*11.5*	*11.0*
Payment to shareholders of the Altarea Group	171.3	138.4
Proportional payment to the general partner (1.5 %)	2.6	2.1
TOTAL	**173.9**	**140.5**
Offer to convert dividends into shares		
Subscription price (in euros)	*153.8*	*154.5*
Total amount of conversion into shares	**157.1**	**127.0**
Rate of conversion of dividends into shares	*91.69 %*	*91.69 %*

Proposed payment in respect of 2017

The forthcoming General Shareholders' Meeting will be asked to approve the payment of a dividend of €12.5 per share, without the option to convert the dividend into shares.

6.2 Net financial debt and guarantees

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

			"Non cash" change				
(€ millions)	31/12/2016	Cash flow	Spreading of issue costs	Change in scope of consolidation	Present value adjustment	Other impacts	31/12/2017
Bonds (excluding accrued interest)	528.0	392.0	0.6	–	–	–	920.7
Treasury bills	358.6	479.4	–	–	–	–	838.0
Bank borrowings, excluding accrued interest and overdrafts	2,001.7	(82.7)	5.0	(1.9)	–	(0.0)	1,922.1
Net bond and bank debt, excluding accrued interest and overdrafts	**2,888.3**	**788.7**	**5.6**	**(1.9)**	**–**	**(0.0)**	**3,680.8**
Accrued interest on bond and bank borrowings	13.1	0.9	–	(0.0)	–	–	14.0
BOND AND BANK DEBT, EXCLUDING OVERDRAFTS	**2,901.4**	**789.6**	**5.6**	**(1.9)**	**–**	**(0.0)**	**3,694.7**
Cash and cash equivalents	(478.4)	(690.0)	–	(0.7)	0.0	–	(1,169.1)
Bank overdrafts	2.5	(1.7)	–	(0.0)	–	–	0.8
Net cash	**(475.9)**	**(691.7)**	**–**	**(0.7)**	**0.0**	**–**	**(1,168.3)**
NET BOND AND BANK DEBT	**2,425.5**	**97.9**	**5.6**	**(2.5)**	**0.0**	**(0.0)**	**2,526.4**
Equity loans and Group and partners' advances*	169.9	(11.3)	–	(2.9)	–	(0.8)	155.0
Accrued interest on shareholders' advances	6.7	1.1	–	–	–	–	7.8
NET FINANCIAL DEBT	**2,602.1**	**87.7**	**5.6**	**(5.4)**	**0.0**	**(0.8)**	**2,689.2**

* *of which appropriation of income to shareholder current accounts for €6.2 million.*

At 31 December 2016, bank borrowings excluding accrued interest and bank overdrafts include a finance lease debt of €37.0 million, compared to €40.1 million at 31 December 2016. This debt is financing, among other things, investment properties valued at €90.2 million at the end of December 2017.

During the financial year, the Group notably:

- successfully placed an inaugural issue of €500 million with European investors;
- put in place corporate financing for an amount of €100 million;
- repaid maturing corporate financing of €200 million;
- continued issuing treasury notes (more than €479 million during the year).

All financing was not fully drawn at 31 December 2017.

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

Borrowing costs are analysed in the note on earnings.

Net cash

Marketable securities classified as cash equivalents are recognised at fair value at each reporting date (see § 2.3.11. of Accounting principles and methods).

Breakdown of bank and bond debt by maturity

(€ millions)	31/12/2017	31/12/2016
< 3 months	299.5	299.3
3 to 6 months	225.5	218.0
6 to 9 months	233.9	30.0
9 to 12 months	193.4	158.6
Less than 1 year	**952.3**	**705.8**
2 years	361.1	175.3
3 years	326.6	243.2
4 years	614.4	265.3
5 years	95.4	615.9
1 to 5 years	**1,397.5**	**1,299.6**
More than 5 years	**1,371.1**	**926.4**
Issuance cost to be amortised	(25.4)	(27.9)
TOTAL GROSS BOND AND BANK DEBT	**3,695.5**	**2,903.9**

The increase in the portion under one year of the bond and bank debt is attributable to the increase in treasury notes and their maturity schedule, offset by the maturing of corporate bond and bank loans. The increase in the portion over five years is due mainly to the €500 million bond issue. From one to five years, the breakdown changes with the maturity schedules of the various debts.

Breakdown of bank and bond debt by guarantee

(€ millions)	31/12/2017	31/12/2016
Mortgages	1,085.3	1,145.1
Mortgage commitments	278.1	249.6
Moneylender lien	25.6	27.0
Pledging of receivables	6.0	6.5
Pledging of securities	355.0	355.0
Altarea SCA security deposit	109.0	159.0
Not Guaranteed	1,861.9	989.5
TOTAL	**3,720.9**	**2,931.8**
Issuance cost to be amortised	(25.4)	(27.9)
TOTAL GROSS BOND AND BANK DEBT	**3,695.5**	**2,903.9**

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 2017	2,514.9	1,180.6	3,695.5
As at 31 December 2016	2,016.8	887.1	2,903.9

The market value of fixed rate debt stood at €1,191.0 million at 31 December 2017 compared to €912.2 million at 31 December 2016.

Schedule of future interest expenses

(€ millions)	31/12/2017	31/12/2016
< 3 months	5.3	14.8
3 to 6 months	12.1	9.6
6 to 9 months	15.0	10.6
9 to 12 months	10.7	10.5
LESS THAN 1 YEAR	**43.0**	**45.5**
2 years	55.8	58.1
3 years	58.7	55.4
4 years	51.4	46.6
5 years	36.8	34.5
1 TO 5 YEARS	**202.7**	**194.7**

These future interest expenses concern borrowings and financial instruments.

6.3 Provisions

(€ millions)	31/12/2017	31/12/2016
Provision for benefits payable at retirement	10.4	9.5
Other provisions	9.6	10.5
TOTAL PROVISIONS	**20.1**	**20.0**

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

Other provisions primarily cover:

- the risk of 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 2016	**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	–	–	–
As at 31 December 2016	**3,797.0**	**459.0**	**4,256.0**
Subsequent investments and expenditures capitalised	45.1	77.0	122.1
Change in spread of incentives to buyers	2.1	–	2.1
Disposals/repayment of down payments made	(70.2)	(0.7)	(70.8)
Net impairment/project discontinuation	–	(1.1)	(1.1)
Transfers to assets held for sale or to or from other categories	11.1	(9.8)	1.3
Change in fair value	198.7	–	198.7
Change in scope of consolidation	0.0	0.5	0.5
AT 31 DECEMBER 2017	**3,983.8**	**525.0**	**4,508.7**

During 2017, interest expenses amounting to €3.5 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 2017 concern:

- the restructuring of the existing part of the Cap 3000 centre and the delivery in April 2017 of part of the extension;
- the sale of assets and of companies holding assets;
- 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, the development projects for the Paris railway stations and the redevelopment of shopping centres in France.

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 considered 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 accounted for under the equity method) and which are measured at fair value by the expert appraisers.

		Initialcapitalisation rate	Rental in € per m²	Discount rate	Capitalisation rate at exit	Average annual growth rate of net rental income
		a	b	c	d	e
France	Maximum	7.7 %	761	8.2 %	7.3 %	8.4 %
	Minimum	3.6 %	59	4.9 %	3.3 %	1.4 %
	Weighted average	**4.3 %**	**386**	**5.7 %**	**4.2 %**	**3.0 %**
International	Maximum	7.0 %	317	7.3 %	6.7 %	4.0 %
	Minimum	5.5 %	187	7.3 %	5.0 %	1.5 %
	Weighted average	**6.2 %**	**236**	**7.3 %**	**5.7 %**	**2.9 %**

(a) - The initial capitalisation rate is the net rental income relative to the appraisal value excluding transfer duties.
(b) - Annual average rent (minimum guaranteed rent plus variable rent) per asset and m².
(c) - Rate used to discount the future cash flows.
(d) - Rate used to capitalise the revenue in the exit year in order to calculate the asset's exit value.
(e) - Average Annual Growth Rate 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 €203.8 million in the value of investment properties (-5.4 %), while a 0.25 % decrease in capitalisation rates would increase the value of investment properties by €229.1 million (6.1 %).

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
As at 31 December 2016	**3.9**	**(139.6)**	**(135.6)**
Change	(3.1)	1.5	(1.5)
Present value adjustment	0.0	(0.3)	(0.3)
Transfers	–	–	–
Change in scope of consolidation	–	–	–
At 31 December 2017	**0.9**	**(138.3)**	**(137.4)**
Change in WCR at 31 December 2017	**(3.1)**	**1.5**	**(1.5)**

Net acquisitions of assets and capitalised expenditures

(€ millions)	31/12/2017	31/12/2016
Type of non-current assets acquired:		
Intangible assets	(8.6)	(3.6)
Property, plant and equipment	(8.2)	(3.6)
Investment properties	(125.7)	(238.9)
TOTAL	**(142.5)**	**(246.1)**

7.2 Goodwill and other intangible assets

(€ millions)	Gross values	Amortisation and/or impairment	31/12/2017	31/12/2016
Goodwill	**394.9**	**(239.6)**	**155.3**	**155.3**
Brands	**89.9**	**–**	**89.9**	**89.9**
Customer relationships	**191.7**	**(191.7)**	**–**	**5.5**
Software applications, patents and similar rights	33.9	(21.0)	12.9	6.8
Leasehold Right	2.5	(2.2)	0.3	0.4
Other	0.0	(0.0)	0.0	0.0
Other intangible assets	**36.4**	**(23.2)**	**13.3**	**7.2**
TOTAL	**712.9**	**(454.5)**	**258.5**	**257.9**

(€ millions)	31/12/2017	31/12/2016
Net values at beginning of the period	**257.9**	**202.1**
Acquisitions of intangible assets	8.6	3.6
Disposals and write-offs	(0.1)	(0.1)
Changes in scope of consolidation and other	(0.0)	59.8
Net allowances for depreciation	(8.0)	(7.5)
NET VALUES AT THE END OF THE PERIOD	**258.5**	**257.9**

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

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

The customer relationships associated with the acquisition of property developer Pitch Promotion, amortised on a straight-line basis since acquisition date, 26 February 2016, had been fully amortised as at 31 December 2017.

Goodwill from the acquisition of Cogedim and Pitch Promotion and Trademarks

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

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

Goodwill of €15 million was allocated to the Retail business 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 2017.

Brands

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

7.3 Operational working capital requirement

Summary of components of operational working capital requirement

			Flows	
(€ millions)	31/12/2017	31/12/2016	Created by the business	Changes in consolidation scope and transfer
Net inventories and work in progress	**1,288.8**	**978.1**	**319.3**	**(8.6)**
Net trade receivables	237.1	192.1	44.8	0.3
Other operating receivables net	392.8	328.0	71.7	(7.0)
Trade and other operating receivables net	**629.9**	**520.1**	**116.5**	**(6.7)**
Trade payables	(511.4)	(416.8)	(94.8)	0.2
Other operating payables	(810.6)	(553.5)	(270.4)	13.4
Trade payables and other operating liabilities	**(1,322.0)**	**(970.3)**	**(365.2)**	**13.6**
OPERATIONAL WCR	**596.8**	**527.9**	**70.6**	**(1.7)**

The Group's operational working capital requirement (excluding receivables and payables on the sale or acquisition of fixed assets) is essentially linked to the Property Development sector. The changes in the consolidation scope are mainly related to movements in the Property Development sector.

7.3.1 Inventories and work in progress

(€ millions)	Gross inventories	Impairment	Net inventories
At 1 January 2016	**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
As at 31 December 2016	**982.0**	**(3.8)**	**978.1**
Change	322.8	0.0	322.8
Increases	–	(5.2)	(5.2)
Reversals	–	1.6	1.6
Transfers to or from other categories	1.3	(0.3)	1.0
Change in scope of consolidation	(9.6)	–	(9.6)
AT 31 DECEMBER 2017	**1,296.5**	**(7.7)**	**1,288.8**

Change in inventories is mainly due to changes in the Group's business. The changes in the consolidation scope are mainly related to movements in the Property Development sector.

7.3.2 Trade and other receivables

(€ millions)	31/12/2017	31/12/2016
Gross trade receivables	**257.5**	**211.9**
Opening impairment	**(19.8)**	**(18.9)**
Increases	(6.4)	(6.1)
Reversals	5.8	5.1
Other changes	0.0	0.0
Closing impairment	**(20.4)**	**(19.8)**
NET TRADE RECEIVABLES	**237.1**	**192.1**
Advances and down payments paid	29.8	36.0
VAT receivables	237.3	194.1
Sundry debtors	52.1	54.0
Prepaid expenses	50.0	29.0
Principal accounts in debit	26.1	24.8
Total other operating receivables gross	**395.3**	**338.0**
Opening impairment	**(9.9)**	**(8.3)**
Increases	(1.2)	(1.7)
Reclassification	(0.1)	–
Reversals	8.7	0.1
Other changes	–	(0.0)
Closing impairment	**(2.5)**	**(9.9)**
NET OPERATING RECEIVABLES	**392.8**	**328.0**
TRADE RECEIVABLES AND OTHER OPERATING RECEIVABLES	**629.9**	**520.1**
Receivables on sale of assets	0.9	3.9
TRADE RECEIVABLES AND OTHER OPERATING RECEIVABLES	**630.8**	**524.0**

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.

Detail of trade receivables due:

(€ millions)	31/12/2017
Total gross trade receivables	**257.5**
Impairment of trade receivables	(20.4)
TOTAL NET TRADE RECEIVABLES	**237.1**
Trade accounts to be invoiced	39.6
Receivables lagging completion	(8.5)
TRADE ACCOUNTS RECEIVABLE DUE	**189.0**

(€ millions)	TOTAL	On time	30 days	60 days	90 days	More than 90 days
Trade accounts receivable due	189.0	127.8	1.2	22.2	2.8	34.9

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.

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)	31/12/2017	31/12/2016
TRADE PAYABLES AND RELATED ACCOUNTS	**511.4**	**416.8**
Advances and down payments received from clients	557.8	333.6
VAT collected	95.8	75.0
Other tax and social security payables	58.0	49.9
Prepaid income	2.1	2.9
Other payables	70.8	67.3
Principal accounts in credit	26.1	24.8
OTHER OPERATING PAYABLES	**810.6**	**553.5**
Amounts due on non-current assets	138.3	139.6
ACCOUNTS PAYABLE AND OTHER OPERATING LIABILITIES	**1,460.3**	**1,109.9**

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

At 31 December 2017

			Financial assets and liabilities carried at amortised cost		Financial assets and liabilities carried at fair value				
(€ millions)	Total carrying amount	Non-financial assets	Loans Receivables	Liabilities at amortised cost	Assets available for sale	Assets and liabilities at fair value through profit and loss	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
NON-CURRENT ASSETS	**573.3**	**228.5**	**343.6**	**–**	**1.2**	**–**	**–**	**–**	**1.2**
Securities and investments in equity affiliates and unconsolidated interests	564.0	228.5	334.3	–	1.2	–	–	–	1.2
Loans and receivables (non-current)	9.3	–	9.3	–	–	–	–	–	–
CURRENT ASSETS	**1,857.4**	**–**	**1,605.5**	**–**	**–**	**251.9**	**243.7**	**8.2**	**–**
Trade and other receivables	630.8	–	630.8	–	–	–	–	–	–
Loans and receivables (current)	49.3	–	49.3	–	–	–	–	–	–
Derivative financial instruments	8.2	–	–	–	–	8.2	–	8.2	–
Cash and cash equivalents	1,169.1	–	925.4	–	–	243.7	243.7	–	–
NON-CURRENT LIABILITIES	**2,858.3**	**–**	**–**	**2,858.3**	**–**	**–**	**–**	**–**	**–**
Borrowings and financial liabilities	2,826.1	–	–	2,826.1	–	–	–	–	–
Deposits and security interests received	32.2	–	–	32.2	–	–	–	–	–
CURRENT LIABILITIES	**2,527.4**	**–**	**–**	**2,492.5**	**–**	**34.9**	**–**	**34.9**	**–**
Borrowings and financial liabilities	1,032.2	–	–	1,032.2	–	–	–	–	–
Derivative financial instruments	34.9	–	–	–	–	34.9	–	34.9	–
Accounts payable and other operating liabilities	1,460.3	–	–	1,460.3	–	–	–	–	–

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

As 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 listed on an active market.
(b) Financial instruments whose fair value is determined using valuation techniques based on observable market inputs.
(c) Financial instruments whose fair value (in whole or in part) is based on non-observable inputs.
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 and caps designed to hedge against interest rate risk on its variable rate financial 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 considering the credit valuation adjustment (CVA) when positive, and the debit valuation adjustment (DVA) when negative. This adjustment measures, by application on each cash flow date of the valuation of a probability of default, the counterparty risk defined as an obligation to replace a hedging operation at the market rate in force following the default by one of the counterparties. CVA, calculated for a given counterparty, considers the probability of default for this counterparty. DVA, based on the Company's credit risk, corresponds to the counterparty's exposure to loss in the event of the Company's default.

The resulting impact is a positive change in the fair value of derivative financial instruments of €1.3 million on net income for the period.

Position in derivative financial instruments

(€ millions)	31/12/2017	31/12/2016
Interest-rate swaps	(26.3)	(69.0)
Interest-rate caps	0.1	0.3
Accrued interest not yet due	(0.5)	3.6
TOTAL	**(26.7)**	**(65.1)**

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

Maturity schedule of derivative financial instruments (notional amounts)

At 31 December 2017

(€ millions)	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022
Altarea – pay fixed – *swap*	1,248.6	1,697.2	1,695.7	2,216.5	1,990.2	1,963.9
Altarea – pay floating rate – *swap*	230.0	230.0	230.0	230.0	–	–
Altarea – pay fixed – *collar*	–	–	–	–	–	–
Altarea – pay fixed – *cap*	181.5	181.5	75.0	75.0	–	–
TOTAL	**1,660.1**	**2,108.7**	**2,000.7**	**2,521.5**	**1,990.2**	**1,963.9**
Average hedge ratio	0.51%	0.43%	0.52%	0.89%	0.89%	0.89%

As at 31 December 2016

(€ millions)	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%

Management position

At 31 December 2017

(€ millions)	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022
Fixed-rate bond and bank loans	(1,180.6)	(1,167.0)	(1,014.1)	(1,011.3)	(778.5)	(775.7)
Floating-rate bank loans	(2,514.9)	(1,576.2)	(1,368.0)	(1,044.2)	(662.6)	(570.0)
Cash and cash equivalents (assets)	1,169.1	–	–	–	–	–
Net position before hedging	**(2,526.4)**	**(2,743.2)**	**(2,382.1)**	**(2,055.5)**	**(1,441.1)**	**(1,345.7)**
Swap	1,478.6	1,927.2	1,925.7	2,446.5	1,990.2	1,963.9
Collar	–	–	–	–	–	–
Cap	181.5	181.5	75.0	75.0	–	–
Total derivative financial instruments	**1,660.1**	**2,108.7**	**2,000.7**	**2,521.5**	**1,990.2**	**1,963.9**
NET POSITION AFTER HEDGING	**(866.3)**	**(634.5)**	**(381.4)**	**466.0**	**549.1**	**618.2**

As at 31 December 2016

(€ millions)	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**

Analysis of interest-rate sensitivity:

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

	Increase/decrease in interest rates	Impact of the gain or loss on pre-tax profit	Impact on the value of the portfolio of the financial instruments
31/12/2017	+50 bps	€-2.6 million	€+58.9 million
	-50 bps	€+1.0 million	€-66.0 million
31/12/2016	+50 bps	€-4.0 million	€+72.3 million
	-50 bps	€+0.1 million	€-74.9 million

8.3 Liquidity risk

Cash

The Group had a positive cash position of €1,169.1 million at 31 December 2017, compared to €478.4 million at 31 December 2016. This represents its main tool for management of liquidity risk.

Part of this cash is classified as non-available to the Group, but is available to the subsidiaries that carry it: at 31 December 2017, the amount of this restricted cash was €211.0 million.

On this date, in addition to the available cash of €958.0 million, the Group also had €509.2 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 €149.5 million of available cash and cash equivalents for projects.

Covenants

The covenants with which the Group must comply concern the listed corporate bond and banking credits, for €1,401.5 million.

Foncière Altarea (the holding Company for the Retail business with the exception of the shopping centres directly held by Altarea SCA or via its Altablue subsidiary for Cap 3000) must comply with covenants on the corporate banking credits subscribed by Altarea SCA (€162.5 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	31/12/2017	Consolidated Foncière Altarea covenants	31/12/2017	Consolidated Cogedim covenants	31/12/2017
***Loan To Value* (LTV)**						
Net bond and bank financial debt/ re-assessed value of the Company's assets	< 60%	36.1%	< 50%	19.1%		
***Interest Cover Ratio* (ICR)**						
Operating income (FFO column or cash flow from operations)/Company's net borrowing cost (FFO column)	> 2	9.3	> 1.8	11.7		
Leverage						
Leverage: Net financial Debt/EBITDA					<= 5	2.2
Gearing: Net financial debt/Equity					<= 3	0.5
ICR: EBITDA/Net interest expenses					>= 2	8.9

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 phase = 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 2017, 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:

	31/12/2017		31/12/2016	
(In percentage)	% share capital	% voting rights	% share capital	% voting rights
Founding shareholders and the expanded concert party[a]	46.12	46.96	46.45	47.04
Crédit Agricole Assurances	24.71	25.16	26.57	26.91
ABP	8.25	8.40	8.19	8.30
Opus Investment BV[b]	1.33	1.35	1.32	1.33
Treasury shares	1.79	–	1.25	–
Public + employee investment mutual fund	17.81	18.13	16.22	16.42
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**

(a) The founding shareholders, Alain Taravella and his family, Jacques Nicolet and Stéphane Theuriau, acting in concert.
(b) And related parties.

Related party transactions

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

- AltaGroupe, Alta Patrimoine and Altager, controlled by Alain Taravella.

The Company is managed by Alain Taravella personally and by two companies, Altafi 2 and Atlas, which he controls. Alain Taravella is also the Chairman of Altafi 2 and Atlas.

Transactions with these related parties mainly relate to services rendered by the aforementioned Managers and to a lesser extent services and rebillings by the Company to AltaGroupe and its subsidiaries.

Management compensation

Since 2016 Altarea and its subsidiaries have remunerated the Management in accordance with the fifth resolution of the General Shareholders' Meeting of 15 April 2016; before that they were remunerated in accordance with the sixth resolution of the General Shareholders' Meeting of 27 June 2013. In this respect, the following expense was recognised:

	Altafi 2 SAS	
(€ millions)	31/12/2017	31/12/2016
Fixed Management compensation	2.6	2.6
▪ o/w amount recognised in other company overhead costs	*2.6*	*2.6*
Variable Management compensation[a]	2.4	1.2
TOTAL	**5.0**	**3.8**

(a) The variable Management compensation is calculated in proportion to net income (FFO), Group share.

Compensation is allocated globally to management which is free to distribute it among Managers as it sees fit.

Coordinating services provided to the Company

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

Assistance services and rebilling by the Company and its subsidiaries

Assistance services and rebilling of rents and other items are recognised as a deduction from other company overhead costs in the amount of €0.2 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)	31/12/2017	31/12/2016
Trade and other receivables	–	0.0
TOTAL ASSETS	**–**	**0.0**
Trade and other payables[(a)]	2.9	1.4
TOTAL LIABILITIES	**2.9**	**1.4**

(a) Corresponds mainly to Management's variable compensation.

Compensation of the founding shareholder-managers

Alain Taravella does not personally receive any compensation from Altarea or its subsidiaries. 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, receives 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-manager. No other short-term or long-term benefits or other forms of compensation and benefits were granted to the founding shareholder-manager by Altarea.

Compensation of the Group's senior executives

(€ millions)	31/12/2017	31/12/2016
Gross salaries[(a)]	4.7	5.2
Social security contributions	1.9	2.0
Share-based payments[(b)]	3.7	2.9
Number of shares delivered during the period	17,351	24,000
Post-employment benefits[(c)]	0.0	0.0
Other short- or long-term benefits and compensation[(d)]	0.0	0.0
Termination indemnities[(e)]		–
20% employer contribution for free share grants	0.7	0.7
Loans	–	–
Post-employment benefit commitment	0.3	0.3

(a) Fixed and variable compensation; variable compensation corresponds to the variable parts.
(b) Charge calculated in accordance with IFRS 2.
(c) Pension service cost according to IAS 19, life insurance and medical care.
(d) Benefits in kind, directors' fees and other compensation vested but payable in the future (short- or long-term).
(e) Post-employment benefits, including social security costs.

(In number of rights in circulation)	31/12/2017	31/12/2016
Rights to Altarea SCA's free share grants	40,127	50,028
Altarea share subscription warrants	–	–
Stock options on Altarea shares	–	–

The information above refers to compensation and benefits granted to (i) corporate officers in respect of offices held in subsidiaries, (ii) the Chairman of the Supervisory Board and (iii) the main salaried executives in the Group.

NOTE 10 **GROUP COMMITMENTS AND CONTINGENT LIABILITIES**

10.1 Off-balance sheet commitments

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

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

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

In addition, the Company has received commitments from banks for unused credit lines, which are described in Note 8.3 "Liquidity risk".

All other material commitments are set out below:

(€ millions)	31/12/2016	31/12/2017	Less than 1 year	1-5 years	More than 5 years
Commitments received					
Commitments received relating to financing (excl. borrowings)	**–**	**–**	**–**	**–**	**–**
Commitments received relating to company acquisitions	**17.5**	**20.8**	**12.0**	**1.0**	**7.8**
Commitments received relating to operating activities	**144.2**	**130.0**	**62.5**	**51.5**	**15.9**
Security deposits received from FNAIM (Hoguet Act)	55.0	55.0	55.0	–	–
Security deposits received from tenants	19.4	19.9	1.9	3.5	14.4
Payment guarantees received from customers	69.3	49.6	5.4	42.7	1.5
Unilateral land sale undertakings received and other commitments	0.4	0.3	–	0.3	–
Other commitments received relating to operating activities	0.2	5.2	0.2	5.0	–
TOTAL	**161.8**	**150.8**	**74.5**	**52.5**	**23.8**
Commitments given					
Commitments given relating to financing (excl. borrowings)	**11.0**	**11.0**	**5.0**	**–**	**6.0**
Commitments given relating to company acquisitions	**181.8**	**130.1**	**0.5**	**51.7**	**78.0**
Commitments given relating to operating activities	**1,004.8**	**1,141.9**	**370.2**	**736.5**	**35.2**
Construction work completion guarantees (given)	725.2	995.6	329.3	662.4	3.9
Guarantees given on forward payments for assets	153.2	49.3	5.0	44.0	0.3
Guarantees for loss of use	69.0	42.0	24.0	17.6	0.3
Other sureties and guarantees granted	57.4	55.0	11.9	12.5	30.6
TOTAL	**1,197.6**	**1,283.0**	**375.7**	**788.2**	**119.1**

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 share block of 100% of any damage or loss originating from the business activities 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 projects.

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 €56.2 million (firm commitment for identified projects).

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), representations and warranties were given for €35 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).

Guarantees for loss of use

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

Other commitments

In the conduct of its 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.

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.

Lastly, the Group has announced its future headquarters at the Richelieu building, Paris second arrondissement (in which the Group is a 58% investor), for which it has signed an off-plan lease. It should take effect in the second half of 2019.

Minimum future rents to be paid 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:

	31/12/2017	31/12/2016
Less than 1 year	159.1	162.5
Between 1 and 5 years	280.5	327.2
More than 5 years	105.5	99.6
GUARANTEED MINIMUM RENT	**545.1**	**589.2**

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:

	31/12/2017	31/12/2016
Less than 1 year	16.6	14.0
Between 1 and 5 years	14.6	14.5
More than 5 years	0.1	0.3
MINIMUM FUTURE RENTS TO BE PAID	**31.3**	**28.8**

Rents to be paid concern:

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

10.2 Contingent liabilities

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

NOTE 11 **POST-CLOSING EVENTS**

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

NOTE 12 **AUDITORS' FEES**

	E&Y				Grant Thornton				Other				TOTAL			
	Amount		%		Amount		%		Amount		%		Amount		%	
(€ millions)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Statutory audit, certification, examination of individual and consolidated financial statements																
▪ Altarea SCA	0.3	0.2	22%	19%	0.3	0.3	39%	34%	–	–	0%	0%	0.6	0.5	26%	23%
▪ Fully consolidated subsidiaries	0.9	0.9	70%	71%	0.4	0.5	59%	56%	0.2	0.1	100%	100%	1.5	1.5	68%	68%
Services other than the certification of the financial statements																
▪ Altarea SCA	0.0	0.1	1%	5%	0.0	0.1	2%	9%	–	–	0%	0%	0.0	0.1	1%	6%
▪ Fully consolidated subsidiaries	0.1	0.1	7%	4%	0.0	0.0	1%	1%	–	–	0%	0%	0.1	0.1	4%	3%
TOTAL	**1.3**	**1.3**	**100%**	**100%**	**0.8**	**0.8**	**100%**	**100%**	**0.2**	**0.1**	**100%**	**100%**	**2.2**	**2.2**	**100%**	**100%**

3.7 Statutory Auditors' report on the consolidated financial statements

(for the financial year ended 31 December 2017)

To the General Shareholders' Meeting of Altarea,

Opinion

In accordance with the assignment entrusted to us by your Shareholders Meeting, we have audited Altarea's consolidated financial statements for the year ended 31 December 2017, as attached to this report.

We certify that the consolidated financial statements are, in accordance with IFRS as adopted in the European Union, regular and accurate, and that they give a true and fair view of the results of operations over the past financial year, as well as the financial position and assets at the year-end of the Group consisting of the persons and entities included in the consolidation.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of our opinion

Audit guidelines

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

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

Independence

We performed our audit assignment in accordance with the rules in respect of independence applicable to us over the period from 1 January 2017 until the date of our report, and have not provided any of the services prohibited under Article 5, paragraph 1 of Regulation (EU) No. 537/2014 or the code of ethics of the profession of statutory auditor.

Justification of our assessments – Key points of the audit

Pursuant to Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we draw your attention to the key points of the audit in respect of the risks of material misstatement that, in our professional judgement, were the most significant in the audit of the consolidated financial statements for the year, as well as our responses to these risks.

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

Measurement of goodwill and brands

<table>
<tr><th>Risk identified</th><th>Our response</th></tr>
<tr><td>As of 31 December 2017, goodwill and brands were recorded in the balance sheet in a net carrying amount of €245 million, of which €155 million in goodwill relating to the acquisitions of Cogedim and Pitch Promotion, and €90 million in goodwill relating to the Cogedim and Pitch Promotion brands.
Goodwill and brands are systematically tested for impairment annually, or more frequently if internal or external events or circumstances indicate a loss of value. As described in note 2.3.8 to the consolidated financial statements, an impairment loss is recognised if the carrying amount of the assets (and certain associated liabilities) in the balance sheet is greater than the recoverable amount of the said assets.
The determination of the recoverable amounts of each group of assets tested is based on the discounted cash flow method, which requires the use of assumptions, estimates or assessments, and the peer comparison method.
In view of the amounts and sensitivity of these assets to changes in the data and the assumptions upon which the estimates are based, in particular the cash flow projections and discount rates used, we considered the assessment of the recoverable amount of goodwill and brands as a key point in the audit.</td><td>We reviewed the process established by the Group for determining the recoverable amount of goodwill and brands, grouped into cash-generating units (CGU).
Our work also involved:
▪ assessing the principles and the methods for determining the recoverable amounts of the CGUs to which the goodwill and the brands are allocated, as well as the corresponding net asset values;
▪ reconciling the net carrying amounts of the net assets attached to the CGUs tested with the Group's accounting data;
▪ assessing, including our valuation experts, the pertinence of the valuation models used as well as the long-term growth rates and discount rates applied in the said models;
▪ assessing, in consultation with management, the main assumptions on which the budget estimates underlying the cash flows used in the valuation models are based. As such, we also compared estimated cash flow projections from previous periods with actual results in order to assess the suitability and reliability of the forecasting process, and to corroborate the results of sensitivity analyses conducted by management by comparing them with our own;
▪ testing, on a sample basis, the arithmetical accuracy of the assessments used by the Group.</td></tr>
</table>

Valuation of investment properties and investment properties under development and construction

<table>
<tr><th>Risk identified</th><th>Our response</th></tr>
<tr><td>The Group's investment property portfolio consists of properties in operation and buildings under construction.
As of 31 December 2017, investment properties were recorded in the balance sheet at a carrying amount of €4,509 million, or 52% of total assets, including €3,984 million in investment properties measured at fair value and €525 million in investment properties carried at cost.
In accordance with IAS 40, the Group has opted for the fair value model, and accordingly values its investment properties at fair value whenever it can be determined reliably. Otherwise, they are recorded at cost and are tested for impairment at least once per year and whenever there is evidence of impairment.
As indicated in note 2.3.6 to the consolidated financial statements, investment properties in operation are systematically measured at fair value. Investment properties under development and construction are measured either at cost or at fair value.
For investment properties measured at fair value, the Group relies mainly external appraisals giving valuations inclusive of duties less the amount of duties corresponding to transfer fees and duties.
Appraisers use two evaluation methods, namely the discounting of projected future cash flows over a 10-year period, taking into account a resale value at the end of a given period by capitalising net rents, and a method based on the capitalisation of net rents; the appraisers apply a rate of return depending on the characteristics of the site and rental income adjusted for the expenses borne by the owner.
As the valuation of investment properties is complex and the amounts involved are significant, we consider the measurement of investment properties in the financial statements as a key point in the audit.</td><td>We reviewed the investment property valuation process implemented by the Group.
Our work also involved:
▪ assessing the independence of the property appraisers by examining the implementation of the rules relating to the rotation and compensation methods defined by the Company, and by assessing their competence;
▪ examining the instructions given to the appraisers in writing by the entity, detailing the nature of their procedures, and the extent and limits of their work, in particular with respect to the verification of the information provided by the Company;
▪ examining, on a test basis, the relevance of the information provided to the property appraisers by the Corporate Finance Department to determine the fair value of the investment properties, such as the information on rental statements, accounting data and the capital expenditure budget;
▪ analysing the valuation assumptions used by the property appraisers, in particular the discount rates, rates of return, rental data and market rental values, by comparing them with available market data;
▪ interviewing some of the property appraisers in the presence of a Corporate Finance Officer and assessing, with the help of our valuation experts, the consistency and relevance of the assessment method used, as well as the significant judgements made;
▪ comparing the property appraisal values with the values recognised in the financial statements.
Moreover, for investment properties under development recognised at fair value, we assessed their compliance with the fair value transition criteria (marketing percentage and reliability of cost price).
Concerning investment properties under development maintained at cost, we assessed, on the basis of interviews with the Development Managers and Project Managers, the assumptions used by the Executive Management in impairment tests, in particular the costs incurred during the period, the progress of the project, the costs yet to be incurred, and any operating risks that may exist.</td></tr>
</table>

Valuation of deferred tax assets

Risk identified	Our response
As of 31 December 2017, deferred tax assets relating to tax loss carryforwards amounted to €155 million. As stated in note 2.3.17 to the consolidated financial statements, deferred tax assets are recognised insofar as is likely that future taxable profits will allow their recovery based on a business plan for tax purposes prepared by management and derived from the Group's business plan drawn up for a reasonable period. The Group's capacity to use its deferred tax assets within a reasonable timeframe is assessed by management at the close of each financial year, taking into account, among other aspects, the estimated future taxable profits of the property development activity. We considered the measurement of the recoverable amount of deferred tax assets resulting from tax loss carryforwards as a key point in the audit due to the material nature of management's judgements in recognising these assets and the materiality of the amount in question.	We analysed the consistency of the methodology applied for the recognition of deferred taxes with the tax rules in force at the end of the reporting period, in particular with the tax rates adopted and the rules for limiting tax loss carryforwards, specific to each jurisdiction. Our approach involved examining the business plans prepared for tax purposes, focusing primarily on the earnings forecasts for the property development activity in the Altareit tax group in order to assess the Group's ability to generate future taxable profits allowing the use of tax loss carryforwards. We compared these business plans prepared for tax purposes with the cash flow projections used, where appropriate, in the context of annual impairment testing of goodwill and brands and examined the reasonableness of the key data and assumptions underlying these forecasts of taxable profits.

Measurement of inventories, revenue and net property income

Risk identified	Our response
As of 31 December 2017, property inventories were recorded in the balance sheet in the amount of €1,289 million, and net property income amounted to €162 million in the 2017 financial year. As indicated in note 2.3.18 to the consolidated financial statements, revenue and costs (net property income) are recognised in the consolidated financial statements in accordance with the percentage-of-completion method. This method is used for all off-plan (VEFA) and property development contract transactions. For such programmes, revenue from notarised sales is recognised in accordance with IAS 18 "Revenue" and IFRIC 15 "Agreements for the Construction of Real Estate" in proportion to the technical completion of the programme, as measured by the amount of costs attributable to the development that have already been incurred and the progress of the sales process, determined by notarised sales as a percentage of budgeted total sales. As indicated in note 2.3.9 to the consolidated financial statements, inventories are carried at cost less the portion of the cost price removed on a percentage-of-completion basis for off-plan sale (VEFA) or property development contract transactions. Impairment losses are recognised when the net realisable value of inventories and work in progress is less than the cost price. In view of the material nature of inventories and net property income in the Group's consolidated financial statements, we considered the measurement of these items as a key point in the audit.	Our approach involved examining the assumptions made by management in estimating the profit on property developments, and notably assumptions regarding selling prices, construction costs, service fees and internal expenses. The technical completion rates of developments representing significant revenue and costs (net property income) over the financial year were confirmed by the main contractors (independent confirmation) in charge of the property developments, and we reconciled the number of sales with notarised deeds by conducting sales-year-specific sales tests. Our teams of experts also carried out reliability tests of application controls related to the sales process. We also examined the costs incurred and yet to be incurred on the most significant projects in order to identify loss-making contracts, and, where applicable, reconciled these costs with the loss on completion of the contracts in question. Lastly, we tested the arithmetical accuracy of net property income generated during the year and recorded in the consolidated financial statements using income at completion and rates of commercial and technical completion. The measurement of inventories for (i) projects not yet available for sale and (ii) projects delivered was the subject of particular attention. For developments not yet available for sale, we examined the existence of prospective profits, based on interviews with management and analysis of operating budgets. For projects delivered, we analysed the estimated selling prices of the units in inventory with the selling prices of the units recorded.

Verification of information relative to the Group provided in the management report

As required by law, we also verified in accordance with professional standards applicable in France the information presented in the management report of the Management Board.

We have no comments to report with respect to the fairness of its presentation and consistency with the consolidated financial statements.

Information resulting from other legal and regulatory requirements

Appointment of the auditors

We were appointed as auditors of Altarea by your General Shareholders' Meeting of 15 April 2016 as regards Grant Thornton and of 28 May 2010 as regards Ernst & Young et Autres.

As of 31 December, Grant Thornton was in the second consecutive year of its assignment and Ernst & Young et Autres in the eight consecutive year.

On the other way, the cabinet AACE Ile de France, member of réseau GRANT THORNTON and the cabinet ERNST YOUNG Audit were statutory auditors since 2004.

Responsibilities of management and corporate governance officers in respect of the consolidated financial statements

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

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

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of the internal control and risk management systems, as well as, where applicable, internal audit systems with respect to procedures for preparing and processing accounting and financial information.

These consolidated financial statements have been approved by Management.

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

Audit objective and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole do not contain any material misstatements. Reasonable assurance corresponds to a high level of assurance, but does not guarantee that an audit performed in accordance with professional standards can systematically detect any material misstatements. Misstatements may arise from fraud or error, and are considered material when it can reasonably be expected that, taken individually or cumulatively, they may influence the economic decisions made by the users of the financial statements on the basis thereof.

As stated in Article L. 823-10-1 of the French Commercial Code (Code de commerce), our certification of the financial statements is not a guarantee of the viability of your company or the quality of its management.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises its professional judgement throughout the audit process. It also:

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

Report to the Audit Committee

We hereby submit our report to the Audit Committee in which we outline the scope of the audit and the work programme implemented, as well as the findings arising from our work. We also disclose, where appropriate, the significant weaknesses of internal control that we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

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

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537-2014 confirming our independence, within the meaning of the rules applicable in France as laid down notably by Articles L. 822-10 to L. 822-14 of the French Commercial Code (Code de commerce) and in the code of ethics of the profession of statutory auditor. Where appropriate, we discuss the risks to our independence and the safeguards applied with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, 15 March 2018

The Statutory Auditors

Grant Thornton *French member of Grant Thornton International* **Laurent Bouby**	**ERNST & YOUNG et Autres** **Anne Herbein**

PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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4.1 Income statement

Title *(€ thousands)*	2017	2016
Sale of goods		
Sold production (goods and services)	20,706.3	19,371.3
Net revenue	**20,706.3**	**19,371.3**
Production held in inventory		
Production held in inventory	1,471.4	(210.4)
Operating grants		
Reversals of provisions (and depreciation/amortisation), expense reclassifications	237.0	2,194.5
Other income	300.6	4.7
Operating income	**22,715.3**	**21,360.0**
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	18,595.8	17,066.3
Taxes, duties and analagous payments	533.3	858.4
Salaries and wages	919.4	917.0
Social security contributions	635.8	1,800.2
Operating allowances		
Non-current assets: depreciation and amortisation charges	5,604.3	4,678.7
Non-current assets: impairment provisions		
Current assets: impairment provisions	569.0	588.8
For risks and charges: allowances to provisions	561.1	318.7
Other expenses	602.6	216.5
Operating expenses	**28,021.3**	**26,444.6**
OPERATING INCOME/(LOSS)	**(5,306.0)**	**(5,084.6)**
Financial income from investments	44,582.3	45,732.5
Income from other marketable securities and receivables on non-current assets	4,579.4	4,193.3
Other interest and similar income	8,659.2	7,017.4
Reversals of provisions, impairment and expense reclassifications	4,998.6	8,193.7
Foreign exchange gains		
Net gains on the disposal of marketable securities		
Financial income	**62,819.5**	**65,136.9**
Allowances for amortisation, impairment and provisions	434.2	
Interest and similar expenses	37,809.1	53,069.4
Foreign exchange losses		
Net losses from the disposal of marketable securities		
Financial expenses	**38,243.3**	**53,069.4**
NET FINANCIAL INCOME/(EXPENSE)	**24,520.1**	**12,067.4**
PROFIT BEFORE TAX	**19,270.3**	**6,982.9**
Exceptional income from non-capital transactions		440.7
Exceptional income from capital transactions	24,021.1	6,838.8
Reversals of provisions, impairment and expense reclassifications		
Exceptional income	**24,021.1**	**7,279.5**
Exceptional expenses on non-capital transactions	29.6	417.4
Exceptional expenses on capital transactions	14,091.2	6,190.0
Allowances for amortisation, impairment and provisions		
Exceptional expenses	**14,120.8**	**6,607.4**
NET EXCEPTIONAL INCOME/(EXPENSE)	**9,900.3**	**672.1**
Employee profit-sharing		
Income tax	877.0	(34.5)
Total income	**109,499.7**	**93,776.4**
Total expenses	**81,262.4**	**86,086.9**
PROFIT OR LOSSES	**28,293.5**	**7,689.4**

4.2 Balance sheet

Asset

Title (€ thousands)	Gross	Amortisation provisions	31/12/2017	31/12/2016
Uncalled subscribed capital				
Intangible assets				
Start-up costs				
Research and development expenditures				
Concessions, patents, licences, trademarks, procedures, software, rights and similar items	1,418.4	1,004.7	413.7	629.4
Goodwill				
Intangible assets in progress	26.3		26.3	26.3
Advances and down payments				
Property, plant and equipment				
Land	24,679.8	103.9	24,575.9	22,304.5
Buildings	114,183.6	45,139.1	69,044.5	64,493.2
Technical installations, plant and industrial equipment				
Other	131.9	130.7	1.2	16.9
Property, plant and equipment in progress	458.0		458.0	36.7
Advances and down payments				
Non-current financial assets				
Investments	1,352,422.0	14,745.8	1,337,676.2	1,337,684.7
Investment-related receivables	343,257.5		343,257.5	296,219.5
Other long-term investments				
Loans	396,581.9	100,306.4	296,275.5	167,113.4
Other non-current financial assets	5,478.9		5,478.9	4,007.6
NON-CURRENT ASSETS	**2,238,638.2**	**161,430.6**	**2,077,207.6**	**1,892,532.3**
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	9,038.3	2,057.1	6,981.3	4,323.5
Other	43,209.2		43,209.2	19,481.8
Called, unpaid subscribed capital				
Transferable securities for investment				
Marketable securities (of wich treasury stocks)	203,977.2		203,977.2	29,892.7
Treasury instruments				
Treasury instruments	41,309.6		41,309.6	
Cash and cash equivalents				
Cash and cash equivalents	174,508.3		174,508.3	35,082.1
Prepaid expenses	390.9		390.9	244.0
CURRENT ASSETS	**472,433.4**	**2,057.1**	**470,376.6**	**89,024.2**
Deferred expenses				
Redemption premiums	6,170.0	434.2	5,735.8	
Translation differences – assets				
TOTAL	**2,717,241.7**	**163,921.9**	**2,553,319.8**	**1,981,556.5**

Liabilities

Title (€ thousands)	2017	2016
Capital (of which 245,280.324 paid up)	245,280.3	229,671.0
Discounts, merger premiums, contribution premiums	563,245.3	588,267.4
Revaluation differences		
Legal reserve	18,588.3	18,203.9
Statutory and contractual reserves		
Regulated reserves		
Other		
Retained earnings[(a)]	16,799.2	
Net income (loss) for the year	**28,293.5**	**7,689.4**
Investment grants		
Regulated provisions		
EQUITY	**872,206.8**	**843,831.7**
Provisions for contingencies	674.7	266.8
Provisions for expenses		
PROVISIONS	**674.7**	**266.8**
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	789,906.6	384,400.8
Borrowings from credit institutions	278,134.1	279,120.3
Other borrowings and financial liabilities	409,426.8	272,095.5
Advances and down payments made for orders in progress	2.7	0.8
Operating payables		
TRADE PAYABLES AND RELATED ACCOUNTS	4,584.5	3,151.0
Tax and social security payables	2,040.8	1,272.3
Other payables		
Amounts due on non-current assets and related accounts	323.8	1,242.0
Other payables	940.7	1,097.0
Accruals		
Prepaid income		
PAYABLES	**1,485,360.0**	**942,379.6**
Translation differences – liabilities		
TOTAL	**2,553,319.8**	**1,981,556.5**

(a) See paragraph 4.3.2.3 "Changes in accounting and presentation - comparability of accounts"

4.3 Notes to the annual financial statements

Articles L. 123-13 to L. 123-21 and R. 123-195 to R. 123-23 of the French Commercial Code, Decree 83-1020 of 29 November 1983 and ANC Regulation 2016-07 of 4 November 2016 approved by the order of 29 December 2016.

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, Paris 75008.

Altarea chose the SIIC corporate form (S*ociété 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 5 March 2018 following review by the Supervisory Board.

4.3.1 Major events during the financial year

The Group strengthened its equity by €157.1 million as a result of the success of the option to receive payment of the 2016 dividend in shares. The subscription rate was 91.69%, which resulted in the issuance of 1,021,555 new shares.

The Group carried out its first bond issue for an amount of €500 million in July 2017. This unrated bond, with a maturity of seven years, offers a fixed annual coupon of 2.25%.

4.3.2 Accounting principles, rules and methods

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 accounting principles and methods are the same as those applied in drawing up the financial statements for the year ended 31 December 2016, except for the change in accounting method prescribed by ANC Regulation No. 2015-05 of 2 July 2015 as it relates to treasury instruments.

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 premises)
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, when they are held for purposes of a capital reduction;
- marketable securities:
  - when they are held under the "liquidity contract" with a service provider for the purpose of ensuring the liquidity and orderly trading of its shares or,
  - when they are held for purposes of grants to employees of the Company or its subsidiaries.

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

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

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

Other marketable securities

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.

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

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. Bond redemption premiums are spread over the life of the bonds.

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.

In accordance with ANC Regulation No. 2015-05 of 2 July 2015 relating to term financial instruments and hedging transactions, income and expenditure on term financial instruments entered into in the context of hedging the Company's interest rate risk (swaps/caps) are recognised in profit and loss.

Premiums on derivatives are amortised on a straight line basis over the life of the instruments.

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.

Corporate income tax

Altarea adopted SIIC status as from 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.

To qualify for the exemptions from French income tax Altarea must undertake 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 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 SIIC status during the financial year following the year in which the dividends were received.

Under the provisions applicable to 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.

4.3.2.3 Changes in accounting and presentation – comparability of accounts

The accounting principles applicable to term financial instruments and hedging transactions were amended by ANC Regulation No. 2015-05 of 2 July 2015. This regulation is mandatory for financial years starting 1 January 2017 and later.

The change has a total positive impact of €41.3 million on the Company's net financial position in 2017 treasury instrument assets, made up of:

- €16.8 million recognised in retained earnings as of 1 January 2017 (as if the change of method had taken place at the close of 2016);
- €24.5 million recognised in net income for 2017, corresponding to the reclassification, as treasury instrument assets, of compensation payments made in 2017 for €29.3 million, and to the amortisation of treasury instruments for the sum of €4.8 million.

Pro-forma accounts as at 31 December 2016

Assets

Title *(€ thousands)*	Gross amount	Amortisations Provisions	31/12/2017	31/12/2016 published	31/12/2016 pro forma
NON-CURRENT ASSETS	**2,238,638.2**	**161,430.6**	**2,077,207.6**	**1,892,532.3**	**1,892,532.3**
Other	431,123.9	2,057.1	429,066.8	89,024.2	89,024.2
Treasury instruments	41,309.6	-	41,309.6	-	16,799.2
CURRENT ASSETS	**472,433.4**	**2,057.1**	**470,376.4**	**89,024.2**	**105,823.4**
TOTAL	**2,717,241.7**	**163,921.9**	**2,553,319.8**	**1,981,556.5**	**1,998,355.7**

Liabilities

Title *(€ thousands)*	2017	31/12/2016 published	31/12/2016 pro forma
Other	827,114.0	836,142.3	836,142.3
Retained earnings	16,799.2	-	2,605.9
Net income (loss) for the year	**28,293.5**	**7,689.4**	**21,882.7**
EQUITY	**872,206.8**	**843,831.7**	**860,630.9**
PROVISIONS	**674.7**	**266.8**	**266.8**
OTHER EQUITY	**195,078.3**	**195,078.3**	**195,078.3**
PAYABLES	**1,485,360.0**	**942,379.6**	**942,379.6**
TOTAL	**2,553,319.8**	**1,981,556.5**	**1,998,355.7**

Income statement

Title *(€ thousands)*	2017	31/12/2016 published	31/12/2016 pro forma
OPERATING INCOME/(LOSS)	**(5,306.0)**	**(5,084.6)**	**(5,084.6)**
Financial income	62,819.5	65,136.9	65,136.9
Financial expenses	38,243.3	53,069.4	38,876.2
NET FINANCIAL INCOME/(EXPENSE)	**24,576.2**	**12,067.4**	**26,260.7**
PROFIT BEFORE TAX AND NON-RECURRING ITEMS	**19,270.3**	**6,982.9**	**21,176.1**
NET EXCEPTIONAL INCOME/(EXPENSE)	**9,900.3**	**672.1**	**672.1**
PROFIT OR LOSSES	**28,293.5**	**7,689.4**	**21,882.7**

4.3.3 Comments, figures and tables

4.3.3.1 Notes on balance sheet items – assets

Intangible assets

Gross intangible assets

Intangible assets *(€ thousands)*	31/12/2016	Increase	Decrease	31/12/2017
Software	1,399.0	19.3		1,418.4
TOTAL	**1,399.0**	**19.3**		**1,418.4**

Amortisation of intangible assets

Amortisation *(€ thousands)*	31/12/2016	Allowance	Reversal	31/12/2017
Software	769.6	235.1		1,004.7
TOTAL	**769.6**	**235.1**		**1,004.7**

Other intangible assets

Other intangible assets *(€ thousands)*	31/12/2016	Increase	Decrease	31/12/2017
Intangible assets in progress	26.3			26.3
TOTAL	**26.3**			**26.3**

Property. plant and equipment

Gross property, plant & equipment

Property. plant and equipment *(€ thousands)*	31/12/2016	Acquisition/ Contribution	Exit/ Disposal	31/12/2017
Land	**22,395.1**	**2,300.1**	**15.4**	**24,679.8**
Buildings	**104,292.1**	**9,891.5**		**114,183.6**
Structural work (structures, road and utilities works)	41,449.2	3,251.4		44,700.6
Facades, Weatherproofing	10,362.3	812.8		11,175.1
Technical equipment	31,086.9	2,438.5		33,525.4
Fixtures and fittings	21,393.7	3,388.7		24,782.5
Other property, plant and equipment	**140.5**		**8.6**	**131.9**
Technical installations, plant and industrial equipment				
General installations, various fittings				
Vehicles	114.5		8.6	105.9
Office and computer equipment, furniture	26.0			26.0
Recoverable packaging and related items				
Property, plant and equipment in progress	**36.7**	**421.3**		**458.0**
Land	4.8	149.8		154.5
Buildings	23.1	9.6		32.7
Other	8.9	261.9		270.8
TOTAL	**126,864.5**	**12,612.9**	**24.0**	**139,453.3**

Amortisation of property, plant and equipment

Amortisation *(€ thousands)*	31/12/2016	Increase	Reversal	31/12/2017
Land	**90.6**	**13.3**		**103.9**
Buildings	**39,799.0**	**5,340.2**		**45,139.1**
Structural work (structures, road and utilities works)	7,832.1	911.1		8,743.2
Facades	3,901.0	469.6		4,370.7
Technical equipment	14,677.4	1,812.0		16,489.4
Fixtures and fittings	13,388.5	2,147.4		15,535.9
Other property, plant and equipment	**123.6**	**7.1**		**130.7**
Technical installations, plant and industrial equipment				
General installations, various fittings				
Vehicles	98.8	7.1		105.9
Office and computer equipment, furniture	24.8			24.8
Recoverable packaging and related items				
TOTAL	**40,013.1**	**5,360.6**		**45,373.7**

No impairment was recognised on property, plant and equipment.

Non-current financial assets

Gross non-current financial assets

Non-current financial assets *(€ thousands)*	31/12/2016	Increase	Decrease	31/12/2017
Participating interests	**1,352,430.5**	**2.3**	**10.8**	**1,352,422.0**
Financial receivables	**572,645.6**	**679,756.6**	**507,083.9**	**745,318.3**
Investment-related receivables	296,219.5	547,436.0	500,398.0	343,257.5
Loans and other fixed assets	276,426.0	132,320.6	6,685.9	402,060.8
TOTAL	**1,925,076.1**	**679,758.9**	**507,094.7**	**2,097,740.3**

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 explained mainly by the universal transfer of the assets of Alta Valmy (see section 4.3.3.4 Disclosures on business combinations) and the creation of two companies: SNC Ilôt Claude Bernard and SCI Issy Cœur de Ville Bureaux 2.

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

Provisions for impairment *(€ thousands)*	31/12/2016	Increase during the year Allowance	Decrease during the year Reversal of unused provisions	Decrease during the year Provisions used in the period	31/12/2017
Impairment of equity securities	14,745.8				14,745.8
Impairment of other non-current financial assets	105,305.0		4,998.6		100,306.4
TOTAL	**120,050.8**		**4,998.6**		**115,052.2**

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 amount 2017	Provision	Net amount 2017	Net amount 2016
Trade receivables and related accounts	**9,038.3**	**2,057.1**	**6,981.3**	**4,323.5**
Other receivables	**43,209.3**		**43,209.3**	**19,481.8**
Personnel and related accounts	154.8		154.8	146.2
Advances and down payments				
Government, other authorities: income tax				361.7
Government, other authorities: value-added tax	1,705.1		1,705.1	1,614.5
Government, other authorities: sundry receivables	111.3		111.3	111.3
Group and partners	40,148.2		40,148.2	15,075.7
Sundry debtors	1,089.9		1,089.9	2,172.4
TOTAL	**52,247.6**	**2,057.1**	**50,190.5**	**23,805.4**

Breakdown of receivables by maturity date

Receivables *(€ thousands)*	Gross amount 2017	up to 1 year	1 to 5 years	More than 5 years
Trade receivables and related accounts	9,038.3	9,038.3		
Personnel and related accounts	154.8	154.8		
Advances and down payments				
Government, other authorities: income tax				
Government, other authorities: value-added tax	1,705.1	1,705.1		
Government, other authorities: sundry receivables	111.3	111.3		
Group and partners	40,148.2	40,148.2		
Sundry debtors	1,089.9	1,089.9		
TOTAL	**52,191.5**	**52,191.5**		

Accrued income

Accrued income included in the balance sheet line items *(€ thousands)*	31/12/2017	31/12/2016
Loans	5,383.7	3,912.5
Government – accrued income	111.3	111.3
Trade receivables	1,877.0	2,245.4
Other sundry debtors	22.3	92.0
TOTAL	**7,394.2**	**6,361.2**

Marketable securities

Marketable securities consist of treasury shares in an amount of €54 million and term deposits in an amount of €150 million.

Marketable securities	31/12/2016	Increase	Decrease	Provisions	31/12/2017
Term deposit		150,000.0			150,000.0
Treasury shares	29,892.7	40,349.4	16,264.9		53,977.2
TOTAL	**29,892.7**	**190,349.4**	**16,264.9**		**203,977.2**
No. of Shares	188,555	209,517	111,017		287,055

At 31 December 2017, 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.

Treasury instruments

Treasury instruments

Treasury instruments *(€ thousands)*	31/12/2016	Increase	Decrease	Provisions	31/12/2017
Treasury instruments		41,309.6			41,309.6
TOTAL		**41,309.6**			**41,309.6**

Impairment

Impairment

		Increase during the year	Decrease during the year		
Provisions for impairment *(€ thousands)*	**31/12/2016**	**Allowance**	**Reversal of unused provisions**	**Provisions used in the period**	**31/12/2017**
Impairment of equity securities	14,745.8				14,745.8
Impairment of other non-current financial assets	105,305.0		4,998.6		100,306.4
Impairment of inventory and pipeline products					
Impairment of trade receivables	1,680.0	569.0	192.0		2,057.1
Other impairment					
TOTAL	**121,730.8**	**569.0**	**5,190.6**		**117,109.3**

4.3.3.2 Notes on balance sheet items – liabilities & equity

Shareholder's equity and equity equivalents

Changes in equity

Equity *(€ thousands)*	31/12/2016	Appropriation	Dividend	Capital incr. & contributions	Change in 2017	Changes in accounting methods	31/12/2017
Share capital	229,671.0			15,609.4			245,280.3
Share premium/additional paid-in capital/Revaluation differences	588,267.4		(166,552.2)	141,530.2			563,245.3
Legal reserve	18,203.9	384.5					18,588.3
General reserve							
Retained earnings						16,799.2	16,799.2
Net income for the year	7,689.4	(384.5)	(7,305.0)		28,293.5		28,293,5
Investment grants							
Regulated provisions							
TOTAL	**843,831.7**		**(173,857.2)**	**157,139.5**	**28,293.5**	**16,799.2**	**872,206.8**

After appropriating 5% of net income for the year (€384.5 thousand) to the legal reserve, the Combined Ordinary and Extraordinary General Meeting of 11 May 2017 decided to pay a dividend of €11.50 per share for the financial year ended 31 December 2016, or a total of €171.3 million to the limited partners, and a priority dividend of €2.6 million to the General Partner. Upon payment of the dividend in shares, 1,021,555 new shares were created.

At 31 December 2017, share capital stood at €245.3 million divided into 16,051,842 shares with a par value of €15.28 each and ten General Partner shares with a par value of €100 each.

At 31 December 2017, the amount of Subordinated Perpetual Notes was €195 million.
In compliance with ANC 2015-05 relative to treasury instruments, payments that should have been restated in 2016 as hedging instruments at the opening of the 2017 financial year are booked under Retained earnings. The impact as at 1 January 2017 amounted to €16.8 million (cf. 4.3.2.3 Changes in accounting and the presentation of accounts).

Provisions

Changes in provisions

Provisions for contingencies and expenses (*€ thousands*)	31/12/2016	Increase during the year	Decrease during the year		31/12/2017
		Allowance	**Reversal of unused provisions**	**Provisions used in the period**	
Provisions for litigation					
Other provisions for contingencies and expenses	266.8	561.1		153.2	674.7
TOTAL	**266.8**	**561.1**		**153.2**	**674.7**

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*)	31/12/2017	Up to 1 year	1 to 5 years	More than 5 years	31/12/2016
Financial liabilities	**1,477,470.2**	**417,848.3**	**434,602.5**	**625,019.4**	**935,617.3**
Other bond issues	789,906.6	9,906.6	230,000.0	550,000.0	384,400.8
Bank borrowings	647,902.1	370,511.3	204,602.5	72,788.3	499,071.4
Deposits and security interests received	2,231.1			2,231.1	2,158.8
Group and partners	37,427.7	37,427.7			49,985.7
Other payables	2.7	2.7			0.8
Accounts payable and other liabilities	**7,880.2**	**7,880.2**			**6,762.3**
Suppliers and related accounts	4,584.5	4,584.5			3,151.0
Employee-related and social security payables	461.4	461.4			342.2
Tax payables	1,579.4	1,579.4			930.1
Amounts due on non-current assets and related accounts	323.8	323.8			1,242.0
Other payables	940.7	940.7			1,097.0
Prepaid income					
TOTAL	**1,485,360.0**	**425,738.1**	**434,602.5**	**625,019.4**	**942,379.6**

Breakdown of redemption premiums on borrowings

Redemption premiums on borrowings (*€ thousands*)	31/12/2016	+	-	31/12/2017
Redemption premiums on bond borrowings	0	6,170.0	434.2	5,735.8
TOTAL	**0**	**6,170.0**	**434.2**	**5,735.8**

During the year, Altarea SCA issued €500 million in bonds. The bonds were issued at a premium, which is amortised over the life of the borrowing (€434,000 in 2017).

At 31 December 2017, bank borrowings excluding accrued interest amounted to €278 million.

Accrued expenses

Expenses included in the balance sheet line items	31/12/2017	31/12/2016
Borrowings and financial liabilities	10,233.0	4,875.6
Suppliers and related accounts	979.1	1,201.8
Amounts due on non-current assets and related accounts	209.5	1,240.7
Taxes, duties and analagous payments	199.5	33.1
Group and partners	3,015.4	1,793.9
Miscellaneous	940.7	1,097.0
TOTAL	**15,577.2**	**10,242.2**

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)*	31/12/2017	31/12/2016
Rent and re-invoiced leasing costs	12,837.6	12,694.4
Initial lease payments		
Services	7,839.8	4,633.3
Other	28.9	2,043.5
TOTAL	**20,706.3**	**19,371.3**

Other operating income

Operating income *(€ thousands)*	31/12/2017	31/12/2016
Production held in inventory	1,471.4	(210.4)
Reversals of provisions and depreciation	345.2	1,953.9
Intra-Group chargebacks and expense reclassifications	(108.2)	240.6
Other	300.6	4.7
TOTAL	**2,009.0**	**1,988.7**

Reversals of provisions mainly concern deliveries of shares under bonus share plans and reversals of provisions for impairment of customer receivables.

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)*	31/12/2017	31/12/2016
Rental and co-ownership costs[(a)]	1,909.7	1,934.5
Maintenance and repairs	514.1	292.2
Insurance Premiums	71.8	81.3
Commissions and fees[(b)]	11,528.1	9,401.5
Advertising and public relations	(296.7)	663.3
Banking services and similar accounts[(c)]	2,923.6	4,042.9
Taxes and duties	533.3	858.4
Personnel costs	1,555.2	2,717.2
Allowances for depreciation, amortisation and impairment	6,734.5	5,586.2
Capitalised purchases[(d)]	1,351.7	(89.3)
Lessee termination and early termination fees		
Other expenses	1,196.1	956.4
TOTAL	**28,021.3**	**26,444.6**

(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 on a case-by-case basis, as provided for in the framework agreement.
(d) In 2017, 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)*	31/12/2017	31/12/2016
- Dividend	*40,886.4*	*42,779.8*
- Interest on loans	*4,579.4*	*4,193.3*
- Income from current accounts	*2,472.4*	*2,188.9*
- Other financial income/swaps	*4,142.9*	*2,211.7*
- Commissions on Guarantees	*4,325.6*	*4,193.5*
- Paid by subsidiaries	*1,223.5*	*763.9*
- Reversals from provisions for impairment of non-current financial assets	*4,998.6*	*8,192.0*
- Reversals from provisions for impairment of marketable securities		*1.7*
- Other financial income	*190.7*	*611.9*
- Net gains on the disposal of marketable securities		*0.3*
TOTAL	**62,819.5**	**65,136.9**
Financial expenses		
- Allowances for amortisation, impairment and provisions	*434.2*	
- Allowances for impairment of marketable securities		
- Interest on external borrowings	*24,542.9*	*17,608.6*
- Expenses on current account balances	*341.1*	*1,451.9*
- Expenses on financial instruments (Swaps, Caps)	*5,014.9*	*24,444.7*
- Bank interest	*6,909.3*	*5,605.1*
- Paid by subsidiaries	*990.4*	*3,959.1*
- Other financial expenses	*10.5*	
TOTAL	**38,243.3**	**53,069.4**
Financial Income	**24,576.2**	**12,067.4**

Dividends essentially comprise distributions by Alta Blue and Foncière Altarea.

Charges on financial instruments include interest paid by Altarea during the year and the amortisation of treasury instruments in an amount of €4.7 million in respect of 2017.

Exceptional income

(€ thousands)	31/12/2017	31/12/2016
Exceptional income		
- Exceptional income from non-capital transactions		*440.7*
- Exceptional income from capital transactions	*24,021.1*	*6,838.8*
** Incl. proceeds from disposal of assets*	*9,944.3*	*23.3*
** Incl. re-invoicing of delivery of free shares to employees*	*14,076.8*	*6,815.5*
- Reversals of provisions and expense reclassifications		
** Incl. reversal of provisions for rental guarantees*		
Total portfolio	**24,021.1**	**7,279.5**
Exceptional expenses		
- Exceptional expenses on non-capital transactions	*29.6*	*417.4*
** of which tenant construction*		
** of which provision for rental guarantees*		
- Exceptional expenses on capital transactions	*14,091.2*	*6,190.0*
- Exceptional allowances for depreciation, amortisation and impairment		
** of which provision for rental guarantees*		
TOTAL	**14,120.8**	**6,607.4**
Exceptional Income	**9,900.3**	**672.1**

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 portfolio	Taxable sector	Tax-exempt sector	Taxable sector	Total Portfolio
Operating income/(loss)	(577.8)	(5,365.1)	(5,943.0)	(716.9)	(577.8)	(4,648.2)	(5,226.1)
Financial income	16,262.8	6,648.5	22,911.3	888.4	16,262.8	5,760.1	22,022.9
Exceptional income	(13.7)	11,432.4	11,418.7	1,527.7	(13.7)	9,904.7	9,891.1
TOTAL	**15,671.3**	**12,715.8**	**28,387.1**	**1,699.2**	**15,671.3**	**11,016.6**	**26,687.9**

Changes in deferred tax liabilities

(€ thousands)	31/12/2016	Change		31/12/2017
Reductions		+	-	
▪ Organic				
▪ Tax loss	(385,898.7)		6,024.5	(379,874.2)
Total base	(385,898.7)		6,024.5	(379,874.2)
TAX OR TAX SAVINGS (33.33%)	**(128,632.9)**		**2,008.2**	**(126,624.7)**

Tax audit

The company received an adjustment notice regarding FY 2014 to 2016. 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 €2.4 million.

4.3.3.4 Other informations

Related company transactions

Transactions made 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.

Guidance services for the company.

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

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)*	2017	2016
Swaps/Total (Nominal)	960,000.0	380,000.0
Caps/Total (Nominal)	106,500.0	865,500.0
TOTAL	**1,066,500.0**	**1,245,500.0**

The fair value of the hedging instruments was a negative €25.6 million as regards swaps and a positive €3 thousand in respect of caps as at 31 December 2017.

Impact on the income statement

Effect on the income statement *(€ thousands)*	**2017**	**2016**
Interest income	4,142.9	2,211.7
Interest expense	242.5	581.2
Other impacts related to financial instruments	4,772.4	23,863.5
TOTAL	**(872.0)**	**(22,233.0)**

Table of notional amounts hedged by swaps and caps at 31 December

Swap and cap maturities at the end of December *(€ thousands)*	**2017**	**2018**	**2019**	**2020**	**2021**
Swap	960,000.0	1,410,000.0	1,560,000.0	2,085,000.0	1,880,000.0
Cap	106,500.0	106,500.0			
Altarea pays fixed rate (Total)	**1,066,500.0**	**1,516,500.0**	**1,560,000.0**	**2,085,000.0**	**1,880,000.0**

The benchmark rate used is three 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 €100.7 thousand as of 31 December 2017.

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 €898 million. These commitments mainly comprise joint and several guarantees and first demand guarantees granted by Altarea SCA on behalf of its subsidiaries.

The specific covenants on corporate loans held by Altarea SCA of up to a maximum authorised amount of €1,399 million (including 340 million in undrawn funds on the corporate debt) are as follows:

- counterparty: NATIXIS/BECM/CL/ 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% (36.1% at 31 December 2017),
  - operating Income (FFO column)/Net borrowing costs (FFO column) of the Company ≥ 2 (Interest Cover Ratio or Altarea Consolidated ICR) (9.3 at 31 December 2017).

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.

Bonus share plans

Award date		Number of rights awarded	Vesting date	Rights in circulation as at 31/12/2016	Awarded	Delivery	Rights cancelled[a]	Rights in circulation as at 31/12/2017
Stock grant plans on Altarea shares								
01 February 2016	32,975	32,975	1 February 2017	30,480		(29,609)	(871)	0
08 February 2016	30,864	30,864	8 February 2017	30,054		(29,826)	(228)	0
25 February 2016	19,050	19,050	25 February 2017	18,700		(18,250)	(450)	0
31 March 2016	33,210	33,210	31 March 2018	32,770			(1,706)	31,064
07 April 2016	8,506	8,506	07 April 2017	8,496		(8,276)	(220)	0
15 April 2016	5,225	5,225	15 April 2017	5,040		(4,748)	(292)	0
11 July 2016	5,250	5,250	11 July 2017	5,250		(5,250)	0	0
25 July 2016	4,775	4,775	25 July 2017	4,420		(4,050)	(370)	0
19 October 2016	5,500	5,500	30 March 2018	5,500			(2,000)	3,500
10 November 2016	7,927	7,927	30 March 2018	7,677			250	7,927
10 November 2016	12,450	12,450[b]	11 April 2019	12,450			(2,000)	10,450
14 December 2016	33,365	33,365[b]	10 April 2019	33,365			(1,478)	31,887
15 December 2016	26,490	26,490	1 February 2018	26,490			(1,471)	25,019
16 December 2016	33,216	33,216	1 February 2018	33,216			(1,005)	32,211
22 March 2017	1,500	1,500[b]	10 April 2019		1,500		(500)	1,000
23 March 2017	537	537	23 March2018		537		0	537
6 April 2017	11,500	11,500[b]	30 April 2019		11,500		0	11,500
13 July 2017	4,345	4,345	13 July 2018		4,345		(275)	4,070
TOTAL	**276,685**	**276,685**		**253,908**	**17,882**	**(100,009)**	**(12,617)**	**159,164**

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

Headcount

The Company's average headcount was two employees at 31 December 2017.

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

On 14 November 2017 the assets of Alta Valmy were the subject of a universal transfer in favour of Altarea SCA.

4.3.3.5 Subsidiaries and associates

Subsidiaries and associates

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	495,069.4	100.00%	779,241.9	779,241.9	234,084.3	234,084.3	-	21,607.5	25,877.1	-
SCA ALTAREIT – 553,091,050	2,626.7	244,707.1	99.63%	91,635.0	91,635.0	97.3	97.3	-	6,174.9	-	471.8
SNC ALTAREA MANAGEMENT – 509,105,537	10.0	403.4	99.99%	10.0	10.0	639.5	639.5	-	403.4	-	35,024.1
SAS ALTA DÉVELOPPEMENT ITALIE – 444,561,476	12,638.2	(68,441.5)	99.80%	14,745.8	-	55,808.0	55,808.0	-	(1,408.0)	-	-
SAS ALTA BLUE – 522,193,796	306,102.0	272,513.4	61.77%	437,688.9	437,688.9	-	-	-	(330.7)	15,009.3	-
SARL SOCOBAC – 352,781,389	8.0	151.1	100.00%	-	-	-	-	-	-	-	-
SARL ALTALUX SPAIN	1,100.0	(119.0)	100.00%	10,517.0	10,517.0	115.9	115.9	-	(30.6)	-	-
SNC BEZONS CŒUR DE VILLE COMMERCES – 819,866,500	10.0	6.0	99.99%	10.0	10.0	4,999.4	4,999.4	-	6.0	-	-
SNC ILOT CLAUDE BERNARD	1.0	(0.7)	99.90%	1.0	1.0	-	-	-	(0.7)	-	-
SNC ALTA VAUGIRARD	1.0	5.1	80.00%	0.8	0.8	5,000.4	5,000.4	-	5.1	-	-
AFFILIATES (10% TO 50%)											
BERCY VILLAGE 2	1,633.6	5,026.0	15.00%	18,560.0	18,560.0	1,532.9	1,532.9	-	5,026.0	-	-
SCI ISSY PONT	40.0	(3,953.1)	25.00%	10.0	10.0	40,937.3	40,937.3	-	(3,953.1)	-	-
SCI AF INVESTCO 4	1.0	5,728.3	50.00%	-	-	86,827.8	86,827.8	-	(1,295.3)	-	-
SCI ISSY CŒUR DE VILLE BUREAUX 2	1.0	(3.0)	50.00%	0.5	0.5	41.6	41.6	-	(3.0)	-	-
TOTAL AFFILIATES > 10%				**1,352,420**	**1,337,674**	**344,274**	**344,274**				

Registered offices of subsidiaries and equity investments: 8 avenue Delcassé Paris 8e.

4.4 Statutory auditors' report on the annual financial statements of the company Altarea

For the financial year ended 31 December 2017

Of the company Altarea

Opinion

In accordance with our appointment as Statutory Auditors by votre assemblée générale, we audited the annual financial statements de la société Altarea for the year ended 31 Decembre 2017, as appended to this report.

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

The opinion set out below is consistent with the content of our report on comité d'audit.

Basis of the Opinion

- **Audit guidelines**

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

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

- **Independence**

We performed our audit respecting the applicable rules on independence, over the period from the 1st January 2017 to the date on which our report was published, and, in particular, we have not provided any services prohibited under Article 5, paragraph 1 of EU regulation No. 537/2014 or under the Code of Conduct governing the profession of statutory auditor.

Comment

Without calling into question the opinion expressed below, we draw your attention to the "Financial instruments" paragraph of note 4.3.2.2 and note 4.3.2.3 of the appendix to the annual financial statements presenting the change in accounting method resulting from the application of Regulation ANC No.2015-05 on financial instruments and hedging transactions.

Basis for our assessment – Key points of the audit

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

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

- **Evaluation of participating interests, investment-related receivables and loans**

Risk identified	Our response
The participating interests, investment-related receivables and loans included on the balance sheet at 31 December 2017, a net total of €1,977 million, represent one of the biggest balance sheet items (77% of assets). They are carried at their date of entry at the cost of purchase or transfer value and impaired on the basis of their value of use. As stated in the note 4.3.2.2 "Accounting principles and methods", under the paragraphs "Participating interests" and "Investment and loan-related receivables" of the appendix, the value in use is determined according to multiple criteria such as net asset value, profitability, profitability forecasts, long-term growth prospects and economic conditions. The market value of assets held by subsidiaries and sub-subsidiaries is taken into account. Estimating the value of these assets requires Management to exercise its judgement in choosing the information to include depending on the investments in question, information which may be historic in nature (net reassessed position), or forecasts (long-term profitability or development outlook and economic conditions in the countries in question), as the case may be. Given the weight of participating interests on the balance sheet, the complexity of the models used and their sensitivity to data variations as well as assumptions on which estimates are based, we have considered the calculation of the value of use of participating interests and related receivables as a key point in our audit.	We have observed and noted the process used to determine the value in use of participating interests and related receivables. Our work also involved: ▪ observing and noting the evaluation methods used and underlying assumptions in determining the value in use of participating interests, investment and loan-related receivables; ▪ comparing the net assets included by the management in its valuations with the source data from the accounts of audited subsidiaries or those that have been subject to analytical procedures where relevant, and examining any adjustments made; ▪ using sampling to test the mathematical accuracy of the formulas used to calculate book values; ▪ using sampling to recalculate the impairments recorded by the company. To this end, we have, in particular: ▪ assessed assumptions underlying cash flow forecasts for property development companies as well as the long-term growth rate and discount rate used to estimate the value in use of these investments. This work was carried out with the help of our valuation experts; ▪ observed and noted the process used by the group for the valuation of property assets in operation, assessed the sustainability and relevance of methodologies used in relation to industry practice and the various contexts, and corroborated the assumptions underlying the valuations. This work was carried out with the help of our valuation experts; ▪ for assets under development, we examined the costs incurred over the period and conducted interviews with development directors and project managers to identify evidence of impairment of corresponding participating interests. Moreover, we corroborated the valuations with an alternative approach that consists in comparing the book value of securities with the consolidated net position group share prior to eliminating the interests of each of the entities in question, as shown by the group's consolidated financial statements which have been audited or subjected to analysis. Over and above ascertaining the value of use of participating interests, where relevant our work also consisted in: ▪ assessing the recoverability of investment-related receivables and loans given the analysis performed on participating interests; ▪ reviewing the need to account for a provision for risk in the event that the company is committed to bearing the losses of a subsidiary in negative equity.

Verifying the management report and other documents addressed to shareholders

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

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

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

- **Report on Corporate Governance**

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

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

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

- **Other information**

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

Information arising under other legal and regulatory obligations

- **Appointment of statutory auditors**

We were appointed statutory auditors for the company Altarea at your General Shareholders' Meeting of 15 April 2016 on behalf of the firm GRANT THORTON and on 28 May 2010 on behalf of the firm ERNST & YOUNG et Autres.

As of 31 December 2017, the firm Grant Thornton was in the second uninterrupted year of its contract and the firm Ernst & Young et Autres in its eighth year.

Furthermore, the firms AACE Ile-de-France, a member of the Grant Thornton network, and Ernst & Young Audit, were the previous Statutory Auditors, from 2004.

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

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

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

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

These annual financial statements have been approved by Management.

Responsibilities of the statutory auditors in auditing the annual financial statements

- Auditing objective and procedure

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

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

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

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

- Report to the Audit Committee

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

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

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

Neuilly-sur-Seine et Paris-La Défense, 15 March 2018

The Statutory Auditors

Grant Thornton French member of Grant Thornton International	**ERNST & YOUNG et Autres**
Laurent Bouby	**Anne Herbein**

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 2017

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.

Agreements and commitments submitted to the general meeting for approval

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

Agreements and commitments 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.

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 2017 in the amount of €6,909,300.

Neuilly-sur-Seine and Paris-La Défense, 15 March 2018

The Statutory Auditors

Grant Thornton	**ERNST & YOUNG et Autres**
French member of Grant Thornton International	
Laurent Bouby	**Anne Herbein**

CORPORATE SOCIAL RESPONSIBILITY (CSR)

5

5.1 Editorial

Creating sustainable cities

The urgency of climate change, the need for a circular economy, the growth of the sharing economy, a shift from possession-based to use-based consumption patterns… in this changing environment, the city is becoming the theatre of transitions that are interacting and amplifying each other: transitions that are territorial, ecological and social, but also technological. These major transformations are prompting a re-conceptualisation of cities as pleasant, high-density, resilient, smart and inclusive places to live.

Residents and stakeholders have also become better informed, more careful and more demanding. They have high expectations in terms of quality, but also in terms of ethics and commitment to tackling social and environmental issues.

Faced with the extent and urgency of these challenges, and given the significant environmental impact of the property sector, it is absolutely necessary to think about the city of tomorrow in terms of quick, effective and sustainable solutions for environmental impact, mobility, functional diversity, generational diversity and social diversity and the integration of progress generated by digital and new technologies. It is no longer enough to simply upgrade existing 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.

Altarea Cogedim is taking action for the city, participating in the reinvention of its territorial, ecological, economic and societal dynamics, in order to ensure an ever greater quality of life for its residents. To do so, the Group has repositioned its CSR approach in line with the new challenges.

In 2017 it launched its CSR approach, "Tous engagés!" (*we are all involved*) based on its new materiality matrix.

The approach is based on three principles:

- **partnering with cities**, to develop the sustainable, people-centred city of tomorrow;
- **supporting customers** by engaging in continuous dialogue;
- **developing talent**, the Company's biggest asset in embodying its convictions and achieving its objectives.

CITIES

Altarea Cogedim wants to be a public interest partner for cities. The Group develops high-quality property solutions for a more dense, smarter, more diversified and friendlier city which creates jobs and drives economic development. This city also has a smaller environmental footprint.

2017 Highlights

- **contributing to local development**: Altarea Cogedim supported over 41,000 jobs across France (in 2016). Its shopping centres host over 15,000 jobs. With this significant footprint as its starting point, it wants to go further and develop an approach to supporting the local economic fabric;
- **sustainable buildings**: 100% of the Group's projects have a quality and/or environmental label or certification;
- **carbon footprint**: the Group built on its carbon strategy in 2017, by committing to work towards reducing the biggest contributing sources to its scope 3 emissions. This commitment is in addition to the commitment to reduce emissions from Standing Assets by 70% between 2010 and 2020;
- **partnerships in support of inclusive urban areas**: as a ten-year partner of *Habitat et Humanisme*, the Group helps to providing housing for the most disadvantaged.

In 2017, for the second year, Altarea Cogedim ranked number one in the GRESB, the benchmark in global real estate ranking.

CUSTOMERS

Lifestyles, customs, aspirations… customers' expectations are changing. Altarea Cogedim intends to strengthen its relationship of trust with its clients, users, visitors, tenants and all of its partners. The Group has initiated a dialogue and listening exercise across all of its activities: through surveys and studies, face-to-face or digital interactions, etc. Customer satisfaction is the Group's top priority and it is also achieved through quality of life and well-being in all its projects.

2017 Highlights

- **customer satisfaction**: In 2017 the Group was awarded "Customer Service of the Year: 2018" prize ("Élu service client de l'année 2018"), in the property development category;
- **quality of life and well-being of occupants**: In each of its activities, the Group has implemented a specific comfort, health and well-being approach;
  - In 2017, over 80% of office projects in the Paris Region are on the way to achieving WELL *Core&Shell* certification,
  - in retail, the Group has introduced its comfort, health and well-being guidelines which have been rolled out across its Standing Assets for the first time.
- **new uses and digitisation**: the Group is continuing to disseminate a culture of innovation in its activities and to develop innovative services. It launched its first neighbourhood app, Easyvillage, in Massy, giving residents access to smart urban services.

TALENTS

In order to support its growth and meet new urban challenges, in 2017 the Group reaffirmed its commitment to job creation and talent and skills management.

2017 Highlights

- **Headcount:** for two years, the headcount has increased by almost 15% a year, reaching 1,599 employees at 31 December 2017 (Pitch Promotion included);
- **skills development:** in 2017, in accordance with the Group's new strategic training plan, training hours increased by over 60%;
- **compensation**: in early 2016, the Management Council introduced a three-year bonus share plan resulting in the distribution of €20 million in shares each year. This scheme, "Tous en Actions!" (*shares for all*), which was extended in 2017, enabled each employee on a permanent contract to have a stake in the growth and results of the Group.

5.2 CSR context, governance and strategy

5.2.1 The property sector in France

Ecological urgency and, in particular, climate change, the depletion of resources and the acceleration of damage on biodiversity mean that companies, and society more generally, have to adapt, become leaner and more resilient.

In the face of these challenges, the implementation of environmental and social 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.

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.

In 2017, the Group 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.

The Group is also getting ready for future regulations, particularly the new requirement for the 2018 financial year to publish a "non-financial performance report" following the transposition of the European Directive of 22 October 2014 on non-financial reporting. The Group's integrated strategic report already includes information on the business model, non-financial risks and responses by Altarea Cogedim to manage its risks and create opportunities.

5.2.2 Altarea Cogedim CSR Approach

5.2.2.1 "TOUS ENGAGÉS!"

Working at the heart of a particularly dynamic sector, Altarea Cogedim believes that there is no growth without environmental and social responsibility.

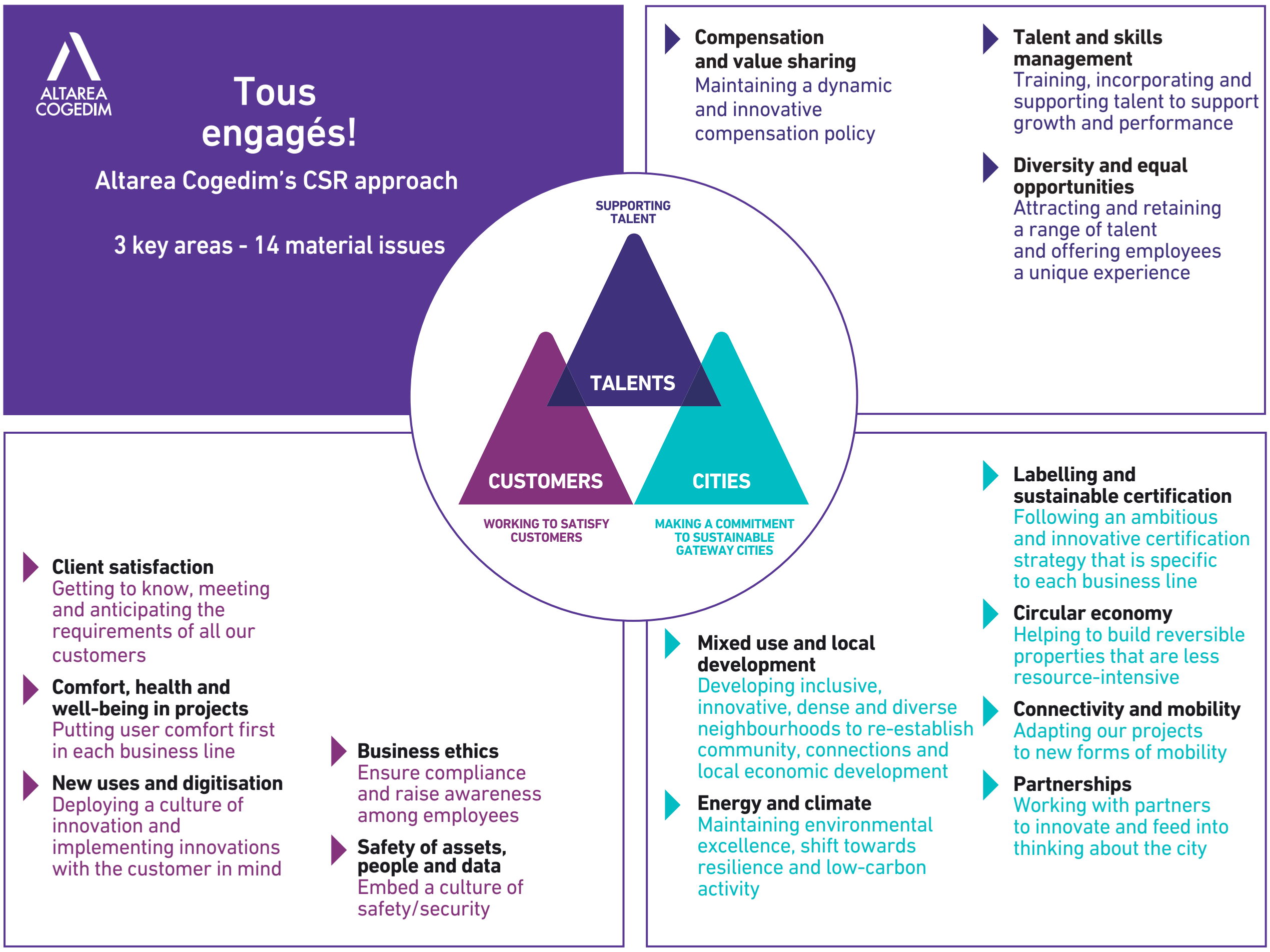
In 2017 the Group launched its programme, "Tous engagés!" *(we are all involved)* which sets the course for the Group in terms of Corporate Social Responsibility over the next five years.

To get this programme off the ground, the Group's CSR approach, launched in 2009, was updated in 2016-2017. Whilst pursuing its continuous approach to reporting on, managing and improving its environmental and societal footprint as well as its social action, the Group updated its materiality matrix so as to determine the issues that are material to the Group and focus its future activities on the most relevant areas. The objectives for the 2016-2020 period have also been brought up to date.

The "Tous engagés!" initiative is based on three main strands:

- the city: being a public interest partner for cities whilst contributing to local development and offering property solutions combining sustainability and innovation;
- customers: placing customers at the heart of our strategy, working on customer satisfaction across all our business lines;
- talent: promoting the Group's growth through the operational excellence of our teams.

ALTAREA COGEDIM'S CSR APPROACH



Progress on the main objectives for each of these strands is set out in the tracking table available in Chapter 5.3.1, and detailed in all of the sections within this chapter.

5.2.2.2 CSR Materiality matrix

The matrix positions the CSR issues based on two factors set out in the graph below:

- the impact of the issue on the Company's business model;
- the level of expectation of internal and external stakeholders.

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 thirteen external stakeholders: investors, clients, retail brands, local authorities, etc.;
- consultation with the internal CSR Committee.

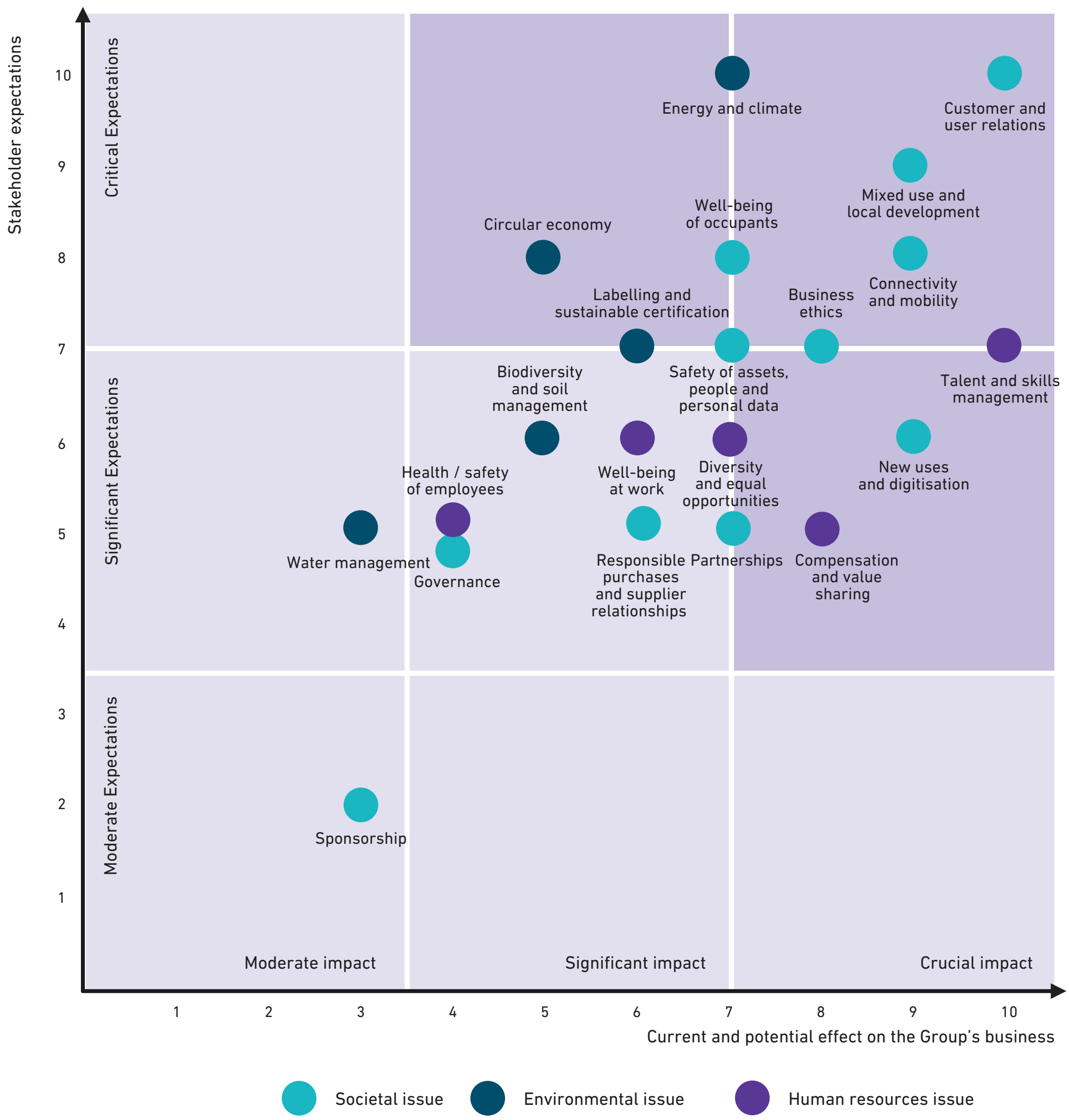
The matrix drawn up was validated by the Management Committee at the end of 2016 and enables the establishment of the Group's medium-term CSR priorities.

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 human resources issues.

This whole chapter sets out the challenges and Altarea Cogedim's responses: each paragraph presents a challenge and its impact on the Group, the objectives and policies implemented to meet that challenge and the results.

MATERIALITY MATRIX

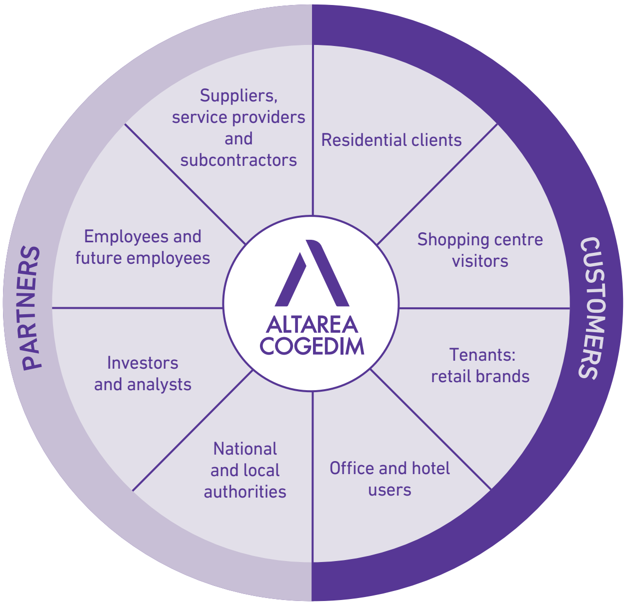


5.2.2.3 Relations with stakeholders

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 opposite:

MAPPING OF ALTAREA COGEDIM'S PRIMARY STAKEHOLDERS



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

For the operational aspects in order to disseminate the best practices across 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 (Residential)	Property Development (Offices)	Development (Retail)	Standing Assets (Retail)
Guide to best practices for residential properties NF Habitat NF Habitat HQE™	EMS office and retail projects BREEAM® NF HQE™		EMS Standing Assets BREEAM® In-Use
Additional tools: training on regulatory changes and certifications, biodiversity guide, guidelines, etc.			

5.2.2.4.1 Environmental Management System (EMS) for Residential development certifications

As a Residential property developer, the Group takes a certification approach to its development and construction process: the "Guide to best practice for residential properties."

As of 30 June 2016, all residential property production is certified NF Habitat (excluding co-development, rehabilitations and serviced residences). The Group 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, more light and better thermal performance.

5.2.2.4.2 Environmental Management System (EMS) for office and retail development certifications

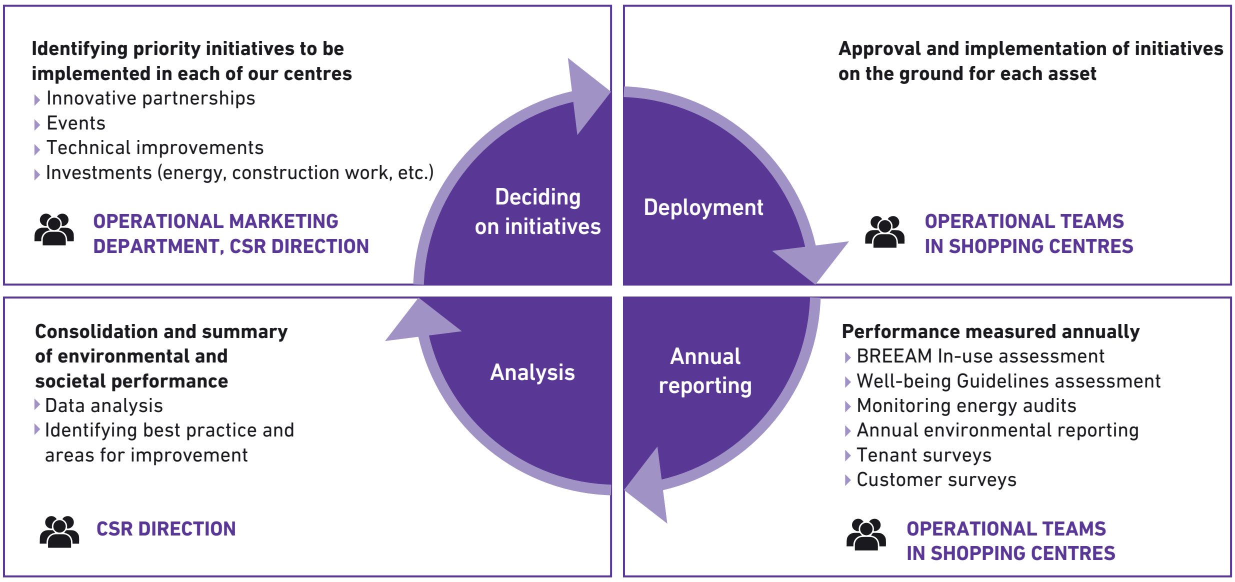
In parallel, starting in 2010, the Group designed "SME *Projets Tertiaires*" (Office and Retail Development Projects EMS). It provides each developer or operations staff with a tool to meet all requirements for NF HQE™ , BREEAM® (Building Research Establishment Environmental Assessment Method) or LEED® (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 and Offices).

5.2.2.4.3 Environmental Management System (EMS) Standing Assets for certification

In 2017, the Group continued to use the "Guide to best operational environmental practice" developed in 2014. Altarea Cogedim was therefore able to maintain and improve 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.

The environmental management approach was extended to include all CSR issues: Commercial Standing Assets are involved in a global continuous improvement process described in the graph below:

THE CSR CONTINUOUS IMPROVEMENT PROCESS (RETAIL STANDING ASSETS)



5.2.2.4.4 Tools to complement EMS

In addition to the measures cited above, the teams have the following tools available to them.

Training

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

At the end of 2016, the Government announced that the 2012 Thermal Regulations would come to an end by 2020 and be replaced by the Responsible Building Regulations 2020. Although the threshold for these future regulations has yet to be set, by moving from a thermal approach to a more comprehensive environmental approach, they will introduce new concepts in order to meet their objective of promoting positive-energy buildings. In 2017, the Group's technical teams underwent training in the issues raised by the future regulations.

Awareness-raising can also be carried out within internal committees or at briefing Meetings.

Thematic guides

Since 2016, two guides on the theme of Biodiversity produced by the CSR team with a steering committee of operational staff have been circulated. One is specific to retail and is aimed at teams working on commercial development projects and managing centres in operation. The other is district-specific and is aimed at teams working on housing, office, hotel and mixed-use developments. The aim of these guides is to provide information about ways to develop and make use of biodiversity in the Group's work and portfolio. The guide provides the regulatory constraints and best practice for each step of the life cycle of projects as well as examples of concrete actions and potential partners.

Internal guidelines

In order to roll out initiatives to improve comfort, health and well-being at its assets, the Group has produced dedicated internal guidelines. Drawing on established third-party systems (particularly BREEAM® In-use and WELL certifications), the Group has set its own requirements for assets in operation, which are sent to each centre in the form of a checklist. The internal guidelines were launched in 2017 and are part of a process of continuous improvement. Performance on comfort, health and well-being at each site is reviewed every year and plans for improvement put in place. The first assessment was conducted across 24 shopping centres in 2017.

5.2.3 CSR governance structure and model

The CSR Department is part of the Institutional Relations, Communication and CSR Department. It is made up of four employees and reports to an Executive Committee member.

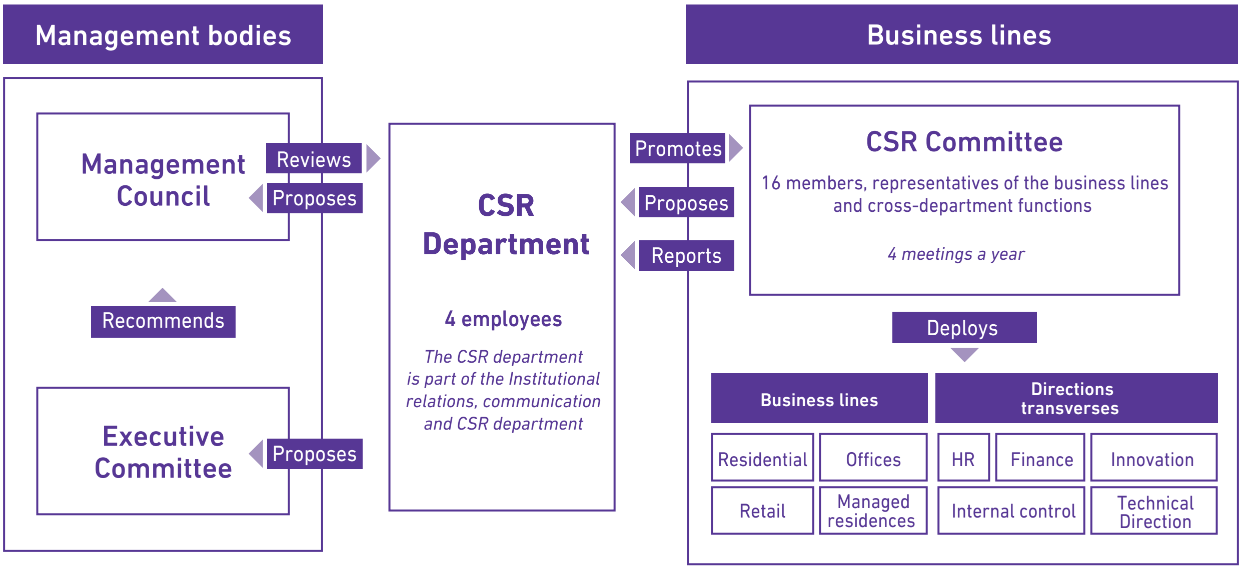
The Department advises the Management Council and the Executive Committee on defining Altarea Cogedim's social, societal and environmental responsibility approach. It relies on a network of 16 CSR coordinators who represent each of the Group's business areas, both business line and cross-functional, at CSR Committee Meetings held once a quarter.

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 set up on the topics of carbon and local development.

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



5.2.4 CSR ratings

5.2.4.1 Global Real Estate Sustainability Benchmark (GRESB)

Since 2011 the Group has been voluntarily participating in the GRESB (Global Real Estate Sustainability Benchmark), the reference in the real estate sector for sustainable development with 823 companies and funds evaluated around the world in 2017.

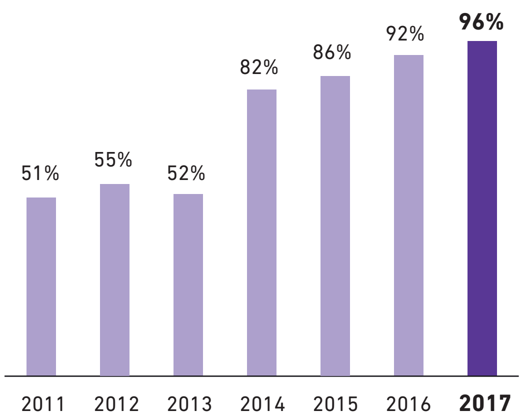
Altarea Cogedim continued its upward trend in 2017 with a 4 point increase compared with 2016. As a result the Group gained a score of 96/100 and retained its Green star and Sector Leader status.

The Group is also recognised as leader, ranking first:

- among all listed companies worldwide;
- among all European companies;
- among all retailers worldwide.

Moreover, Altarea Cogedim obtained an A rating in "transparency" in recognition of the quality of its publications, the reliability and exhaustive nature of its reporting and its CSR publications.

ALTAREA COGEDIM'S GRESB SCORE



5.2.4.2 Carbon Disclosure Project (CDP)

In 2017, Altarea Cogedim once again participated in the CDP (Carbon Disclosure Project), the benchmark international ranking of the carbon strategies of major corporations. Once again the Group obtained an A- rating in recognition of its initiatives and commitments to managing its greenhouse gas emissions.

5.2.4.3 Oekom

Oekom, one of the world's leading non-financial rating agencies assessed the Group and awarded it Prime status in 2016.

Oekom evaluates almost 5,500 businesses every year.

5.2.4.4 Gaïa – Ethifinance index

In 2017 Altarea Cogedim was listed in the ISR Gaïa index.

This index is made up of 70 companies offering outstanding guarantees in terms of their management of ESG risks.

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 France;
- *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). 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.

In particular, in 2017 Altarea Cogedim contributed to publications by the OID (Sustainable Real Estate Observatory) on comfort and well-being in buildings, carbon reporting and measuring the consumption of buildings.

Finally, the Group signed the "Charte de la Diversité" in December 2013.

5.2.5.2 External commitments

The Group is committed to working with the City of Paris as part of its Climate Energy Plan (*Plan Climat Energie*).

The Group is signatory to the Paris Climate Action Charter (*Charte Paris Action Climat*). Thus, since 2015, Altarea Cogedim has committed to measurable targets for the reduction of greenhouse gas emissions and energy consumption by 2020. Current commitments are:

- 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%.

In 2017, the Group continued its work with the City of Paris by taking part in consultations to set the new objectives of the Climate Plan 2020-2030. With around three work meetings each year, the aim is to identify the challenges and barriers, to share experiences, to take tangible action towards accelerating the energy transition and to identify opportunities for action with the City of Paris. Certification, labelling and cooling systems are examples of issues tackled in 2017.

5.2.5.3 Contribution to sustainable development goals

Altarea Cogedim wants to support the United Nation's Sustainable Development Goals (SDGs).

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

A few examples of the Group's contributions:

- *ensuring access to housing for all and adequate, secure basic services at an affordable cost*: the Group is one of the founding partners of Habitat et Humanisme, which works to promote housing and social integration and to re-establish social bonds;
- *reducing the negative environmental impact of cities by residents, with particular attention on air quality and waste management*: the Group is developing projects that are leading the way from an environmental point of view (see chapter "Environmental performance");
- *ensuring access for all to green spaces and safe public spaces, particularly women and children, older people and people with disabilities*: the design of pleasant, comfortable, safe and green spaces is one of the Group's priorities (see paragraph "Comfort, health and well-being in projects").

5.3 Tracking table and scope

5.3.1 Tracking table

The table below sets out a summary of objectives and annual performance. The details and methodology are included in each section.

The information in the tracking table was reviewed by the Statutory Auditors.

Customers: placing customers at the heart of our strategy

Scope	Commitments	2017 Results
Customer and user relations: getting to know, meeting and anticipating the requirements of all our customers		
Group	Working to satisfy customers across all our business lines	8th place in HCG's ranking of customer hospitality
Residential	Commitment to customer satisfaction	The Group was awarded Customer Services of the Year 2018[a]
Residential	Guarantee quality through NF Habitat certification	100% of projects certified NF Habitat[b]
Offices	Listening to customers' requirements	Conducted a survey of 18 users in 2017
Retail	Continually improve the customer visit experience	Visitor satisfaction index: 7.7/10
Retail	Maintain a dialogue with tenants	Conducted a survey with 616 tenants
Comfort, health and well-being in projects: put user comfort first in each business line		
Mixed-use projects	Develop pleasant living spaces	1st neighbourhood pilot of WELL Community Standard (Issy Cœur de Ville)
Offices	WELL certification for 100% of projects in Paris Region	82% of projects in Paris region on course for WELL certification
Retail	Roll out a comfort, health and well-being strategy	Creation of internal guidelines and assessment of 22 centres
New uses and digitisation: instil a culture of innovation with a focus on customer service		
Group	Instil a culture of innovation	8 internal awareness-raising events held in 2018
Residential	Innovate with customers in mind	Cogedim 3D housing configurator launched
Retail	Innovate with customers in mind	Virtual reality public events held
Offices	Test digital connectivity labels	71% of projects in the Paris Region working towards a connectivity label
Business ethics		
Group	Train and raise awareness of employees identified as most at risk of corruption and fraud	Fraud awareness-raising exercise twice a year at Group level
		2 training sessions for most at-risk groups
Safety of assets, people and data		
Group	Embed a culture of safety	Creation of a Group safety department

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

Talent: helping our talent to achieve operational excellence

Scope	Commitments	2017 Results
Talent and skills management		
Group	Support Group growth	Headcount of 1,599 employees (+15%) with 406 new hires on permanent contracts
Group	Roll out the strategic training plan	17,517 hours of training (+62%)[a]
Compensation and value sharing		
Group	Give employees a stake in the results	Republication of Bonus share plans
Diversity and equal opportunities		
Group	Increase the proportion of women on Management Committees	Women make up 28% of Management Committee (-1%)
Group	Promote youth employment	160 young people on work-study contracts

(a) Excluding Pitch Promotion

Cities: working in the public interest

Scope	Commitments	2017 Results
Mixed use and local development: develop a diverse, compact, inclusive and innovative city		
Group	Focus on mixed-use projects incorporating office, residential and retail space	9 mixed-use projects in large mixed districts 78% of Offices space also includes residential or retail space
Group	Measure and improve the employment footprint for all of the Group's activities	Over 41,000 jobs supported in France (2016 data)
Residential	Measure share of local purchases	66% of purchases for construction sites are from local sources (within the department)
Connectivity and mobility: propose smart projects that promote low-carbon mobility		
Residential	Select new land near public transport	98% of surface areas are less than 500 m from public transport[a]
Offices	Select new land near public transport	100% of surface areas are less than 500 m from public transport
Retail	Increase access to public transport and soft mobility	76% of sites are less than 500 m from public transport with frequency of under 20 minutes
Group	Promote low-carbon transport for employees	Company mobility plan published
Partnerships: innovation through collaboration with stakeholders		
Group	Implement a process of *open innovation*	Partnerships with 3 incubators to identify new partners
Energy and climate: maintain environmental excellence, shift towards resilience and low-carbon activity		
Group	A global carbon commitment: – On scopes 1 and 2: Reduce GHG emissions of Standing Assets by 70% between 2010 and 2020[b]	5 ktCO2e emitted by the Group for scope 1 and 2 (Scope 1: 3 ktCO2e / Scope 2: 2 ktCO2e) -57.0% for Standing Assets compared to 2010
	– On scope 3: Take measures to reduce emissions in major categories Work with stakeholders on avoided emissions	4,222 ktCO2e emitted by the Group for scope 3 (of which purchases of materials: 957 ktCO2e, and other headings including occupant travel, occupant energy…: 3,265 ktCO2e)
	Train technical teams in the issues of carbon in buildings	92% of Offices / Residential teams trained
Offices	Maintain a high level of energy performance	100% of surface areas have a performance that is at least 30% better than the RT
Retail	40% reduction in primary energy consumption between 2010 and 2020[2]	-38.1% reduction in energy consumption compared to 2010
The circular economy: produce buildings that are less resource-intensive and reversible		
Offices	Favour rehabilitations to reduce resource consumption	The proportion of rehabilitation is 66% in Paris Region
Retail	Recover over 70% of construction waste[c]	95% of waste recovered
Retail	Sort over 50% of waste generated at Standing Assets	47% of waste sorted
Retail	Recover over 80% of waste generated at Standing Assets	98% of waste recovered
Labelling and sustainable certification: follow an ambitious and innovative certification strategy that is specific to each business line		
Residential	100% of new projects in the D range or higher in the Paris Region certified NF Habitat HQE™[d]	100% of surface areas certified
Offices	100% of new projects certified NF HQE™ "Excellent" and BREEAM® "Very Good" minimum	100% of surface areas certified
Retail	100% of new projects certified BREEAM® "Excellent" minimum	100% of surface areas certified
Retail	100% of Standing Assets certified BREEAM® In-use, "Very Good" minimum	100% of surface areas certified

(a) Excluding Pitch Promotion.
(b) On a like-for-like basis and under constant conditions.
(c) Excluding demolition waste.
(d) 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
ENTITY	ALTAREA COGEDIM	COGEDIM		PITCH PROMOTION		ALTAREA		ALTAREA COGEDIM
BUSINESS	CORPORATE	PROPERTY DEVELOPMENT (RESIDENTIAL)	PROPERTY DEVELOPMENT (OFFICES)	PROPERTY DEVELOPMENT (RESIDENTIAL)	PROPERTY DEVELOPMENT (OFFICES AND COMMERCIAL)	DEVELOPMENT (RETAIL)	STANDING ASSETS (RETAIL)	CORPORATE
GUIDELINES	GRI CRESS	Internal definition ("Methodology and table of indicators" chapter)					EPRA recommendations	GRI CRESS
PERIOD	1 September year N-1 31 August year N	At 30 September year N	1 October year N-1 to 30 September year N			1 January year N 31 December, year N		1 January year N 31 December, year N
SCOPE	Head office 9,631m² usable area	225 projects 21,577 residential units	21 projects 426,902 m² (net surface area) or floor area	30 projects 3,397 residential units in the Paris Region	21 opérations 190,562 m² SHON ou SDP	1 project 51,434 m² (net surface area) or floor area	681,606 GLA (in m²)	1,599 employees (including Pitch Promotion)
REPORTING COVERAGE	100%	100%	100%	100%(1)	100%	100%	92.6% (in surface area) 87.9 % (in value terms)	100%

(1) 100% of projects in the Paris Region

5.3.2.1.1 Compliance of reporting with national and international guidelines

In the interests of transparency and to embed the CSR reporting process, Altarea Cogedim drew on recognised national and international guidelines to produce its internal reporting guidelines and its non-financial communication.

The Group's non-financial reporting follows the directives of article 225 of the Grenelle environmental law. Moreover it is 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).

In retail, Altarea Cogedim also follows the guidelines of the sector-specific CSR reporting guide of the CNCC (*Conseil National des Centres Commerciaux*), the French industry federation of shopping centres. This guide, published on 9 July 2013, sets out reporting recommendations for the shopping centre industry following publication of Article 225 of the Grenelle II Law governing corporate non-financial communication.

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

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.

In 2016, Altarea Cogedim acquired 100% of the capital of Pitch Promotion, whose data are included in the social and environmental reporting.

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. The headcount of Pitch Promotion, acquired in 2016, has been included in the data for 2017.

5.3.2.4 Description of environmental reporting scopes

5.3.2.4.1 Corporate

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 Property Development

The Group developed indicators for its Property Development division which are more representative of its property development activities.

Method for accounting for Altarea's new Retail developments in the scope of reporting

Annual reporting for Altarea's retail projects includes 100% of projects which, between 1 January and 31 December:

- were initiated after receiving a building permit;
- were under construction, initiated in previous financial years and are to be delivered in a future financial year;
- were delivered during the year.

Method for accounting for Cogedim's new Office developments in the scope of reporting

In order to ensure the quality and comparability of information communicated during a time of sustained growth for the Group, the methodology for defining the scope was adjusted this year: the scope of projects accounted for now includes 100% of Office projects which, between 1 October 2016 and 30 September 2017:

- were initiated after receiving a building permit;
- were under construction, initiated in previous financial years and are to be delivered in a future financial year;
- were delivered during the year.

Because there are few Hotel projects under development, the data were included with the Offices data.

The 2016 data were restated to ensure data comparability.

Method for accounting for Cogedim's new Residential developments in the scope of reporting

Annual reporting of Cogedim's Residential projects, includes 100% of projects present in the financial scope at 30 September and:

- for which the land was acquired;
- under construction;
- which were delivered within the year.

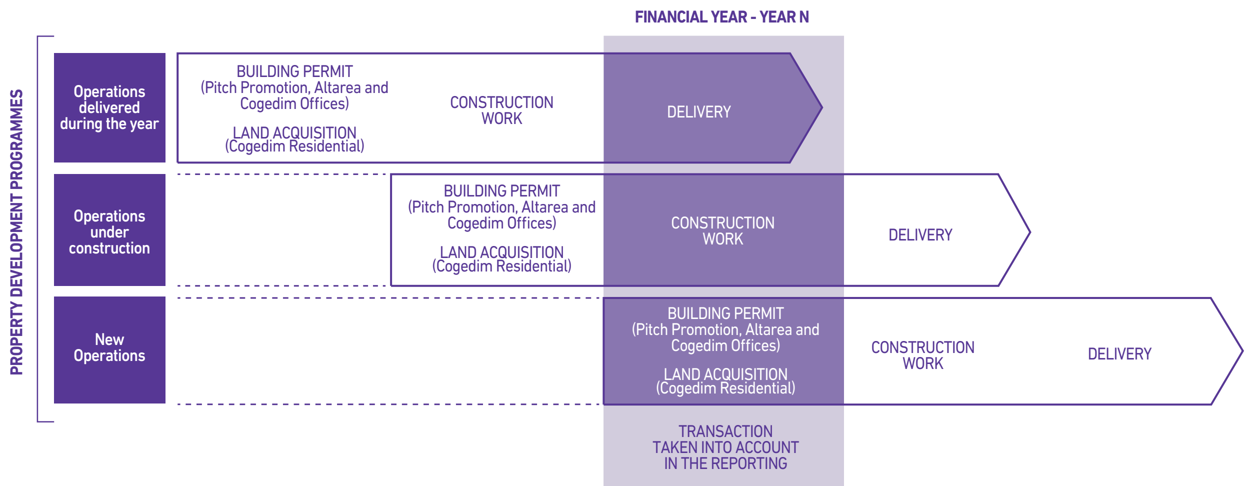
Method for accounting for new Pitch Promotion Residential and Office developments within the scope of reporting

The annual reporting of Pitch Promotion projects includes 100% of projects which, between 1 October 2016 and 30 September 2017:

- were initiated after receiving a building permit;
- were under construction, initiated in previous financial years and are to be delivered in a future financial year;
- were delivered.

Because there are few Hotel and Retail projects under development, the data were combined with Office projects. Logistics projects accounting for around 5% (in terms of surface area) of commercial projects are considered significant and, consequently excluded from office reporting.

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 projects, the Group opted to retain the same accounting method for each category, each environmental certification and each energy label, although the key dates in the certification process vary according to category of asset and environmental certification.

(2) *Excluding renewals of leases following a business transfer, building leases and short-term leases.*

5.3.2.4.3 REIT business (existing Standing Assets)

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:

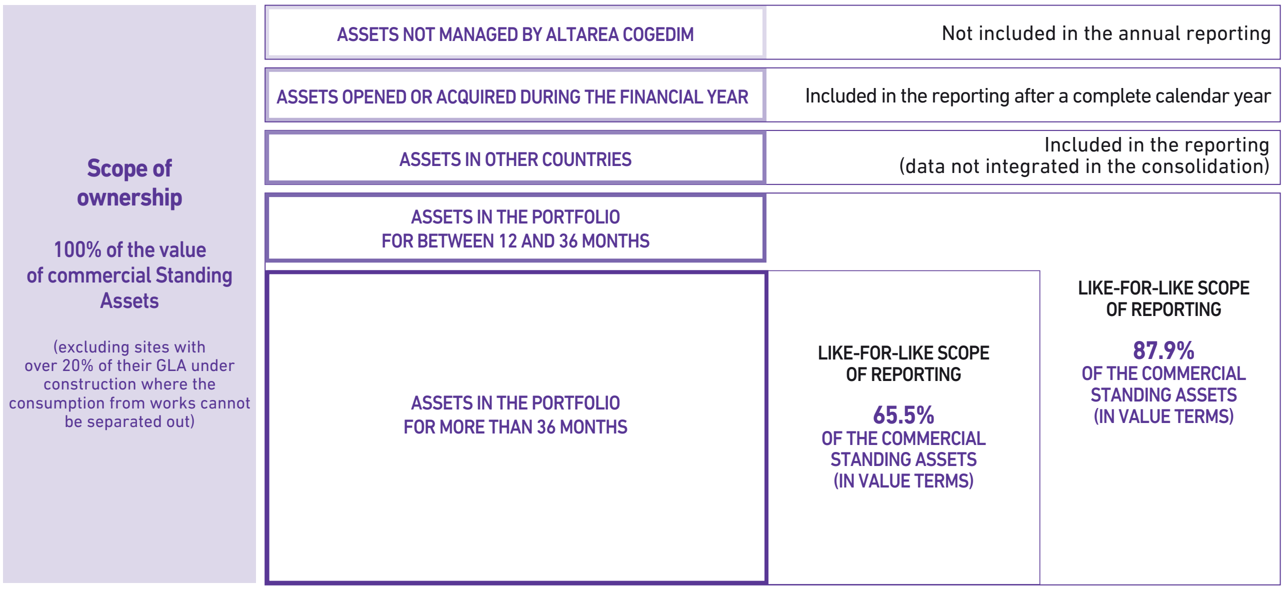
- between 2010 and 2015, it includes all assets in the scope of reporting held throughout the period. Given its share in the total portfolio, the Cap 3000 centre, which was acquired in 2010, was reintegrated in the 2010-2015scope on a like-for-like basis. The data previous to the acquisition of the centre 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 Standing Assets 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 CRUCIAL

Scope	Commitments	2017 Results	Comments
Group	Working to satisfy customers across all our business lines	**8th place in HCG's ranking of customer hospitality**	In 2017, the Group is continuing to make customer satisfaction a priority: speed and quality of responses given to customers and gradual roll-out of new Cogedim stores at national level
Residential	Commitment to customer satisfaction	**Awarded Customer Services of the Year 2018[a]**	This award in the Property Development category recognises the Group's many years of work on customer service
Residential	A quality guarantee: NF Habitat certification for 100% of projects[b]	**100% of projects certified NF Habitat**	The Group has been 100% NF Habitat certified for two years, reflecting its continuous efforts to strive for quality
Serviced residences	Establish a formal dialogue with residents to improve services	**At least one monthly meeting with residents in each of the ten residences**	More regular meetings took place in 2017, up to once a month
Offices	Listening to any new customer requirements	**18 users interviewed in 2017**	The Group ramped up its dialogue with users in 2017 by conducting a survey of their expectations
Retail	Continually improve and enrich the customer's visit experience	**Satisfaction index: 7.7/10**	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.
Retail	Dialogue with tenants on CSR themes	**616 tenants contacted 70% are seeking to reduce their environmental footprint every day**	In 2017, the Group launched a new process of dialogue with stakeholders: a survey of their requirements was conducted and will be repeated every year

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

5.4.1.1 Customer satisfaction

Altarea Cogedim has made customer satisfaction and well-being a priority: in every area, Altarea Cogedim centres its strategy on its customers.

The Group has wide ranging types of customer and seeks to offer each of them the best possible experience. The Group's approach is through dialogue, a systematic assessment of customer requirements and satisfaction and the implementation across each business line of specific measures with dedicated teams where appropriate:

- in the Residential category, the key indicator is the recommendation rate, and improving it is a priority for the Group. To do so, a dedicated team was set up in 2015;
- in Retail, customers are both visitors to the centre and the retail brands. Altarea Cogedim measures the satisfaction of these two groups and the teams manage operations meticulously and provide a range of events to offer a unique buying experience;
- this year in Offices, Altarea Cogedim conducted a survey of major users to better understand their expectations, whilst looking ahead to changing habits and practices.

These efforts are being rewarded:

- in October 2017 the Group was awarded the "Customer Service of the Year: 2018" prize, in the property development category; This year, for the first time, the award focussed on property developers and used mystery shoppers for its analysis (telephone service, emails, social media etc.);
- in January 2018, the Group moved up 23 places ranking 8th in HCG's customer hospitality rankings for 2018. This ranking pits the customer services of the 200 biggest companies in France against each other by testing all of their channels: telephone, letter, email, website and social media.

5.4.1.1.1 Residential

In 2015, the creation of a dedicated customer unit implemented a global customer approach for the Residential business in France. This approach was first formalised with the implementation of dedicated processes in-house and initiatives to strengthen the relationship with customers at each stage of the customer process. The opening of the first Cogedim Store, a one-stop-shop for customers, was a flagship development.

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.

In 2017, changes to the customer approach included:

- the creation of a hotline as part of the customer process;
- the roll-out of new Cogedim stores in France;
- Raising awareness customer relationships across all business lines.

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 a 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 where they can learn about the steps involved in the buying process and get answers to their questions via forums and FAQs (for example: alteration work, construction progress, 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.

In 2017, the Group is stepping up its support for customers through the process with the creation of its customer listening programme. This includes a single point of contact for all customers through a dedicated helpline. It ensures customers are supported if their dedicated customer relations Manager is unavailable.

KEY STAGES OF THE CUSTOMER PROCESS

When the property is reserved
Reservation agreement signed

During construction work
Customisation, layout visit, pre-delivery visit

Upon delivery of the residence
Visit upon delivery and handing over of keys

A single point of contact

A personalised customer page with many digital resources
(messaging service, documents, video etc.)

Customisation tools at each stage of the project
(options catalogue, 6 customisation packs, to-scale apartments in Cogedim stores)

Unique places dedicated to new-builds across the whole of France

To complement the existing customer process, in 2016 Altarea Cogedim opened its first Cogedim Store, a one-stop shop for its customers, 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 m^2 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.

In 2017, the Group extended this concept with the opening of its second Cogedim store in Toulouse. This store has the same functionalities as the Paris one but differs in that it has a Cogedim Management & Services space dedicated to offering investors support in arranging rental management services.

This new store represents the first step in rolling out the concept to major regional gateway cities. A new Cogedim store opened in Bordeaux in January 2019 and others are to follow throughout the year.

A major satisfaction survey

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 aim of these surveys is to measure customer satisfaction at different stages of the buying process: first, on signing the deed of sale, then four months after their property is delivered.

In total in 2017, almost 1,500 buyers answered questions, providing a wide range of responses across 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 survey questions 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. As such, Altarea Cogedim set itself the target of a 70% recommendation rate for each of the regional departments. In 2017, the approach bore fruit with the recommendation rate up 10 points on 2015.

Continuous strengthening of customer relationships

In parallel to monitoring this satisfaction rate, the Group wants to improve its relationship with its customers at each contact point: on the website, at sales offices, on the telephone, etc. 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. Information derived from these measures feeds back to the Customer unit and enables continuous improvement to better support customers.

These multi-pronged efforts led to the Group being awarded the "Customer Service of the Year: 2018" [1] prize in the property development category.

The Group wants to increase the opportunities for direct dialogue with its customers. In 2017, over 5,000 letters were sent to customers to gather their impressions of the customer process. After delivery, face-to-face meetings are increasingly organised to determine sources of both satisfaction and dissatisfaction. These meetings take place in the presence of the teams involved, irrespective of their business lines, since each employee is part of the customer support chain.

All stakeholders in customer relationships

The customer-centred culture is one of the Group's core values. In its publicity campaign of Summer 2017, Cogedim wanted to showcase what sets its employees apart. The campaign was first launched in-house to raise awareness of employees' respective roles in creating value for the Company, particularly with its customers in mind. Through this campaign, Cogedim specifically chose employees who set Cogedim apart: interior designers, customer relationships Managers, people who are an asset for its customers.

In order to support the respective customer relationship roles the Group plans to raise awareness of customer relationships across the business lines at a dedicated event in early 2018[1].

This aim of this approach is to drive a real customer-centred culture *i.e.* shared corrections and values within the various residential functions.

5.4.1.1.2 Serviced residences

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 2017, 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 between tenants and residents in each of the ten residences once a month, at which the following subjects 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.

Moreover, a half-yearly meeting is organised with the management of Cogedim Club® and is a forum for discussing areas for improvement or changes needed in agreement with residents.

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 Group then analyses all of the comments with a view to taking any necessary action.

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.

Finally, Cogedim Club® is involved in work to introduce a quality label in consultation with members of the SNRA (*Syndicat National des Residences pour Aînés* – National Syndicate for Retirement Homes). This certification, which is to be launched in 2018, will guarantee quality standards in line with specifications approved by the AFNOR, the French organisation for standardisation.

5.4.1.1.3 Offices

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

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

In 2017, Altarea Cogedim conducted 18 interviews with the property departments of major companies in order to assess their needs and expectations. Themes included the context in which major accounts are operating, consequences for their property projects, their perception of lessor-user relations, as well as their requirements in terms of services and flexibility, and produced the characteristics of a building that reflected their needs as closely as possible. The results of this survey may result in changes to the Group's products.

5.4.1.1.4 Retail

Altarea Cogedim designs shopping centres where retail rubs shoulders with leisure, restaurants and services, offering visitors a new experience.

In this respect, the Group has deployed several leisure facilities in its centres over the last few years. 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. In 2017, a fortnight-long chocolate fair was also held on this site. Sponsored by Cyril Lignac, it brought together local chocolate makers and was attended by some 39,000 visitors.

Altarea Cogedim wants to offer its customers new consumer 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 visitor expectations, measure their satisfaction level and the centre's appeal and reputation. 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 by all the teams (operation, leasing, marketing and asset management) in order to create a targeted questionnaire. Based on the results of the survey, the teams work together on a shared operational action plan, which they then share with Executive Management.

For 2017, the customer satisfaction rate was 7.7/10. It was calculated using on-site customer surveys conducted at six shopping centres representing 47.9% of the scope of current reporting by value.

This indicator has increased slightly each year since 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.

(1) (Property Development category – BVA Group research and consulting firm – Viséo CI – May to July 2017 – More information at escda.fr

5.4.1.2 Relations with brands

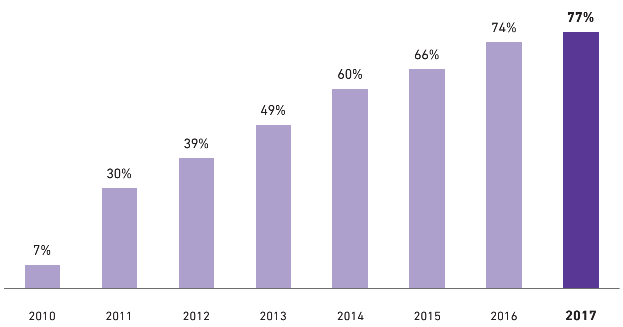
5.4.1.2.1 Green lease

Altarea Cogedim intends to work more closely with all tenants in developing environmentally friendly practices. As a result, the Group standardised the application of green leases in 2010, from the very first square metre where possible [1].

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 1 December 2017, 1,067, or 77.4% of the Group's 1,378 leases, were green leases.

GREEN LEASE COVERAGE RATE



The Group's goal of converting 65% of its leases to green leases in 2015 was exceeded. 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 formal 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 of 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.

In addition, 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.

5.4.1.2.2 Tenant satisfaction surveys

En 2017, Altarea Cogedim went still further in its relations with brands on CSR issues. The Group used an external contractor to conduct 616 surveys of its tenants, *i.e.* 52% of the leases in place at the time of the survey. Questions were on satisfaction with the Group's CSR initiatives on-site, the CSR practices of tenants and their expectations in terms of developing these areas.

Results revealed a strong interest on the part of tenants in environmental and societal themes. Indeed, over two thirds of them are interested in sustainable development, 70% are seeking to reduce their environmental footprint every day through good practice such as managing energy consumption or reducing waste.

Following these surveys, areas for practical action were identified to allow lessors and tenants to continue to work together on CSR themes in relation to the shopping centre. As such, corrective action is under way at certain centres (on sorting waste, for example) and tools have been developed to enable centres to communicate more effectively on CSR themes at meetings with retailers.

Altarea Cogedim draws on the dialogue with stakeholders to implement sustainable development initiatives.

(1) *Excluding renewals of leases following a business transfer, building leases and short-term leases.*

5.4.2 Local development

MATERIALITY LEVEL CRUCIAL

Scope	Objectives/Commitments	2017 Results	Comments
Group	Focus on mixed-use projects incorporating office, residential and retail space	**9 mixed-use projects in large mixed districts** **78% of office and hotel space also has additional residential or retail space.**	The Group offers mixed-use options across all of its major projects to promote proximity and bring cities to life.
Group	Measure and improve the employment footprint for all of the Group's activities	**Over 41,000 jobs supported in France (2016 data)**	The Group supports an increasingly extensive ecosystem of suppliers, service providers and services and makes a significant contribution to employment nationwide
Residential	Measure share of local purchases	**Creation of the measurement tool: 66% of purchases for construction sites are from local sources (within the department)**	Altarea Cogedim monitors this indicator to strengthen its contribution to the local economy

5.4.2.1 Vision of the city

Driven by the aspirations of the new generation, the growth of new technologies and the networking culture, city life is reinventing itself. Today, residents' expectations revolve around proximity, intensity of use, conviviality and peace and quiet.

Altarea Cogedim is aware of its responsibility as an urban developer: The Group has created a unique integrated model based on the complementarity of the retail, Residential and Office divisions. These skills are used to develop large-scale projects for mixed-use neighbourhoods and to make a specific contribution to local development.

As such, for over a year, the Group has been carrying out an in-depth study into the actions and indicators of its contribution to local development, whether in economic, community, societal or environmental terms. This approach has four main strands based on Altarea Cogedim's key contributions:

- the development of mixed-use neighbourhoods: Altarea Cogedim believes that sustainable cities take the form of diverse neighbourhoods offering a mix of residential properties, commercial activities and leisure (retail, offices, leisure etc.). This proximity creates conviviality and sustainability, reduces travel and gives the city a more people-centred focus;
- contributing to local development: Altarea Cogedim wants to contribute to local economic development through its projects: support for entrepreneurs and local start-ups, support for reducing food miles, buying locally, etc.;
- support for employment: Altarea Cogedim's activities have a significant impact on employment and wealth creation in France, in particular through the high volume of its purchases. The Group has updated its method for calculating its economic footprint this year;
- integrating projects in their environment: the Group wants to facilitate the integration of its projects in their environment, both by taking into account the local environmental context (in particular biodiversity) and by ramping up dialogue with residents.

Overall results for 2017 are detailed below.

Finally, in order to extend its study, 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, through discussions with innovative businesses and players in that area.

5.4.2.2 The development of mixed neighbourhoods

Diversity is at the heart of what the Group does: Altarea Cogedim draw on all its skills to devise and implement large, innovative mixed-use projects, blending retail, residential property, offices and hotels. Projects are delivered in collaboration with local authorities, developers, private stakeholders, investors and individuals. They enable the Group to engage on issues around complex urban redevelopment and regional development.

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

Thus, in the second half of 2017, Altarea Cogedim delivered the first new mixed district of the Grand Paris area, in Massy en Essonne. This site, located at a transport hub, is a four-hectare city centre completed in a single tranche in a record time of two and a half years. It was the biggest construction site in the Paris Region.

Other current projects include the 100,000 m^2 of "Issy Cœur de Ville", in Issy-les-Moulineaux and the redevelopment of Bobigny city centre

In addition to these ambitious, large-scale projects, Altarea Cogedim is introducing a mixed-use element into its projects as early as possible:

- 78% of office and hotel surface area is not dedicated to a single activity but hosts other activities such as residential property or retail;
- the Group has developed a specific business dedicated to convenience stores, called AltaProximité which currently has some thirty projects covering 120,000 m^2. The aim is to breathe life into residential developments by linking them with retail outlets and creating a real urban fabric. Altarea Cogedim's integrated marketing guarantees a mix of complementary retailers to suit neighbourhood life and which are also sustainable as a result of an economic model developed upstream;
- finally, aside from the sites traditionally dedicated to retail, Altarea Cogedim is creating mixed-use spaces with France's first shopping centres located in train stations (Gare du Nord, Gare de l'Est, Gare Montparnasse, Gare d'Austerlitz). The Group is devising and creating a new offering of retail, experiences and leisure in transport hubs that suits new consumer habits and mobile lifestyles.

5.4.2.3 Contributing to local development

Altarea Cogedim plays a role in the economic development of the areas where it is established. There is a natural connection between the economic fabric and the Group's activities which are largely reliant on local life.

In order to better identify and quantify the Group's initiatives, share good practice and develop a Group-wide approach, in 2017 Altarea Cogedim launched an audit of local economic initiatives instigated by operational teams. This audit showed that there was a real local presence and that most subsidiaries were developing partnerships with local and regional stakeholders. For example:

- the Retail division systematically enters into employment partnerships with local employment services ("Missions emploi" or "Pôles emploi") (also see paragraph below) which had a significant impact: for example, in Qwartz the partnership with Pôle emploi for local recruitment resulted in the creation of 2,000 jobs in an area with 17% unemployment, leading to a 2-point drop;
- subsidiaries are establishing links with local start-ups. In Nantes, for example, the Cogedim subsidiary helped to organise a competition involving start-ups on innovative themes such as the "smart hall" or, "inhabiting the rooftops". Over 130 start-ups took part;
- the convenience store business carried out work on scheduling with local authorities. This may mean bringing in local and independent retailers. This is the case in Nanterre University, for example, where several independent food retailers have joined the project.

The Group-wide approach is in the process of being developed.

In parallel, the Group began to work on quantifying its local purchases for its Residential division. This study, conducted in for the first year in 2017 shows that 66% of construction contractors used (representing 63% of amount paid) are based in the same department as the construction site, and over 90% are located in the same administrative region. The Group will now conduct more in-depth analysis, region by region, and make any appropriate improvements to give its projects a strong local anchorage .

5.4.2.4 Employment footprint

For a number of years Altarea Cogedim has been quantifying its indirect economic contribution in terms of employment and local development. In 2017, in order to reflect the Group's rapid growth and therefore its headcount and purchases, the Group updated the method for calculating its footprint. The figures reflect the Group's footprint, include the activities of Pitch Promotion and are now available for each gateway city where the Group operates.

The Group's activities, in particular in terms of property development, generate a significant volume of purchases, which have a substantial multiplier effect: in 2016, for one direct job at Altarea Cogedim in France, some 30 additional jobs were supported in the French economy (see below).

In total, over 41,000 jobs are directly supported by the Group's activities (purchases, wages, taxation etc.). The Group generates €2.3 billion of GDP in France.

In addition to these jobs, over 12,000 jobs are hosted by the Group's Standing Assets.

The 30-fold multiplier can be explained by the Group's activities which generate a lot of purchasing and sub-contracting, particularly in the areas of construction, surveying and maintenance.

THE LOCAL FOOTPRINT® METHODOLOGY

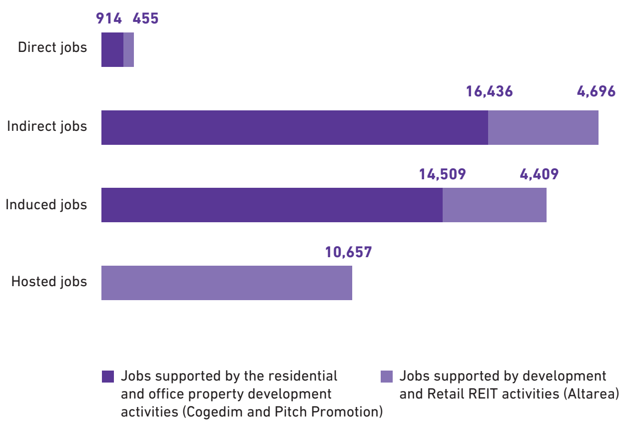
Altarea Cogedim worked with the Utopies firm which applied its LOCAL FOOTPRINT® methodology. This robust methodology is based on the macro-economic concept of input-output tables (source EUROSTAT) which can be used to perform economic modelling based on national accounts.

Based on actual purchasing (by location and sector) and payroll data gathered by the teams at Altarea Cogedim, the methodology can be used to simulate the socio-economic impact of the business's activities in France and in gateway cities where the Group is established.

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

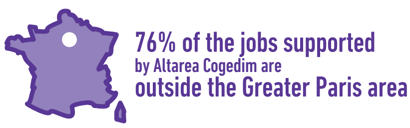
- indirect jobs: jobs directly related to purchases of goods and services by the different Group entities;
- induced jobs: jobs created by the consumption of direct and indirect employees in France;
- jobs hosted in the shopping centres owned and managed by Altarea Cogedim.

JOBS SUPPORTED BY THE GROUP'S ACTIVITIES (2016 DATA)



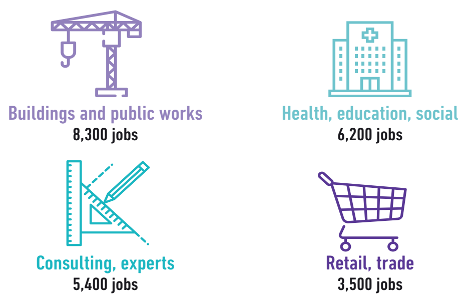
The study also highlighted the following:

- the Group confirms its very wide-ranging contribution across the country, since 76% of jobs supported by Altarea Cogedim are located outside the Paris metropolitan area;



- the three main sectors supported are buildings and public works (20% of jobs), health, education and social care (16% of jobs), and intellectual services (consulting, experts: 14% of jobs).

MAIN SECTORS SUPPORTED BY ALTAREA COGEDIM



2017 data

The Group extrapolated the data from this study to calculate its socio-economic footprint in 2017 and reflect the growth of its activities and headcount. On this basis, the Group directly supported 52,700 jobs in 2017, and hosted 15,500 jobs in its shopping centres.

Employment initiatives

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.

Job creation is also encouraged by the Group through partnerships and events at the Group's shopping centres.

Thus, for the opening of the shopping & leisure centre, L'Avenue 83, in 2016, Altarea Cogedim signed a charter with the employment service (Pôle emploi) in the Var region, aimed at encouraging inhabitants of the Toulon region to enter the labour market. The agreement notably included the creation of a team of Pôle emploi counsellors dedicated to supporting hiring by the shops setting 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.). Finally, the agreement encompassed the securing of processes for job seekers, notably by mobilising assistance to help people return to long-term employment (*e.g.* retraining for the position offered, 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, 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.

In 2017, this type of approach was pursued for the opening of the Promenade de Flandres shopping centre in the Lille metropolitan area, in the towns of Neuville en Ferrain, Roncq and Tourcoing. The Group signed an agreement with the "Maison de l'Emploi" Lys Tourcoing employment service and all employment stakeholders in the region to facilitate formalities for jobseekers and for brands present at the centre. In addition, two job-dating events were organised on site in July and September: 950 jobseekers from neighbouring towns came to meet retailers on site.

5.4.2.5 Integrating projects in their environment

In order to ensure projects are integrated in the local fabric and make a positive contribution regionally, Altarea Cogedim takes care to protect and enhance the local environment, particularly during construction work.

At the environmental level, particular attention is paid to the site's ecological potential. In Retail for example, an ecological survey is systematically conducted in advance of the project. Relevant biodiversity certifications are also applied for where the site is conducive. for example, Cap 3000, located at the exceptional area at the mouth of the Var, is the first shopping centre in France to receive BiodiverCity® certification.

In terms of local integration, Altarea Cogedim strives to maintain regular dialogue with residents and notify them of plans during construction. At the Issy Coeur de Ville project, for example, an exhibition was created to show residents the changes the site has undergone, illustrating its multiple "lives" since the 14th century until the development of the new ecodistrict by the Group.

The Group also strives to breathe life into its major construction sites during period of inactivity in particular (pop-up villages). In Nantes, the former detention centre was made available to an association which held an exhibition featuring the work of ten artists on its walls. More than 15,000 people visited the exhibition before the site was converted into homes. Another example is the *Campagne Première project* in Paris: prior to the transformation of an old post office into a residential building, 1,600 m^2 were made available to around thirty artists for a site-specific artwork over a number of weeks. This pop-up workshop was open to the public and gave visitors the opportunity to see the artists at work behind the scenes.

These initiatives bring activity to the neighbourhood and enable residents to take ownership of the projects.

5.4.3 Connectivity and mobility

MATERIALITY LEVEL **CRUCIAL**

Scope	Objectives/Commitments	2017 Results	Comments
Residential	Select new land near public transport	*98% of surface areas under development are located less than 500 m from public transport[a]*	Proximity to transport has remained stable since 2016 in the case of residential and commercial Standing Assets and has increased in the case of offices. This demonstrates the Group's commitment to projects with good transport links, which offer convenience and low carbon mobility.
Offices	Select new land near public transport	*100% of surface areas under development are located less than 500 m from public transport*	
Retail	Increase access to public transport and soft mobility	*76% of Standing Assets sites are less than 500m from a transport network with services running at least every 20 minutes*	
Group	Promote low-carbon transport for employees	*Group's Company mobility plan established (in Paris & Lyon)*	The Group has begun a medium-term into reducing the proportion of petrol or diesel powered cars used for employee travel and commute

(a) Excluding Pitch Promotion.

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

For Altarea Cogedim, the main topics of study related to mobility are the movements of the occupants of the 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, Offices, 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 believes 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 giving its new projects good connectivity in order to connect different living spaces.

5.4.3.1 Connectivity and mobility for Residential and Offices

5.4.3.1.1 Public transport access

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

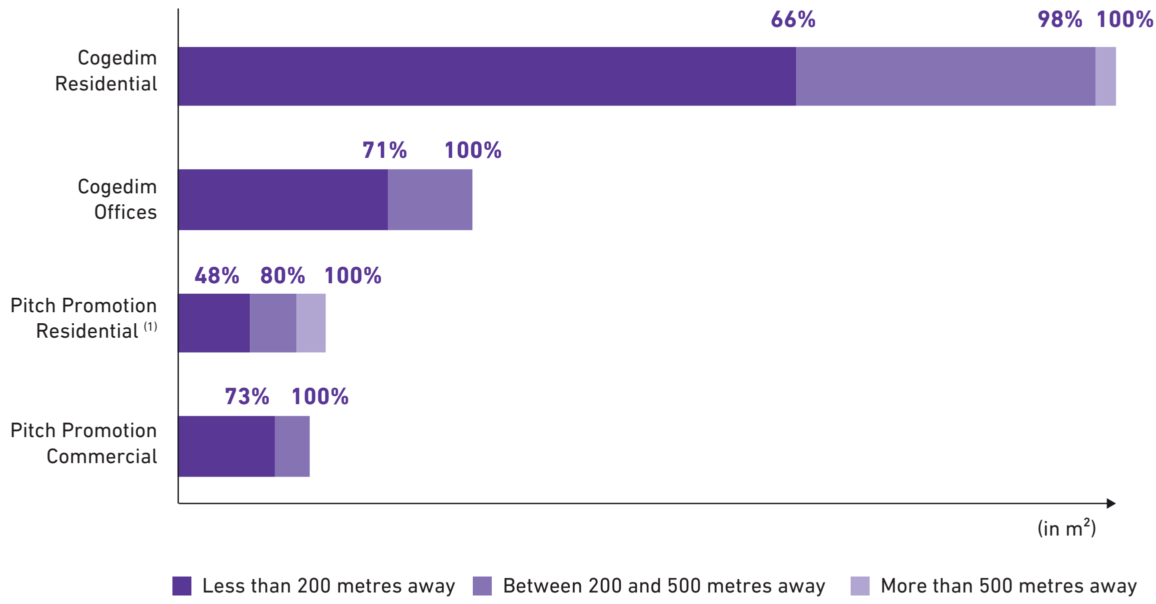
With this approach, the Group can foster a more sustainable and comfortable use and lifestyle for its customers and users, and for society in general.

The Group has chosen to be transparent regarding the proximity of transport networks for all of its projects under development.

In 2017, 97% of surface area developed by the Group, all subsidiaries combined, were located less than 500 metres on foot from a public transport stop, a total of 2 million m^2 in surface area.

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.

PROXIMITY OF PROJECTS TO PUBLIC TRANSPORT



(1) Scope: projects in the Paris Region

These numbers are stable compared to 2016.

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 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. In particular, this analysis addresses the following issues: visual, olfactory, acoustic and electromagnetic nuisances; access to the sun and light; construction site pollution; road and parking 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.

5.4.3.1.3 New uses

in order to prevent the premature obsolescence of a building and to provide optimal living and working conditions, each project must incorporate fixtures or fittings that reflect new ways of living.

In response to the growth in electric transport, the Group has created parking spaces fitted with charging stations for electric vehicles at its Office projects and systematically takes forward-looking measures to enable them to be installed during the building's operational phase. In 2017, one hundred parking spaces fitted with a electric vehicle charging station are under development at Office projects in the Paris Region.

In parallel, the Group is considering innovative mobility solutions for its projects, such as car-sharing and pooled parking.

5.4.3.2 Connectivity and mobility for Retail

Since 2012, Altarea Cogedim's reporting on the connectivity of the shopping centres in its portfolio to public transport and customers' modes of transportation have made it possible to calculate three indicators representing the connectivity of the Group's portfolio:

- proximity to public transport: percentage of sites with at least one line less than 200 metres away;
- availability of public transport: 500 lines of public transportation available less than 500 meters away on average per site;
- frequency of public transport: percentage of sites with at least one line less than 500 metres away with services running at least every 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.

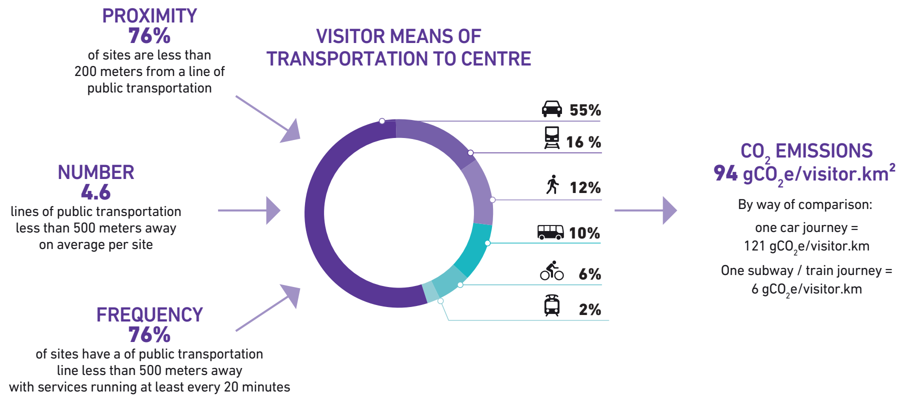
In spite of the growing use of eco-friendly transportation, Altarea Cogedim is aware that many of its customers still travel by car to its shopping centres. The Group is therefore equipping its new projects, and its existing centres as soon as possible, with parking spaces dedicated to hybrid and electric vehicles. This is another way to encourage less carbon-intensive and more economical travel in the long term.

The Group is also thinking ahead to the impact of new means of transport on its assets.

The distance, number of lines and frequency are calculated for 100% of the sites in the scope of current reporting, as detailed in paragraph 5.1.2.

The distribution of visitors' transportation modes is based on customer surveys carried out on-site on 51.7% (in value terms) of the scope of current reporting.

CONNECTIVITY AND CARBON FOOTPRINT OF CUSTOMER TRAVEL TO SHOPPING CENTRES



5.4.3.3 Corporate Connectivity and mobility: Group Mobility Plan

Altarea Cogedim has introduced mobility plans at its Paris and Lyon offices to reduce the number of petrol or diesel cars used for employee travel. A short-term study has begun into developing sustainable and innovative transport solutions.

5.4.4 Comfort, health and well-being in projects

MATERIALITY LEVEL **CRUCIAL**

Scope	Commitments	2017 Results	Comments
Mixed-use projects	Develop pleasant living spaces	**First neighbourhood pilot of WELL Community Standard developed at Issy Coeur de Ville**	As a result of this neighbourhood pilot, the Group plans to build up its expertise in quality of life in the neighbourhoods
Offices	WELL certification for 100% of projects in Paris Region	**82% of projects in the Paris Region have at least Core&Shell Silver WELL certification or are on course to achieve it**	The Group created this indicator in 2017 and set itself this new target to realise its well-being ambition
Retail	Draw up and roll out a comfort, health and well-being strategy for centres	**Creation of internal guidelines on comfort, health and well-being** **Assessment of 22 centres**	In 2017 the Group produced its own internal well-being guidelines and carried out an initial assessment of its Standing Assets, in order to identify priorities for action. This new approach will be continued and improved on the basis of regular on-site assessments

In order to offer the best customer experience, Altarea Cogedim pays particular attention to issues around the quality of city life: comfort, health and well-being in the places it is developing. Thus, the Group is working across its business lines on publishing guidelines for these issues based on external certifications (such as WELL) as well as internal requirements.

Altarea Cogedim includes in the issue of well-being all technical issues connected to comfort and health in buildings (quality of air, acoustics, light, esthetics) as well as all services that might be provided to occupants to improve their experience of time spent in the building: access to comfortable facilities, rest areas, access to high-quality food, leisure services, art, or services to make life easier. These two strands are then broken down for each business line within the Group according to their specificities.

With respect to its Offices 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.

Finally, in the Retail business, Altarea Cogedim believes in appealing shopping areas where customers feel at ease, where the customer enjoys an experience 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 Comfort, health and well-being for offices

The Group believes that the well-being of its employees, as users of their workplace, has a direct impact on their productivity and as such on company performance.

The theme of well-being has already been embedded for a number of years through BREEAM® and NF HQE™ certifications on which the Group's CSR approach for its Offices business is based. Altarea Cogedim is going further in taking into account well-being in the design of its projects and drawing on the most recent standards such as WELL and the concept of biophilia.

5.4.4.1.1 Well certification

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).

Thus, the Group has set itself the objective of obtaining WELL Core&Shell Level Silver certification as a minimum for all of its Office projects in the Paris region. In 2017, over 80% of projects achieved this objective.

82% ***of office projects in the Paris region are certified WELL Core&Shell Level Silver or higher***

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 several Office projects, 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 solitude, etc.).

The Boréal Office project delivered by the Group in Lyon in 2017 is one of the projects which incorporates the principles of biophilic design. The presence of nature is expressed by incorporating natural light, work on flexible, organic forms, the choice of materials such as wood and access to green roof terraces.

In future, AltaFund, the Group's Office investment fund, will systematically carry out biophilic audits for its projects. An initial audit of the Richelieu office in Paris was conducted.

5.4.4.1.3 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.

As part of its systematic process of NF HQE™ and/or BREEAM® certification for its Office projects under development, Altarea Cogedim surpasses regulatory requirements for visual, acoustic, olfactory and hygrothermal comfort and for air quality and living areas.

Access to natural light and visual comfort

100% of Offices projects under development for long-term occupancy offer access to natural light and views. Through WELL certification, the Group is going further by introducing the concept of circadian rhythm in buildings, determining the periods of activity and the periods of sleep of an individual based on the ambient light.

Indoor air quality and olfactory comfort

For all of its Office projects 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.

Hygrothermal comfort

The Group conducts Dynamic Thermal Simulations during the design phase of Office projects 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.

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.

Acoustic comfort

To offer customers good acoustic performance, Altarea Cogedim optimises the position of spaces in relation to each other based on internal nuisances and conducts acoustic surveys to assess the level of ambient noise and sound insulation between spaces. These surveys are used to choose the appropriate systems and equipment to meet the project's acoustical objectives. In Offices, for example, the noise level of equipment must be below 45 dB in open office space and below 40 dB in individual and shared offices.

Health quality of spaces

The health quality of the spaces raises two major concerns: creating specific health conditions and limiting exposure electromagnetic nuisances.

The Group is taking the following measures at 100% of Office projects under development:

- construction materials are chosen with an eye to limiting fungal and bacterial growth;
- zones and areas susceptible to specific hygiene problems are identified and measures are taken to create optimal health conditions in accordance with the specific health environment of each project;
- the sources of electromagnetic waves such as from energy or telecommunications in the surrounding area are identified and, where appropriate, measures taken to limit their impact.

5.4.4.2 Comfort, health and well-being for residential

For its residential operations, the Group wants to develop healthy and comfortable offices that promote social bonds and conviviality. For this it relies on the NF Habitat HQE™ certification process and its team of interior designers.

5.4.4.2.1 Well-being and NF Habitat certification

All newbuild residential properties by the Group are eligible for NF Habitat HQE™ certification (see 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.

5.4.4.2.2 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.

As part of its systematic approach to sustainable certification for its projects under development, Altarea Cogedim goes beyond regulatory requirements on issues related to comfort, in particular air quality, visual comfort and olfactory comfort.

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

Access to natural light and visual comfort

The Group focuses on living space layouts that offer proximity to windows and which promote access to views of the outside whilst taking care to prevent annoyances such as glare from the sun.

For example, for the Esprit Sagan project, Pitch Promotion fitted electrochromic windows which tint according to the rotation of the sun. As such, occupants benefit from natural light and views whilst managing glare and excessive heat.

Acoustic comfort

In multiple occupancy properties, sources of noise can come from outside (traffic, passers-by etc.), from inside (footsteps) or from infrastructure (lifts, ventilation etc.).

The Group is committed to developing residential properties with better sound insulation than required by regulations. For example, noise from any dual-flow ventilation fitted is reduced by 5 dB.

5.4.4.3 Comfort, health and well-being for retail

The theme of well-being is already an integral part of BREEAM® and BREEAM® In-Use certification on which the Group bases its CSR approach to the Retail business. Altarea Cogedim is going further in taking into account well-being in the design of its projects and the operation of its buildings, drawing on the most recent standards such as WELL and the concept of biophilia. Drawing on a number of initial experiences, in 2017 the Group produced its own internal guidelines on well-being.

5.4.4.3.1 Pipeline Development

As part of its systematic process of sustainable certification for its Retail projects under development, Altarea Cogedim surpasses regulatory requirements for acoustic, visual, olfactory and hygrothermal comfort and for air quality and living areas.

Indoor air quality and olfactory comfort

For all of its 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.

For its Retail projects under development, Altarea Cogedim involves tenants in its goal of improving the air quality of its shopping centres.

In 2017, 100% of Retail projects under development, *i.e.* 260,317 m^2) used green leases to require retailers to meet health quality standards for furnishings.

Hygrothermal comfort

The Group conducts Dynamic Thermal Simulations during the design phase of Office and Retail properties under development. They are used to decide on the technical and architectural options that strike the best balance between comfort of use and energy consumption.

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.

Acoustic comfort

To offer customers good acoustic performance, Altarea Cogedim optimises the position of spaces in relation to each other based on internal nuisance and conducts surveys studies to assess the level of ambient noise and sound insulation between spaces. These surveys are used to choose the appropriate systems and equipment to meet the project's acoustical objectives. In Retail, where the level of ambient noise in different spaces (retailers, food outlets, central area, offices) can be even more difficult to assess, the objectives are specific to each project. Acoustic measurements are taken during the construction phase to check that these objectives are met.

5.4.4.3.2 Portfolio

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.

As such, for the health and well-being part of the certification, the centres achieved an average score of 59% in 2017.

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.

Internal guidelines on comfort, health and well-being

To build on these initiatives, in 2017 Altarea Cogedim trialled the WELL standards at the Qwartz shopping centre which helped to identify additional good practice to be rolled out across the portfolio.

Based on from this study, combined with the Group's experience of the BREEAM® In-Use well-being criteria, in 2017 Altarea Cogedim set its own guidelines, drawing on these recognised external criteria. This made it possible to evaluate Standing Assets in more detail and roll out a large-scale process of continuous improvement on the issue of comfort, health and well-being.

The first site assessments based on these standards took place this year across 22 sites included in the reporting scope, that is 82% of the Standing Assets in value terms. Priority themes emerged on which Altarea Cogedim will focus its efforts: indoor air quality, comfort and food. The Group has already put in place initiatives to make improvements on these themes in 2017. In particular, air quality monitoring was enhanced in maintenance-type contracts and partnerships with start-ups are in progress to reuse unsold food in innovative ways and support the circular economy.

5.4.4.3.3 Health and safety Standing Assets

More details on risks related to health and safety are available in Chapter 6.6.3.6 (social and environmental risk management systems).

5.4.5 New uses and digitisation

MATERIALITY LEVEL CRUCIAL

Scope	Commitments	2017 Results
Group	Instil a culture of innovation	**Internal events to raise awareness: 4 test & learn conferences, 3 planning conferences, 1 start-up pitching session**
Residential and mixed-use projects	Implementation of innovations with customers in mind	**Cogedim 3D housing configurator launched Local services app developed in Massy**
Retail	Implementation of innovations with customers in mind	**Innovative events open to all retail customers. For example, 2 virtual reality events at Cap 3000, 1 augmented reality event at the Parks**
Offices	Gradually systematise digital connectivity labels for projects in the Paris Region.	**71% of Office projects in the Paris region are working towards a digital connectivity label**

5.4.5.1 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 objective is to support the Group through digital transformation and in its response to new uses and the requirements of all 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. It manages processes enabling innovation to be embedded across business lines, leads on open innovation and is responsible for disseminating a culture of innovation across the Group. It also chairs an Innovation Committee which meets each quarter.

The Innovation team's road map is based on the following themes which permeate the whole business:

- establishing and maintaining internal processes that facilitate the embedding of innovation across business lines including, in particular, chairing a committee dedicated to each business;
- implementing innovations to accelerate business growth;
- identifying and managing new economic models for the city;
- developing and coordinating open innovation at Altarea Cogedim;
- strengthening the Group's culture of innovation.

5.4.5.2 Open innovation

Altarea Cogedim believes that innovation must take place in-house but also that it must be enriched by collaboration with external partners. The Altafuture team identifies and selects potential innovative partners to involve them in the Group's activities.

The Group has partnered with incubators who enable it to keep track of new trends and add innovative value to its projects:

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

Altarea Cogedim is also a member of the Smart Building Alliance which promotes the development of smart buildings, through multi-disciplinary discussion between its members in the property sector.

5.4.5.3 Integrating new uses

The digital transition and new uses are a must for working people and the real estate business. Altarea Cogedim is looking ahead to the evolution of buildings and their uses, both internally and in its projects.

Internally, Altarea Cogedim has set up a Youth Comittee, made up of employees younger than 30, the aim of which is to think about new issues facing the Group and to challenge the decisions of the Executive Committee.

In its projects, the Group tests innovations and advancements in its buildings, always with the customer in mind.

As such, to guarantee its customers long-term technological performance, Altarea Cogedim was one of the first in France to trial the WiredScore label which evaluates the standard of internet connectivity, infrastructure and the building's potential for connectivity. In November 2017 the Landscape property complex (initially called Tours Pascal) was awarded the label WiredScore Gold. In total, 71% of Office projects under development in the Paris Region (in terms of surface area) are working towards a digital connectivity label such as WiredScore.

71% *of Office projects in the Paris region are working towards a digital connectivity label*

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

In the case of its residential activities, Altarea Cogedim is innovating in order to offer customers tools to facilitate the experience: the teams have introduced a digital tool enabling buyers to project themselves into the future with a 3D tour of apartments, including different materials for them to choose. This configurator is available in Cogedim Stores, one-stop shops for buyers and visitors.

In Retail, the Group is creating innovative retail services using digital technologies. These include two events which took place at Cap 3000 in April and July 2017, enabling customers to experience virtual reality in a fun way.

Finally, in its neighbourhood projects, Altarea Cogedim wants to facilitate resident integration and adaptation and thus developed a local neighbourhood app incorporating smart urban services for greater practicality, comfort and interactions between and for the benefit of residents. The Easyvillage app was developed in partnership with the French postal service's Digital Hub and was launched at the opening of the Massy Place du Grand Ouest neighbourhood (91). It incorporates access to the residential concierge service, a local social network, retailers' product ranges and the ability to manage each resident's connected objects.

5.4.5.4 Strengthening the Group's culture of innovation

The Altafuture team's role also involves disseminating a culture of innovation across the Group. For this, it organises internal events and leads creativity sessions for project teams.

Thus, in 2017, the Group organised four "test & learn" events to showcase new Projects: a presence at the CES, virtual reality activities and pitches by start-ups from partner incubators. Three conferences for Group employees were organised with well-known speakers who presented forward-looking themes such as digital transformation, the city of tomorrow and the future outlook for retail.

Teams are also provided with a collaborative platform which pools information on trends, intelligence, presentations of the Group's innovations and contact details of potential partners.

5.4.6 Partnerships

MATERIALITY LEVEL	CRUCIAL

Scope	Objectives/Commitments	2017 Results	Comments
Group	Implement a process of open innovation	**Partnerships with three incubators to identify new partners: Paris & Co, Real estate disruptive lab, The French postal service's digital hub (Hub Numérique)**	The Group is continuing its search for innovative partners and partnered with new incubators in 2017

Altarea Cogedim is developing partnerships with a number of professional organisations and working groups external to the Company, notably to share best practices.

The Group believes that cooperation with priority stakeholders provides a way to gain a faster understanding of the transitions facing the sector, notably with respect to digital and environmental issues. The partnerships are described below.

5.4.6.1 Start-up incubators

Altarea Cogedim is implementing a process of open innovation and has partnered with incubators:

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

The Group also held a half-day event to showcase the start-ups of the incubator Paris & Co: several young companies presented their innovative solutions to Group operations staff.

For example, Altarea Cogedim has been working with the young company Smart Impulse since 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. The working method used is that of contrasting perspectives and challenges between Managers, experts, students, business lines etc.

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, since 2016 the Group has been taking part in a think tank dedicated to cross-pollinating companies, with Utopies and ten partners. In 2017 this working Group resulted in the publication of a report and conference on the local presence of businesses. Altarea Cogedim is continuing to think about and research solutions to support local entrepreneurship.

Altarea Cogedim is a founding member of the Observatoire de l'Immobilier Durable (Sustainable Real Estate Observatory) the aim of which is to promote sustainable development in the property sector. In particular, in 2017 Altarea Cogedim contributed to publications by the OID (Sustainable Real Estate Observatory) on comfort and well-being in buildings, on carbon reporting and on measuring consumption by buildings.

5.4.7 Professional ethics

MATERIALITY LEVEL CRUCIAL

Scope	Commitments	2017 Results
Group	Train and raise awareness of employees identified as most at risk of corruption and fraud	**Fraud awareness-raising exercise twice a year at Group level**
		Two training sessions for most at-risk groups on offences related to misconduct (corruption, conflict of interest, trafficking influence, favouritism etc.)
		Quiz on "rights and responsibilities" introduced on induction days

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.

In 2017, in order to ensure new employees adhere to the Group's rules, values and principles and that they have a thorough understanding of how they must be applied, systematic training in the form of a quiz was implemented on induction days. It addresses topics related to Rules of Procedure, the IT Charter, the Ethics Charter and aspects of health and safety.

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

Provisions on IT security and customer data protection are described in Chapter 6.6.3.2 (Risk control systems related to physical security and information systems).

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 Chapter 7.2 (Compensation of administrative, management and supervisory bodies).

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.). At 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. To ensure that these attempts at fraud do not succeed, awareness-raising messages are now circulated to the most at-risk groups at least twice a year prior to periods of leave when such incidents are most likely to occur.

In order to support the successful implementation of the Group's whole professional ethics policy, in 2017 the awareness raising campaign on misconduct from 2017 was republished and set to employees identified at being the most at risk. Also, with the help of a specialist law firm, courses were held on different ideas of corruption, conflicts of interest, trafficking influence, favouritism and the criminal repercussions associated therewith, particularly in relations with the public sector. This awareness campaign has continued through messages regularly issued to employees by senior executives at events such as seminars, Committee Meetings and at induction days for new arrivals.

Moreover, the Property Legal Department ensures that clauses specific to anti-corruption legislation are included in business introducer contracts or contracts with third parties. 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 is continuing to strengthen its compliance programme to meet the requirements of the Sapin 2 law on transparency, the fight against corruption and the modernisation of the economy.

5.4.8 Safety of assets, people and personal data

MATERIALITY LEVEL **CRUCIAL**

Scope	Commitments	2017 Results
Group	Implement a culture of safety in all business lines	**Creation of a Group Security Department, with an information systems security Manager Creation of a position to oversee compliance with General Data Protection Regulation**

Information on safety of assets, people and personal data is available in Chapter 6.6.3 (risk control systems).

5.4.9 Responsible purchases and supplier relationships

MATERIALITY LEVEL **SIGNIFICANT**

Group procurement has a large societal impact, both in terms of volume of purchases and their connection to a large number of economic sectors. Three quarters of the Group's purchases are construction-related.

Since 2014 Altarea Cogedim has been taking initiatives on responsible purchasing across its business lines. The aspects currently in place across divisions are standard documents (contract clauses in particular) requiring the Group and its service providers to continuously improve. These documents are described in more detail in the sections below.

The Group is currently developing its approach as part of wider thinking on procurement across the Group. In particular, assessment of an initial selection of suppliers was begun by Ecovadis in 2017.

RESPONSIBLE PURCHASING PROCESS

General framework: key issues for evaluating suppliers

- Economic situation
- Certification and labelling (ISO 14 001, FSC etc.)
- Use of healthy and eco-responsible materials
- Introduction of standard environmental management procedures for EMSs (energy, waste, water, carbon etc.)
- Respect for international labour standards (Global Compact, human rights, illegal labour, discrimination, etc.)
- Employee health and safety
- Fight against corruption

Application in Offices, Residential, Large Projects

Assessment of suppliers' CSR performance:
- Ecovadis assessment of suppliers of residential services

Introduction of requirements:
- Project management contracts
- French national framework agreements for safety and health protection
- Low-nuisance construction site charter and its toolkit

Application to retail

Requirements placed on suppliers:
- Construction phase: green construction site charter
- Operational phase: Environmental charter and notes for construction, cleaning, maintenance and green space companies

Encouraging brands to make responsible purchases through the CPTAE (Architectural and Environmental Specifications - Cahier des Prescriptions Techniques Architecturales et Environnemetales)

5.4.9.1 Procurement and suppliers policy for residential, offices and large projects

Altarea Cogedim prioritise the quality of its production and expects the same from its suppliers.

Construction contracts and architecture and engineering services are the Group's top procurement item. Altarea Cogedim seeks to involve these contractors in a process of continuous improvement of their CSR performance by:

- embedding CSR criteria in its commercial relations with its suppliers;
- evaluating the performance and progress of its suppliers.

5.4.9.1.1 Requirements placed on suppliers

As part of its responsible procurement policy, Altarea Cogedim uses its influence to make its suppliers respect a number of requirements such as preventing undeclared work, employee health and safety and respect for the environment.

Contracting phase

Residential, Office and Large Projects have standard project management contracts (architects, operational project Managers). The aim of these contracts and their appendices is to include the sustainable development goals of a given project in the terms of the contract. A clause to support local employment is increasingly included in construction contracts for large projects.

Altarea Cogedim uses an external service provider to collect, archive and manage all regulatory certifications from companies necessary for the signing of the contracts and authorisation of the various subcontractors. This measure was put in place in 2015 for all new Residential and Office Property operations.

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

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

Construction phase

In order to ensure the requirements are applied during the construction phase, various actors, such as the "clean construction site" contact person, and the Health and Safety protection (H&S) coordinator, are called upon. 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. 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.

5.4.9.1.2 Assessment and progress of suppliers

En 2017, Altarea Cogedim launched a supplier assessment process using the Ecovadis platform. The aim of this assessment is to identify the progress made by its suppliers in terms of CSR and to help them improve.

The first phase of the evaluation relates to suppliers of fixtures and fittings for Cogedim residential properties (hardware, electrics in particular). The assessment is in the process of being finalised and the next stage will involve, on the one hand, the Group working with the least advanced suppliers to help them improve and reduce areas of risk and, on the other, showcasing best practice and the responsible procurement process to customers.

5.4.9.2 Procurement policy and suppliers for retail

As part of its responsible procurement policy, Altarea Cogedim uses its influence to make its suppliers respect a number of requirements such as preventing undeclared work, employee health and safety and respect for the environment.

5.4.9.2.1 Pipeline Development

A low-nuisance construction site charter is appended to each contract. It applies to all contractors working on the construction site and contains mandatory commitments on the following themes:

- staff information and working environment;
- limiting consumption (water and energy);
- limiting nuisances (dust, mud, noise, deliveries and parking, changes to local traffic plan, approach to construction site etc.);
- limiting local pollution (soil, water, air etc.);
- management and selective collection of waste;
- secure access to the site.

The "clean construction site" contact person ensures commitments are met throughout the project.

5.4.9.2.2 Portfolio

In recent years Altarea Cogedim has rolled out three documents to be signed by service providers working on site operations within the portfolio to engage them in a CSR approach:

- an environmental charter for contractors that provide occasional services;
- an environmental note appended to maintenance and cleaning contracts;
- an environmental appendix for green space 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.

The environmental appendix for green-space contracts encourages operations that better respect biodiversity. For example, the Group prohibits the use of phytosanitary products on its sites, with the exception of those used for organic farming.

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 party principals) satisfies the requirements of BREEAM® In-Use certification, integrated in the Group's Environmental Management System.®

Moreover, standard contract frameworks for service providers working on Standing Assets were updated in 2017 and will be circulated across all sites in 2018. These new versions incorporate enhanced requirements on CSR aspects such as monitoring indoor air quality, impacting directly on visitor health and comfort.

5.4.10 Governance

MATERIALITY LEVEL	SIGNIFICANT

Points relating to corporate governance can be found in Chapter 7 (Supervisory Board report on Corporate Governance).

5.4.11 Sponsorship and partnership

MATERIALITY LEVEL	MODERATE

5.4.11.1 Sponsorship and support for artistic creation

Altarea Cogedim is always keen to promote young talent in various art forms: sculpture, painting, music, through a number of initiatives.

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.

Altarea Cogedim has partnered with the Pompidou Centre, becoming the sponsor of its programme in the Children's Studio, the Children's Gallery and Studio 12/16 as well as at its spin-offs outside the centre. This commitment to the contemporary art centre dedicated to modern and contemporary creation, where the fine arts rub shoulders with books, design, music and film, has significance for the Group as it reflects its values of innovation and making culture accessible to all. Ultimately this partnership may also be used for the Group's projects.

5.4.11.2 Social initiatives

For more than ten years, Altarea Cogedim has been a major partner of Habitat et Humanisme, to contribute to this 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;
- 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.

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 working on building the city of tomorrow (more details are available in paragraph 5.5.6 Partnerships).

In 2017, Alain Taravella sponsored the University of Paris Dauphine's "Property Management" masters. The Group organised various exchanges and site visits throughout the academic year.

In 2017 the Group became the sponsor of the "*Rencontres Economiques d'Aix-en-Provence*" in 2017. Created by the *Cercle des Economistes* these unique events involve intelligence sharing through high-level debates. Each year a forward-looking theme is chosen and discussed at a number of sessions and debates attended by academics, politicians, representatives of international institutions and business leaders from all over the world with the aim of contributing to the economic debate in France, Europe and worldwide. To this end, the Chairman and Founder of the Group spoke at a session entitled, "our future lives".

5.5 Social performance

At the end of 2017, Altarea Cogedim had 1,742 employees, compared to 1,526 at the end of 2016[1], an overall growth of 14% of its workforce over one year. The change in the Group's size in recent years, coupled with sustained operational momentum, reinforces the strategic nature of the management of its Talents, in terms of recruitment, integration, dissemination of the Group's corporate culture, career management (skills and dynamic compensation).

Under the guidance of a Group HR Department, the Group Human Resources Department, which was created in 2016, is now organized around operational HR Departments dedicated to each business line and three areas of expertise: Human Capital, Social Law & Social Innovation, and Social Management, which combines payroll activities, personnel administration, social management oversight, compensation and HR IT.

5.5.1 Group headcount and changes

5.5.1.1 Organisational change

To support its step-up in scale, the Group has put in place cross-group support functions that act to support all its subsidiaries.

In 2017, the Group Human Resources Department initiated major actions to address both short-term issues and lay the foundations for its longer-term ambition.

In terms of recruitment, the Group has set up a new centralised IT tool to improve efficiency and undertaken substantive work on the employer brand. Internal mobility has also been encouraged with the automatic publication of vacancies and the creation of a mobility charter.

During 2017, there were 508 new hires. To welcome these new employees, in September, the Group completely overhauled its integration seminar (now called Crescendo). It lasts two or three days, and its satisfaction rate among leaders and participants has reached 100%.

As regards career management, the Group has created the "The Academy, talent developer", a strategic training plan has been defined by emphasis on specific training to support Managers. A Talent review has been conducted, and soon individualised support plans and certification programmes for the *Grandes Écoles* will be established.

Finally, in terms of salary policy, the renewal of the "Tous en Actions!" (shares for all) programme for the third year in a row, and its high rate of employee subscriptions, underscores the relevance of the Group's compensation system. The programme aims to offer employees the opportunity to build up significant assets.

In the longer term, the Group's HR strategy is built around three issues:

- becoming a reference employer to continue to attract and retain the best talent;
- maintaining the fundamental balance between operational and functional staff;
- structuring human resources, in line with the Group's DNA: entrepreneurship, creativity, innovation and diversity.

To achieve this, the Group relies on digitalisation and major cross-functional projects[1].

In 2017, the digital transformation of the Group gave rise to several structuring projects that employees can use, along with high-performance equipment and tools, such as collaborative platforms, a new intranet called "SmartPortail" and online connected tablets and telephones, for which support was given during the familiarisation stage.

An HR Department digitisation programme called "Ambition SIRH" to support the payroll system and talent and career management was launched in May 2017 and will be gradually implemented in the first half of 2018.

Finally, a programme focusing on "Performance" was launched to enhance the effectiveness of the organisational structure, methods and processes. It has been the focus of several structuring cross-functional projects, for both operational and functional activities.

5.5.1.2 Changes in the workforce

To support its change in size and the growth of its activities, the Group has stepped up recruitment. Over the past two years, annual workforce growth has been around 15%.

	2016			2017			Change 2016-2017		
	Permanent contract	Fixed-term contract	Total Portfolio	Permanent contract	Fixed-term contract	Total Portfolio	Permanent contract	Fixed-term contract	Total Portfolio
Women	752	37	789	860	38	898	14%	3%	14%
Men	594	11	605	688	13	701	16%	18%	16%
TOTAL PORTFOLIO	**1,346**	**48**	**1,394**	**1,548**	**51**	**1,599**	**15%**	**6%**	**15%**

Including Pitch Promotion, excluding Histoire & Patrimoine

More than 73% of the Group's permanent contract hires are in the Property Development division (Residential more specifically). In response to the growing number of projects under development, the Group has recruited a large number of real estate developers, sales consultants and project management specialists throughout the country.

The Group also hired people in its Serviced Residences division to help run its self-managed senior residences.

In the Retail division (9% of hires in 2017), the posts created are for project development and site management.

(1) *Including Pitch Promotion and Histoire & Patrimoine (company 55% owned by the Group) and corporate officers or members of the Cogedim Management Board (4 employees in 2017, 5 employees in 2016).*

The growth of the workforce has had little impact on the average age of employees (39.3). By contrast, the Group's average seniority has fallen as expected to less than 6 years.

	2016		2017	
	Averageage	Average seniority	Averageage	Average seniority
Women	40.2	6.7	39.6	6.2
Men	39.2	5.3	38.9	5.0
TOTAL PORTFOLIO	**39.8**	**6.1**	**39.3**	**5.6**

Including Pitch Promotion, excluding Histoire & Patrimoine

5.5.1.2.1 Headcount by gender and geographical region

In 2017, the Group had offices in three countries[(1)]:

	France	Italy	Spain	Total Portfolio
Women	884	9	5	898
Men	692	8	1	701
TOTAL PORTFOLIO	**1,576**	**17**	**6**	**1,599**

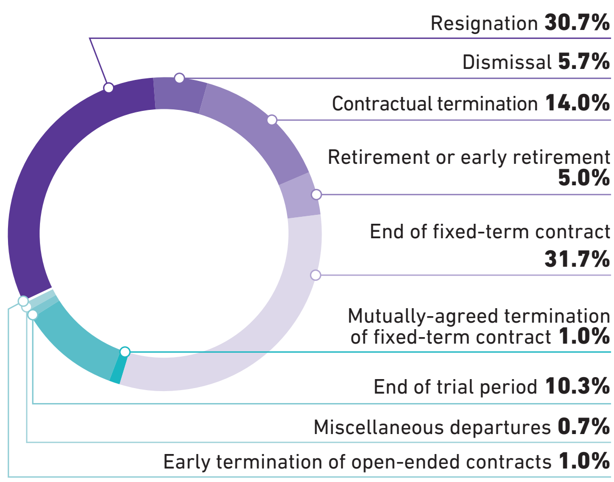
Including Pitch Promotion, excluding Histoire & Patrimoine

5.5.1.2.2 Headcount changes

The Group recruited 508 employees in 2017, 406 on permanent contracts and 102 on fixed-term contracts, confirming its appeal in a competitive market. At the end of 2017, 97% of Group employees were on permanent contracts.

In 2017, despite strong pressures in the real estate sector, the departure rate of employees on permanent contracts remained stable compared to 2016 at 13.8%, reaffirming the talent retention policy implemented by HR. The two main causes of departure were the end of fixed-term contracts and resignations.

BREAKDOWN OF REASONS FOR LEAVES



5.5.1.3 Organisation of working hours

In accordance with the provisions of company agreements on the 35-hour working week, work in each of these economic and social units ESUs (Altarea and Cogedim) is organised around one of two systems, depending 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. 3.13% of the Group's total headcount is made up of part-time employees, and 56% of part-time employees work at least 80% of a full-time position.

To support the strong growth in activity while maintaining the flexibility necessary for any cyclical activity, an RTT monetisation policy has been offered for the past three years. It allows all employees to monetize up to 7 "RTT" days (days for recuperation of time worked) each year. 94% of employees monetised "RTTs" in 2017, for a total of more than 5,000 days. 125% compensation is paid for these days.

5.5.2 Recruitment, diversity and equal opportunities

MATERIALITY LEVEL CRUCIAL

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

(1) *The AltaFund team in Luxembourg has been outsourced in 2017.*

5.5.2.1 Recruitment policy

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

In December 2013, the Group signed the Diversity Charter and all new employees are made aware of this commitment through a welcome booklet and integration seminar.

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

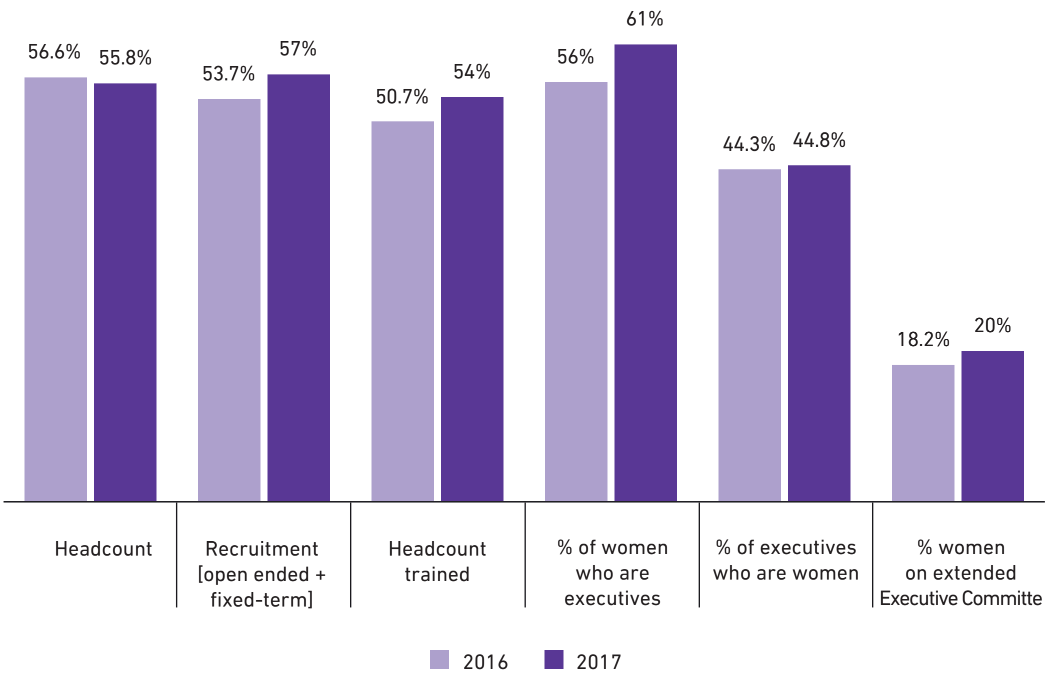
Candidates are all received by HR Department employees who have been specially trained in issues related to discrimination.

The Recruitment, School Relations and Internal Mobility Department develops relations with schools by partnering with existing employment partners in the *Grandes Écoles* and universities. The Group makes these institutions aware of its non-discrimination principles in order to instil best practice. The "Schools" policy also involves communication about the Group’s business lines through articles in the student press or through its presence on numerous forums. In December 2017, the Group was present at the ESTP recruitment Forum (*porte de Versailles*) with operational staff from each entity and the Group’s HR teams.

5.5.2.2 Promotion of gender equality

Gender equality has always been viewed as furthering collective growth and social cohesion. Each Group entity has implemented professional equality action plans (action plans of 21 and 23 March 2017), the scope of which has been broadened and formalised based on concrete themes: compensation, access to training, professional development, working conditions, and the balance between professional and personal life.

REPRESENTATION OF WOMEN IN THE GROUP



Excluding Pitch Promotion, Histoire & Patrimoine

On the enlarged Executive Committee, the share of women rose to 20% in 2017, compared with 18.2% in 2016.

5.5.2.3 Access to employment by young people and older people

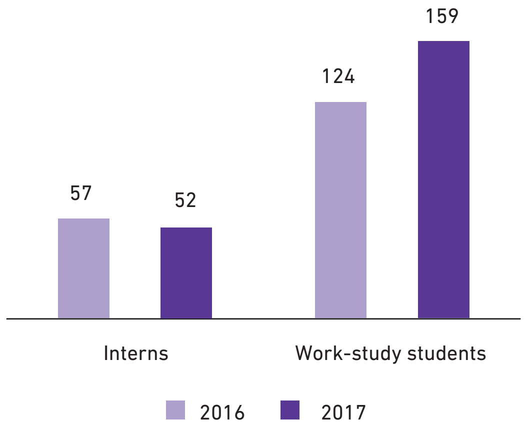
As a responsible company, the Group sees access to employment for young people and older people as a priority. Its objectives are to facilitate the long-term employment of young people under the age of 27 via permanent contracts, to promote the hiring and long-term employment of employees at least 55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

As of 31 December 2017, Group employees over 50 and under 30 represented the same proportion: 17% of the overall workforce each.

The Group’s work-study policy is being strengthened even more this year (+28%). The Group has developed kits that specify the expectations, requirements and expected behaviours of all parties so that this experience is a complete success for the company and for the work-study students or interns.

The Group has signed a partnership with Engagement Jeunes, a platform for sharing profiles of young people between companies (big companies and SMEs). It hopes to play a societal role by training these young employees in both know-how and behaviour in a corporate setting to facilitate their transition into professional life. For this reason work-study students are not included in the operating budgets.

CHANGE IN THE NUMBER OF INTERNS AND WORK-STUDY STUDENTS



Excluding Pitch Promotion and Histoire & Patrimoine

5.5.2.4 Disability policy

As of 31 December 2017, 15 employees are declared disabled workers.

In addition, ESATs (*Établissement et Service d'Aide par le Travail*, Organisation Working for Insertion of the Disabled into the Workforce) are used to provide a range of services (purchase of supplies).

In 2018, the Group wants to strengthen its disability policy through more targeted actions. An internal communication campaign about declarations of disability will be launched to raise employees' awareness of this issue.

5.5.2.5 Dialogue with employee representatives

The Altarea Economic and Social Unit (ESU) and the Cogedim ESU have a total of 37 employee representatives.

Representatives to the Works Council (WC) have been regularly informed and consulted on plans to set up new organisations and new projects.

More than 30 meetings with the elected representatives of the WC and Health, Safety and Working Conditions Committee (CHSCT) took place in 2017. All elected representatives have been consulted on various topics, including the head office relocation project.

In 2017, several collective agreements were signed or renewed, such as the three-year incentive agreements signed for both ESUs on 16 May (for Altarea) and 31 May 2017 (for Cogedim).

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.

5.5.2.6 Compliance with the eight ilo conventions

The Group complies with the eight main International Labour Organisation 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 (Altarea), 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 CRUCIAL

5.5.3.1 A dynamic compensation policy

5.5.3.1.1 Allocation of free share plan for everyone

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

This scheme, "Tous en Actions!" (shares for all) enabled each employee on a permanent contract to be involved in the growth and results of the Group. For its third year, the Management Council decided to continue the process as part of a voluntary campaign for 2017-2018 to recognise the contributions of each employee to the Group's success.

The free shares scheme for all, called "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 or, alternatively, the payment of the equivalent of 50% in cash.

5.5.3.1.2 Monetisation of RTTs

Each employee who has RTT days was able to monetise up to seven of them on the basis of a 125% increase for each of the days, and the amount was paid to the employee or placed in their PERCOG (Group retirement savings plan).

5.5.3.2 A bonus policy acknowledging success

The awarding of bonuses is a managerial act that acknowledges actual performance and reflects the achievement of individual objectives. Taking into account contractual commitments and changes in the workforce, the average volume of performance bonuses awarded in 2017 (for 2016) was maintained.

5.5.3.3 A salary policy for targeted audiences

For the 2018 campaign, the Group pursued an aggressive salary policy to reward employees after an intense 2017, drive growth and retain talent, with a total salary increase of +3.1% of payroll (higher than the practices of French companies over the same period, +2%). The campaign targeted deserving young employees with the potential to progress, and employees recently promoted. A general increase was granted for certain categories of employees.

An external study[1] confirms that the Group's salary policy, in particular the one implemented over the past three years, is a great incentive and allows all employees who want to participate in all aspects of the scheme to create significant assets.

5.5.4 Talent and skills management

MATERIALITY LEVEL CRUCIAL

5.5.4.1 Strategic training plan for 2017-2018

At the end of 2016, the Group identified training as one of the major focuses of its HR policy to support its rapid growth, and it established a new two-year training plan.

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

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

The plan is structured around three types of training:

- "core business", a basic foundation of skills for all employees;
- "professional development", with particular focus on management with a concentration, in addition to technique, on the cross-functional challenges and synergies of the Group;
- "new uses" centred on the digitisation of working methods, collaborative tools, etc.

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

More broadly, the strategic training plan supports major Group transformation projects, notably those promoted by the Digitisation & Innovation Department, by providing support to each audience based on their expectations and needs.

5.5.4.2 An impactful first year

More than 17,517 hours of training were provided under the new plan, a significant increase of +62% (for a scope excluding Pitch Promotion and Histoire et Patrimoine).

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

In accordance with the commitments made at the end of 2016, internal business training programmes were strengthened (with employees being trained as trainers where appropriate), and managerial programmes revamped to address our transformation challenges. Support for digitisation of work methods started at all sites, and there was a "Digital Cooperation Month" in September, during which one tool per week (Skype, OneNote, etc.) was covered over a one-month schedule with remote and onsite assistance. Training sessions were organised for the implementation of a vast project for the dematerialisation and digitisation of the Group's entire document base.

As is the case every year, a majority of employees (68%) took advantage of "core business" training hours. That said, the "professional development" and the "new uses" training courses took on more importance this year.

Excluding Pitch Promotion, the investment in training in 2017 represented 2.87% of payroll (versus 2.5% in 2016). The increase in the budget can be explained in particular by the financing of large and more in-depth training programmes such as managerial courses, training in new digital equipment and support for young people in vocational training.

(1) 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. (%).

	2016	2017	Change	2017 (Pitch Promotion included)
Hours of training	10,822	17,517	+62%	18,760
Number of training initiatives	1,662	2,145	+29%	2,287
Number of beneficiaries	881	1,091	+24%	1,163
Average cost in €	2,074	2,125	+2%	1,993
Average numbers of hours of training (over average headcount)	9.47	16.13	+70%	16.06
Average number of training hours (per employee trained)	12.29	16.06	+31%	16.13

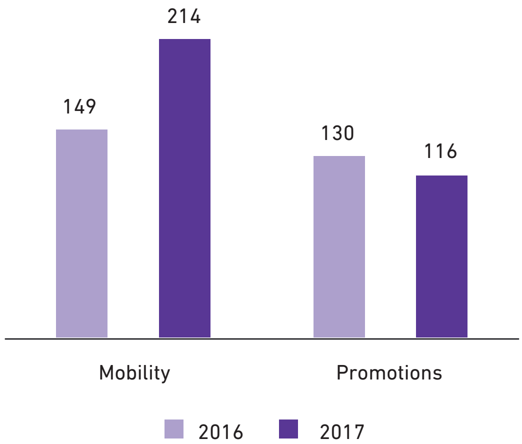
Data presented and change calculated excluding Pitch Promotion (acquired in February 2017).

5.5.4.3 The Academy

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

This programme includes integration of employees, which the Group has completely overhauled in 2017. As a result, all new employees undergo a formal interview and participate in a collective seminar within two to three months of arrival. This seminar involves many leaders from inside the Group and the members of Co-Management and the Executive Committee, who all come to explain and share their vision of the business. Since this challenge is shared by everyone, a "Manager's kit" was also created and made available to all Managers. Other supports of this type were developed internally for tutors, work-study students and interns.

5.5.4.4 Mobility and promotions



Excluding Pitch Promotion and Histoire & Patrimoine

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

In 2017, the growth of internal mobility (professional or geographic) was supported by the smooth running of business, the consolidation of newly created functions or organisations, and the establishment of a Career and Communication site and an internal mobility charter.

As of 31 December 2017, 214 Group employees (excluding Pitch Promotion) were redeployed within the Group (a mobility rate of 16.3%) and 116 were promoted (a promotion rate of 8.8%). .

The aspirations of the Company's employees were gathered during professional interviews to serve as a basis for reflection on a formal talent review.

For 2018, the continuation of annual, professional and integration interviews and the analysis of mobility and training expectations that will result from them will result in the implementation of a common 100% digitised tool for all Group entities.

5.5.5 Health and safety of employees

MATERIALITY LEVEL	SIGNIFICANT

5.5.5.1 Safety, health and well-being of employees

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 2017. There were no occupational illnesses reported within the Group.

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.

More broadly, quality of life and well-being at work are becoming a central concern and a priority for the Group.

The infirmary, which was set up this year at the Paris head office, provides specific actions or workshops (flu vaccination campaign at the end of 2017 for 68 employees, introduction to first aid, etc.).

Moreover, in 2016, the Group set 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 are not under any obligation to answer emails or calls outside of normal working hours 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.

5.5.5.2 Absenteeism

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

Excluding Pitch Promotion, the absenteeism rate[(1)] for permanent and fixed-term employees was 2.67% in 2017, compared to 2.60% in 2016.

Absences for non-occupational illness representing 98% of all absences. While the share of absenteeism due to workplace accidents increased this year, it remained low at 1.39% in 2017, compared to 0.04% in 2016.

The rate of short-term absenteeism, which corresponds to the number of days of absence for ordinary sickness less than one month for the average workforce, is decreasing (2.25% in 2017 versus 3.70% in 2016).

	Workplace accidents (excluding commuting accidents)		Commuting accidents		Occupational illnesses	
	2016	2017	2016	2017	2016	2017
Number of incidents	1	6	2	7	0	0
Number of days	6	204	2	118	0	0

Excluding Pitch Promotion and Histoire & Patrimoine

(1) The calculation methodology for the Offices energy performance indicator was revised in 2017. It is described in Chapter 5.7, Reporting methodologies.

5.6 Environmental performance

5.6.1 Energy and climate

MATERIALITY LEVEL CRUCIAL

Scope	Objectives/Commitments	Indicators	Data 2017	Change	Comments
Group	A global carbon commitment: On scopes 1 and 2: - Reduce greenhouse gas emissions of Standing Assets by 70% between 2010 and 2020[(a)]	GHG emissions (scope 1+2)	**3.9 kgCO2e/m²**	**-57.0%** compared to 2010	5 ktCO2e emitted by the Group for scope 1 and 2 (Scope 1: 3 ktCO2e / Scope 2: 2 ktCO2e) Continuous decline thanks to lower energy consumption and the purchase of green electricity
	Including: On scope 3: - take measures to reduce emissions from all major sources; - work with stakeholders on avoided emissions.	GHG emissions (scope 3)	**4,222 ktCO2e**	NA	4,222 ktCO2e emitted by the Group for scope 3 (of which purchases of materials: 957 kt CO2e, and other headings including occupant travel, occupant energy...: 3,265 kt CO2e). The Group has reduction plans for all of these emission sources (details in paragraph 5.6.1.4)
	Train all technical teams in the issues of the carbon impact of bulidings	Share of Offices/ Residential technical teams trained	**92% of employees**	NA	7 training sessions were held in 2017 throughout France with a participation rate of 92%
Offices	Maintain a high level of energy performance	Surface areas with better performance than the applicable thermal regulation requirements	**100%**	Stable compared to 2016	To reduce occupant consumption, 100% of Offices surface areas outperform thermal regulation requirements by at least 30%
Retail	40% reduction in primary energy consumption by Standing Assets between 2010 and 2020[(a)]	Primary energy consumption of commercial assets	**162 kWhPE/m²**	**-38.1%** compared to 2010	Consumption drops continuously thanks to the implementation of the recommendations of the energy master plan and the EMS

(a) Like for like scope and constant climate

The climate emergency makes it necessary to change the production methods of buildings and evolve towards a more sober city that adapts itself to the new climate challenges. 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 made commitments to measure and reduce its impact: The Group has performed structuring work that was co-developed internally and set new targets in 2017 that include scopes 1, 2 and 3 (see paragraph 5.6.1.4).

Following its reflection on its indirect impacts, Altarea Cogedim Altarea Cogedim makes every effort to offer responses that are proportionate to the emissions from each source and are adapted to each activity.

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.

Since 1 January 2013, the Group's production is subject to the 2012 Thermal Regulations (RT 2012). The regulations are among the most ambitious in Europe and intended to make Low Energy Building (*Bâtiment Basse Consommation – BBC*) more common.

In anticipation of the changes in regulations, which will increase the level of energy performance and impose a carbon threshold to be complied with, the Group's technical teams were trained in controlling energy and carbon issues in the real estate portfolio in 2017. More specifically, this involved:

- better understanding the profound changes in the real estate industry towards low-carbon buildings;
- introducing future regulations and their implications;
- understanding existing tools and labels for the topics discussed.

Seven half-day sessions were held at the Group's various sites in France with a participation rate of over 90%.

Finally, 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 Altarea Retail Projects

The Retail projects carried out by the Group are very diversified: premium regional assets, travel retail, Retail Parks, convenience stores, etc. Energy performance ambitions are therefore specific to each project.

For its Retail projects under development, the Group consistently seeks to achieve a level of energy consumption that outperforms the thermal regulations applicable to each project.

For larger projects, dynamic thermal simulations are always performed as an additional measure. These simulations make it possible to improve objectives in terms of project energy performance as they help refine the characteristics of the project in use. A dynamic thermal simulation was carried out on the Cap 3000 extension project which helped identify ways to improve energy consumption by nearly 60%.

57% *energy outperformance target for the Cap 3000 extension*

For smaller projects, the ambitions are adapted to the projects. For example, in Bezons, the Group is developing a mixed project of more than 700 residential units with local shops. A "RT2012-10%" level is the target for these shops, which represent nearly 20,000 m^2.

5.6.1.1.2 Cogedim Offices Projects

For its Offices projects under development, the Group consistently seeks to achieve a level of energy consumption that outperforms the thermal regulations applicable to each project.

In 2017, all Offices projects exceeded the thermal regulations requirements applicable to each project.

More specifically, the Group has set itself the goal of achieving at least a 30% level of energy outperformance for projects subject to RT 2012. In 2017, that objective was exceeded since all projects, regardless of the regulations applicable to the project, achieved that performance. The projects achieved an average gain of over 40% (surface area).

100% *of Offices projects exceed thermal regulation requirements by more than 30%*

All of the hotel projects exceeded the RT 2012 requirements with an average gain of almost 15% (surface area) in 2017.

These numbers are stable[1] compared to 2016.

The Group launches test operations for new labels to anticipate future regulations. Boréal, the first Group project to receive the BEPOS Effinergie 2013 label, was delivered in 2017 and will provide feedback for future projects. More specifically, it is a label designed to promote buildings that, as defined by the thermal regulations, produce as much energy as they consume for heating, cooling, ventilation and lighting.

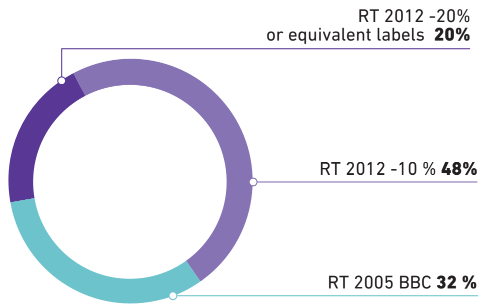
In addition, to ensure proper functioning of technical equipment, notably systems responsible for heating/cooling production and output, a commissioning process was made standard for 100% of Offices projects under development as of 2014.

5.6.1.1.3 Cogedim Residential Projects

As part of the NF Habitat and NF Habitat HQE™ certifications, energy labels can also be sought. These include the various Effinergie labels and the "RT 2012-10%" and "RT 2012-20%" levels granted as part of an NF Habitat certification.

In 2017, Residential projects under development with an energy label represent 22% of projects under development (in number of residential units). The breakdown is as follows:

BREAKDOWN OF THE NUMBER OF LABELLED RESIDENTIAL UNITS BY CATEGORY



The rate of labelled projects is gradually decreasing as a result of the tightening of regulations: the RT 2012, which requires stricter energy performance, applies to all projects whose permit application was filed on or after 1 January 2013.

In addition to energy labels, some projects have their own ambitions. For example, several projects located in Grenoble aim for an outperformance level of at least 30% compared to RT 2012.

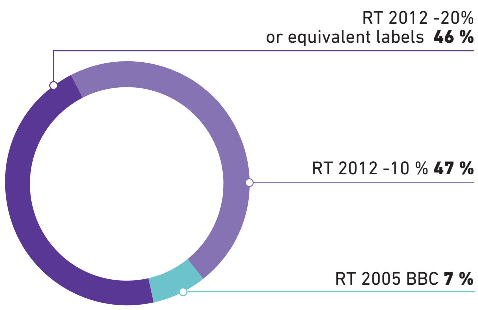
(1) The calculation methodology for the Residential certification rate was revised in 2017. It is described in Chapter 5.7 Reporting methodologies .

5.6.1.1.4 Pitch Promotion Residential and Offices Projects

In 2017, nearly 80% of Offices projects exceeded the thermal regulation requirements to which each project is subject by at least 30%.

Furthermore, more than 35% of the residential units under development in the Paris Region have an energy label in addition to the NF Habitat and NF Habitat HQE™ certifications (in number of units) with the following breakdown:

BREAKDOWN OF THE NUMBER OF LABELLED RESIDENTIAL UNITS BY CATEGORY



These numbers are stable compared to 2016.

5.6.1.1.5 Energy metering systems and occupant awareness

For Offices and Retail projects under development that undergo environmental certification (over 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 regularly analysed for projects which include housing, in particular major 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 standing assets

5.6.1.2.1 Energy managed by the Group

In 2017 for the current scope, Standing Assets' total consumption was 65.8 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.

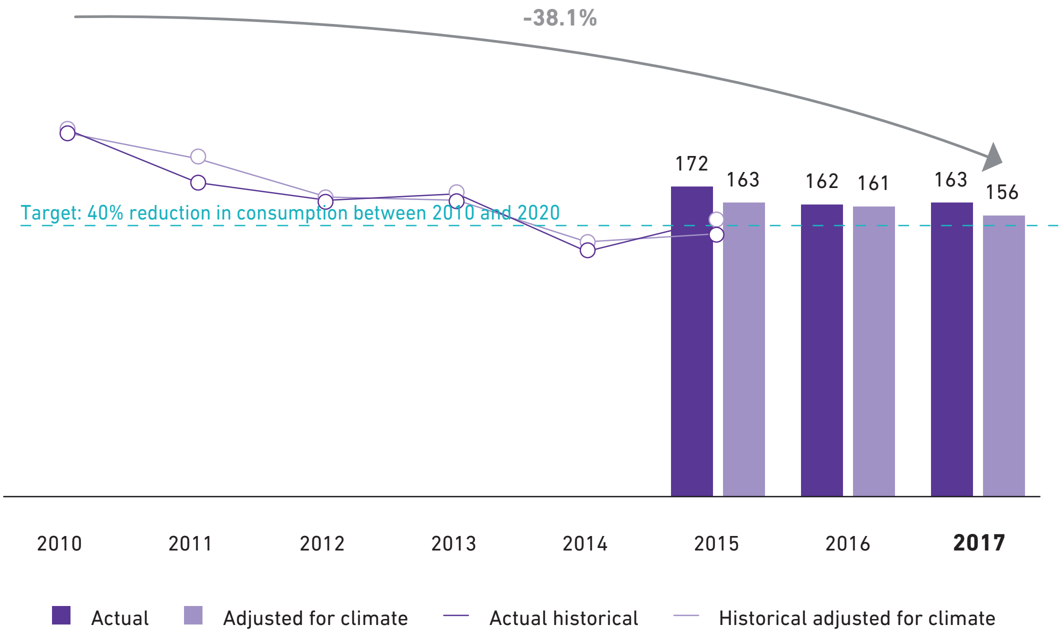
The first consists of producing an energy master plan for all assets managed by the Group, which in 2017 made it possible to take stock of the progress of consumption reduction efforts at each site and to project reductions through 2020. This master plan was made following this year's update of all of the energy audits specific to each 2013 site: the initial recommendations were analysed, a review of their implementation carried out, and an updated action plan from now until 2020 was given to each centre to identify areas of progress to further reduce consumption. These on-site energy assessments analysed structure, technical facilities and operational management. The resulting action plans involve energy management at the sites along with the optimisation and where necessary 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 implementing an Environmental Management System for operations (EMS), which is being extended to all Standing Assets. All the technical and operational teams received training in this tool in 2014 and continued their work in 2017. The EMS allows 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.

Altarea Cogedim has also tested an innovative solution for a real-time breakdown of the energy consumption for a shopping centre by source, with the Smart Impulse startup. This test was conclusive and will be extended in 2018 to appropriate sites leading to to even more reductions across all Standing Assets.

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.

STANDING ASSETS ENERGY CONSUMPTION **(like for like scope in kW/Rep/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 m^2 from 2010 to 2020, on a like-for-like basis;
- 50% reduction in greenhouse gas emissions per m^2 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 2017, this approach to energy management had led to a 38.1% per m^2 drop in energy consumption on a like-for-like basis and at constant climate compared to 2010.

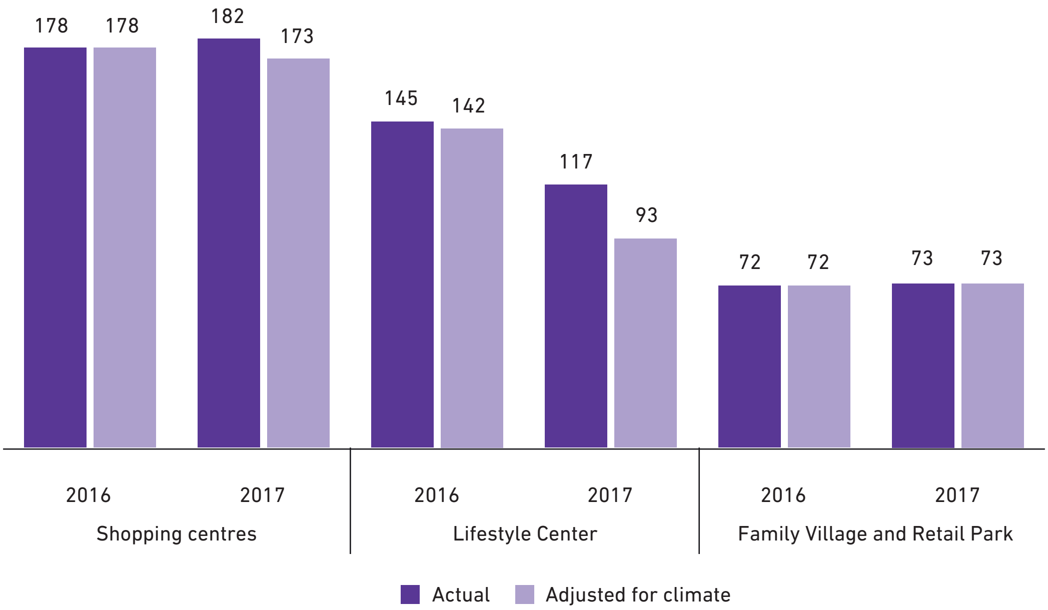
These consolidated results conform to the Group's reduction targets.

In the current scope including assets under management, acquisitions and new assets entering into operation, we noted a 23.9% decline in primary energy consumption per m^2 over 2010-2017. The consumption levels adjusted to reflect a constant climate show that the Standing Assets in operation continued to work to reduce their consumption this year again: on current scope, the reduction at constant climate was 39.2% between 2010 and 2017.

The reduction in consumption was 7.5% over the 2016-2017 period, primarily in the Lifestyle Center category. The breakdown of consumption by m^2 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.

STANDING ASSET ENERGY CONSUMPTION BY TYPE

(Current scope in kWhep/m²)

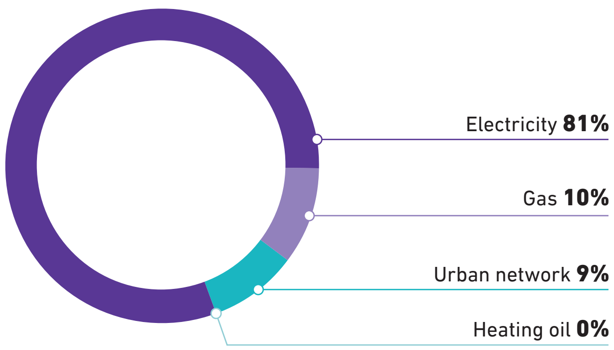


Electricity made up 81% of the Standing Assets' energy supply in 2017. This includes the energy consumption of common and private-use areas managed directly by Altarea Cogedim. This energy mix is also reflected in final energy, which better represents Altarea Cogedim's choice regarding energy supply.

In addition, the Group has chosen, since 1 January 2016, to purchase 50% of its green electricity with its national contract through the European mechanism for certificates of guarantee of origin, for each kWh purchased by the Group, EDF agrees to inject one kWh of renewable electricity into the grid. This scheme reduces the greenhouse gas emissions associated with electricity purchases by 50%.

ENERGY MIX OF STANDING ASSETS

(current scope)



In addition, the Group has started 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 reduced its primary energy consumption by 11% between 2015 and 2017 and the Sant Cugat shopping centre near Barcelona reduced it by 3%, notably thanks to the use of LED lighting.

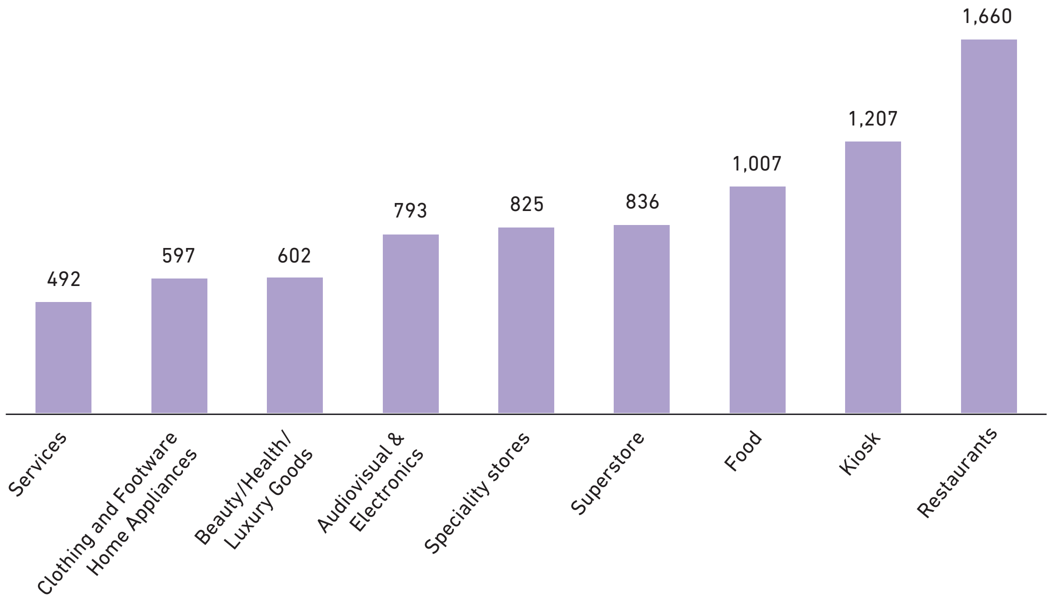
5.6.1.2.2 Tenant energy and overall asset energy consumption

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 2017.

This makes it possible to establish a consumption profile according to the various types of retail business.

AVERAGE ENERGY CONSUMPTION PER M² AND PER YEAR BY TYPE OF BUSINESSES

(kWhep/m²)



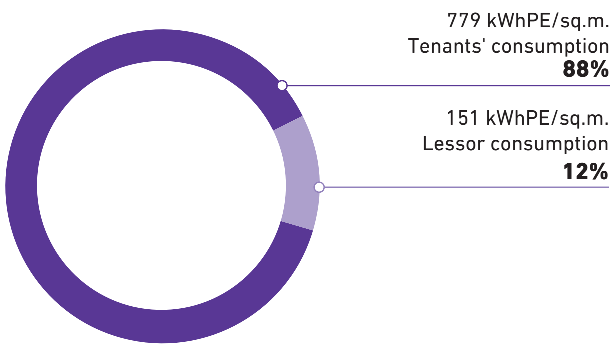
The most energy-intensive asset categories are food services, restaurants and kiosks, often food stands (> 1,000 kWhep/m²). This can be explained by the very energy-intensive food service processes employed (preparation, refrigeration, ventilation, cooking).

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 500 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.

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 STANDING ASSETS' ENERGY CONSUMPTION

(current scope, climate adjusted)



Standing Assets' energy consumption at current scope and constant climate, 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).

5.6.1.3 Development of renewable energies

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

In the design phase, the Group examines the possibilities of connecting to existing heat networks and carrying out feasibility studies for the supply of energy to major commercial projects. These studies make it possible to compare various possible energy solutions to cover a building's needs and thus identify the possibility of supplying renewable energy. This is particularly the case with the Kosmo, Bridge or Boréal officies projects. This last operation, which was labelled BEPOS Effinergie 2013, produces as much energy as it consumes for heating, cooling, ventilation and lighting as defined by thermal regulations.

Such solutions can also be recommended for Residential projects. For example, the heating needs of the Nouvel Horizon project in Annecy are 100% covered by renewable energies thanks to the installation of a wood pellet boiler.

During the exploitation phase, renewable energy supply possibilities are studied during major construction work. For its shopping centre Standing Assets, the Group decided to purchase 50% green electricity on its national contract (see paragraph 5.6.2.1). In addition, the Le Due Torri shopping centre in Stezzano uses geothermal energy from groundwater to maintain its water system at a constant temperature.

5.6.1.4 Altarea Cogedim and climate change

The Group's total emissions were estimated at 4,227 $ktCO_2e$ in 2017. These emissions break down into 5 $ktCO_2e$ for scopes 1 and 2 (scope 1: 3 $ktCO_2e$, scope 2: 2 $ktCO_2e$) and 4.222 $ktCO_2e$ for scope 3 (of which purchases of materials: 957 $ktCO_2e$, and other headings including occupant travel, occupant energy...: 3,265 $ktCO_2e$).

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), see paragraph 5.8.1.

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.

In addition to the precise quantification of emissions from each of the sources in the Group's business, Altarea Cogedim has performed structuring work that was co-developed internally and made new commitments in 2017:

- on its scope of direct responsibility (buildings in operation): reduce scopes 1 and 2 emissions 70% by 2020;
- on scope 3, the scope of "shared responsibility": carry out reduction efforts on all major sources of emissions. and work on the emissions avoided with stakeholders in order to standardise the low-carbon approach in urban construction.

5.6.1.4.1 The Altarea Cogedim Group's carbon footprint

Altarea Cogedim's overall emissions consist of emissions related to the following activities:

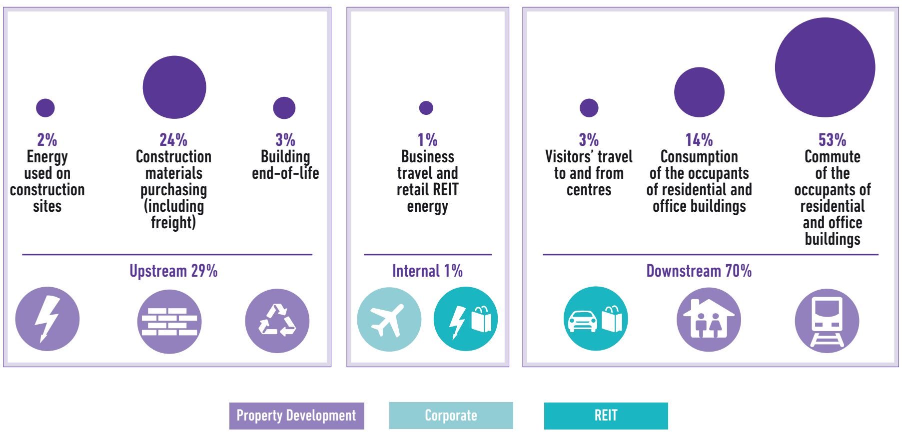
- Property Development (projects under development);
- REIT (assets in operation);
- Corporate (registered office, regional subsidiaries).

In 2017, the Group's total emissions came to 4,227,200 tonnes of CO_2e.

Of this, 99% consisted of "upstream" and "downstream" emissions sources 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 1% corresponds to "internal" emissions related to activities directly controlled by the Group, notably business travel 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 97% 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 3% of emissions and Corporate activities account for less than 1% of overall emissions.

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

Altarea Cogedim has chosen to include emissions from the transport of occupants of the residential units sold because the Group has an impact on this emissions item, through the choice of the location of its programmes, and the connectivity to the transport networks that they have.

5.6.1.4.2 Reducing the Group's carbon footprint

Altarea Cogedim has been taking steps to reduce its greenhouse gas emissions for several years now. reduction commitments for Scopes 1 and 2, and a measure of its broader carbon footprint, with a desire to better understand the carbon impact of the various types of buildings, thanks to Bilan Carbone assessments conducted for nearly 10 years on all types of projects (residential, office and retail).

In 2017, the Group continued its commitment in this area with its external stakeholders via:

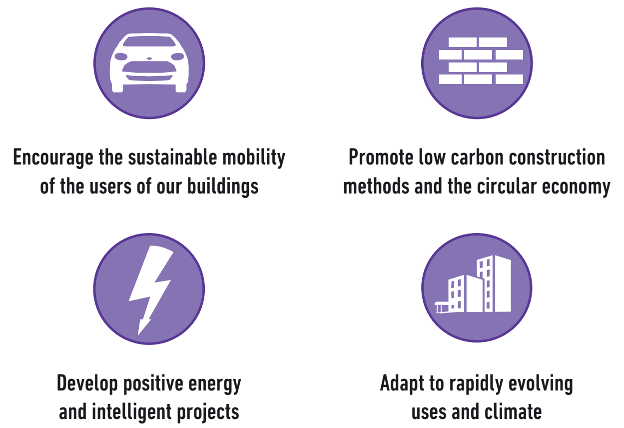
- a new commitment to the Paris Climate Action charter in partnership with the City of Paris. Under this charter, the Group commits to quantified and measurable objectives to reduce greenhouse gas emissions and energy consumption by 2020. These objectives are outlined in the REIT and Property Development paragraphs;
- serving as a founding member of the Association *Bâtiment Bas Carbone*, or Association for Low-Carbon Construction.

Internally, Altarea Cogedim has performed structuring work that was co-developed with various business lines and made new commitments:

- on its scope of direct responsibility (buildings in operation): reduce Scopes 1 and 2 emissions 70% by 2020;
- on Scope 3, the scope of "shared responsibility": carry out reduction efforts on all major sources of emissions and work on the emissions avoided with stakeholders in order to standardise the low-carbon approach in urban construction.

In addition, the Group is engaged in a process of continuous improvement (reflection on science-based targets in order to reach the goal of limiting global warming to 2 degrees, reflection on the establishment of the methodology) and is also currently reflecting on the issue of implementation of carbon neutrality in the real estate/construction sector.

The key areas with the most significant potential impact on emissions were identified as follows:



The majority of emissions come from the property development and REIT activities and so their emissions action plans are much more highly developed action plans than those of the Corporate segment.

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).

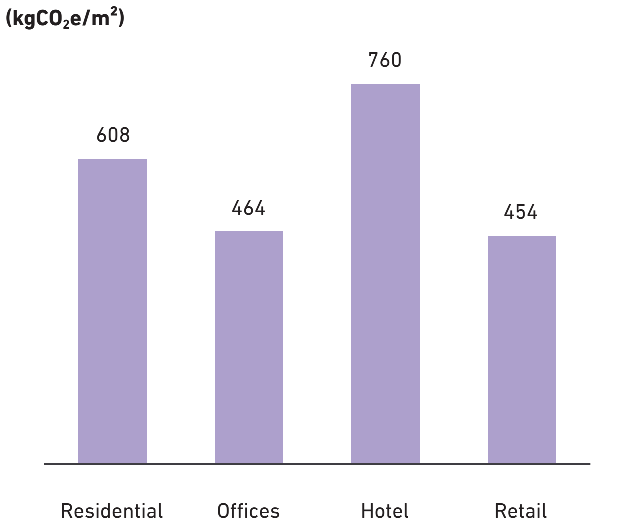
In the Corporate division, travel makes up 61% of emissions. The main focus of action is the reduction in emissions from the fleet of company vehicles, and more generally the implementation of a company travel plan, on which the Group worked in 2017 (see paragraph 5.4.3.3).

Reduction in upstream and downstream emissions

For the property development business, the building development phase is essential to measuring the project's carbon footprint. At Group level, 56% of emissions are due to travel by the occupants of residential and office buildings sold and travel by visitors to and from shopping centres. The challenge of eco-mobility, both 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 proximity to transportation (see paragraph 5.4.3).

Beyond this, 24% of Group emissions are related to the purchasing of construction materials, and 3% to waste production during demolition. Bilan Carbone® construction studies (see paragraph 5.6.1.4.1) allows Altarea Cogedim employees to create projects with a low carbon impact, for example by choosing low-carbon construction methods or materials. Since 2011, these studies have become standard for all Offices and Retail programmes under development with a surface area of over 10,000 m². They help identify the items that generate the most emissions, allowing the Group to implement reduction initiatives for each type of asset.

BILAN CARBONE CONSTRUCTION, BY ASSET TYPE



GHG emission ratios by asset type, calculated based n Bilans Carbone® construction performed on Group projects (see methodological note, paragraph 5.7.4.1.1).

So, for its office property development activity, Altarea Cogedim prefers rehabilitations (2/3 projects in the Paris Region), which limits carbon impact through the reuse of the building structure. This is the case, for example, with the Richelieu building, which is currently being renovated in the 9th arrondissement of Paris.

In addition, 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.

During the exploitation phase, 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). The Group is working on the impacts avoided for its buyers and occupants.

All of these actions make it possible to control the greenhouse gas emissions of buildings over their entire life cycle, by working with stakeholders and sharing responsibility. Altarea Cogedim makes every effort to offer responses that are proportionate to the emissions of each item and are adapted to each activity.

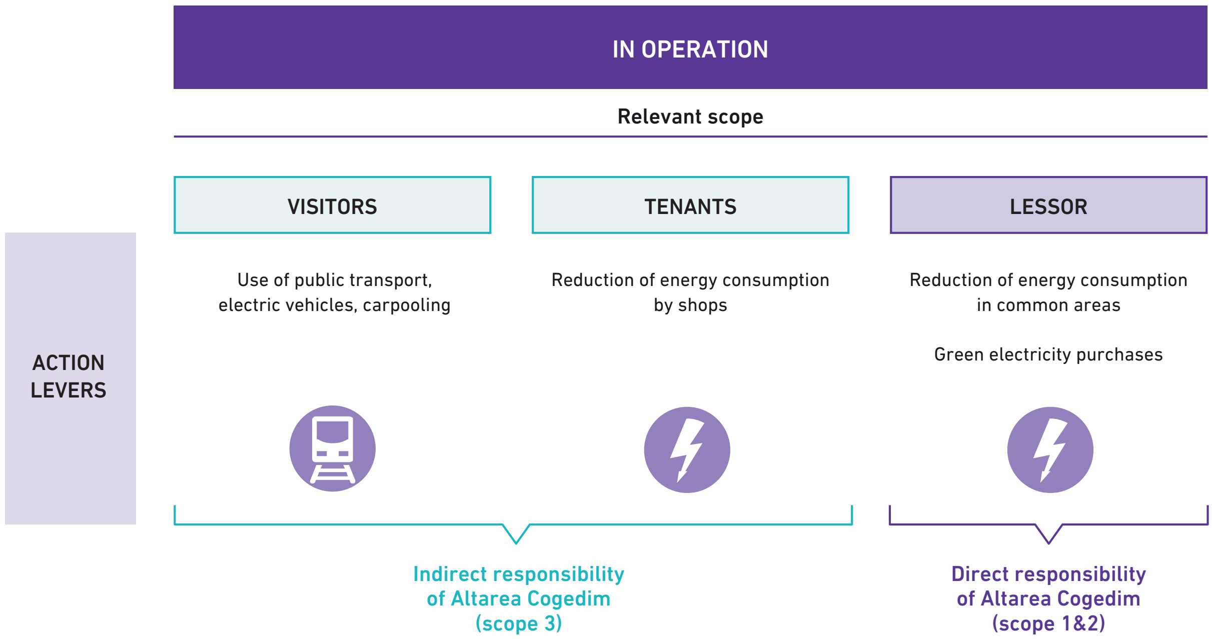
REDUCING THE CARBON FOOTPRINT OF PROJECTS: ACTION LEVERS AND ALTAREA COGEDIM SOLUTIONS

	DEVELOPEMENT	BUILDING CONSTRUCTION		BUILDING OPERATION	
CARBON WEIGHT	**55%** emissions	**24%** emissions		**14%** emissions	
LEVER OF MAIN ACTION	**Anticipating low-carbon mobility**	**Reducing the carbon footprint of materials**		**Controlling occupant consumption**	
OUR SOLUTIONS	**Proximity to transport** 98% of residential units and 100% of offices developed by the Group are within 500 m of transport[1]	**Reuse / rehabilitation / modular construction** Rehabilitations represent 2/3 of office projects in the Paris Region. This makes it possible to emit 13 times less CO_2 during construction[2] while maintaining excellent energy performance (beyond RT-30%)	**Low-carbon materials** Wood projects store carbon and avoid the use of emitting materials. Altarea Cogedim has developed the first 100% wood shopping centre. Marques Avenue A13, and is developing offices and residential units made of wood (e.g. impasse Marie Blanche in Paris)	**Energy efficiency of buildings** 100% of offices and 4,500 residential units outperform RT, some are BEPOS. In offices, this avoids about 240 kg $CO_2e/m^2/year$	**Adaptation** To fight heat islands, Altarea Cogedim is developing green neighbourhoods, like Issy Coeur-de-Ville
	An ongoing construction project with stakeholders: architects, design offices, buyers, investors, elected officials, etc.				

(1) Excluding Pitch Promotion
(2) Source: Richelieu project study

For REIT activity, reducing emissions involves working with visitors, who are the main source of emissions with their trips to the site, and with tenants, for whom a great deal of work is done. (see paragraph 5.4.1.2).

FOCUS ON REDUCING THE CARBON FOOTPRINT OF A SHOPPING CENTRE IN OPERATION



Finally, the limitation of the carbon footprint also means a more optimised and longer use of buildings. The Group is therefore working on the following issues:

- the creation of reversible or scalable spaces, which make it possible to increase the lifespan of buildings by fighting against their obsolescence;
- increased the intensity of use of buildings, which makes better use of existing surface areas during the life of the building. This reflection is conducted with Offices projects in particular, to better use shared spaces (restaurants, auditoriums, etc.) throughout the day.

5.6.1.4.3 Anticipating and adapting to climate change

The Group examines the risks linked to climate change for its activities, that may be of several types, such as 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. However, it is attentive to changes in lifestyles and new requirements for buildings that can cause climate change in the medium term (cooling requirements by revegetation or free cooling systems for example). The Group plans to step up its building adaptation research in 2018.

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 to 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, the additional costs to the Group would be €77,000/year.

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 \$60 to \$150, the rise in fossil fuel prices would theoretically cost the Group €637 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.

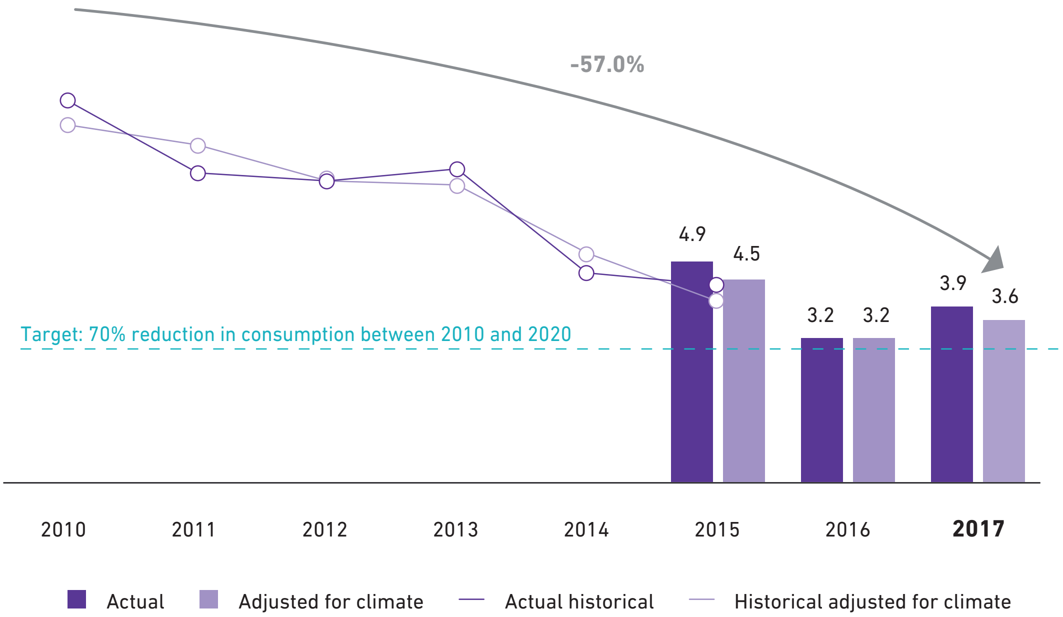
5.6.1.5 Focus on greenhouse gas emissions from reit activity

5.6.1.5.1 Emissions of greenhouse gases related to Standing Assets energy consumption

The total emissions from Standing Assets energy consumption were 1,659 tonnes of CO_2e in 2017 for the current scope.

STANDING ASSETS GREENHOUSE GAS EMISSIONS

(like-for-like scope in $kgCO_2e/m^2$)



The emission factors used are presented in the methodology section in paragraph 5.7.1.4.

At the end of 2017, the approach to energy described here had led to a 60.0% decrease in greenhouse gas emissions per m^2 on a like-for-like basis compared to 2010. At constant climate, the reduction amounts to 57.0%.

These consolidated results are in line with the Group's reduction targets and are partly related to the Group's purchase of 50% green electricity since 1 January 2016, thanks to a contract with EDF. This saved 1,098 tonnes of CO_2e in 2017, compared to a standard electricity purchase on the French market (local based method in accordance with the CDP and the GHG Protocol).

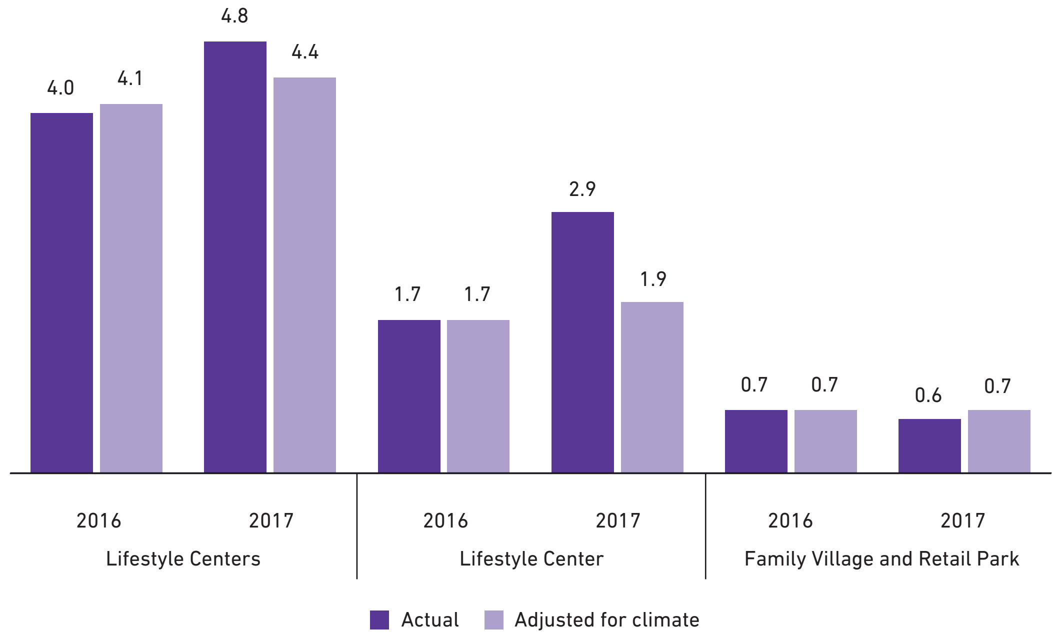
In addition, Altarea Cogedim is maintaining its reduction objective for its energy consumption in order to reduce further its environmental footprint.

For the current scope including incoming and outgoing assets, greenhouse gas emissions per m^2 over the 2010-2010 period decreased by 52.2% and by 60.5% when including the climate correction.

The distribution of emissions between the various asset classes and changes to them between 2016 and 2017 show an increase in emissions over the last year. This is largely due to a harsher winter, which significantly increased fuel consumption. The shopping centre and Lifestyle Center types are most affected by this increase because they regularly use gas or urban heating.

STANDING ASSETS GREENHOUSE GAS EMISSIONS BY TYPE

(Like-for-like scope in $kgCO_2e/m^2$)



This exceptionally high gas consumption in 2017 is reflected in the CO_2 mix for the year. Gas is the greatest contributor to global emissions (40%), Followed by electricity (35%), steam (22%) and fuel oil (3%).

5.6.2 Labelling and sustainable certification

MATERIALITY LEVEL CAPITAL

Scope	Objectives/Commitments	Indicators	Data 2017	Change	Comments
Residential	100%of new projects certified NF Habitat[(a)] 100%of new projects in the D range or higher in the Paris Region certified NF Habitat HQE™[(a)]	Area certified or in the process of certification	**100%**	Stable compared to 2016	The objectives are achieved. This reflects the Group's desire to make quality a priority for its customers
Offices	100% of new projects certified NF HQE™ "Excellent" and BREEAM® "Very Good" minimum	Area certified or in the process of certification	**100%**	**+18%** compared to 2016	The Offices certification strategy is ambitious and supplemented by tests of new labels such as WELL, BiodiverCity and WiredScore.
Retail	100% of new projects certified BREEAM® "Excellent" minimum	Area certified or in the process of certification	**100%**	NA	The Group raised its minimum certification level required in 2016 and continues to grow. It also tests new labels: Cap 3000 is the first BiodiverCity-certified shopping centre
Retail	100% of standing assets certified BREEAM® In-use, "Very Good" minimum on reevaluations	Percentage of sites with BREEAM® In-Use certification	**100%**	Stable compared to 2015	Altarea Cogedim has been certified 100% BREEAM® In-Use since 2015.

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

To improve the environmental performance of its projects and guarantee that their value will last, Altarea Cogedim has selected appropriate environmental and qualitative certifications for each type of project under development or existing asset.

The certification strategy is ambitious, innovative and specific to each business line. Labels or certifications are chosen according to several criteria:

- the relevance of the applicable standards and assessment method. In Retail, for example, BREEAM® is the most used tool by the market;
- stakeholder expectations for each project type, while seeking to outperform market standards;
- the wish to test new labels and certifications that look at broader topics than pure environmental performance (WELL, BiodiverCity®, Wiredscore, etc.) to stay one step ahead in all business lines.

5.6.2.1 Labelling and sustainable certification for residential and offices activities

The Group has committed to a systematic sustainable certification approach for its projects under development:

- environmental certifications NF HQETM "Excellent" and BREEAM® "Very Good" minimum, for Offices projects under development;
- NF Habitat qualitative certification for Residential projects under development in France (excluding co-development, rehabilitations and managed residences);
- NF Habitat HQETM environmental certification for D-level or higher Residential projects in the Paris Region (excluding co-development, rehabilitations and managed residences).

These certifications can be supplemented with an energy performance label.

This generalised ambition may evolve depending on specific cases and be supplemented by other approaches, such as labels that cover a wider scope, such as the eco-neighbourhood label.

Since the implementation of the progress initiative in 2009, the share of production that is awarded a certification or sustainable label has progressed significantly in all categories, thanks to new projects that are certified or labelled as sustainable.

5.6.2.1.1 Cogedim Offices Projects

For its office projects, the Group is committed to a systematic approach to double NF HQE™ and BREEAM® certification. In 2017, 100% of Offices projects had such dual certification.

100% *Offices projects are dual certified at least: NF HQE™ "Excellent" and BREEAM® "Very Good"*

In line with the goal to generalise levels for NF HQETM "Excellent" and BREEAM® "Very Good", minimum:

- 100% of Offices projects under development that have NF HQETM certification obtained an "Excellent" rating or higher of which 74% were rated "Exceptional";
- 100% of Offices projects under development that have a BREEAM® certification obtain a "Very Good" or higher rating of which 66% obtain an "Excellent" rating.

74% *of Offices projects are certified NF HQE™ "Exceptional"*

66% *of Offices projects are certified BREEAM® "Excellent"*

These figures, which are up from 2016, reflect the Group's desire to offer the most comprehensive and efficient offer in terms of environmental and societal challenges.

In addition to these general environmental certifications, some projects must also be certified and thematic labels such as the BiodiverCity® (biodiversity) label for the Austerlitz project and the WELL (wellness) label on Operation Richelieu and Bridge. More information is available in paragraphs 5.4.4.1.1 and 5.4.2.1.1.

Finally 100% of hotel projects are certified or in the process of NF HQE™ and/or BREEAM® certification in 2017. The NF HQE™ "Excellent" certification is being considered for the Hilton hotel at Place du Grand Ouest in Massy.

5.6.2.1.2 Cogedim Residential Projects

Since 2016, the Group has been committed to NF Habitat certification and its HQE approach. Since 30 June 2016, all new housing construction completed has been eligible for this certification.

NF Habitat certification is a benchmark for the essential qualities of a residential unit and the common parts of a building. It translates into concrete benefits on a daily basis: a healthy, safe, pleasant interior and reduced spending, as well as respect for the environment. The NF Habitat HQE™ certification is a benchmark of quality and superior performance. In line with the Group's objectives, 100% of new constructions in the D range or above in the Paris Region are NF Habitat HQE™ certified (excluding co-development and managed residences).

100% *of new Residential projects in the D range or above in the Paris Region are certified NF Habitat HQE™*

These certifications can be supplemented by an energy performance label, such as Effinergie+ or Bepos Effinergie, which anticipates future regulations and positive energy buildings (whose energy production exceeds consumption).

In 2017, Residential projects under development that have received an environmental certification or energy label represent 50% of projects under development (by number of units). This is down five points(1) on 2016 and reflects weaker interest in the B2C market than in the B2B market: although lessors of social housing are the decision-makers for such programmes the private buyers show limited interest. In order to better meet the needs of purchasers, the Group plans to focus its actions in the future on the health, comfort and well-being aspects of the various certifications and labels.

It should be noted that the rate of certified and/or labeled projects remains very good for the Paris Region projects, with more than 70% of residences subject to certification or a label (number of dwellings).

In addition to these common certifications and labels, some projects are also involved in other approaches. This is the case for the Nice Meridia, where the Group is currently running several residential and tertiary projects. This block is located in the Eco-Vallée national project. The Group is committed to complying with the requirements of the Environmental Quality Reference Framework (CRQE) for development and construction developed by EPA Plaine du Var.

(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.

5.6.2.1.3 Pitch Promotion Residential and Offices Projects

For Pitch Promotion Offices activities, nearly 95% of surface areas are certified BREEAM® and/or NF HQE™ with:

- more than 95% of offices projects certified NF HQE™ achieve an "Excellent" level;
- over 70% of offices projects certified BREEAM® obtain a "Very Good" or higher rating.

These numbers are stable compared to 2016.

For its Residential activities, Pitch Promotion is also involved in NF Habitat certification and its HQE process. As a result, all new housing construction carried out by Pitch Promotion is eligible for the NF Habitat certification and its HQE approach[1].

In 2017, more than 60% of the Paris Region projects under development have received environmental certification or an energy label (number of dwellings). This slightly lower figure reveals, as it does for Cogedim Logement, the limited interest of purchasers in these labels.

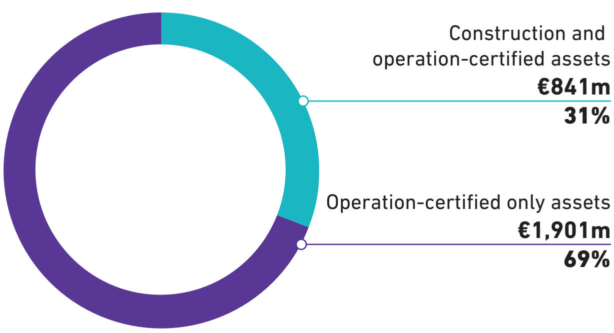
5.6.2.2 Labelling and sustainable certification for retail activity

In 2017, Altarea Cogedim portfolio assets managed by the Group that obtained environmental certification for their construction or operations represented 631,290 m² GLA, *i.e.* 100% of the reporting scope.

The breakdown of asset certification, according to their value, is as follows:

- 31% certified in construction;
- 100% certified in operation.

ENVIRONMENTAL CERTIFICATION OF MANAGED STANDING ASSETS (MILLIONS OF EUROS)



The performance levels obtained for projects under development and existing assets are detailed in paragraph 5.6.2.1.1.

(1) *excluding co-development and managed residences.*

5.6.2.2.1 Certification of sustainable buildings for Retail activity

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. This value was stable compared to 2016.

The Group systematically seeks out the highest certification levels possible within the technical and economic parameters of the project. Accordingly, in line with the Group's objectives, 100% of shopping centre projects in development that have a BREEAM® certification obtain an "Excellent" level or higher.

This certification is even sought on certain businesses at the foot of a large-scale building. This was the case in Bezons for the Cœur de Ville project, where certification is planned for the fifty shops at the foot of the building contained in the project.

In addition to the BREEAM®, some Retail projects apply for other certifications or labels, as is the case with the BiodiverCity® label for the Cap 3000 project.

Existing Standing Assets with an environmental construction certification represent 202,750 m² NFA. The Qwartz sites at Villeneuve La Garenne and L'Avenue 83 in La Valette-du-Var have been certified NF HQE™ and BREEAM® twice.

The coverage of construction certifications is set to increase significantly over the coming years, as all Retail projects under development are now subject to one or more environmental certifications.

5.6.2.2.2 Standing Assets environmental certification for sustainable 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 operational Environmental Management System Standing Assets 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 centres between 2013 and 2015.

The new objectives set by the Group for the certification of operations are:

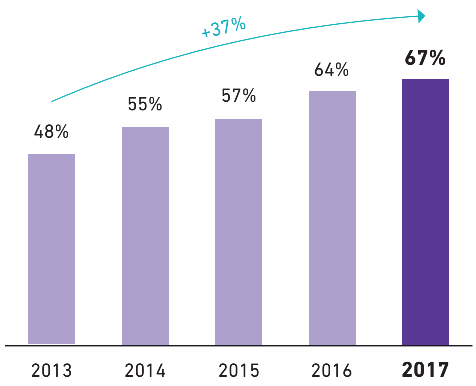
- to maintain certification for 100% of the portfolio managed;
- to make progress every year on the BREEAM® In-Use scores obtained by implementing a continuous improvement process. A score of "*Very* Good" or higher is targeted for score reassessments.

In 2017, the 25 sites in the scope of reporting, accounting for 631,290 m^2 GLA, *i.e.* 100% by managed portfolio value, 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.

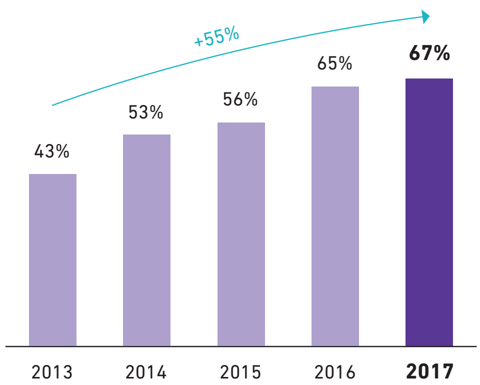
Performance levels break down as follows (in value terms):

- asset category: 46% "Excellent", 52% "Very Good" and 2% "Good";
- management category: 15% "Outstanding", 17% "Excellent", 67% "Very Good" and 1% "Good".

CHANGE IN BREEAM IN-USE AVERAGE SCORE – MANAGEMENT CATEGORY

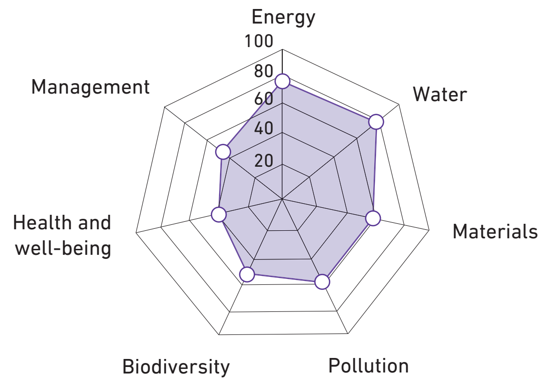


CHANGE IN BREEAM IN-USE AVERAGE SCORE – ASSET CATEGORY

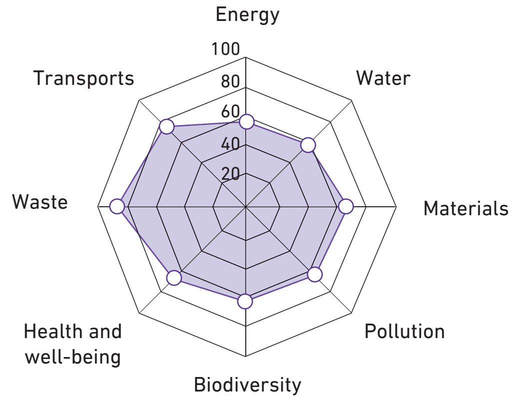


For each category, a score is calculated according to different components, all scored out of 100 points.

PROFILE OF SITES CERTIFIED BREEAM IN-USE – MANAGEMENT CATEGORY



PROFILE OF SITES CERTIFIED BREEAM IN-USE – ASSET CATEGORY



The graphs below show this breakdown, which was obtained by averaging the scores received for each site, weighted by surface area. They highlight the points where Altarea Cogedim continues to focus its improvement efforts, including energy and biodiversity, where the increase is significant compared to 2015. The Group has taken steps in these areas, and these actions are described in the relevant sections.

Since 2017, the Group has also implemented actions to make progress in the "health and well-being" issue, which are described in paragraph 5.4.4.

In addition, the Group aims to extend its environmental approach to its foreign sites. Thus, the Italian site Le Due Torri in Stezzano has obtained BREEAM® In-Use certification, with an "Excellent" rating, in 2017.

5.6.3 The circular economy

MATERIALITY LEVEL CRUCIAL

Scope	Objectives/Commitments	Indicators	Data 2017	Change	Comments
Offices	Favour rehabilitations to reduce resource consumption and greenhouse gas emissions	Share of rehabilitations in the Paris Region	**66% of surface areas**	**+29%** compared to 2016	The Group always considers the possibility of rehabilitation, with equal performance and comfort, rather than a complete demolition-reconstruction
Retail	Set the objective of more than 70% of site waste for subcontractors for new projects[a]	Actual rate of recovery on construction sites in progress	**95% of waste recovered**	**+17%** compared to 2016	The goal was exceeded: thanks to the general application of the construction site charter, the Group requires construction companies to sort and monitor construction site waste
Retail	Sort over 50% of waste generated at Standing Assets	Share of waste sorted	**47%**	**+47%** compared to 2010	The sites are adding more sorting categories (for example, recovery of hangers and plastics)
Retail	Recover over 80% of waste at Standing Assets	Share of recovered waste	**98%**	**+21%** compared to 2010	Waste recovery is promoted, notably with the implementation of composting for restaurants

(a) Excluding demolition waste

In a world of finite resources, sobriety in the use of resources and optimal recovery of waste becomes a big necessity. The players in the construction sector, one of the main contributors to waste generation and carbon emissions in France, have an increased responsibility in the construction and sustainable management of their assets.

At each stage of the life of a project, the Group takes care to adopt a responsible position to promote a virtuous cycle of resource management:

- prior to projects: by encouraging rehabilitation, re-use of materials (especially for high-emissions materials such as concrete) and construction on brownfield sites;
- in the design phase, by designing economic, efficient, scalable or reversible buildings to prevent premature obsolescence;
- in the completion and operation phase, making sure that waste is sorted and recovered;
- at end-of-life by facilitating the disassembly of buildings and optimising the reuse or end-of-life disposal of materials.

5.6.3.1 Circular economy for promotion activity

5.6.3.1.1 Densification of cities and rehabilitation

Due to its presence in urban areas, the Group regularly faces issues related to the density and age of the urban fabric. Accordingly, Altarea Cogedim regularly considers the possibility of carrying out rehabilitation rather than complete demolition-reconstruction, which makes it possible to use a smaller quantity of materials and to reduce the production of waste.

In addition, thanks to the expertise developed by the Group in the field of renovation, rehabilitated Offices projects provide the same energy performance and comfort as the Group's new projects.

Renovations account for 66% (in surface area), *i.e.* 223,486 m^2 of Offices projects under development in the Paris Region.

66% ***of Offices projects in the Paris Region are rehabilitations***

As an example, for the Richelieu project, the choice of rehabilitation makes possible a carbon footprint 13 times lower than what would have been the case in a complete demolition-reconstruction and saves 3,614 trips by dump trucks.

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 Sustainable design

When a building is too obsolete to be rehabilitated, the Group opts for a complete demolition-reconstruction while making sure that, in accordance with technical and economic constraints, the waste from the demolition is recovered. For example, for the Domaine Harmony project, Pitch Promotion reused about 14,000 m^3 of substructure from the destruction of the existing building in the construction of the subgrade.

In both new construction and rehabilitation, the Group prescribes sustainable systems and materials that are easy to use, maintain and repair. 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 it needs for its projects, measured through the Bilan Carbone® Construction assessments for the new developments described in paragraph 5.6.1.4.

Lastly, in order to avoid the premature obsolescence of a building and to offer optimal living and working conditions, the Group is testing innovations to allow its projects to evolve.

5.6.3.1.3 Monitoring and recovery of construction waste

Overall, the Group requires that construction companies carry out selective sorting and detailed monitoring of construction site waste for all certified Offices and Retail projects under development. This accounted for over 98% of projects (in surface area) in 2017.

The energy transition law sets a recycling target 70% of construction waste by 2020. The Group is making every effort to meet this target.

In 2017, Offices projects have an average target of over 70% of site waste recovery. In addition, a minimum recovery rate of 70% of construction site waste (excluding demolition waste) is required for all companies working on the Retail projects under development. In 2017, the actual recovery rate for construction waste was 95% for Retail projects under construction or delivered. 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.

5.6.3.2 Circular economy for standing assets

For the current scope, Altarea Cogedim reports a 60.5% drop in waste production between 2010 and 2017. This is largely due to the increase in size of the current scope, with the integration of new large sites into the scope. The division between the different asset classes nonetheless reveals reductions for two types: shopping centres (-34.9%) and Retail Parks/Family Villages® (-3.5%).

However, the overwhelming majority of waste is generated by tenants and there is very little that Altarea Cogedim can do to control the production level. The Group focuses its actions instead 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.).

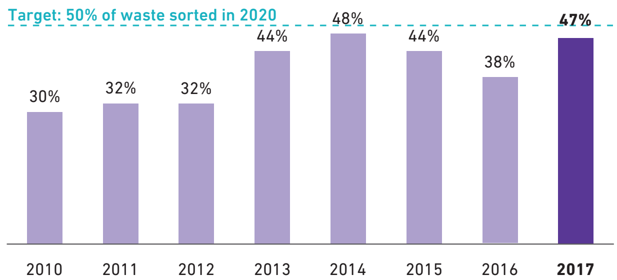
Altarea Cogedim's efforts are focused on awareness-raising among tenants, responsible waste sorting practices and the selection of service providers responsible for recycling, recovering and ensuring the traceability of waste under new service agreements. As waste volumes are directly related to tenants' 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 53% for mixed non-hazardous industrial waste, and 47% 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 47% in 2017, an increase of 46.8%.

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.

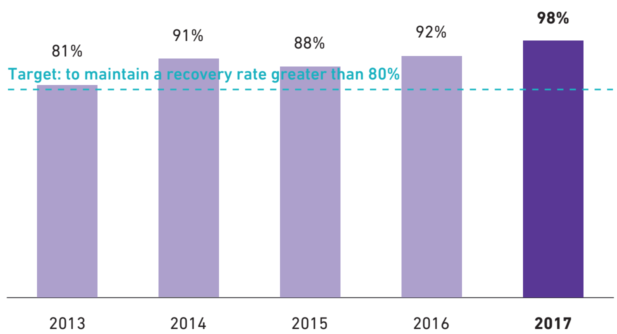
PERCENTAGE OF WASTE SORTED FROM STANDING ASSETS

(current scope)



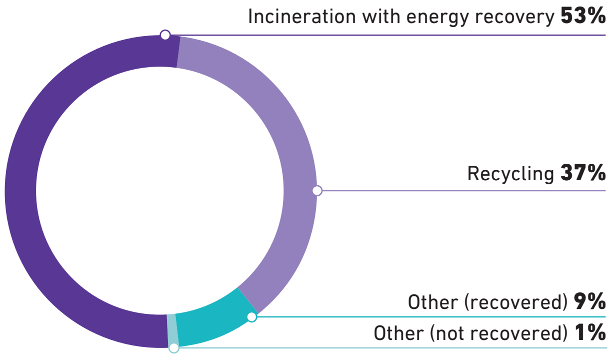
PERCENTAGE OF WASTE RECOVERED FROM STANDING ASSETS

(current scope)

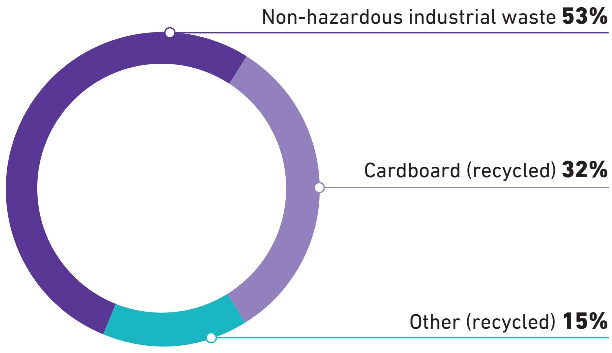


This waste is then processed by service providers selected to maximise recovery rates. In 2017, 37% of the waste produced in centres managed by the Group was recycled, 53% was incinerated with energy recovery and 9% was recovered in another way (reuse or composting, for example). In all, 98% of waste is recovered, the remaining 2% is dumped or incinerated without energy recovery. The Group's goal of over 80% recovery has been maintained since 2013.

BREAKDOWN OF WASTE PRODUCED BY END-OF-LIFE CATEGORY



BREAKDOWN BY TYPE OF SORTING OF WASTE PRODUCED



In addition, the Group has started to extend its environmental approach to foreign sites and has collected data from the sites managed in Italy and Spain since 2016. The Le Due Torri shopping centre in Stezzano sorted 48% of its waste in 2017 (+15% from 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 27% in 2017 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 local and national 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 2017, the Group finalised an internal awareness-raising initiative, with the creation of guides to inform teams about biodiversity issues and provide them with technical solutions and best practices for each stage of their business line: programming, design and construction of the built environment and operation. These guides are closely geared to operations and adapted to each Group activity.

5.6.4.1 Land management and biodiversity for offices and residential

5.6.4.1.1 Land management

The Group is present mainly in gateway cities and encourages the densification of cities and urban redevelopment, rather than urban sprawl and development of the soil.

As a result, renovations account for over 65% (in surface area) of Offices projects under development in the Paris Region. More broadly, nearly all Offices 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 greenfield land.

Finally, particular attention is paid to the preservation of green spaces because, in addition to the importance of limiting impermeable surfaces, these unbuilt spaces contribute to the well-being of occupants, particularly in urban areas, and cool down heat islands. For example, for the Issy Coeur de Ville project, nearly 13,000 m^2 of land will be developed, including 4,000 m^2 of open land.

5.6.4.1.2 Biodiversity

Mandatory in the context of urban planning authorisations for large projects, assessments of the respect for and preservation of biodiversity are more in-depth for environmental certifications.

Specifically, an independent environmental specialist is consulted for all projects under development subject to BREEAM® certification. This makes it possible to take into account the local fauna and flora in the specifications submitted to the project management team and thus to preserve ecological corridors (green and blue grids).

The BiodiverCity® label is useful, in addition to environmental certifications such as NF HQE™ and BREEAM®, for a thorough assessment of biodiversity issues in a real estate project. This label is sought for the Austerlitz, 16Matignon and Eria office projects.

The Group pays particular attention to maintaining or enhancing the fauna and flora present. For example, for the Nantes prison redevelopment project, a landscaped mall, with nesting boxes, will be created as an extension to an existing square, which will allow an intensification of green spaces and a continuity between these spaces in the city.

5.6.4.2 Land management and biodiversity for retail

5.6.4.2.1 Land management

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.

The Group also limits the development of soil by favouring already urbanised land for its new developments.

5.6.4.2.2 Biodiversity

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.

Since 2016, a Biodiversity and Biophilia guide has been distributed to all teams involved in commercial development projects and the operation of the centres. It aims to give information about ways to develop and promote biodiversity and biophilia. 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 the development phase, an ecologist is consulted for all projects under development subject to BREEAM® certification. The most recent projects such as Avenue 83 and Cap 3000, for instance, benefited from the input of an ecologist.

In general, the Group has asked its green space service providers to cease the use of phytosanitary products on all Standing Assets sites.

The Group is also looking for ambitious actions with symbolic value in the field of biodiversity. The Cap 3000 site, which is located in an area rich in fauna and flora (the mouth of the Var and shoreline), is the first shopping centre to receive BiodiverCity® certification. This certification highlights the very important efforts made, in consultation with the LPO (Birds Protection League), to preserve the fauna and flora during construction and operation and to raise visitor awareness.

To give a few examples, the planning schedule for channel construction took into account the nesting periods of protected species, the LPO PACA monitors the bird fauna with a fortnightly count during the construction phase, and the design incorporates screen-printed glass to prevent birds banging their beaks.

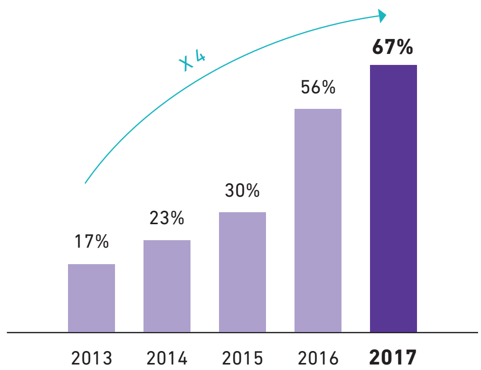
In addition, during the operating phase of the Group's Standing Assets, respect for and preservation of biodiversity are strengthened by the deployment of BREEAM® In-Use environmental certification, as described in paragraph 5.6.2.2.2.

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 2017, 77% of the sites by value included in the scope of reporting had undergone a biodiversity audit and received an improvement action plan.

The score obtained for the "Land Use & Ecology" theme of the BREEAM® In-Use benchmark, on average for Standing Assets (average of the "Asset" and "Management" parts, weighted for surface area), has increased significantly, from 17% in 2013 to 67% in 2017.

CHANGE IN THE AVERAGE BREEAM IN-USE "LAND USE & ECOLOGY" THEME SCORE



5.6.4.2.3 Pollution of groundwater

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 Pollution of soil

The presence of pollutants in the ground represents a health risk to persons frequenting Group shopping centres. 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.

5.6.5 Water management

MATERIALITY LEVEL SIGNIFICANT

5.6.5.1 Water management for property development activity

Prior to new projects

For every new project, Altarea Cogedim first systematically carries out site analyses to identify constraints (leakage rate, infiltration, etc.) and opportunities (water recovery, valleys, etc.) on each site. The conclusions of these analyses are incorporated into the environmental programme of each project.

Design phase

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 its space-intensive projects, 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 run-off into and saturation of local sewer systems. For example, in Lyon, the Boréal office building, opened in 2017, is built on a land lot that can absorb all the rainwater that falls on it. To prevent water pollution, the Group complies with local regulations for the installation of technical equipment for pretreatment before discharge.

In addition, all of the Group's Retail projects include water-saving sanitary equipment and rainwater harvesting equipment for watering, soil cleaning and filling of fire safety systems.

Completion phase

In the completion phase, the Group systematically requires construction companies to meter and monitor water consumption. These initiatives concern:

- over 98% of Offices 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.

5.6.5.2 Water management for standing assets

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 (28% of consumption managed, lessor scope) and from water from private-use areas for the vast majority of sites (72% 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.

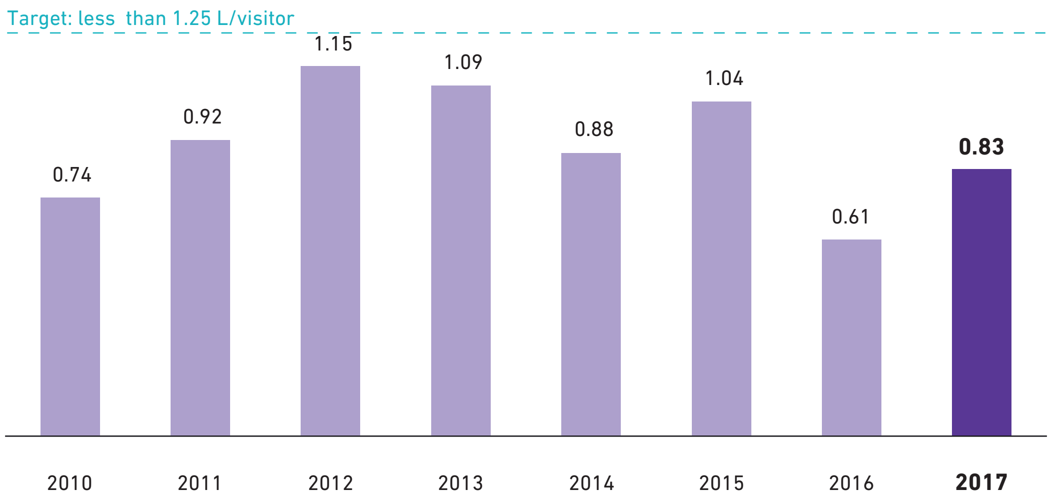
With respect to the operation of sites, the Group deploys measures at each site to better manage water consumption, particularly by locating and repairing leaks as soon as possible and by installing water-saving sanitary facilities.

On the current scope, the Group observed an increase in total water consumption purchased on local networks between 2010 and 2017 (+12.6%). This increase can be explained by the increase in size of the current scope, with the integration of new large sites into the scope, and by the construction done during the arrival of new signs and the increased fire safety tests on sprinklers.

On a like-for-like basis, Altarea Cogedim experienced a 0.9% drop in total water consumption (lessor – lessee scope) for the period from 2010 to 2017.

WATER CONSUMPTION FOR COMMON AREAS ON THE PORTFOLIO

(current scope in litres/visitor)



Water consumption in common areas per visitor stood at an average of 0.83 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. Le Due Torri shopping centre in Stezzano consumed 34,000 m^3 of water in 2017, the Sant Cugat shopping centre near Barcelona consumed 26,500 m3 of water in 2017 and reduced its consumption in common areas by 11% between 2015 and 2017.

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. For this purpose, a low-disturbance site charter is systematically applied. It imposes measures to limit pollution of the soil, water and air, as well as all visual and acoustic pollution.

5.6.6.2 Provision for other environmental impacts

The Group has implemented no provisions or specific guarantees.

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 (direct, indirect, induced and hosted jobs);
- the well-being of occupants and, in particular, the share of projects committed to comfort, health and well-being;
- new uses and digitisation;
- partnerships;
- business ethics;
- responsible purchasing and supplier relations.

The environment:

- energy and climate and, in particular, the primary energy consumption and CO_2 emissions per m^2 of commercial assets, the energy performance and the share of surface area exceeding the requirements of thermal regulations, Group CO_2 emissions (Scope 1 and 2 and the assessment of scope 3), the measures taken to improve energy efficiency and the use of renewable energies;
- the circular economy and, in particular, the rate of recovery and waste sorting, and waste management;
- 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, total headcount, absenteeism rate, frequency rate of workplace accidents and average number of training hours per employee trained, jobs with total headcount and distribution, compensation and changes to compensation, mobility, health and safety at work, training and skills development policy;
- compensation and value sharing, particularly the compensation policy;
- diversity and equal opportunities and, in particular, women in management positions.

5.7.2 Methodological changes

The environmental reporting methodology was reworked in 2017 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 Integration of Pitch Promotion in Group reporting

Altarea Cogedim acquired the developer Pitch Promotion in February 2015. In 2016, an initial set of indicators was published to gradually integrate Pitch Promotion's CSR data into the Group's reporting.

In 2017, the Group integrates Pitch Promotion's business data into its reporting based on the Group's methodology. Pitch Promotion's rare methodological specificities are explained in the following pages.

5.7.2.1.2 Definition of the scope of Cogedim Offices activity

The method for defining the scope of environmental reporting has been revised for Offices projects under development to be as consistent as possible with the actual status of the projects.

Projects included in the scope of reporting of Offices activity are the ones that, between 01/10/2016 and 30/09/2017:

- had their building permit issued;
- were in progress;
- were delivered between 01/10/2016 and 30/09/2017.

To reflect the reality of the Group's ambitions, the scope adopted for the environmental indicators consists of the Offices projects controlled by the Group, either through Cogedim Entreprise, a subsidiary dedicated to real estate development, or through the AltaFund investment fund. Projects carried out as co-developments or under delegated project management are therefore excluded. The auditable documentation used is the project contract (real estate development contract, delegated project management contract, etc.).

The method for defining the scope of reporting for other projects under development remained unchanged.

5.7.2.1.3 Collecting data for proximity to public transport systems

In 2017, the Group contracted Géolocaux to automate and refine the collection of data on the proximity of projects developed by the Group to public transport networks. Géolocaux is a building geolocation service provider that compares several buildings by analysing their proximity to public transport networks, among other services.

The database of the Group's projects containing their location is sent to the service provider who inputs data on their proximity to public transport networks (distance to the nearest stop and type of transport available).

The project address database for the 2016 scope operations was analysed. An identical result was obtained through the methodology previously used for the public transport proximity indicator.

5.7.2.2 Changes in methodology for standing assets

The Group has had a specialised, non-financial reporting tool since 2016 to consolidate the environmental information on its Standing Assets. 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 has been extending its environmental reporting to foreign sites since 2016 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 CSR Department then compiles and verifies the data for each project under development, based on auditable evidence:

- for general and administrative information:
  - Cogedim Residential (address, number of residential units): database extracted from the internal real estate management software,
  - Pitch Promotion and Altarea Retail (date, address, surface area, number of homes): building permits and work completion form,
  - Cogedim Offices (address, surface area): building permits, contract and work completion form;
- for labelling and sustainable certification:
  - Cogedim Residential: Cerqual (certifying body) database,
  - Pitch Promotion, Cogedim Offices and Altarea Retail: certificates from certifying bodies, audit results or Environment Works Management assistant environmental data sheets;
- for the energy performance level:
  - Cogedim Residential and Pitch Promotion Residential: certificate, contract or database of certification body Cerqual,
  - Pitch Promotion Tertiary, Cogedim Offices and Altarea Retail: regulatory calculations, Dynamic Thermal Simulations, audit results or Environment Works Management assistant environmental data sheets;
- for the circular economy: site charter or NF HQE or BREEAM audit report or Environment Works Management assistant environmental certificate;
- for proximity to public transport: study by Géolocaux or maps indicating the distance between the project's location, as indicated on the corresponding data source, and the closest public transport stop;
- for digitisation: database referencing the characteristics of the projects or certification/labelling certificate;
- for well-being: database referencing the characteristics of the projects or audit report or certification/labelling certificate.

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 standing assets scope

The data used to produce the environmental and societal indicators for Standing Assets are submitted by each site then consolidated and verified at the head 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 transport: 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 Offices buildings and sold by the Group ▪ Travel by service providers, tenants, visitors and Altarea Cogedim employees, excluding corporate vehicles, and the users of Residential and Offices 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 2017, the Group updated its Bilan Carbone® assessment based on the main activity data for the year: m² built for Property Development, m² in operation for Standing Assets, workforce for Corporate.

5.7.4.1.1 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.

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

These Bilan Carbone® assessments are based on a representative sample of the Group's Property Development activity and then extrapolated on a prorated basis for the total 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 Standing Assets scope

GHG emissions from the REIT scope were calculated on the basis of Bilan Carbone® assessments performed on 25% of the Group's Retail Standing 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.

Sources of emissions 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.

5.7.4.1.3 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.

Sources of emissions 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 Labelling and sustainable certification

The purpose of this series of indicators is to highlight the implementation of the certification and sustainable labelling 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, Offices, Retail). The indicators are calculated based on the surface area of the project under development assuming an average residential surface area of 63 m²/residence.

Calculation formula = Surface certified or in the process of certification (net surface area or floor area)/Total surface area (net surface area or floor area)

To shed further light on the steps taken by the Group, details of the nature of the certifications and/or labels and their levels are specified for each of the Group's activities and/or subsidiaries.

Methodological details:

- for Cogedim Residential: the serviced residences are not counted in the calculation because they are excluded from the scope of NF Habitat and HQE certification;
- for Cogedim Offices: the scope considered is the one for the Offices operations controlled by the Group, either through Cogedim Entreprise, a subsidiary dedicated to real estate development, or through the AltaFund investment fund.

5.7.4.2.2 Energy performance levels

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 or with a label when an energy performance label is sought.

In the tracking table, an indicator is published for the Offices activity.

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)

Methodological details:

- for Cogedim Residential: the serviced residences are not counted in the calculation because they are excluded from the scope of NF Habitat and HQE certification;
- for Cogedim Offices: the scope considered is the one for the Offices operations controlled by the Group, either through Cogedim Entreprise, a subsidiary dedicated to real estate development, or through the AltaFund investment fund.

5.7.4.2.3 The circular economy

The indicator for this theme describes the rate of recovery of construction waste for Altarea 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[(1)] 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

Methodological details: 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.

5.7.4.3 Environmental indicators for the portfolio

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. For the first year, EDF published a supplier factor on its website, in accordance with regulations (Decree 2016-944 of 11 July 2016). This new emission factor (0.03218 kgCO_2/kWh for 2016) will be used in the next reporting year. For the sake of consistency with previous years and pending a methodology more anchored in greenhouse gas emissions reporting practices, Altarea makes the choice to keep the emission factor given in the ADEME Bilan Carbone®.

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 site of 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 Specificity of different types of assets

Environmental reporting covers the two types of assets managed by the Group: premium regional assets and Retail Parks. For its reporting of energy consumption and associated GHG emissions, the Group distinguishes several categories of centres in its Standing Assets based on technical characteristics which impact consumption and emissions:

- 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;
- Retail Parks/Family Villages® with open central spaces without water loops consume the least amount of energy among retail assets.

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);
- greenhouse gas emissions of the Family Villages® and Retail Parks (in kgCO_2e/m^2/year).

(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.*

Given the characteristics of these types of assets (Lifestyle Centers, Family Villages® or Retail Parks) the absence of a covered, heated and air-conditioned central area, and to be compatible with EPRA recommendations, Altarea Cogedim uses as denominator of the ratio the outdoor pedestrian surface area plus the GLA (gross leasable area) powered by the energy 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) * 15%

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 DJU and DJClim was calculated over ten years, from 2000 to 2009, for the closest weather station to each site (DJUMoy and DJClimMOY).

The weather conditions for each station can then be compared to an average year by comparing the DJU and DJClim values to the DJUMoy and DJClimMOY 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.

5.7.5 Methodology for societal indicators

5.7.5.1 Customer relationships

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 Standing Assets 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 Standing Assets where survey results are available.

5.7.5.2 Local development

5.7.5.2.1 Contributing to local development

The Group has developed an indicator to measure its reliance on local purchasing: it measures the portion of the construction companies that it uses, which are based in the same department as the worksites on which they work (calculated for the Residential projects in separate lots delivered during the year).

The indicator published in the tracking table is:

Calculation formula = Number of construction companies in the same departement/Total number of construction companies

Methodological details: the scope considered Cogedim Residential projects delivered in the reference year (excluding block sales).

5.7.5.2.2 Contribution to employment

Altarea Cogedim has been measuring its extended employment footprint since 2014.

In 2017, Altarea Cogedim completely revised its calculation methodology to deepen and integrate local elements (jobs supported by host gateway cities). Altarea Cogedim called on Utopies to carry out the study.

The 2017 figures are lagging indicators that were calculated based on the volume of purchases in 2016.

The detailed methodology is available on request from the CSR team.

5.7.5.3 Proximity of projects under development to public transportation

The indicators for this topic measure the proximity to public transportation of the new developments by distance bracket (0 to 200 meters, 201 to 500 meters and over 500 meters). They also indicate which means of transport is the closest (bus, tram, subway, RER/TER or train).

The measurement points for the distances are as follows:

- for Residential, Offices, Shopping Centres, Lifestyle Centers, Railway and Convenience Store, the distance computed is the one between the entrance to the building and the nearest public transport stop;
- for Family Village® and Retail Park projects, the distance computed is the one between the entrance to the car park and the public transport stop.

In the event that several types of transport are included in the same distance bracket, then the following priority rule applies: Subway, tram, RER/TER, bus and train.

In the tracking table, an aggregated indicator is published for all subsidiaries (Altarea, Cogedim, Pitch Promotion) and activities (Residential, Offices, 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)

Methodological details: for Cogedim Offices and only for that indicator, the scope is not limited to Offices operations controlled by the Group but includes all Offices and hotel projects.

5.7.5.4 Digitisation

The indicator for this theme measures the percentage of Cogedim's Paris Region Offices projects whose digital connectivity quality is based on a label or a benchmark (WiredScore, Ready2Services, etc.).

The indicator published in the tracking table is:

Calculation formula = Surface area whose digital connectivity quality is based on a label or a benchmark (net surface area or floor area)/Total surface area (net surface area or floor area)

Methodological details: the scope considered is the one for the Paris Region Offices operations controlled by the Group, either through Cogedim Entreprise, a subsidiary dedicated to real estate development, or through the AltaFund investment fund.

5.7.5.5 Well-being

The indicator relating to this theme measures the percentage of Cogedim's Paris Region projects where WELL certification is obtained or sought at the Core & Shell Silver level at the least.

The indicator published in the tracking table is as follows:

Calculation formula = Surface certified WELL or in the process of certification (net surface area or floor area)/Total surface area (net surface area or floor area)

Methodological details: the scope considered is the one for the Paris Region Offices operations controlled by the Group, either through Cogedim Entreprise, a subsidiary dedicated to real estate development, or through the AltaFund investment fund.

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 SCOPE:

For new developments, Retail sites subject to a building permit (provisional or permanent), under construction or delivered during the reference year.

For Standing Assets, sites included in the 2017 scope of reporting (including sites under construction).

				BREEAM In-Use certification			
				Category 1 – Asset		Category 2 – Management	
	City	Centre	Construction certification and level	Level	Score	Level	Score
New developments	Saint-Laurent-du-Var	Cap 3000 – Expansion	BREEAM Excellent	-	-	-	-
Portfolio	Aubergenville	Aubergenville Family Village	-	Excellent	70%	Excellent	75%
	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	59%	Excellent	79%
	Geispolsheim	La Vigie	-	Good	43%	Very Good	55%
	Gennevilliers	Parc des Chanteraines	-	Very Good	59%	Very Good	58%
	Herblay	14e Avenue	-	Very Good	56%	Very Good	58%
	Kremlin Bicêtre (Le)	Okabé	HQE™ Excellent	Very Good	62%	Excellent	70%
	Limoges	Family Village in Limoges	-	Excellent	71%	Very Good	68%
	Lille	Grand'Place	-	Very Good	57%	Very Good	61%
	Lille	Les Tanneurs	-	Very Good	65%	Very Good	57%
	Massy	-X%	-	Good	54%	Good	45%
	Mulhouse	Porte Jeune	-	Excellent	72%	Very Good	66%
	Nîmes	Costières Sud	HQE™ Very Good	Excellent	78%	Excellent	70%
	Nice	Cap 3000	-	Very Good	62%	Very Good	56%
	Paris	Bercy Village	-	Very Good	63%	Very Good	63%
	Paris	Le Parks		Excellent	74%	Very Good	58%
	Roubaix	Grand'Rue	-	Very Good	61%	Very Good	58%
	Ruaudin	Family Village Les Hunaudières	-	Excellent	70%	Excellent	70%
	Thiais	Thiais Village	-	Very Good	60%	Very Good	64%
	Toulouse	Espace Gramont	-	Very Good	58%	Very Good	68%
	Tourcoing	Espace Saint-Christophe	-	Very Good	61%	Very Good	57%
	Valette du Var (La)	L'Avenue 83	HQE™ Very Good BREEAM Excellent	Excellent	73%	Very Good	69%
	Vaulx en Velin	Carré de Soie	-	Very Good	65%	Very Good	60%
	Villeneuve La Garenne	Qwartz	HQE™ Excellent BREEAM Very Good	Excellent	80%	Outstanding	88%
	Villeparisis	Parc de l'Ambrésis		Very Good	56%	Very Good	58%

Energy indicators

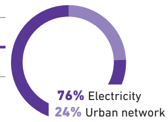
Corporate – energy consumption and ratios for the registered office

DEFINITION:

Final (FE) and primary (PE) energy consumption of Altarea Cogedim's registered office.

DENOMINATOR:

Calculations based on 9,631 m² and 657 FTE for 2017.

	2016 PE	2017 PE	Change in 2016 -2017	Change 2010-2017	2017 FE	2017 Energy mix FE
Total consumption *GWh*	4.64	4.63	-0.3%	+20.2%	2.10	
Ratios:						
Total consumption per m² *kWh/m²*		481	-	-	218	
Total consumption per Full-Time Equivalent *kWh/FTE*		7,044	-	-	3,198	

Portfolio – energy consumption and ratios of the existing portfolio

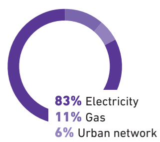
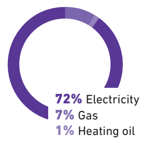
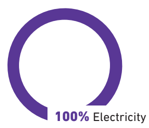
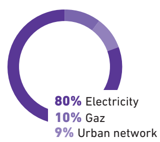
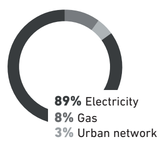
DEFINITION:

Final (FE) and primary (PE) energy consumption of Standing Assets managed by Altarea Cogedim for the 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 631,290 GLA (in m²) for 2017 and like-for-like scope 483,525 GLA (in m²) for 2016-2017

		2016 PE	2017 PE	Change in 2016 -2017	Change 2010-2017	Change 2010-2017 constant climate	2017 FE	Relevant surface area	2017 Energy mix FE
Shopping centres	**Total energy consumption** *GWh*	45.8	45.3	-1%	-4.1%	**-22.9%**	19.6	▪ Central area ▪ GLA	
	Total consumption per sq.m. *kWh/m²*	178	182	+2%	-10.2%	**-24.3%**	79		
	Share of the scope of ownership	*46%*	*34%*	*-26%*	*-25.9%*		*34%*		
Lifestyle Centers	**Total consumption** *GWh*	6.4	17.8	+177%	+31.3%	**+2.7%**	8.3	▪ Outdoor pedestrian area ▪ GLA	
	Total consumption per sq.m. *kWh/m²*	145	117	-19%	-44.4%	**-61.9%**	54		
	Share of the scope of ownership	*17%*	*34%*	*+108%*	*+94.7%*		*34%*		
Family Villages and Retail Parks	**Total consumption** *GWh*	2.7	2.8	+3%	-28.6%	**-33.9%**	1.1	▪ Outdoor pedestrian area	
	Total consumption per sq.m. *kWh/m²*	72	73	+3%	-44.0%	**-49.1%**	28		
	Share of the scope of ownership	*23%*	*20%*	*-14%*	*+19.3%*		*20%*		
Current scope of reporting	**Total consumption** *GWh*	54.9	65.8	+19.8%	-2.40%	**-20.6%**	29.0	▪ Central area ▪ Outdoor pedestrian area ▪ GLA	
	Total consumption per sq.m. *kWh/m²*	162	150	-7.5%	-23.9%	**-39.2%**	66		
	Share of the scope of ownership	*85%*	*88%*	*+3%*	*-2.2%*		*88%*		
Like-for-like scope of reporting	**Total consumption** *GWh*	54.2	53.8	-1%	-32.1%	**-34.7%**	23.0	▪ Central area ▪ Outdoor pedestrian area ▪ GLA	
	Total consumption per sq.m. *kWh/m²*	163	162	-1%	-35.7%	**-38.1%**	69		
	Share of the scope of ownership				*68%*				

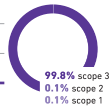
GHG emissions indicators (CO_2)

Altarea Cogedim – Group GHG emissions and ratios

DEFINITION:

Total GHG emissions associated with the Altarea Cogedim Group's business.

Article 75 and GHG Protocol*	*tCO_2e*	Scope 1	Scope 2	Scope 3
SIREN Altarea	141,880	0.8%	1.4%	97.9%
SIREN Cogedim	4,085,361	0.0%	0.0%	99.9%
ALTAREA COGEDIM	**4,227,241**	**0.1%**	**0.1%**	**99.9%**



* *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.*

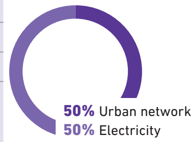
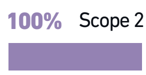
Corporate – GHG emissions and ratios for the registered office

DEFINITION:

Total GHG emissions associated with the energy consumption of Altarea Cogedim's registered office.

DENOMINATOR:

Calculations based on 9,631 m^2 and 657 FTE for 2017.

	2016	2017	Change in 2016-2017	Change 2010-2017	Breakdown by 2017 energy type	Breakdown of direct and indirect emissions
Total emissions of GHG *tCO_2e*	197	194	-1.6%	-8.0%		
Ratios:						
Total emissions per sq.m. *$kgCO_2e/sq.m.$*		20	-	-		
Total emissions per Full-Time Equivalent *$kgCO_2e/FTE$*		295	-	-		

Portfolio – GHG emissions and ratios of the existing portfolio

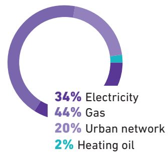
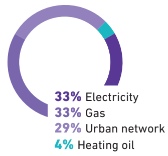
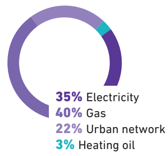
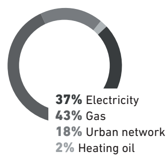
DEFINITION:

Total GHG emissions from energy consumed by Standing Assets managed by Altarea Cogedim for the scope of reporting and on a like-for-like basis, total and by m^2 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 631,290 GLA (in m^2) for 2017 and like-for-like scope 483,525 GLA (in m^2) for 2016-2017

		2016	2017	Change 2016-2017	Change 2010-2017	Change 2010-2017 constant climate	Relevant surface area	Breakdown by 2017 energy type
Shopping centres	**Total emissions of GHG** *tCO_2e*	1,014	1,193	+18%	-45.5%	**-47.9%**	▪ Central area ▪ GLA	
	Total emissions of GHG per m^2 *$kgCO_2e/m^2$*	4.0	4.8	+21%	-47.7%	**-50.7%**		
	Share of the scope of ownership	*46%*	*34%*	*-26%*	*-14.1%*			
Lifestyle Centers	**Total emissions of GHG** *tCO_2e*	77	442	+471%	+52.4%	**-0.7%**	▪ Outdoor pedestrian area - GLA	
	Total emissions of GHG per m^2 *$kgCO_2e/m^2$*	1.7	2.9	+67%	-32.5%	**-61.8%**		
	Share of the scope of ownership	*17%*	*34%*	*+108%*	*+82.6%*			
Family Villages and Retail Parks	**Total emissions of GHG** *tCO_2e*	25	24	-6%	-13.6%	**-88.2%**	▪ Outdoor pedestrian area	
	Total emissions of GHG per m^2 *$kgCO_2e/m^2$*	0.7	0.6	-6%	-95.6%	**-96.8%**		
	Share of the scope of ownership	*23%*	*20%*	*-14%*	*+9.1%*			
Current scope of reporting	**Total emissions of GHG** *tCO_2e*	1,117	1,659	+49%	-34.6%	**-43.3%**	▪ Central area ▪ Outdoor pedestrian area ▪ GLA	
	Total emissions of GHG per sq.m. *$kgCO_2e$/sq.m.*	3.3	3.8	+15%	-52.2%	**-60.5%**		
	Share of the scope of ownership	*85%*	*88%*	*+3%*	*-1.1%*			
	Breakdown of direct and indirect emissions				43% Scope 1	57% Scope 2		
like-for-like scope of reporting	**Total emissions of GHG** *tCO_2e*	1,093	1,304	+19%	-56.7%	**-53.4%**	▪ Central area ▪ Outdoor pedestrian area ▪ GLA	
	Total emissions of GHG per m^2 *$kgCO_2e/m^2$*	3.3	3.9	+19%	-60.0%	**-57.0%**		
	Share of the scope of ownership			*68%*				
	Breakdown of direct and indirect emissions				44% Scope 1	56% Scope 2		

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 657 FTE for 2017.

WATER	2016	2017	Change in 2016 -2017	Change 2010-2017
Water consumption *m^3*	8,594	9,576	+11.4%	+32.5%
Ratios:				
Water consumption per *m^2 L/m^2*		994	-	-
Water consumption per employee *L/FTE*		14,568	-	-

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 631,290 GLA (in m²) for 2017 and like-for-like scope 483,525 GLA (in m²) for 2016-2017

		2016	2017	Change in 2016 -2017	Change 2010-2017	Relevant surface area
Shopping centres	**Total water consumption** *m^3*	118,163	117,854	-0%	-24.7%	CA+PA
	Common area water consumption *m^3*	36,644	40,711	+11%	-10.6%	
	Common area water consumption per visitor *L/visitor*	0.76	0.91	+20%	+33.2%	CA
	Portion of total scope	*46%*	*34%*	*-26%*	*-14.1%*	
Lifestyle Centers	**Total water consumption** *m^3*	93,579	170,375	+82%	+68.3%	CA+PA
	Common area water consumption *m^3*	12,356	35,159	+185%	+216.1%	
	Common area water consumption per visitor *L/visitor*	0.75	1.10	+47%	+103.0%	CA
	Portion of total scope	*17%*	*34%*	*+108%*	*+82.6%*	
Family Villages and Retail Parks	**Total water consumption** *m^3*	22,331	32,041	+43%	+42.8%	CA+PA
	Common area water consumption *m^3*	9,360	12,759	+36%	+4.6%	
	Common area water consumption per visitor *L/visitor*	0.30	0.43	+43%	+121.0%	CA
	Portion of total scope	*23%*	*20%*	*-14%*	*+9.1%*	
Current scope of reporting	**Total water consumption** *m^3*	234,073	320,270	+36.8%	+12.6%	CA+PA
	Common area water consumption *m^3*	58,359	88,629	+51.9%	+16.2%	
	Common area water consumption per visitor *L/visitor*	0.61	0.83	+37.2%	+57.2%	CA
	Portion of total scope	*85%*	*88%*	*+3%*	*-1.1%*	
Like-for-like scope of reporting	**Total water consumption** *m^3*	228,027	248,298	+8.9%	-0.9%	CA+PA
	Common area water consumption *m^3*	54,791	65,526	+19.6%	+6.9%	
	Common area water consumption per visitor *L/visitor*	0.58	0.72	+23.7%	+39.6%	CA
	Portion of total scope			*68%*		

Waste indicators

Portfolio – waste produced for the existing portfolio

DEFINITION:

Waste produced in Standing Assets managed by Altarea Cogedim in the current scope of reporting and on a like-for-like basis, total and per visitor.

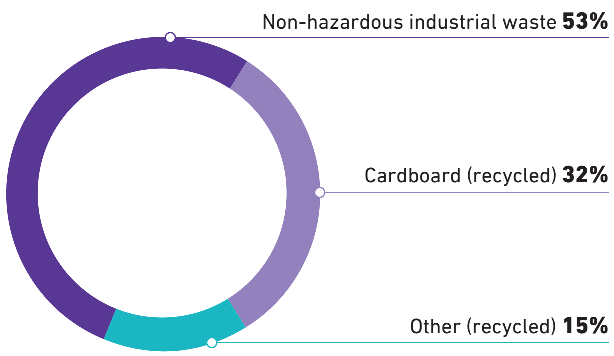
RELEVANT SCOPE:

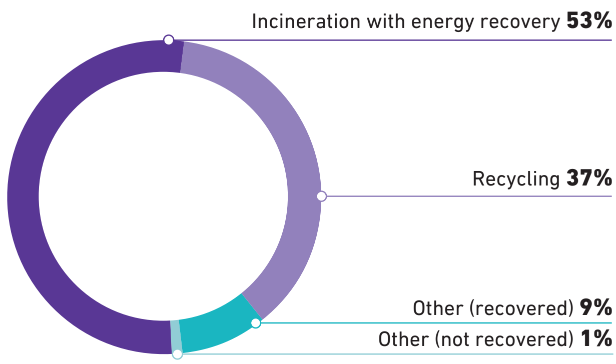
Curent scope of reporting 631,290 GLA (in m²) for 2017 and like-for-like scope 483,525 GLA (in m²) for 2016-2017

		2016	2017	Change in 2016-2017	Change 2010-2017
Shopping centres	**Waste produced** *tonnes*	1,941	2,033	+4.8%	-34.9%
	Waste produced per visitor *kg/visitor*	0.04	0.05	+15.0%	+2.4%
	Percentage of waste sorted	28%	36%	+25%	+76.5%
	Portion of total scope	*46%*	*34%*	*-26%*	*-14.1%*
Lifestyle Centers	**Waste produced** *tonnes*	253	4,479	+1670.5%	+593.7%
	Waste produced per visitor *kg/visitor*	0.02	0.14	+840.0%	+344.0%
	Percentage of waste sorted	47%	51%	+8%	+60.7%
	Portion of total scope	*17%*	*34%*	*+108%*	*+82.6%*
Family Villages and Retail Parks	**Waste produced** *tonnes*	1,107	1,122	+1.3%	-3.5%
	Waste produced per visitor *kg/visitor*	0.04	0.04	+5.7%	+93.1%
	Percentage of waste sorted	53%	52%	-2.7%	-4.9%
	Portion of total scope	*23%*	*20%*	*-14%*	*+9.1%*
Current scope of reporting	**Waste produced** *tonnes*	3,301	7,633	+131.3%	+60.5%
	Waste produced per visitor *kg/visitor*	0.03	0.07	+111.8%	+86.0%
	Percentage of waste sorted	38%	47%	+22.9%	+46.8%
	Portion of total scope	*85%*	*88%*	*+3%*	*-1.1%*

Like-for-like scope of reporting	**Waste produced** *tonnes*	3,245	3,422	+5.5%	-12.3%
	Waste produced per visitor *kg/visitor*	0.03	0.04	+11.8%	14.8%
	Percentage of waste sorted	38%	42%	+10.7%	+69.2%
	Portion of total scope		*68%*		

CURRENT SCOPE OF REPORTING





5.8.2 Social indicators

RELEVANT SCOPE:
Employees on a permanent contract or on a fixed-term contract with Altarea cogedim, excluding Histoire & Patrimoine at 31/12/2017

Representation, diversity, social dialogue

Recruit and manage

THEME	Indicator	Unit	2016 Excluding Pitch Promotion	2017 Excluding Pitch Promotion	Change Excluding Pitch Promotion	2017 With Pitch Promotion
Breakdown by age Group	Percentage of employees younger than 30	%	15.78%	17.13%	9%	17.26%
	Percentage of employees between 30 and 50	%	66.00%	66.31%	0%	65.73%
	Percentage of employees older than 50	%	18.22%	16.56%	-9%	17.01%
Breakdown by country	Percentage of employees in France	%	97.92%	98.34%	0%	98.56%
	Percentage of employees in Italy	%	1.51%	1.22%	-19%	1.06%
	Percentage of employees in Spain	%	0.43%	0.43%	0%	0.38%
	Percentage of employees in Luxembourg	%	0.14%	0.00%	-100%	0.00%
Breakdown by status	Percentage of employees in management positions	%	71.6%	76.0%	6%	73.4%
	Percentage of employees in non-management positions	%	28.4%	24.0%	-15%	26.6%
Recruitment	New hires (permanent contract) during the period	Nb.	316	352	11%	406
	New hires (fixed-term contract) during the period	Nb.	81	92	14%	102
	Percentage of new hires in management positions	%	66.75%	68.24%	2%	64.17%
	Percentage of new hires in non-management positions	%	33.25%	31.76%	-4%	35.83%
Departures	Number of dismissals	Nb.	14	16	14%	17
	Departure rate: Number of departures during the period/ average headcount	%	19.76%	19.94%	1%	19.84%
	Manager departure rate	%	16.66%	15.54%	-7%	15.13%
	Non-Manager departure rate	%	28.34%	33.42%	18%	32.36%
Reasons for departure	Departure during trial period	%	13.97%	9.92%	-29%	10.33%
	Expiry of fixed-term contract	%	33.19%	33.21%	0%	31.67%
	End of contract (miscellaneous)	%	0.44%	0.76%	75%	0.67%
	Early termination of fixed-term contract (employee and Company decisions)	%	1.31%	0.76%	-42%	1.00%
	Resignation	%	27.51%	29.39%	7%	30.67%
	Dismissal	%	6.11%	6.11%	0%	5.67%
	Retirement or pre-retirement	%	5.68%	4.58%	-19%	4.96%
	Termination of fixed-term contract by mutual agreement	%	0.44%	1.15%	162%	1.00%
	Agreement between employer and employee	%	10.92%	13.74%	26%	14.00%
Organisation of working hours	FTE (Full-Time Equivalent) headcount (permanent + fixed-term contract)	Nb.	1,149.47	1,302.72	13%	1,501.80
	Number of hours theoretically worked	hour	1,754,425	1,946,689	11%	NA
	Number of hours worked by temporary employees	hour	17,112	31,474	84%	NA
	Number of overtime hours worked	hour	871	1,303	50%	NA

Respecting diversity

THEME	Indicator	Unit	2016 Excluding Pitch Promotion	2017 Excluding Pitch Promotion	Change Excluding Pitch Promotion	2017 With Pitch Promotion
Gender equality	Percentage of women in the total headcount	%	56.60%	55.80%	-1%	56.16%
	Percentage of women among management-level employees	%	44.29%	44.83%	1%	44.76%
	Percentage of women among management-level employees	%	56.02%	61.03%	9%	58.46%
	Percentage of female members of the Expanded Executive Management committee	%	18.18%	20.00%	10%	NA
	Percentage of women departed	%	57.64%	59.92%	4%	61.33%
Disabilities	Number of employees having reported a disability	Nb.	14	15	7%	NA
Anti-discrimination measures	Number of interns during the period	Nb.	57	52	-9%	60
	Number of work-study contracts during the period	Nb.	124	159	28%	160

Dialogue with employee representatives

THEME	Indicator	Unit	2016 Excluding Pitch Promotion	2017 Excluding Pitch Promotion	Change Excluding Pitch Promotion	2017 With Pitch Promotion
Organisation of employee-management dialogue	Number of employee representatives (steering committee + works council)	Nb.	34	37	9%	NA
Collective bargaining agreements	Percentage of employees covered by a collective agreement (%)	%	97.52%	96.98%	-1%	97.37%

Compensation and skills development

Giving employees a stake in the results

THEME	Indicator	Unit	2016 Excluding Pitch Promotion	2017 Excluding Pitch Promotion	Change Excluding Pitch Promotion	2017 With Pitch Promotion
Fixed compensation[a]	Average gross annual employee compensation - excluding variable compensation and employer contributions	€	58,810	58,490	-1%	NA
	Average gross annual non-management compensation - excluding variable compensation and employer contributions	€	33,260	32,985	-1%	NA
	Average gross annual management compensation - excluding variable compensation and employer contributions	€	70,129	68,644	-2%	NA

(a) Excluding Cogedim Management Board.

Developing skills

THEME	Indicator	Unit	2016 Excluding Pitch Promotion	2017 Excluding Pitch Promotion	Change Excluding Pitch Promotion	2017 With Pitch Promotion
Budget	Total training expenditure	€ thousand	1,785	2,318	30%	NA
	Average training expenditure per employee trained	€ thousand	2.03	2.12	5%	NA
	Investment rate for training	%	2.46%	2.87%	17%	NA
Hours of training	Average number of hours per employee participating in at least one training course	Nb.	12.29	16.06	31%	16.13
	Average number of hours for Managers	Nb.	13.3	18.0	35%	18.0
	Average number of hours for non-Managers	Nb.	9.2	10.4	14%	11.2
Type of training[a]	Percentage of hours spent in office and computer skills courses	%	2.17%	0.00%	-100%	0.00%
	Percentage of hours spent in management and support courses	%	11.77%	0.00%	-100%	0.00%
	Percentage of hours spent in language courses	%	3.11%	0.00%	-100%	0.00%
	Percentage of hours spent in health and safety courses	%	2.11%	0.00%	-100%	1.02%
	Percentage of hours spent in core business courses	%	80.85%	67.68%	-16%	68.65%
	Percentage of hours spent in support courses	%	0.00%	0.00%		0.00%
	Percentage of training hours spent in professional development courses	%	0.00%	19.23%		18.10%
	Percentage of training hours spent in "New uses" courses	%	0.00%	13.09%		12.22%
Promotions	Number of employees who were promoted during the period	Nb.	130	116	-11%	NA
	Percentage of employees who were promoted during the period	%	11.21%	8.83%	-21%	NA
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.	149	214	44%	NA
	Percentage of employees who benefited from one or more types of mobility during the period	%	12.85%	16.28%	27%	NA

(a) Training categories were reviewed in 2017.

Health/Safety of employees

ENSURING EMPLOYEE HEALTH/SAFETY				ALTAREA COGEDIM				Altareit			
GRI CODE	THEME	Indicator	Unit	2016 Excluding Pitch Promotion	2017 Excluding Pitch Promotion	Change Excluding Pitch Promotion	2017 With Pitch Promotion	2016 Excluding Pitch Promotion	2017 Excluding Pitch Promotion	Change Excluding Pitch Promotion	2017 With Pitch Promotion
LA 1	**Absenteeism[(a)]**	Total absentee rate	%	5.59%	5.18%	-7%	NA	5.14%	4.61%	-10%	NA
		Management absentee rate	%	4.64%	4.28%	-8%	NA	4.44%	3.69%	-17%	NA
		Non-management absentee rate	%	8.36%	7.97%	-5%	NA	7.36%	7.63%	4%	NA
		Total absentee rate excluding maternity/paternity leave/other causes	%	2.61%	2.67%	2%	NA	2.17%	2.22%	2%	NA
	Reasons	Absence due to workplace accident	%	0.04%	1.39%	3091%	NA	0.00%	2.21%		NA
		Absence due to occupational illness	%	0.00%	0.00%		NA	0.00%	0.00%		NA
LA 9	**Health, Safety and Working Conditions committee (CHSCT)**	Number of CHSCT Meetings (employee representatives + works council)	Nb.	16	16	0%	NA	4	8	100%	NA
		Workplace health and safety agreements signed	Nb.	0	0		NA	0	0		NA
LA 7	**Workplace accidents**	Frequency rate of workplace accidents	%	0.60	3.25	438%	NA	0.00	11.94		NA
		Severity rate of workplace accidents	%	0,003	0.11	3567%	NA	0.00	0.15		NA
		Number of occupational illnesses declared (and recognised) during the year	Nb.	0	0		NA	0	0		NA

(a) Any absence excluding annual vacation and "RTT" days.

5.9 Cross-reference tables Article 225 Grenelle

The environment

Theme	Issue	Chapter	Pages
General environmental policy	Company organisation in order to take environmental issues into account	5.2.3 CSR governance structure and model	170
	Where required, environmental assessment or certification processes	5.2.2.4 Deployment of the CSR strategy: General Management System (GMS)	168
	Initiatives to train and inform employees about environmental protection	5.2.3 CSR governance structure and model 5.2.2.4 Deployment of the CSR strategy: General Management System (GMS)	170 168
	Resources devoted to preventing environmental risks and pollution	6.6.2.6 Social and environmental risks 6.6.3.6 Social and environmental risk management systems	261 272
	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	223
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	221
	Consideration of sound pollution and any other type of pollution specific to an activity	5.4.4 Comfort, health and well-being in projects 5.6.6.1 Disturbances and pollution during the construction phase	187 223
The circular economy	Waste prevention, recycling and other forms of re-use and elimination measures	5.6.3 The circular economy	219
	Actions to fight against food waste	Not applicable	
	Water consumption and provision based on local constraints	5.6.5 Water management	222
	Consumption of raw materials and the measures taken to improve efficiency in their use	5.6.3 The circular economy	219
	Energy consumption, measures taken to improve energy efficiency	5.6.1 Energy and climate	204
	Use of renewable energy	5.6.1.3 Development of renewable energies	209
	Land use	5.6.4 Biodiversity and land management	221
Climate change	The significant sources of greenhouse gas emissions generated as a result of Company activities are, notably, the use of the goods and services it produces	5.6.1 Energy and climate	204
	Adaptation to the consequences of climate change	5.6.1.4.3 Anticipating and adapting to climate change	213
Protecting biodiversity	Measures taken to preserve or develop biodiversity	5.6.4 Biodiversity and land management	221

Social

Theme	Issue	Chapter	Pages
Jobs	Total workforce and breakdown by gender, age and geographical region	5.5.1.2 Changes in workforce	197
	New hires and dismissals	5.5.2.1.2 Headcount changes 5.5.2.1 Recruitment policy	198
	Compensation and changes over time	5.5.3 Compensation and value sharing	200
Work organisation	Organisation of working hours	5.5.1.3 Organisation of working hours	198
	Absenteeism	5.5.5.2 Absenteeism	203
Social relations	Organisation of employee-management dialogue, including procedures to inform, consult and negotiate with employees	5.5.2.5 Dialogue with employee representatives	200
	Review of collective agreements	5.5.2.5 Dialogue with employee representatives	200
Health and safety	Workplace health and safety conditions	5.5.5.1 Safety, health and well-being of employees	203
	Agreements signed with labour unions or employee representatives concerning workplace health and safety	5.5.5.1 Safety, health and well-being of employees	203
	Workplace accidents, including their frequency and severity, and occupational illnesses	5.5.5 Employee health and safety	203
Training	Training policy	5.5.4 Talent and skills management	201
	Total training hours	5.5.4.2 An impactful first year	201
Diversity and equal opportunities/equal treatment	Policy implemented and measures taken to promote gender equality	5.5.2 Recruitment, diversity and equal opportunities	198
	Policy implemented and measures taken to promote employment and integration of persons with disabilities	5.5.2 Recruitment, diversity and equal opportunities	198
	Anti-discrimination policy implemented and measures taken	5.5.2 Recruitment, diversity and equal opportunities	198
Promotion and enforcement of the fundamental ILO Conventions, regarding	Respect for freedom of association and right to collective bargaining	5.5.2.6 Compliance with the eight ILO conventions	200
	Elimination of discrimination in respect of employment and occupation	5.5.2.6 Compliance with the eight ILO conventions	200
	Elimination of forced or compulsory labour;	5.5.2.6 Compliance with the eight ILO conventions	200
	Effective abolition of child labour.	5.5.2.6 Compliance with the eight ILO conventions	200

Societal

Theme	Issue	Chapter	Pages
Territorial, economic and social impact of the Company's activities	On employment and regional development	5.4.2 Local development	181
	On local or resident populations	5.4.2 Local development	181
Terms of dialogue with these groups or organisations	Terms of dialogue with these groups or organisations	5.4.2 Local development 5.2.2.3 Relations with stakeholders	181 168
Partnership or sponsorship initiatives	Partnership or sponsorship initiatives	5.4.6 Partnerships 5.4.11 Sponsorship and partnership	191 195
Subcontracting and suppliers	Inclusion of social and environmental issues in the procurement policy	5.4.9 Responsible purchases and supplier relationships	193
	Degree of subcontracting and recognition of social and environmental policy in relations with suppliers and subcontractors	5.4.9 Responsible purchases and supplier relationships	193
Fair practices	Actions taken to prevent corruption	5.4.7 Professional ethics	192
	Measures taken to promote consumer health and safety	5.4.1 Customer and user relations 5.4.4 Comfort, health and well-being in projects:	177 187
Other actions taken to promote Human Rights	Other actions taken to promote Human Rights	5.4.9 Responsible purchases and supplier relationships	193

5.10 Independent third-party report on the consolidated social, environmental and societal information

For the financial year ended 31 December 2017

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 2017, 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 2017 (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 (Declaration 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).

However, it is not our responsibility to make a determination on compliance with any other legal provisions applicable, in particular those referred to in Law No. 2016-1691 of 9 December 2016, known as Sapin II (fight against corruption).

Our work was performed by a team of four people between October 2017 and February 2018 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. Declaration 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 CSR Department, Customer division, Corporate Management Control and Product Technology Department (Residential division) 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, 16% of the private surface area and 19% 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.

(1) ***Social information:***

–indicators (quantitative information): total headcount, absenteeism rate, the frequency rate of accidents in the workplace, and the average number of training hours per employee trained;.

–qualitative information: employment (total headcount and breakdown, remunerations and changes over time), movements, health and safety at work, training and skills development policy, compensation, diversity and equal opportunity.

Environmental and societal information:

–qualitative information: the general environmental policy (organisation, evaluation or certification processes), measures taken to improve energy efficiency and the recourse to renewable energies, waste management, land and biodiversity management, territorial impact (mixed-use and local development, direct, indirect, induced and hosted jobs), customer and user relations, business ethics, connectivity and mobility, new uses and digitalisation, the level of subcontracting and the inclusion in supplier and subcontractor relationships of their social and environmental responsibility;

–Indicators (quantitative information): the share of surface areas already certified or in the process of environmental certification (environment management system), primary energy consumption and CO_2 emissions per m^2 of retail assets, energy performance and the share of surfaces exceeding heat regulatory requirements, Group CO_2 emissions (Scope 1 and 2 and the assessment of scope 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 portion of sites located less than 500 metres from a transport system (urban integration), the share of operations engaged in a process of comfort, health and well-being.

(2) The Flins (Flins-sur-Seine), Espace Gramont (Toulouse) and Thiais Village (Thiais) shopping centres.

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, 15 March 2018

Independant Third-party body
ERNST & YOUNG et Associés

Eric Duvaud
Sustainable Development Partner

Bruno Perrin
Partner

GENERAL INFORMATION 6

6.1 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.

1996

Control of Espace Aménagement, the retail property management arm of Foncière Rallye.

2000

Delivery of Bercy Village, a redevelopment project started in 1997.

2001

Start of operations in Italy with the creation of Altarea Italia.

2002

Start of Retail Parks business with the creation of Compagnie Retail Park.

2004

Start of operations in Spain with the creation of Altarea España. Stock exchange listing of Altarea on Euronext Paris.

2005

SIIC regime opted for.

2006

Acquisition of property assets of Bail Investissement Foncière.

2007

Acquisition of Cogedim. Adaptation to SIIC 4 regime through the conversion of Altarea into 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 (French MIN), the world's largest food wholesale market in volume terms, under a concession contract running until 2049.

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

Acceleration of the sustainable development approach: the Groupe receives one of the first three French HQE® Retail (high environmental quality) certifications for Okabe (Kremlin Bicêtre) and rolls out the NF Residential certification for residential property.

2010

Acquisition of Aldeta, the company that owns the regional Cap 3000 shopping centre in Nice, by the consortium Altarea-ABP-Predica (Alta Blue).

2011

Creation in partnership with the ABP Pension Fund and Predica of AltaFund, an office property investment fund with equity of €650 million.

2012

Stake in the share capital of Alta Blue (Cap 3000) increased to 61.77%.

2013

Long-term partnership with Allianz Real Estate for a portfolio of five shopping centres over which Altarea retains control and management. Delivery of the first Cogedim Club®, the Serviced Residences business line for active seniors. The Group also develops halls of residence for students, business tourism, etc.

2014

Delivery of the regional shopping centre Qwartz (Villeneuve-la-Garenne) which receives a MAPIC Award for its digital innovations. Redevelopment of the ex-Laennec Hospital creating a new «urban district» in the 7 th *Arrondissement* of Paris. The SNCF chooses Altarea Cogedim for the modernisation of Paris-Montparnasse Station. Launch of the Cap 3000 extension-renovation, which will double the surface area of the site by 2019 (135,000 m^2). Acquisition of 55% of Histoire & Patrimoine, a specialist in the renovation of standing assets and tax efficient products (Malraux, Déficit Land). Partnership with Crédit Agricole Assurances in the Cogedim Club® operating company.

2015

Altarea Cogedim, leading urban developer in France, lays the first stone for the large mixed-use project, Place du Grand Ouest in Massy. Reprofiling of the balance sheet on very favourable terms, with almost €2.2 billion raised for financing/refinancing.

2016

Acquisition of 100% of the share capital of Pitch Promotion. The Group exceeds its objective of 10,000 units sold. Delivery of the shopping centres L'Avenue 83 in Toulon, Le Parks in Paris and the first tranche of the redevelopment of Cap 3000. New successes with large mixed-use projects (Bobigny, Belvédère district in Bordeaux and Cœur de Ville in Issy-les-Moulineaux).

2017

Success with a first unrated listed bond issue (€500 million). Delivery of the large mixed-use project Place du Grand Ouest in Massy. The Group wins the tender to create a shopping and leisure centre in Ferney Voltaire on the outskirts of Geneva. Cogedim is voted Customer Service Company 2018. Altarea Cogedim is the 8th-ranked company in France for customer relations and Number 1 property developer according to the Les Echos/Human Consulting Group rankings and is now also global Number 1 among listed companies assessed by GRESB.

6.2 General information about the issuer

6.2.1 Company name (Article 3 of the Articles of Association)

The Company's name is Altarea.

6.2.2 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.

6.2.3 Special legislation applicable

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).

6.2.4 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.

6.2.5 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.

6.2.6 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:

- principal purpose: 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;
- secondary purpose: 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;
- on an exceptional basis, the exchange or disposition, by sale, contribution or otherwise, of property assets acquired or built for letting in accordance with the Company's principal purpose;
- and, in general, any civil, financial, commercial, industrial, real estate and other transactions deemed useful for the furtherance of one of the Company's above-mentioned purposes.

6.2.7 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 6820 B (Administration of other property assets).

The Company's legal entity identification Code (LEI) is 969500ICGCY1PD6OT783.

The Company's intra-European VAT number is FR 34 335 480 877.

It is listed on Compartiment A of Euronext Paris (ISIN Code: FR0000033219 – Ticker symbol: ALTA).

6.2.8 Financial year (Article 31 of the Articles of Association)

The financial year begins on 1 January and ends on 31 December.

6.2.9 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 (as defined in Article 10 of the Articles of Association – see 6.3.1 below) 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 offset 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.

6.3 General information about the share capital

6.3.1 Share capital – Form and negotiability of the shares

Amount of the share capital (Article 6 of the Articles of Association)

As of the date of this Registration Document, the share capital was €245,279,324.06. It was divided into 16,051,842 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.

Changes to the share capital and the respective rights of the various categories of shares

The share capital may be modified as provided for by the law. The provisions of the Articles of Association regarding alterations to the share capital are no more restrictive than the provisions of the law, and they do not provide for any special classes of shares.

Form of shares (Article 10 of the Articles of Association)

Fully paid up shares may be in either registered or bearer form, at the Shareholder's option.

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 Shareholders' Meetings either immediately or in the future, as well as the number of securities held and any restrictions attached thereto.

The shares are indivisible for the purposes of the Company. Joint owners of shares shall accordingly be represented for the Company's purposes by one of the owners or by a person appointed by the owners as their sole representative. In the event of disagreement, the representative will be appointed by order of the presiding judge of the commercial court in summary proceedings at the request of the most diligent joint owner.

Trading in the shares (Article 11 of the Articles of Association)

The shares may be traded without restriction save for any provisions to the contrary set out in law, regulations or the Articles of Association.

Authorisations involving the share capital

The information concerning delegations valid during 2017, granted by General Shareholders' Meetings, and their use during the course of the previous year is provided in the Supervisory Board report on corporate governance included under chapter 7 of this Registration Document.

Free share allocations

The information concerning free share allocations is presented in Sections 3.6 (Note 6.1. to the consolidated financial statements), 5.5.3.1 and 7.2. of this Registration Document. In accordance with Article L. 225-197-4 of the French Commercial Code it is reported that the ten group employees (not corporate officers) who were allocated the highest number of free shares in the 2017 financial year, received a total of 13,512 free shares allocated in 2017, with a total value of €2,087 thousand (according to the method used in the consolidated financial statements).

Stock options

At 31 December 2017, as at 31 December 2016, there were no outstanding stock options.

6.3.2 Share buyback program

At the Combined General Shareholders' Meeting of 15 April 2016 and that of 11 May 2017, 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 per share set respectively at €250 per share by The Meeting in 2016 and €300 per share by The Meeting in 2017.

Pursuant to these authorisations, Management decided to implement a share buyback program on 15 April 2016 and 11 May 2017 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 French Financial Markets Authority (*AMF*);

(2) to allocate shares to employees and/or corporate officers (in accordance with conditions set forth by law), particularly under a stock option plan, a bonus share plan or a company savings plan;

(3) to allocate shares to the holders of 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;

(4) possible cancellation of shares purchased;

(5) implementation of any market practice that may be recognised by the *AMF*.

A description of these share buyback programs 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 2017:

Month	Number of shares purchased	Number of shares sold	Number of shares transferred[a]	Balance of treasury shares	Price at end of month
January	14,575	1,507		201,623	€175.10
February	5,258	1,007	77,685	128,189	€177.00
March	24,574	1,858		150,905	€181.40
April	559	999	13,024	137,441	€185.15
May	4,154	1,496		140,099	€189.95
June	27,107	707		166,499	€200.00
July	19,926	205	9,300	176,920	€191.00
August	15,278	1,058		191,140	€192.80
September	12,649	464		203,325	€197.05
October	32,395	58		235,662	€193.25
November	14,550	672		249,540	€192.90
December	38,492	977		287,055	€208.10

(a) In the context of bonus share plans for employees.

At 31 December 2017, in the accounting records of Altarea, the item «Treasury shares liquidity contract», which corresponds to objective (1), showed 913 treasury shares and the item «Shares held for allocation», which corresponds to objective (2), showed 286,142 treasury shares.

The Annual Ordinary General Shareholders' Meeting convened to approve the accounts for 2017 will be asked to renew, under the same terms, the authorisation conferred by The Meeting of 11 May 2017 to proceed with share buybacks up to a maximum of 10% of the shares comprising the share capital and within the same maximum amount of €100 million, with a maximum price of €300 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 bonus share 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 program; 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*.

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 Article 3 of the Delegated Regulation (EU) 2016/1052 of 8 March 2016.

6.3.3 Shares giving access to share capital

At the date of filing this Registration Document, no securities giving access to the share capital had been issued by the Company.

6.3.4 Changes to share capital

Table of changes to share capital over the past 3 financial years

Date	Transaction	Number of shares issued	Nominal amount of the transaction	Share premium	Total number of shares	Par value per share	Amount of total share capital
26/02/2016	Reserved capital increase	190,000	€2,903,200.00	€28,762,200.00	12,705,497	At par	€194,147,172.46
06/05/2016	Capital increase resulting from payment of a scrip dividend	821,762	€12,556,523.36	€114,413,923.26	13,527,259	At par	€206,703,695.82
15/06/2016	Capital increase with pre-emptive subscription rights	1,503,028	€22,966,267.84	€187,457,652.16	15,030,287	At par	€229,669,963.66
06/06/2017	Capital increase resulting from payment of a scrip dividend	1,021,555	€15,609,360.40	€141,546,660.80	16,051,842	At par	€245,279,324.06

Change in 2017: Capital increase correlating to the 2016 scrip dividend payment (June 2017)

In 2017, the Company carried out a capital increase at the time of payment of the 2016 dividend, in compliance with the terms of the fourth resolution approved by the Combined General Shareholders' Meeting of 11 May 2017, 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 Shareholders' Meeting decreased by the dividend amount of €11.50 per share decided by the third resolution and rounded to the next highest euro cent.

As the average of the first listed prices in the 20 trading sessions preceding the General Shareholders' Meeting was €183.708, after a discount of 10% and subtracting the dividend, the issue price of new shares offered to Shareholders under the scrip dividend was €153.84 per share.

At the end of the option exercise period, set from 16 to 29 May 2017, a total of 1,021,555 shares had been subscribed, a subscription rate of 92%.

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 1,021,555 new shares totalled €15,609,360.40.

The Company's capital consequently rose from €229,669,963.66 to €245,279,324.06, divided into 16,051,842 shares.

The 1,021,555 shares were created, delivered and admitted to trading on 6 June 2017. The cash dividend totalled €14.2 million and was paid to Shareholders on the same day.

6.3.5 Capital breakdown

The Company does not know the exact composition of its ownership at all times, as some of its shares are held in bearer form.

Ownership at 31 December 2017

	Theoretical shares and voting rights		Actual voting rights at General Shareholders' Meetings	
Shareholder	Number	%	Number	%
Concert of Founders[(a)]	7,353,472	45.81	7,353,472	46.64
Extended Concert[(b)]	7,402,944	46.12	7,402,944	46.96
Crédit Agricole Assurances	3,966,708	24.71	3,966,708	25.16
ABP (APG)	1,323,562	8.25	1,323,562	8.40
Opus Investment	212,739	1.33	212,739	1.35
Treasury shares	287,055	1.79	-	-
Public float	2,858,834	17.81	2,858,834	18.13
TOTAL	**16,051,842**	**100**	**15,764,787**	**100**

(a) Shares and voting rights held as of 31 December 2017 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 6.3.6 below.

(b) Concert existing among the aforementioned founders, on the one hand, and Stéphane Theuriau on the other hand, as well as members of their families and the companies they control. See paragraph 6.3.6 below.

To the Company's knowledge, no significant change has occurred in the capital breakdown since 31 December 2017 and no Shareholders currently hold, directly or indirectly, alone or in concert, more than 5% of the share capital and voting rights.

The 10 existing General Partner (*commandité*) shares with a 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.

Employee Shareholders

In accordance with Article L. 225-102 of the French Commercial Code, it is specified that as of 31 December 2017 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 0.68% of the Company's share capital.

It must be emphasised 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) and shares definitively acquired under bonus share plans authorised by the General Shareholders' Meeting since the Macron Law, of 6 August 2015, took effect.

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.

Pledges of Company shares

At 31 December 2017, the number of pledged fully registered shares[2] was 3,484,945, 22% of the number of shares comprising the share capital.

Change in ownership structure over the past three financial years

	31/12/2017		31/12/2016		31/12/2015	
Shareholder	**Number of shares**	**% share capital and voting rights**	**Number of shares**	**% share capital and voting rights**	**Number of shares**	**% share capital and voting rights**
Concert of Founders	7,353,472	45.81	6,895,084	45.87	5,899,110	47.13
Extended Concert*	7,402,944	46.12	6,981,096	46.45	5,975,714	47.75
Crédit Agricole Assurances	3,966,708	24.71	3,993,953	26.57	3,419,655	27.32
ABP (Apg)	1,323,562	8.25	1,231,504	8.19	1,034,692	8.27
Opus Investment	212,739	1.33	197,940	1.32	165,999	1.33
Treasury shares	287,055	1.79	188,555	1.25	169,263	1.35
Public float	2,858,834	17.81	2,437,239	16.22	1,750,174	13.98
TOTAL	**16,051,842**	**100.00**	**15,030,287**	**100.00**	**12,515,497**	**100.00**

* *See paragraph 6.3.6 below.*

Threshold crossings

Legal threshold crossings during 2017

In 2017, the following threshold crossings were disclosed to the *AMF*:

Date of crossing	Discloser	Share capital and voting rights thresholds crossed	Number of shares after crossing	% share capital and voting rights after crossing	*AMF* Information No.
19/01/2017	Crédit Agricole SA[a]	25% down	3,693,954	24.58%	217C0253
28/03/2017	Gilles Boissonnet[b]	1/3, 30%, 25%, 20%, 15%, 10% and 5% down	41,808	0.28%	217C0764

(a) Indirectly through the intermediary of Predica, La Médicale de France, Spirica, Crédit Agricole Assurances, CA Vita and Crédit Agricole Life Insurance Company SA, which it controls, with Predica having on its own crossed below the same threshold.
(b) Crossing resulting from leaving the concert that he formed with S. Theuriau, A. Taravella and J. Nicolet and the companies that they control (See paragraph 6.3.6 below).

Disclosure of statutory threshold crossings (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.

(1) In accordance with current regulations, this only shows Altarea shares still held by the employee schemes and the bonus shares definitively allocated to employees on the basis of an authorisation by the General Shareholders' Meeting after the law of 6 August 2015 («Macron Law») are shown.
(2) Including Societe Generale with 3,000,000 shares, Banque Palatine with 268,688 shares, BNP Paribas with 194,153 shares and LCL with 8,599 shares.

6.3.6 Control of the Company and Shareholders' agreements

Control of the Company

Description of the control over the Company

There is a disclosed concert between:

- Alain Taravella, the companies AltaGroupe, Alta Patrimoine and Altager, which he controls, and members of his family;
- Jacques Nicolet and the company Everspeed, which he controls.

The disclosed concert between Alain Taravella and Jacques Nicolet has existed since taking over control of the Company 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 *AMF* 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* ruling & Information No. 214C1286 of 3 July 2014).

In a letter received on 4 April 2017 by the *AMF*, Gilles Boissonnet disclosed that he had left the above-mentioned concert on 28 March 2017 (*AMF* ruling & Information No. 217C0764 of 5 April 2017).

At 31 December 2017, the concert members collectively held 46.12% of the capital and theoretical voting rights of the Company and 46.96% of actual voting rights (those that could effectively be cast at General Shareholders' Meetings, taking into account treasury shares stripped of their voting rights).

In a letter received on 6 March 2018 by the French Financial Markets Authority (*AMF*), Stéphane Theuriau declared that he had left the above-mentioned concert on 6 March 2018 (*AMF* Decision & Information No.218C0547 of 7 March 2018).

At the date of the Registration Document, the members of the concert, Alain Taravella and Jacques Nicolet, as well as the members of their families and, the companies they control, hold a total of 45.81% of the share capital and theoretical voting rights of the Company.

Measures preventing improper control

Regarding governance, the Supervisory Board's corporate governance report (Chapter 7) specifies: the Supervisory Board examines investments and divestments starting from a very low threshold (€15 million); the Supervisory Board's Special Committees, namely 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.

Absence of improper control

Measures have been adopted to prevent any improper control. The Company believes that there is no risk of control being improperly exercised.

Shareholders' agreement

As of the date of this document, the Company was aware of the following Shareholders' agreements:

Description	Date	Validity	Signatories	Commitments
Shareholders' Agreement	12/06/2008	10 years	Alain Taravella, Jacques Nicolet, Altafinance 2, Everspeed and the ABP Pension Fund	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 Agreements	22/12/2011		Altafinance 2, Altafi 2, Jacques Nicolet, Opus Investment and Christian de Gournay	Undertakings to hold shares
Dutreil Agreements	21/12/2012		Altafinance 2, Altafi 2, Jacques Nicolet, Opus Investment and Christian de Gournay	Undertakings to hold shares
Dutreil Agreements	23/12/2014		AltaGroupe, Altafi 2, Opus Investment, Christian de Gournay and Jean-François Favre	Undertakings to hold shares

6.3.7 Company officers and related party transactions in Company shares

During 2017, Company officers and related parties declared the following share transactions to the Company:

Name	Title on transaction date	Transaction	Financial Instrument	Total gross amount of transactions
Alta Patrimoine	Legal person related to Alain Taravella, Co-Manager	Sale	Shares	€4,512,500
		Payment of scrip dividend	Shares	€42,800,288
AltaGroupe	Legal person related to Alain Taravella, Co-Manager	Payment of scrip dividend	Shares	€23,268,300
Altager	Legal person related to Alain Taravella, Co-Manager	Payment of scrip dividend	Shares	€10,078,520
Everspeed	Legal person related to Jacques Nicolet, Supervisory Board member	Payment of scrip dividend	Shares	€1,200,567
		Disposals	Shares	€3,716,926
Stéphane Theuriau	Chief Executive Officer of Atlas, Co-Manager	Acquisition of free shares	Shares	€278,493
		Disposals	Shares	€338,612
		Payment of scrip dividend	Shares	€541,824
Gilles Boissonnet	Chief Executive Officer of Atlas, Co-Manager[(a)]	Acquisition of free shares	Shares	€278,493
Christian de Gournay	Supervisory Board member	Payment of scrip dividend	Shares	€567,977
Opus Investment	Legal person related to Christian de Gournay	Payment of scrip dividend	Shares	€1,708,701
Altana Investissements	Legal person related to Christian Terrassoux, Supervisory Board member	Acquisitions	Shares	€1,223,394
Predica	Supervisory Board member	Disposals	Shares	€52,500,000
		Payment of scrip dividend	Shares	€41,960,475

(a) Up to 31/05/2017.

6.3.8 Bonds not giving access to the share capital

Issue date	Issue amount	Subscription rate	Date of maturity
23/05/2014[(a)]	€100,000,000	Entirely subscribed	23/05/2021
02/06/2014[(a)]	€50,000,000	Entirely subscribed	23/05/2021
12/06/2014[(a)]	€80,000,000	Entirely subscribed	23/05/2021
14/12/2016[(b)]	€50,000,000	Entirely subscribed	14/12/2026
05/07/2017[(c)]	€500,000,000	Entirely subscribed	05/07/2024

(a) 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. These bonds are traded on Euronext Paris under ISIN Code: FR0011921691.
(b) Bonds traded on Euronext Paris under ISIN Code: FR0013222247
(c) Bonds traded on Euronext Paris under ISIN Code: FR0013266525.

The bond issue contracts shown in the table above contain a control maintenance clause.

6.4 Stock market information

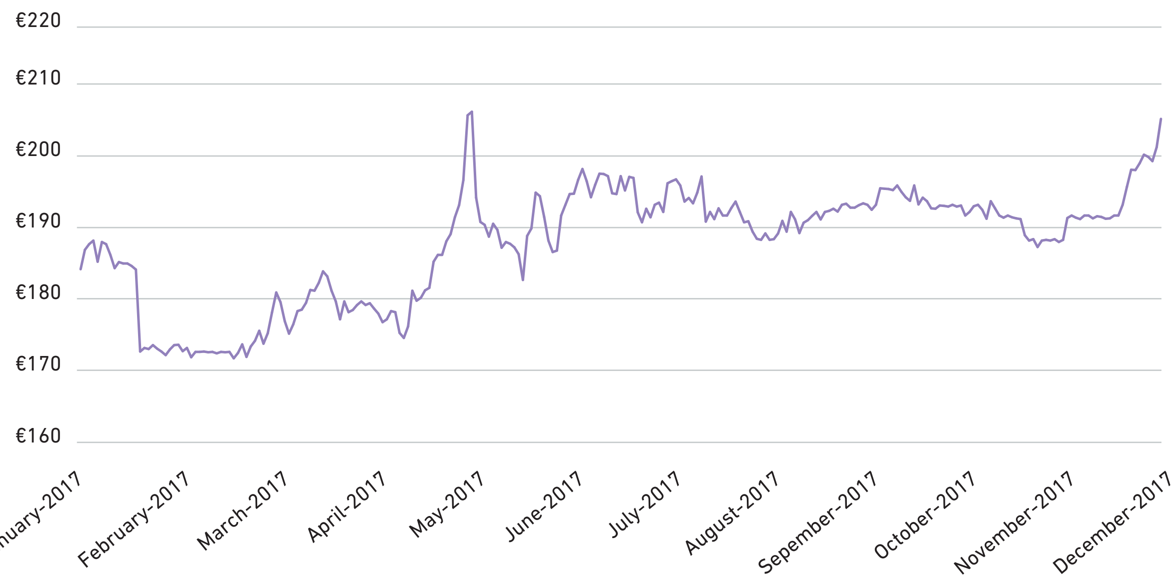
Altarea	
Listing market	Euronext Paris – Compartment A (Large Cap)
Codes	Ticker symbol: ALTA. – ISIN: FR0000033219 Bloomberg: ALTAFP-Reuters: IMAF.PA
Legal entity identification Code (LEI)	969500ICGCY1PD6OT783
Listings	CAC All Shares – CAC All-Tradable – CAC Mid & Small – CAC Small – IEIF Europe – IEIF SIIC France – IEIF REIT – CAC Sociétés Financières
Deferred Settlement Service (French SRD)	Eligible
PEA / PEA PME	Non-eligible
ICB Sector classification	Retail REITs, 8672

	2012	2013	2014	2015	2016	2017
Market capitalisation (at 31/12)	€1,276,638,597	€1,483,879,040	€1,647,039,500	€2,000,057,000	€2,494,700,000	€3,340,338,320
Number of shares traded	551,953	587,100	373,158	572,766	589,268	1,368,495
Average price	€115.42	€126.76	€133.27	€158.00	€172.55	€189.48
Value of shares traded	€64,926,336	€74,419,856	€49,448,737	€90,400,975	€101,678,183	€257,579,489
Highest	€130.99	€154.00	€140.90	€188.00	€186.61	€211.00
Lowest	€98.51	€105.40	€123.05	€131.00	€151.75	€171.00
Latest	€117.00	€128.00	€131.60	€184.00	€185.20	€208.10

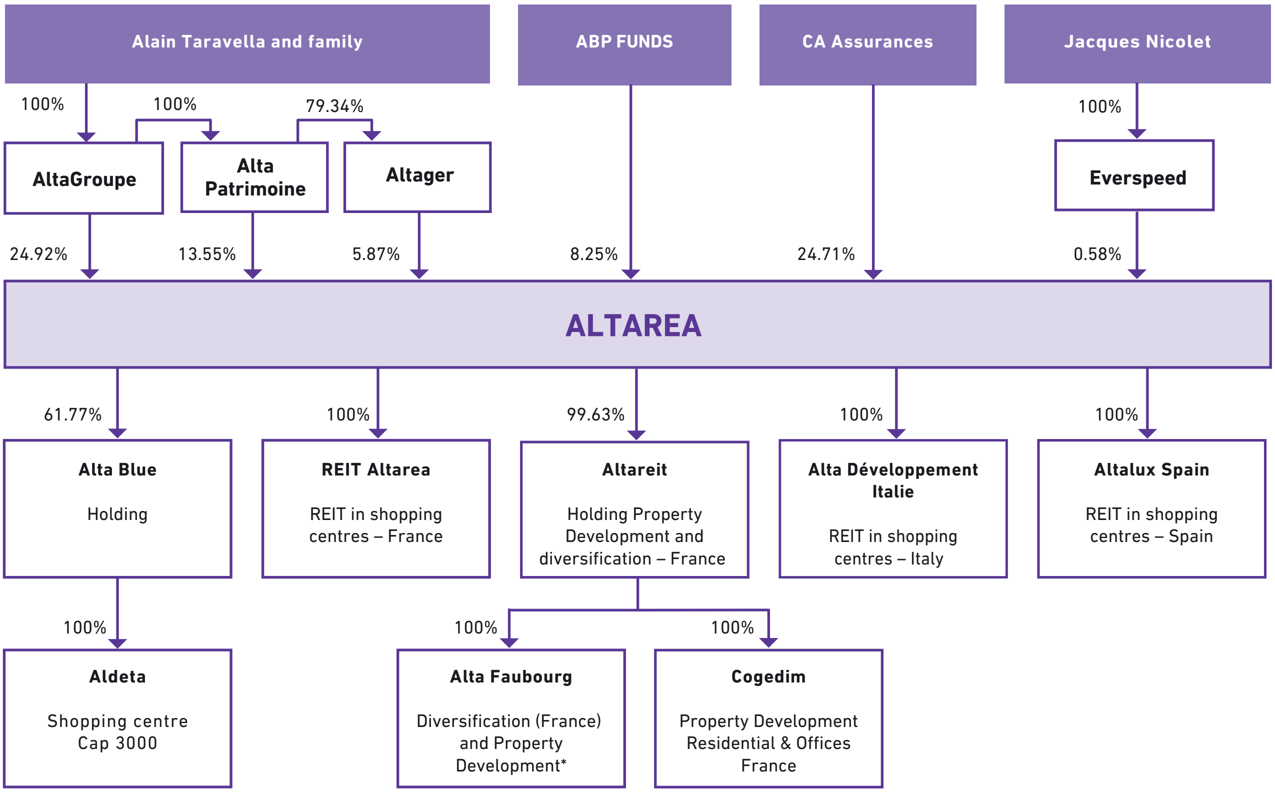
	High	Low	Latest	Number of shares traded	Amount of capital traded
January 2017	€190.50	€171.00	€175.10	202,611	€35,757,006
February 2017	€177.50	€172.50	€177.00	88,137	€15,382,726
March 2017	€187.80	€174.85	€181.40	136,806	€24,738,921
April 2017	€186.45	€176.05	€185.15	80,820	€14,581,235
May 2017	€211.00	€184.10	€189.95	136,169	€26,651,512
June 2017	€200.00	€188.00	€200.00	95,379	€18,668,717
July 2017	€200.00	€191.00	€191.00	57,271	€11,202,349
August 2017	€197.05	€189.10	€192.80	60,973	€11,723,604
September 2017	€197.50	€191.90	€197.05	47,912	€9,341,728
October 2017	€197.70	€193.00	€193.25	209,831	€40,924,978
November 2017	€195.50	€188.25	€192.90	73,319	€14,032,657
December 2017	€208.10	€191.75	€208.10	179,267	€34,574,056

(Source: Euronext)

Changes in the price of the Altarea share in 2017



6.5 Simplified corporate structure at 31 December 2017



* *Pitch Promotion, the serviced residences business and the interests in Semmaris and AltaFund are held by Alta Faubourg.*

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.

During 2017, the Company acquired stakes in the companies Alta Mir SAS (100%), SCI Alta Vaugirard (now called SCI Vaugirard 36-34, 80%), SCI Issy Coeur de Ville Bureaux 2 (50%) and SNC Ilot Claude Bernard (99%) as they were incorporated.

6.6 Internal control and risk management

6.6.1 Organisation of internal control and risk management

6.6.1.1 Objectives set for internal control and risk management

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

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

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

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

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

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

6.6.1.2 Governance of internal control and risk management

Internal control and risk management system

The risk management and internal control system is run by the Internal Control Department, reporting to the Group Corporate Secretariat.

Internal control system

The Altarea Group internal control system relies on:

- a structure by activity based on three business lines and support functions, with a system for the delegation of powers and responsibilities;
- a definition of the missions and attributions of the governance bodies (see Section 7.2.3 "Supervisory Board");
- information systems (See paragraph 6.6.3.3. «risk control system for the preparation of accounting and financial information» for a description of the main business line and financial information systems), procedures and modus for the activities and objectives of the Group's different business lines;
- a human resources and skills-management policy, based on a strategic training plan and a shared approach revolving around the annual appraisals.

The Group also 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 uses the risk mapping to prepare its action plan. Other sources, such as summaries of internal-control review work and comments and recommendations formulated by the Statutory Auditors are analysed and taken into consideration in defining actions to be taken. The control systems put in place to manage the main risks to which the Altarea Group is exposed are described in Section 6.6.3. «Risk control system» for this document.

Control environment

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

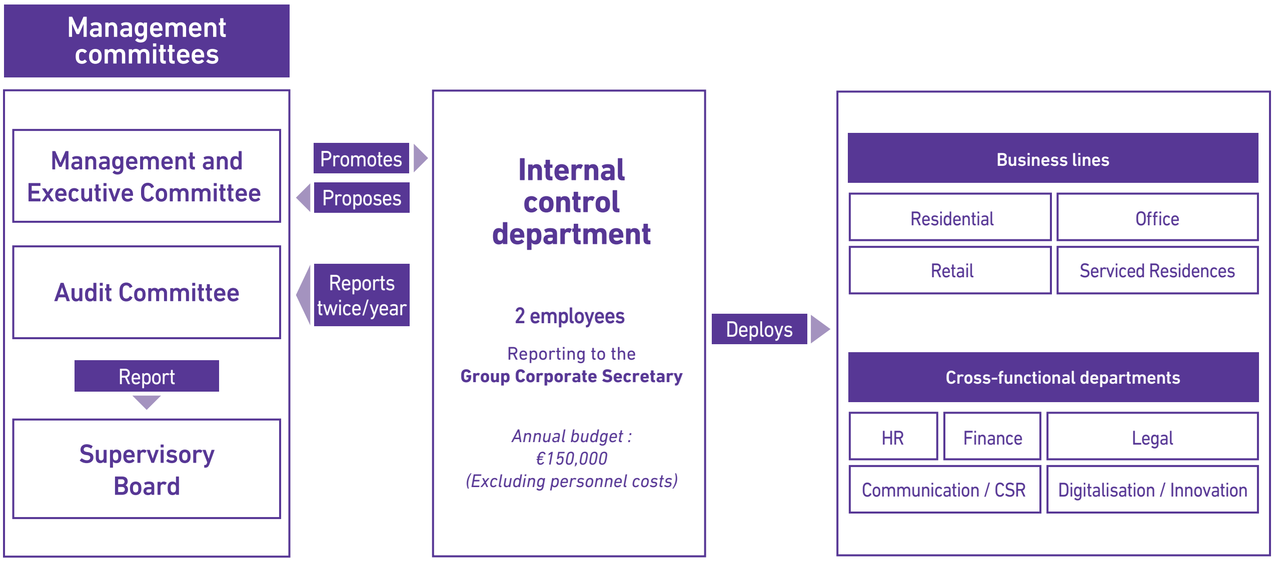
- the ethics charter sets out Altarea Group's values and rules of conduct that all Group employees and corporate officers must respect in their working relationships. The clear and precise principles outlined in the Charter should inspire and guide everyone in their daily tasks, enabling them to resolve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

Furthermore, the Group seeks to reinforce its control environment through the development of its compliance programme in order to satisfy new regulatory requirements.

Management of the internal control and risk management system

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

Management is responsible for the overall organisation of the internal control system and, for the exercise of its repsonsibilities, has an Executive Committee which meets regularly. It establishes internal control procedures and defines focuses in order to control the risks associated with the Company's business. The Supervisory Board, assisted by the Audit Committee, plays an important role in terms of control as part of its permanent duty to oversee the management of the Company (See Section 7.2.3 «Supervisory Board» in this report).



Priorities of the Internal Control Department

The Internal Control Department, which reports to the Corporate Secretariat, is responsible for coordinating and supporting internal control actions in the subsidiaries. Its priority missions include:

- to ensure everyone knows and follows rules of procedure and the ethics charter and the correct functioning of the Supervisory Board's specialist committees;
- to conduct monitoring of the regulatory obligations regarding internal control;
- to identify and assist divisions in mapping risks related to:
  - the business of Altarea's subsidiaries in France and abroad,
  - Altarea's status as a listed company;
- to set up or help the divisions set up operational procedures;
- to review the rules for taking on commitments, to identify existing procedures and standardise them if needed;
- to carry out all checks for compliance with internal control procedures.

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

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

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

6.6.2 Risk factors

The Company has conducted a review of the risks that could have an unfavourable impact on business, financial position and results and considers that, at the date of publication of this Registration Document, there are no other major risks apart from those presented in the following section.

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

The Company has put in place specific measures and procedures to limit the likelihood of identified risks occuring. These measures are discussed further in section 6.6.3 "Risk management system".

6.6.2.1 Risks inherent to the operations

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 the cyclical nature of each sub-sector, as well as the risks inherent to each property asset. The Company's risk management strategy and measures adopted aim to limit the negative consequences should one of these risks materialize. However, a prolonged deterioration of economic conditions or abrupt changes in the economic, financial, monetary, regulatory, political, geopolitical, social, health, or environmental climate could have a negative impact on the Altarea Group's businesses, asset values, earnings, development projects, and investments.

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

- The Pinel Law aims to provide housing at affordable rents to lower income households in urban areas where there are housing shortages. The tax reduction for the investor can reach 21% of the purchase price up to a ceiling of €300,000 and is spread over a maximum period of 12 years, depending on the length of lease committed to (6, 9 or 12 years). The tenants, who are means tested, are offered rents that are approximately 20% below market prices. The stated objective of this scheme is to substantially increase the creation of new housing by offering tax incentives in exchange for social requirements. The scheme has been maintained in the 2018 finance law until 2021 while restricting it to high-demand areas (A; A bis; B1). It should be noted that 99% of the Altarea Promotion residential pipeline consists of operations in A and B1 areas.
- the zero interest loan scheme (PTZ+) intended to encourage means-tested first-time buyers of new housing by allowing them to borrow up to 40% of the purchase price up to a ceiling of €60,000 for a single person and €138,000 for a family of five, in areas classified A. The scheme, adapted according to different geographic zones, has been maintained for all areas in 2018 and 2019 while being restricted to high-demand areas (A; A bis; B1) in 2020 and 2021.

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, long lead times fir setting up some deals or the failure of some chains of retailers;
- 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 may be non-compliance of the product delivered or late delivery;
- in the office market, market risk when the Group acts as an investor, if it fails to sell or let the property.It may thus be exposed to the risk of prolonged carry;
- competition risk, which may affect the acquisition of land/shopping centres, product sale 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 letting of offices, in particular in a challenging and rapidly changing 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.);
- risk related to the operation of shopping centres (maintenance of facilities and achieving compliance with standards, natural disasters and technological risks, accidents, risk of administrative closure of a centre, terrorism, etc.).

Risk of tenant and buyer insolvency

Altarea's ability to collect rental income from shopping centre tenants depends on the tenants' solvency. Payment default by certain tenants could adversely affect 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 chain of retailers. 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.

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.

6.6.2.2 Risks to security and information systems

Security risks

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

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

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

Risks related to the Group's information systems

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

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

Risks related to the protection of personal data

For business purposes, the Group collects and uses data supplied by its customers and employees so that it can provide them with better services. Despite the setting up of secure information systems, it is still possible for data to be corrupted or sent to a third party by mistake or malice. This could have a material negative impact on the Group and an unfavourable effect on its income.

6.6.2.3 Risks relating to the preparation of accounting and financial information

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

6.6.2.4 Legal, regulatory, tax and insurance risks

Legal and regulatory risks

The Altarea Group must comply with French law and international law through European regulations, in a wide range of fields. These include law and regulations on urban planning, construction, operating permits, health & safety, the environment, leasing law, intellectual property, consumer regulations, company law and taxation, particularly as they related to the SIIC status.

Changes to any of these regulations could require the Group 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.

In the course of its normal business, the Altarea Group may also become involved in legal proceedings and be subject to fiscal and administrative audits

Each of these risks brings with it not only a financial risk, but also a risk for the Group's image.

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 reach the threshold of 60% of the share capital or voting rights, this would also lead in loss of SIIC status which would have a negative impact on its earnings.

Moreover, Altarea could face an additional tax charge if exempt dividends are paid to a Shareholder other than a natural person not subject to corporate income tax or an equivalent tax and who holds, directly or indirectly, at least 10% of the share capital of Altarea. Altarea's Articles of Association state explicitly that the Shareholders must pay this charge.

Finally, the Company remains dependent on 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 status and the general regime applicable to subsidiaries not eligible for SIIC status), the Altarea Group is subject to the general corporate income tax law and, where appropriate, 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. Non-compliance with the general tax regime discussed above could have a negative impact on the Company's earnings.

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.

The general policy for cover and the principal insurance policies held are given in paragraph 6.6.3.4. «Control systems for legal, regulatory, tax and insurance risks».

6.6.2.5 Fraud and corruption risks

The Group may be exposed to attempted fraud (embezzlement, money laundering, identity theft, etc.) or to a risk of corruption whose impact could have a negative effect on the business and the Company's results. The Company's reputation and image could also be seriously affected by any occurrence of this type of risk.

6.6.2.6 Social and environmental risks

Social risks

The Group's ambitious goals rely on human capital. If Altarea were no longer able to recruit and retain the best talents and, over time, capitalise on the effectiveness of its employees, it could have a negative impact on its business and earnings.

Furthermore, the strong growth of staff headcount exposes Altarea to social risks, especially concerning the challenges of on-boarding and training new employees in the Group. 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.

Environmental risks

The position of operator that builds, operates and manages real estate complexes exposes the Group to a number of risks, mainly linked to decade-old environmental regulations, mainly the Grenelle laws resulting from the 2007 Grenelle Environmental Forum, and the 2015 energy transition law for green growth.

The Grenelle laws impose, in fact, thermal and environmental regulations with stronger requirements on all new buildings. The RT2012 thermal regulations are soon to evolve into the Responsible Building Regulations (RBR°2020) which will introduce obligations in terms of renewable energies and the reduction of greenhouse gas emissions. 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.

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. It is nevertheless fully aware of changing lifestyles and the new requirements for buildings that climate change may bring about in the medium term (requirements for cooling, for example).

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 in all areas of their activities. The real estate sector represents nearly one fourth of greenhouse gas emissions in France and it is directly concerned by the emission reduction requirements: it could therefore could be affected by any future carbon price.

Health and public safety risks

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/Manager 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.

6.6.2.7 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. Altarea may not always have the desired access to capital markets or banking market. This situation could result from a crisis in the bond or equity markets, a serious deterioration in the property market, or any change in Altarea's businesses, financial position, or Shareholder structure which affects investors' perception of the Group's credit quality or attractiveness as an investment. This type of event could also mean to obtain financing under favourable conditions.

Some of the credit facilities agreed between Altarea and its banks are subject to early repayment clauses related mainly 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 early repayment of all or part of the outstanding amounts. This situation could produce an unfavourable impact on the Company's business and financial position, particularly its growth.

Interest rate and counterparty risk

Altarea has borrowings from and liabilities to credit institutions at variable rates and is therefore exposed to the risk of interest rate fluctuations. An increase or a decrease in interest rates could have a negative impact on the Group's earnings.

Furthermore, the use of financial derivatives to limit interest rate risk may also expose the Group to unfavourable consequences for its earnings should its counterparty default.

Equity risk

Altarea does not feel it has any material exposure to equity risk as of 31 December 2017.

Currency risk

At the date of filing this Registration Document, Altarea operates almost exclusively in the euro zone. The Company is therefore only marginally exposed to currency risk.

6.6.2.8 Conflict of interest risks

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.

6.6.3 Risk control systems

6.6.3.1 Control systems for risks inherent to Altarea Group's business activities

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.

Risks related to acquisitions

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

Property development risks

Shopping centre development

(I) France

These risks are controlled by the Investment Committee, a Special Committee of the Supervisory Board (see above, 7.2.3.2 "Special Committees") with support from several other committees:

- the Development, Operational and Planning Committee: attended by the Executive Management of the subsidiary, the committe meets weekly to decide on and set operational targets for each project, monitors the commitments to works, approves the initial budgets and, where appropriate, any adjustments. Once a month, it is chaired by Group Management to examine the most strategic issues;
- the Coordination and Marketing Committee: this committee helps the Executive Management to define and set sales targets for each project. Pre-marketing mitigates marketing risk;
- the extended Management Committee: this committee includes the members of the Altarea Commerce Management Committee and the main Operational Directors. It addresses all subjects relating to the subsidiary (development, operations, marketing, valuation, and legal questions).

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.

The risks related to development projects are also monitored through several processes and reports:

- monitoring investments: any authorised investments are subject to individual monthly monitoring and a control system by operational and financial management;
- a quarterly report is drawn up for each project under development or in progress, showing actual expenditure and commitments 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 calls for the setting up of a monitoring body responsible for overseeing the application and the relevance of the model, comprising: a lawyer and a tax accountant.
- In Spain, new developments have been discontinued. Altarea Managers hold monthly meetings with the subsidiaries' Executive Management teams.

Development of Residential and Office

The main risks related to development operations pertain to the Property Development division. The established procedures are described below.

(I) Residential and Office Property

In the residential property segment, the 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. It is available on the Group's intranet and training sessions have been given to all employees involved.

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

- the Commitments Committees: that meet every week to examine all the property projects having at key stages that entails a commitment for the Company: signature of an undertaking to acquire the land, marketing launch, acquisition of the land, start of works. As well as analysing the timing and benefits of the project, at each stage progress is measured against objective benchmarks: margins, percentage of project pre-let on land acquisition and when work gets under way, validation of the cost of works, WCR, etc.
  In addition to the Commitments Committees processes, the Commitment Director works with the Finance Directors in the regional offices on all issues the Company but do not directly depend on the Commitments Committees, and may request any draft protocols, sales undertakings, specific contracts, etc. He is also informed about the progress of the Company's major development projects regarding the risks that they may present in terms of the amounts involved or legal arrangements, for example. The Commitment Director works with the Group's Internal Control Department with regard to risk management and internal control issues;
- the national Technical Department is mainly composed of the 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 procedures/marketing: In Residential Property, the Group has its own marketing arem of dedicated subsidiaries. These structures include: a marketing division in charge of keeping contacts and national campaigns, a division in charge of defining and updating product specifications whilst providing research and advice to property development managers to evaluate local markets, and a division dedicated to customer relations and after-sales service. In addition, the digital budget monitoring tool used for each project is updated in real time with commercial data (reservations and sales) and allows each Manager to track the progress made in the programmes for which they are responsible. Finally, every week a business report is produced presenting sales figures for the week and a monthly total.
  These two departments use their 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. Outside firms are used for marketing office property;
- the reporting and periodic reviews of operations budgets: In residential Property, reports (including bookings and consolidated authenticated deeds, portfolio of projects subject to undertakings, monitoring of commitments to development projects) are sent on a monthly basis to the members of the Cogedim Executive Committee, the Corporate Finance Department, the Chairman of the Supervisory Board and the Management of Altarea. Concerning Office Property, reviews are carried out and sent on a quarterly basis to Executive Management.
  In addition, as part of the budgetary process, all operating budgets are updated at least twice per year and at each milestone triggering Commitment Committee scrutiny (see above).
- building permit applications: for large projects or projects presenting specific difficulties, building permit applications are submitted to a specialised law firm, which participates in drafting the application or reviews the completed application.

(II) Serviced Residences

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 2017, ten 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. In addition to residences for seniors, the Group is also developing an extended range of Serviced Residences: student halls of residence, business tourism residences, exclusive residences, etc.

Risks related to retail REIT assets and activities

(I) France

The risks related to REIT assets and activities are covered by the following arrangements:

- the Property Portfolio Committee which reports to Executive Management and meets to define and set asset management objectives for each asset. This committee draws primarily from the work of the Asset Management Department. The asset managers along with the Portfolio teams, represent owners at General Shareholders' 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 into 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 Sales Management 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 forward-looking guidance to insolvency risk on tenants in the

REIT business. The rental management department produces this report and organises monthly recovery meetings. Once a month, rent abatement committee reviews solutions for tenants experiencing financial difficulty;

- an insurance programme for assets in operation (see paragraph 6.6.3.4 «Control systems for legal regulatory, tax and insurance risks" in sub-section "Summary 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 Operatingl Department as part of the monitoring procedure for safety commission recommendations;
- electronic data management (EDM): all original paper documents including letting contract files and administrative permits, but also the different protocols, are digitised and then stored by a specialist 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.

Risk of tenant and buyer insolvency

In retail, the Group exercises due caution over the quality of the tenants' signatures and the attractiveness of the retail brands before entering into any leases with the objective of maximising the duration of the leases, the liquidity of the securities pledged by the retail brands and obtaining automatic payment by direct debit. Procedures are in place, including systematic reporting of recovery rates and unpaid rents provides forward-looking guidance to the risk of tenant insolvency . The rental management department produces this report and organises monthly recovery meetings. Once a month, rent abatement committee reviews solutions for tenants experiencing financial difficulty.

Concerning Residential Property, keys to the accommodation are not handed over unless the buyer has paid off 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.

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

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

Risk related to the appraisal of property assets

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 2017, 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 built is 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.

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).

The fees paid to appraisers are lump-sum amounts determined in advance of the valuations. These amounted to €262,000 (excluding of VAT) for 2017, of which €26,000 related to the preparation of reliance letters required by banks.They are not proportionate to the value of appraised assets and make up less than 10% of the revenues of each appraisal firm consulted.

A detailed report that is signed and dated is provided for each appraised property. The appraisers use two methods (2): the discounted cash flow method and the net revenue capitalisation method. They comply with French and UK standards applicable to property appraisals.

Condensed versions of the Company's appraisal reports are included below:

(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).*

Short Report | Altarea-Cogedim – Retail Portfolio

CUSHMAN & WAKEFIELD

Short Report – ALTAREA – 31st December 2017

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 France, Cushman & Wakefield Italy and 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 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 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 France, Cushman & Wakefield Italy and Cushman & Wakefield Spain, subsidiaries of Cushman & Wakefield's December 2017 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 2017.

The assets valued, according to ALTAREA, consist of 21 sites used as follows:

- 15 shopping centres,
- 3 retail parks,
- 1 outlet factory,
- 1 high street shop,
- 1 other site.

Valuation date: 31st December 2017
Report date: [illegible] January 2018

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Short Report | Altarea-Cogedim – Retail Portfolio

CUSHMAN & WAKEFIELD

The 21 sites are divided between France, Italy and Spain as follows:

France:

- 12 shopping centres,
- 3 retail parks,
- 1 outlet factory,
- 1 high street shop,
- 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" – 3rd 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" (10th Edition).

Valuation date: 31st December 2017
Report date: [illegible] January 2018

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Short Report | Altarea Cogedim – Retail Portfolio

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 2017

The overall market value corresponds to the sum of the individual value of each asset.

Total Market Value (100 %)
€ [illegible] including fees and transfer costs

Market value of share
€ [illegible] 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 Paris La Défense, [illegible] January 2018

Jean-Philippe Carmarans, MRICS
Head of Valuation & Advisory France
International Director
RICS Registered Valuer

For and on behalf of
Cushman & Wakefield Valuation France

Valuation date: 31st December 2017
Report date: [illegible] January 2018
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Portfolio [illegible] ALTAREA COGEDIM

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 [illegible] 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 those 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. [illegible]), provided by AON 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, credit-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.

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Portfolio 22 assets ALTAREA COGEDIM

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 the instruction.

We confirm that Jones Lang LaSalle Expertises SAS has the experience and market knowledge required to value of the subject assets.

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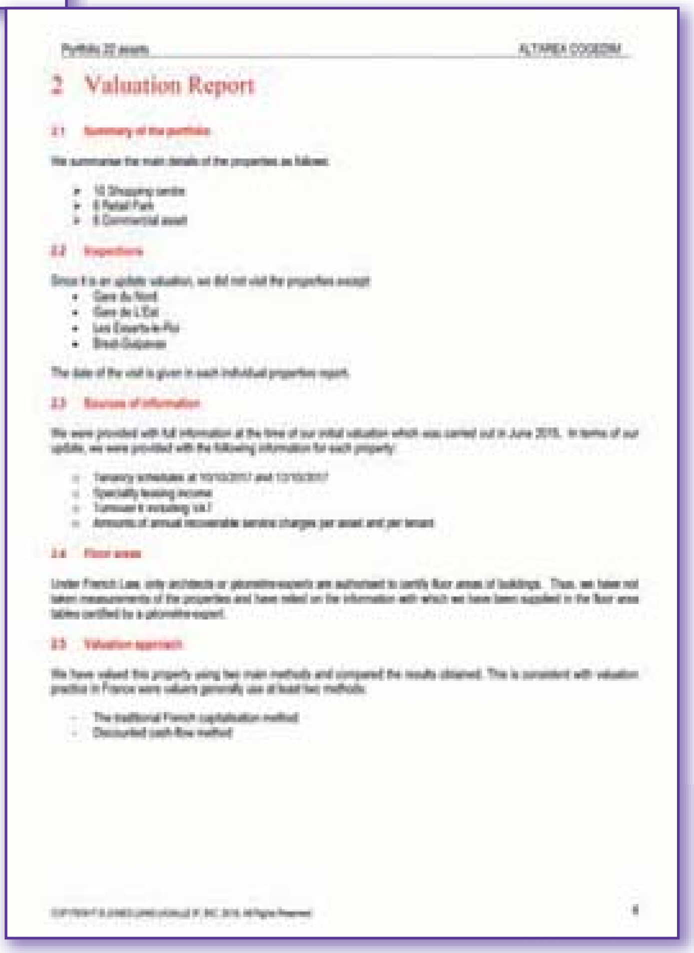

Portfolio 22 assets ALTAREA COGEDIM

2 Valuation Report

2.1 Summary of the portfolio

We summarise the main details of the properties as follows:

- 10 Shopping centre
- 6 Retail Park
- 6 Commercial asset

2.2 Inspections

Since it is an update valuation, we did not visit the properties except:

- Gare du Nord
- Gare de L'Est
- Les Essarts-le-Roi
- Brest-Guipavas

The date of the visit is given in each individual 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 10/10/2017 and 13/10/2017
- Specialty leasing income
- Turnover excluding VAT
- Amounts of annual recoverable service charges per asset and per tenant

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

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€ 1,770,033,126 Gross
(One billion seven hundred seventy million thirty-three thousand one hundred twenty-six Euros)

€ 1,671,608,100 Net
(One billion six hundred seventy-one million six hundred eight thousand one hundred Euros)

Christophe ADAM, MRICS
For and on behalf of Jones Lang LaSalle Expertises
French Director

6.6.3.2 Control system for security of information systems risks

Security risks

The Group decided to acknowledge the importance of managing security risks by recruiting in 2017 a Director of Security. The latter is responsible for rolling out a global security policy, with prioritisation of the risks. The priority is in effect to address the security of the shopping centres (taking into account the risk of terrorist activity and criminal acts) through physical protection measures, improved video surveillance, training and raising the awareness of preventive measures and the right reflexes among our own staff, service providers and the retail brands in case of attack, and addressing vulnerabilities related to commercial activities (deliveries etc.). Another priority is the control of security risks related to Group infrastructure and premises by increasing access controls and video surveillance and deploying ad hoc procedures, or by strengthening the Group's crisis management capabilities (creating a crisis room and alert and crisis management procedures).

The Security Department, reporting to the General Secretariat, is in full time contact with the public authorities in order to monitor the constantly changing level of threat in real-time. One of its prospective responsibilities is to carry out tests on systems and procedures and conduct exercises throughout the year in order to improve the systems and adapt the Group response to any change in the level of threat.

Risks related to the Group's information systems

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

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

In the system, data are backed up on a daily, weekly and monthly basis, so that they can be recovered if necessary. The Group's ability to return to normal information system operation will be revisited in 2018 as part of the overall strengthening of business continuity planning.

At the same time, the Information Security Department hired an Operational Security Manager who works closely with the ISSM. His role is to implement the ISSP and monitor and supervise the various aspects of IS security, while contributing to raising the awareness of and training employees on security issues affecting information systems.

For system security, the Group Information Security Department regularly commissions security audits 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. An insurance policy covering the Group's cyber risks has been in place since early 2017.

Risks related to the protection of personal data

The Group has noted the coming into effect of the European General Data Protection Regulation (GDPR) as of May 2018. For several months, the Group Data Protection Correspondent been working on mapping the processing of personal data. At the same time, he is in charge of advising the teams and raising their awareness of the regulations and ensuring that their data processing activities are compliant.

6.6.3.3 Management system for risks related to the preparation of financial and accounting information

Finance Committee

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

In addition, a cross-functional Finance Committee Meeting is held on a monthly basis and is attended by the operational and Finance Departments in order to ensure a common approach to managing the business and improve interconnections. This committee includes all the managers and is used to share objectives and issues as well as to improve the flow of information across functions. Meetings are prepared beforehand by the Corporate Finance Department and the CFOs from each division.

Accounting and financial organisation and main internal control procedures

Accounting and financial organisation

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

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 divisions prepares consolidated financial statements at its own level with dedicated teams.

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

Principal control procedures

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

- formally documented budget tracking and planning process on a twice yearly basis (in April/May and October/November) with a comparison of budgets against actuals approved by operational and Group *management*. This process facilitates preparation and inspection of half-year and full-year Group financial statements. The budget is presented and provided to the Statutory Auditors before each period-end;
- a vertical procedure for data reporting from various operating departments (period-end timetables and instructions, quarterly meetings, dashboards for information sharing), with audits carried out by the operating management controllers (by business line for the Retail 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 significant events; the principal events that may have a material effect on the financial statements (acquisitions, disposals, restructuring, etc.) are subject to simulations and explanatory notes prepared by the Corporate Finance Department or the divisions. The accountancy applied to complex transactions (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 financial statements (31 March and 30 September) providing analyses of key indicators (revenue and net financial debt),
  - periodic reportings by the operating subsidiaries to Management and department heads in the Retail 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:
  - Retail 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.

Retail division software packages

The Retail division uses the Altaix rental and property management software in France, Italy and Spain. This business tool is interfaced with Sage corporate accounting software. Its unique database (chart of accounts, personal account, analysis, etc.) enables multi-company cross-cutting analyses.

Property transaction software

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

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.

The Comptarel corporate accounting software used by the Property Development division will be replaced in 2018 by Sage 1000, also used by the Retail division, so that at the end of 2018 all Group companies will be using the same accounting software. The existing interfaces between Primpromo and Comptarel will be reproduced between Primpromo and Sage 1000.

Consolidation software

The consolidation software package SAP BFC – Business Financial Consolidation -used by the Group was updated in May 2017 and the version now in use is the most advanced. Thanks to its particular structure, this solution offers a platform that allows close integration of accounting systems within the Group, thus reducing the risk of significant errors.

The data from Comptarel and Sage are integrated into the SAP BFC consolidation software with a procedure used across the whole Group. Because of the integration 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.).

In addition, the SAP DM – Disclosure Management – software package has been installed, providing secure disclosure management via SAP BFC of quantitative data and notes to the consolidated financial statements. This software package is also used to coordinate the different contributors to the Registration Document, and help prepare it, and thus allows for systematic cross-referencing of the different sections.

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 imported from the system used to prepare the consolidated financial statements (SAP BFC). Any material differences are justified.

Cash flow software

The Group uses Sage 1000 software to manage cash: it is automatically interfaced with the corporate accounting software packages.

To prevent risks affecting cash management, the cash management teams reconcile bank balances and analyse changes in the cash balance for all divisions on a daily basis.

The Group has been working since early 2016 on the migration of its banking communication system, scheduled for April 2018, and on transferring flows to a secure protocol: EBICS TS. The banking communication system, among other things, is able to communicate with all our partner banks.The EBICS TS protocol makes it possible to transfer (digitally) signed files to our banks.

6.6.3.4 Control systems for 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.

Property Legal Department

The Group Property Legal Department, which reports to the Group Corporate Secretary, provides support for 1st stage development of projects and the acquisition of land for property projects (whether buying land directly or buying a land-owning company) and asset management. It also monitors compliance with current regulations as well as obtaining the permits necessary for the Group to conduct its business. These services mainly concern urban planning law (commercial operating permits, building permits), and construction and commercial lease laws, as well as, in general, all aspects of property law, intellectual property, consumer law and insurance.

The Group Property Legal Department also acts for Executive Management and the operational teams on request, where appropriate in conjunction with outside consultants, including for projects conducted through partnerships and for disposals. Operational Managers also, in consultation with the Property Legal Department, regularly use the services of specialised law firms.

Corporate Legal Department

The Corporate Legal Department 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.

All the investments and mandates of Altarea Group are also managed using a software package for the holding companies and subsidiaries. This centralised system makes it possible to automatically establish the legal and tax scopes and to monitor compliance with the related regulations. It has been deployed in France, Italy and Spain.

Finally, the Corporate Legal Department is in charge of setting up and monitoring delegations of authority throughout the Group.

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.

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 2017 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

The requirements for SIIC status in terms of control, voting rights and dividend distribution are set out in Altarea's Articles of Association.

Tax regimes and obligations are controlled by the Altarea 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.

General policy for insurance coverage

The Group's insurance coverage policy aims to protect corporate and employee assets. The General Secretariat, supported by Internal Control, has the following key missions:

- the coordination of insurance programmes for all French entities, 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.

Summary of insurance coverage

The following guarantees have been updated and correspond to the principal insurance policies taken out by the Group for the financial year 2017. 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 2017, the overall budget for the Group's main insurance policies (excluding social coverage, Spain and Italy but including construction insurance) was estimated at approximately €14.6 million (compared to €11.2 million in 2016).

- **Properties in operation**: for all the assets in operation, the Group has been insured by CHUBB under policies taken out for "all risks with exceptions" property damage and by ALLIANZ France for general third-party liability. The damages portion covers the reinstatement value of buildings and operating losses over a period of three 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. These insurance policies, which were renewed on 1 January 2018, 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 and MMA for property under construction. The Group has frameworks agreements 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, automobile fleets, computer equipment and 10-year builder liability. Finally, AXA provides a "senior executive and corporate officer civil liability" insurance policy, and CHUBB provides a "cyber policy".

6.6.3.5 Fraud and corruption risk management system

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). The number of signatories for payments is limited.

Every external attempted fraud observed by the teams (for example, fraud by impersonation, bank fraud, recruitment) is reported to the Internal Control Department which sends out a reminder at least twice per year about the methods used by scammers and the right things to do to avoid them. The Internal Control Department works closely with the Group Security Department set up in May 2017.

In the area of the fight against money laundering, 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 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.

As part of its risk management Policy and in accordance with the provisions of the Sapin 2 law and the strengthening of European regulations on the fight against money laundering and the financing of terrorism, several months ago the Group embarked on an overall approach intended to reinforce the measures used to prevent these risks. The Internal Control Department is therefore working on setting up stricter arrangements for compliance. The policy concerning the fight against fraud, corruption and money laundering is also described in detail in Section 5.4.7.3.

6.6.3.6 Social and environmental risk management systems

Social risks

The Altarea Group, through different action plans, is implementing a human resources policy to address the following social risks:

- in terms of 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 (214 employees moved within the Company and 116 were promoted in 2017) allowing the Group to satisfy its personnel needs. 508 recruitments of which 406 on permanent contracts were made in order to satisfy the needs of the business lines. This shows the importance the Group puts on career development;
- in terms of induction: induction was one of the top priorities of the HR department and has been completely revisited. A formal induction interview and a group seminar held within 2 months of the new employee's arrival are now essential steps to ensure the successful induction of new employees into jobs within the Group. This seminar involves numerous in-house speakers and members of the Executive Committee who are keen to explain and share their vision of the business. Since this challenge is shared by everyone, a «Manager's kit» was also created and made available to all managers. Other supports of this type were developed internally for tutor communities, work-study students and interns;
- in terms of training: the Group has an active training policy, based mainly on the business lines. In 2017, however, development activities and those related to «new digital uses» became more important. The training budget was higher than in 2016 in order to finance larger scale activities such as management courses, and the transformation of digital equipment, but also to provide support for younger people through more vocational training, with more in-depth training courses for targeted groups;
- in terms of retention: for the past 3 years, the Group's salary policy has included the «*Tous en Actions!*» (shares for all) program, which has enabled us to demonstrate the merits of our performance recognition system and enable all our employees to accumulate significant savings;
- in terms 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 and information is copied to all of the Group's workers;
- information is also available on a daily basis: magazines, intranet, internal conferences, and committees involving the leading managers in the Group, are the principal channels of communication.

Environmental risks

As detailed in the CSR section of the Registration Document and the strategic integrated report, 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.

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 reports in detail on its energy and environmental performances, both for new production and for the property portfolio, and set permanent performance objectives to exceed applicable regulations.

The Group's overall approach to making progress in these areas and with other environmental challenges is covered in the CSR Chapter 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 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. It has also implemented a global programme to reduce its direct and indirect carbon footprint, and this applies to all of its activities, targeting the stages that contribute the most to greenhouse gas emissions.

The Group's overall progress-based approach is detailed in the CSR chapter of the Registration Document.

Health and public safety risks

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.

Asbestos

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.

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 undergo methodological risk analyses every other year.

Consequently, Altarea commissions rigorous monthly inspections during the periods when cooling towers are in use, with the support of carefully selected service providers. Furthermore, 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, whose technology avoids the spreading of Legionella bacteria).

Termites

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. Concerning disposals and acquisitions, where appropriate the Group orders these pest inspections.

ICPE (installations for the protection of the environment) classification

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.

Access (disabilities)

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. The shopping centres built since this date are compliant from the outset.

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.

Air quality

The Group makes sure that there is effective ventilation and air flows that are suitable for the activities conducted on the premises.

In the case of new projects, Altarea complies with the regulations and ensures a minimum supply of 20% new air.

In shopping centres, air renewal is ensured through rooftops or air-handling units. The units can be adjusted manually or managed by CO_2 sensors.

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 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.

Water sanitation

To ensure the sanitary quality of the water provided to its tenants, the Group only distributes water from municipal supply systems, which are subject to rigorous, regular checks and analysis.

Refrigerants

The main refrigerants used by the Group in its portfolio are HFC 407C and R410A. The Group does not use virgin HCFC fluids or recycled HCFC recharges, whose use is banned.

Natural disasters and seismic risks

In accordance with Article L. 125-5 of the French Environmental Code, a survey of the risk of natural disasters, and mining and technological risks (ERNMT) must be carried out in areas prone to seismic activity. These reports remain valid for six months. These reports are prepared for every disposal or acquisition, and are appended to each lease.

Some shopping centres come under a Plan for the Prevention of Natural Disasters (PPRn): flooding, subsidence and drought. However, no sites are subject to a Plan for the Prevention of Technological Risks (PPRt). The Group complies with the requirements of any natural risk prevention plans when constructing new shopping centres.

6.6.3.7 Risk management systems for Altarea Group's financing policy and financial capacity

Liquidity risk – Borrowing capacity – Compliance with bank covenants

As it funds its investments through debt or recourse to capital markets, the Company must continuously monitor the duration of its financing, the ongoing availability of credit lines and the diversification of resources. The budget process for cash management and projected cash flow analysis also provides a way to anticipate and hedge these risks.

Furthermore, compliance with the commitments and obligations granted to financial institutions under the terms of credit agreements is closely monitored by the Group, including bank covenants [(1)]

Given its sound financial position, Altarea does not feel it has a significant exposure to liquidity risk as of the date of this Registration Document.

Interest rate and counterparty 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)].

In order to limit counterparty risk that may arise following the setting up of financial derivatives, the Group thoroughly checks the quality

(1) See Note 8, "Financial risk management", 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).

of the counterparties and only pursues projects with the largest financial institutions.

6.6.3.8 Risk management systems for conflicts of interest

The Group Ethics Charter sets out the principles and rules that apply to employees in terms of conflicts of interest. This imposes on every employee a duty of loyalty to the Group and they must report, either to their line Manager or a Compliance Officer, any potential conflicts of interest they might come across.

At each meeting to examine the financial statements, the Supervisory Board also reviews the situation of its members and those of the Audit Committee with regard to the independence criteria in the AFEP-MEDEF Code. It is also compulsory for management to consult it before taking any important decisions that commit the Company to amounts greater than €15 million (see Article 17.6 of the Articles of Association).

For projects such as acquisitions or disposals of assets that could give rise to conflicts of interest, the Supervisory Board ensures that the Company's rules of procedure are strictly adhered to. Any Directors that may find themselves in a position of conflict of interest do not receive the information concerning the transaction in question.

6.7 Dividend policy

6.7.1 Dividends paid over the past five financial years

Financial years	Dividends per share
Financial year ended 31/12/2012 (paid in 2013)	€10.00
Financial year ended 31/12/2013 (paid in 2014)	€10.00
Financial year ended 31/12/2014 (paid in 2015)	€10.00
Financial year ended 31/12/2015 (paid in 2016)	€11.00
Financial year ended 31/12/2016 (paid in 2017)	€11.50

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.

6.7.2 Dividend distribution policy

A dividend payment of €12.50 per share in respect of the financial year ended 31 December 2017 will be proposed at the General Shareholders' Meeting to be held on 15 May 2018. This dividend will be €1 more per share (+9%) than the dividend paid during the previous year.

The dividend to be paid in 2019 in respect of the 2018 financial year should be at least equal to that paid this year.

6.7.3 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 2017.

6.8 Other information

6.8.1 Summary of the Company's payment terms

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

	Unsettled invoices received and due at 31/12/2017						Unsettled invoices issued and due at 31/12/2017					
	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	over 91 days	Total 1 day and over	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	over 91 days	Total 1 day and over
(A) Overdue categories												
Number of invoices included	0					86	0					704
Total amount of the invoices included (incl. VAT).	0	196,999	103,655	204,481	185,066	690,200	2,656,044	869,547	316,232	244	3,555,518	4,741,541
% of total amount of purchases (incl. VAT) for the period	0	1.02%	0.54%	1.06%	0.96%	3.57%						
% of total amount of revenue (incl. VAT) for the period							0	3.50%	1.27%	0.00%	14.31%	19.08%
(B) Invoices excluded from (A) relating to overdue or unrecorded receivables and payables												
Number of invoices excluded					0						0	
Total amount of the invoices excluded (inclusive of VAT).					0						0	
(C) Benchmark payment terms used for to calculate overdue payments (contractual or legal terms)												
Legal benchmark payment	l				legal						legal	

6.8.2 Results of the last five financial years

Type of indications	2017	2016	2015	2014	2013
Duration of the period (months)	12	12	12	12	12
Capital at end of the year					
Share capital	245,280,324	229,670,964	191,244,972	191,244,972	177,146,239
Number of shares	16,051,842	15,030,287	12,515,497	12,515,497	11,592,805
▪ ordinary	16,051,842	15,030,287	12,515,497	12,515,497	11,592,805
▪ preferred shares					
Maximum number of shares to be created					
▪ by bond conversions					
▪ by subscription rights					
Operations and results					
Revenue excl. tax	20,706,301	19,371,278	29,426,248	25,462,290	41,034,088
Income before tax, interest, depreciation and impairment	30,985,723	3,342,963	11,329,786	44,229,409	191,804,094
Income tax	867,342	(34,523)	(346,124)	338,305	(88,331)
Employee participation					
Allowances Depreciation and impairment	1,824,861	(4,561,389)	5,624,685	40,157,535	74,973,819
Net income	28,293,520	7,689,445	6,051,225	3,733,569	116,918,606
Distributed income	43,678,086[a]	7,304,972	5,748,664	3,546,890	110,885,374
Earnings per share					
Income after tax, interest, before depreciation and impairment	1.9	0.3	0.9	3.5	16.6
Income after tax, interest, depreciation and impairment	1.8	0.6	0.5	0.3	10.1
Dividend per share (in €)	12.5[a]	11.5	11	10	10
Employees					
Average employee workforce	2,	2	3	5	6
Payroll	919,396	917,005	1,029,263	1,833,756	1,845,482
Amounts paid in benefits (social security, social welfare, etc.)	14,712,536	7,990,164	3,168,514	1,384,810	1,270,590

(a) The dividend will be proposed to the General Shareholders' Meeting to be held on 15 May 2018.

6.8.3 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.

6.8.4 Commercial information

6.8.4.1 Competitive situation

Quantitative information on Altarea's businesses and services, current trends, competitive environment and earnings is given in the integrated strategic report and the business review (first and second parts of the Registration Document). The business review 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 shopping centre property market, the ten other REIT companies with more than one billion euros in market capitalisation, excluding the Altarea Cogedim Group, are [1] Unibail-Rodamco, Klépierre, Gecina, Foncière des Régions, Icade, Carmila, Société Foncière Lyonnaise, Foncière des Murs, Mercialys and Terreis;
- in the property development sector, the main competitors are as follows[2]:
  - in residential property[3]: the ten leading property operators, including the Altarea Cogedim Group, are: Nexity, Bouygues Immobilier, Kaufman & Broad, Vinci Immobilier, Icade Promotion, Promogin, Pichet Groupe, Sogeprom, and Pierres & Vacances Center Parcs.
  - in office property: the ten leading property operators, including the Altarea Cogedim Group, are: BNP Paribas Real Estate, Vinci Immobilier, Bouygues Immobilier, Linkcity, Nexity, Eiffage Immobilier, Icade, Sixième Sens Immobilier and Adim.

6.8.4.2 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 Office).

6.8.4.3 Information that can affect Altarea's businesses or profitability

Overall, the Company is not dependent on its customers.

In the Retail division, the ten largest tenants of shopping centres managed by Altarea accounted for 24.4% of total rental income (excl. tax) as of 31 December 2017. Out of these, none accounted for more than 10% of rental income.

Furthermore, in the Property Development (Residential and Office Property) division, no single customer generates 10% or more of revenue at 31 December 2017. The ten largest customers accounted for 26% of total revenue.

6.8.5 R&D and innovation

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.

Being fully aware of the societal, environmental and technological transformations currently affecting the Company, and cities and society in general, in 2015 the Group created a multi-discipline team specifically dedicated to innovation called Altafuture, in order to encompass in its corporate mission: the improvement of the urban quality of life by more closely meeting the expectations of its customers.

This structure, comprising five employees, is in charge of identifying, analysing and mastering the new economic models of the city. As a cross-functional unit, it also identifies innovations for processes, products & services to provide a better customer experience and improve customer satisfaction across all business lines. Altafuture also drives an Open Innovation approach by developing partnerships with incubators, small and large companies and resource hubs in order to provide a continuous feed into the Group's innovation dynamic.

Reporting to the Digitisation and Innovation Department, Altafuture hosts a cross-functional committee involving all Group business lines in order to drive the Group's innovation guidelines. Also, each business line also has a specific structure to ensure the solutions that emerge are put into operation.

(1) Source: Institut de l'Epargne Immobilière & Foncière: Euronext IEIF SIIC France, Nomenclature of the index at 02/01/2018 (http://www.ieif.fr/tableau-siic).

(2) In total sales volume in millions of euros – Palmarès 2017 – Classement des Promoteurs 2017 – Innovapresse – pages 18 and 20.

(3) Including the Serviced Residences business.

SUPERVISORY BOARD REPORT ON CORPORATE GOVERNANCE

7

7.1 Framework of the report and reference code

This report on Corporate Governance has been prepared by the Supervisory Board with the assistance of the Corporate Secretariat and Group Finance Department who contributed to writing it. This report has been examined by the Audit Committee at its meeting on 2 March 2018 and approved by the Supervisory Board at its meeting on 5 March 2018.

The Company has adopted the Corporate Governance reference code for Listed Companies (the «AFEP-MEDEF Code») published by the Association Française Entreprises Privées (AFEP) and the Mouvement des Entreprises de France (MEDEF) as amended 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.

The Supervisory Board is responsible for overseeing the Company's management on a continual basis, but is not involved in its 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.

The Company complies with the recommendations of the AFEP-MEDEF Code, with the exception of the recommendation made in the summary table, below, which have not been applied due to the Company's legal form as a partnership limited by shares. Explanations and, where appropriate, any corrective measures are presented in accordance with the principle «comply or explain».

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 *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. However, employee representatives will be appointed to the Supervisory Board during the 2018 financial year, in accordance with the provisions of Article L. 226-5-1 of the French Commercial Code.
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 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 in an advisory capacity 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.

7.2 Composition and practices of the administrative, management and supervisory bodies

Altarea is a French partnership limited by shares. It is run by Management while the Supervisory Board is responsible for ongoing control over the Company's management.

In the explanations that follow concerning the terms of office of the senior executives, the number (1) indicates a listed company, the number (2) means that it is directly or indirectly controlled by Altarea and the number (3) that it is foreign.

7.2.1 Management

Composition

At 31 December 2017, the Company was managed by Alain Taravella, the Company Altafi 2 and the Company Atlas; it should be noted that Alain Taravella is Chairman of Altafi 2 and Atlas and that Stéphane Theuriau was Managing Director of Atlas until 6 March 2018.

Alain Taravella
Co-Manager

He is a French citizen, born in Falaise (Calvados) in 1948. He is a graduate of HEC (École des Hautes Études Commerciales). From 1975 to 1994, Alain Taravella held various positions within the Pierre & Vacances Group, of where he was appointed Chief Executive Officer in 1985. In 1994, he founded the Altarea Group, which he has managed since. Appointed Co-Manager of the Company on 26 June 2007 when the Company converted into a partnership limited by shares, his term of office was renewed in 2017 for a further 10 years. Alain Taravella is a *Chevalier de la Légion d'Honneur*.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group:

- Chairman of the Supervisory Board: Cogedim (SAS)(2); Altarea France (SNC)(2);
- Director: Pitch Promotion (SAS)(2);
- Chairman: Foncière Altarea (SAS)(2);
- Representative of Altarea, Chairman: Alta Blue(2); Alta Développement Italie(2); Alta Rungis(2); Alta Mir(2);
- Permanent Representative of Altarea, Director: semi-public development and management company of the public interest market of Rungis – Semmaris;
- Representative of Altarea, Co-Manager of foreign companies: Alta Spain Archibald BV(2)(3); Alta Spain Castellana BV(2)(3); Alta Spain(2)(3); Altalux Italy(2)(3);
- Representative of Altafi 2, Manager: Altarea(1); Altareit(1)(2) (Altareit is a member of the Supervisory Board of Cogedim(2) and chair of Alta Faubourg(2), Alta Penthièvre(2), Alta Percier(2) and Alta Concorde(2));
- Representative of Alta Blue, Chair: Aldeta(2);
- Representative of Atlas, Manager: Altarea(1).

Corporate offices outside the Group:

- Chairman: Altafi 2; Altafi 3; Atlas; Altafi 5; AltaGroupe; Altager; Alta Patrimoine;
- Representative of AltaGroupe, Manager: SCI Sainte Anne;
- Representative of Alta Patrimoine, Manager: SNC ATI; SCI Matignon Toulon Grand Ciel; SNC Altarea Commerce.

Corporate offices expired within the past five years

- Chairman of the Board of Directors & Chief Executive Officer – Director: Aldeta(2);
- Director: Alta Blue(2); Boursorama(1); Pitch Promotion (SA)(2);
- Chairman and / or Director of foreign companies: Galleria Ibleo Srl(2)(3); Altarea Italia Srl(2)(3); Altarea Espana(2)(3).

As of 31 December 2017, to the Company's knowledge, Alain Taravella owned 7,260,694 shares in Altarea, directly or indirectly through AltaGroupe, Alta Patrimoine and Altager, which he controls, and through members of his family.

Atlas
Co-Manager

Atlas is a simplified public limited company (société par actions simplifiée) with share capital of €61,000, whose registered office is 8, Avenue Delcassé – 75008 Paris, registered with the Paris Trade and Companies Registry under the number 518 994 678, and is wholly owned by AltaGroupe, itself controlled by Alain Taravella. Alain Taravella serves as Chairman of Atlas. Stéphane Theuriau remains as Chief Executive Officer until 6 March 2018. Atlas was appointed as Co-Manager of the Company on 11 December 2014 for a term of ten years. Altas held no other corporate offices at 31 December 2017 and has held no corporate offices expired within the past five years.

As of 31 December 2017, to the company's knowledge, Atlas did not own any shares of Altarea.

Altafi 2
Co-Manager

Altafi 2 is the General Partner of the Company and is presented in paragraph 7.2.2 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.

7.2.2 General partner

Identity

Altafi 2 is a single Shareholder public limited company (société par actions simplifiée unipersonnelle) with share capital of €38,000 divided into 38,000 shares held by AltaGroupe, itself 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.

Altafi 2 has been Co-Manager of Altarea since 21 December 2011. It has also been Manager of the company Altareit[1][2] since 2 January 2012, the date on which its membership of the Supervisory Board of that company ended. Since then it has represented Altareit, chaired Alta Penthièvre[2], Alta Faubourg[2], Alta Concorde[2] and Alta Percier[2].

At 31 December 2017, to the Company's knowledge, Altafi 2 owned ten shares in Altarea.

Appointment and termination of office (article 24 of the articles of association)

General Partners are appointed by Extraordinary General Meetings upon the unanimous proposal of the General Partner or Partners.

In the event of the death or incapacity of a General Partner who is a natural person, or in the event of loss of General Partner status for any other reason, the Company shall not be dissolved but shall continue with the remaining General Partners. This shall also be the case in the event of the liquidation of a corporate General Partner.

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.

7.2.3 Supervisory Board

7.2.3.1 Composition

At 31 December 2017, the Supervisory Board consisted of the following fourteen members:

							Attendance of committees		
Name	Duties	First appointed	Latest reappointment	Expiration of term(a)	Permanent Representative	Independent member	Audit Committee	Compen-sation Committee	Investment Committee
Christian de Gournay	Chairman	05/03/2014	-	2019	-				✓
ABP (APG)	Member	20/11/2015	-	2019	Alain Dassas	✓	✓	✓	✓
Altafi 5	Member	15/04/2016		2022	Florence Lemaire				
ATI	Member	20/05/2009	05/06/2015	2021	Léonore Reviron		✓		
Marie Anne Barbat-Layani	Member	15/04/2016	-	2022	-	✓			
Françoise Debrus	Member	20/05/2009	27/06/2013	2019	-				
Eliane Frémeaux	Member	27/06/2013	-	2019	-	✓	✓		
Jacques Nicolet	Member	26/06/2007	27/06/2013	2019	-				✓(b)
Predica	Member	26/06/2007	27/06/2013	2019	Emeric Servin				✓
Michaela Robert	Member	15/04/2016	-	2022	-	✓	✓		
Dominique Rongier	Member	20/05/2009	05/06/2015	2021	-	✓	✓(b)	✓(b)	
Gautier Taravella	Member	15/04/2016	-	2022	-				
Matthieu Taravella	Member	26/06/2007	27/06/2013	2019	-				
Christian Terrassoux	Member	09/03/2015	-	2019	-				

(a) Year of the Ordinary General Shareholders' Meeting
(b) Committee Chairman

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.

Each member must hold at least one company share as stipulated in Article 15.4 of the Articles of Association.

At 31 December 2017, the Supervisory Board had no members representing employees and no other members than those listed above. No changes occurred to the composition of the Supervisory Board since this date.

In the explanations that follow concerning the terms of office of the senior executives, the number (1) indicates a listed company, the number (2) means that it is directly or indirectly controlled by Altarea and the number (3) that it is foreign.

Proposal to appoint a new member

The next General Shareholders' Meeting convened to approve the financial statements for the 2017 financial year, will be asked to appoint Alta Patrimoine as a new member of the Supervisory Board for a term of six years.

Alta Patrimoine, a French simplified joint stock Company (Société par Actions Simplifiée) with capital of €74,353,010.90, registered with the Corporate and Trade Register of Paris under number 501 029 706, is wholly owned by AltaGroupe, which is in turn controlled by Alain Taravella. At 31 December 2017, Alta Patrimoine held 2,174,586 Altarea shares.

Representation of men and women

At 31 December 2017, the Supervisory Board had fourteen members: six women and eight men representing respectively 43% and 57% of the members.

Average age of the members

At 31 December 2017, the average age of the Supervisory Board members was 56.

Independent members

During the Meeting held on 31 August 2009, the Supervisory Board voted unanimously to apply the definition of independence 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.

The Board examines the situation of its members with regard to the independence criteria each year. The latest review of the independent status of Supervisory Board members was carried out by the Supervisory Board at its meeting of 5 March 2018. In view of the agreed criteria of independence, the Supervisory Board noted that five members, Marie Anne Barbat Layani, Alain Dassas, Eliane Frémeaux, Michaela Robert and Dominique Rongier, may be considered as independent members, equivalent to 36% of the members.

Presentation of Board members

Christian de Gournay

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.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group: *Chairman of the Supervisory Board* of Altareit(1)(2)

Corporate offices outside the Group:

- Manager: SCI Schaeffer-Erard;
- Director: Opus Investment BV.

Corporate offices expired within the past five years

- Chairman and Member of the Management Board: Cogedim(2)
- Manager: Cogedim Valorisation

At 31 December 2017, to the Company's knowledge, Christian de Gournay directly or indirectly owned 212,739 shares in the Company.

Stichting Depositary APG Strategic Real Estate Pool (ABP Funds)

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.

Alain Dassas

Permanent representative of APG

Of French nationality, Alain Dassas was born in 1946. He 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 the Renault Group and held the following positions: head of the representative office in New York, Director of Banking Relations and Financial Markets, Chief Financial Officer of Renault Crédit International, Director of Financial Operations and finally Director 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.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group: None

Corporate offices outside the Group: Director of Dassas Consulting SAS and RCI Finance Maroc

Corporate offices expired within the past five years

Director: Strategic Initiatives (London)(3)

At 31 December 2017, to the Company's knowledge, APG and the ABP Group, which it is part of, held 1,323,562 Altarea shares and Alain Dassas personally held no shares in 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 holds no other offices. It held one share in Altarea at 31 December 2017.

Florence Lemaire

Permanent Representative of Altafi 5

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. She held 233 shares in Altarea at 31 December 2017.

Other corporate offices held at 31 December 2017

Corporate offices held in the Group: Permanent Representative of Altarea at the Altareit Supervisory Board(1)(2)

Other corporate offices in the Group: None

Corporate offices outside the Group: None

Corporate offices expired within the past five years: None

ATI

Supervisory Board member

ATI is a general partnership with share capital of €10,000, whose registered office is at 8, Avenue Delcassé, 75008 Paris, and which is registered with the Paris Commercial and Companies Registry under the number 498 496 520. Its Manager is SAS Alta Patrimoine, itself chaired by Alain Taravella.

ATI does not hold any other offices.

At 31 December 2017, to the Company's knowledge, ATI owned one share of Altarea.

Léonore Reviron

Permanent representative of ATI

Léonore Reviron, a French citizen born in 1985, 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.

Other corporate offices held at 31 December 2017

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 2017, to the Company's knowledge, Léonore Reviron owned 3,000 shares of Altarea in her own name.

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 (ENA), 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.

Other corporate offices held at 31 December 2017

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 Etablissements de Crédit et des Entreprises d'Investissement (AFECEI);
- Director: Association d'Economie Financière; Centre des Professions Financières; CFPB (banking profession training centre); Europlace; European Banking Federation; 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 2017, to the Company's knowledge, Marie-Anne Barbat-Layani owned one share 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.

Emeric Servin
Permanent representative of Predica

Émeric Servin, a French citizen, was born in 1949 in Versailles (Yvelines). A holder of a DESS in public law and a CESA from HEC in Finance, he began his career as a Programme Manager at the property development company of the Compagnie La Hénin Group, before becoming Executive Assistant in the Finance Department of Cogefimo/Banque La Hénin. He then occupied various functions as a Property Manager at La Mondiale, then at CDC. Until 2015, he was a Property Investment Manager in the Investment Department at Crédit Agricole Assurances, the holding company for Crédit Agricole Group's insurance subsidiaries. As such, he has been Chairman and Manager of numerous property subsidiaries, as well as Director of several listed and unlisted REITs.

Other corporate offices held at 31 December 2017: None

Corporate offices expired over the last five years

- Board Chairmanships: OPCI Predica Commerces; OPCI Iris Invest; OPCI Camp Invest; OPCI Messidor; OPCI SAS CAA Kart; ; SA B.Immobilier; SA Resico
- Chairman & Chief Executive Officer, Director: SA Foncière Hypersud; SA Francimmo Hotels
- Member of the Board of Directors: Alta Blue[2]
- Chairman of the Supervisory Board: SCPI Unipierre Assurance;
- Chairman of SAS: Holding Euromarseille; IMEFA (142 to 145); SAS CAA Residences Seniors;
- Director of SAS: SAS Carmila; Aldeta[2]
- 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; SCI Place de l'Europe; SCI Montparnasse Cotentin; OPCI CAA Commerces 2
- Permanent representative of Predica, Board/Supervisory Board: OPCI Predica Bureaux; OPCI B2 Hôtels Invest; SAS Louvresses Développement 1. SAS OFELIA; SCA Foncière des Murs[1]; SARL Imméo Wohen GmbH[3]; SA Foncière Développement Logements[1]

At 31 December 2017, to the Company's knowledge, Predica owned 3,966,708 shares in Altarea, directly or indirectly through Groupe Crédit Agricole Assurances, its parent company and Emeric Servin personally held no shares in Altarea.

Françoise Debrus
Supervisory Board member

Of French nationality, born on 19 April 1960 in the 12th Arrondissement of Paris, Françoise Debrus is a graduate of the École Nationale du Génie Rural des Eaux et des Forêts and the Institut National Agronomique of Paris-Grignon. 1984-1987: Manager of the Economic and Agricultural Production Department at the French Ministry of Agriculture and Forests. Since 1987 with the Groupe Crédit Agricole: 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.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group: None

Corporate offices outside the Group:

- Supervisory Board member: Foncière des Murs[1];
- Permanent representative of Predica, Director: Korianmedica[1]; Aéroports de Paris[1];
- Observer: Frey[1].

Corporate offices expired within the past five years

- Director: Beni Stabili[1][3]; Foncière Développement Logement[1]
- Permanent representative of Predica, director: Eurosic[1]; Crédit Agricole Immobilier Promotion; Medica; Ramsay Santé; Générale de Santé[1]
- Permanent representative of Predica, Supervisory Board member: Foncière Paris France SA[1]

At 31 December 2017, to the Company's knowledge, Françoise Debrus owned 6 shares of Altarea.

Eliane Frémeaux

Supervisory Board member

Eliane Frémeaux, a French citizen, born in the 15th Arrondissement of Paris 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 Honour, Eliane Frémeaux is a member of the Legal Studies Institute of the Conseil Supérieur du Notariat, of the Joint Ownership Commission representing the Conseil Supérieur du Notariat at the Chancellery, of the Commission on Polluted Sites and Soils within the Conseil Supérieur des Installations Classées of the French Ministry of Sustainable Development. She is a member of honour of the Circle of Women Real Estate Professionals (Cercle des Femmes de l'Immobilier) and a member of the association René Capitant des Amis de la Culture Juridique Française (René Capitant Association of Friends of French Legal Culture). Éliane Frémeaux is a regular participant in many seminars and conferences in France and abroad, primarily on topics related to corporate law, credit issues, finance leases, joint ownership, public domain, taxation and business and estate transfer, as well as the environment.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group: None

Corporate offices outside the Group: Co-Manager of SCI Palatin

Corporate offices expired within the past five years

Co-Manager: SCP Thibierge Associés

At 31 December 2017, to the Company's knowledge, Éliane Fremeaux owned 418 shares of Altarea.

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 partnership limited by shares, Chairman of the Supervisory Board until 2014.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group:

- Supervisory Board member of SCA: Altareit[1][2];
- Supervisory Board member Altarea France[2] (SNC); Cogedim[2] (SAS).

Corporate offices outside the Group:

- Chairman of SAS: Everspeed; Everspeed Motorsport; Proj 2018; Damejane 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: Everspeed Connection[3]; HP Composites Srl[3]; Carbon Mind Srl[3]; HPC Holding[3];
- Representative of Everspeed, Chairman: Immobilière Damejane; Everspeed Learning; Everspeed Asset; Onroak Automotive; Everspeed Media; HP Composites France; Everspeed Technology; Sodemo, Shootshareshow, Ecodime; Everspeed Composites; Ecodime Academy; DPPI Media; DPPI Production; Onroak Collection; Onroak Automotive Classic and Proj 2017;
- Representative 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 Chairman of Everspeed Asset, Manager: SCI Immotech; SCI Innovatech; SCI Les Fleurs;
- Representative of Everspeed Motorsport, Chair: OAK Racing;
- Permanent Representative of Everspeed, director: Everspeed Composites;
- Representative of Everspeed, Chair of foreign companies: Ecodime Italia.

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: semi-public development and management company of the public interest market of Rungis – Semmaris
- Chairman and / or Director of foreign companies: SSF III zhivago holding Ltd[2][3]; Altarea Italial[2][3]; Galleria Ibleo SRL[2][3] (formerly Altarag SRL); Altarea Espana[2][3]
- Permanent Representative of Ecodime, Chairman: Mind Values (formerly Proj 56)

At 31 December 2017, to the Company's knowledge, Jacques Nicolet owned 92,777 shares in Altarea, directly or indirectly through Everspeed, which he controls.

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 finance lawyer at international firms. In 2005, she joined Morgan Stanley as Chief Financial Officer for property investment funds under its management. 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.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group: None

Corporate offices outside the Group:

- Chief Executive Officer of Finae Advisors SAS;
- Director of Paref[1].

Corporate offices expired within the past five years: None

As of 31 December 2017, to the Company's knowledge, Michaela Robert owned one share of Altarea.

Dominique Rongier
Supervisory Board member

Of French nationality, born on 26 June 1945 in the 16th Arrondissement of Paris, Dominique Rongier graduated from HEC in 1967 and has held the following positions: auditor at Arthur Andersen (1969-1976); Chief Financial Officer - Pierre & Vacances Group (1976-1983); Chief Financial Officer of the Group Brossette SA (1983-1987); In 1987, he designed and put in place a holding company structure for the Carrefour Group; Corporate Secretary of Bélier, member of the Havas-Eurocom network (1988-1990); Chief Financial Officer of the holding company Oros Communication, which controls majority stakes in the communications industry(1991-1993). 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.

Other corporate offices held at 31 December 2017

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 2017, to the Company's knowledge, Dominique Rongier owned 54 shares of Altarea.

Gautier Taravella
Supervisory Board member

Gautier Taravella is a French citizen, born in Maisons-Laffitte (Yvelines) in 1980. Having served as a Supervisory Board member from 26 June 2007 to 9 March 2016, he was reappointed as a member of the Supervisory Board by the General Shareholders' Meeting of 15 April 2016. Gautier Taravella is Alain Taravella's son.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group: None

Corporate offices outside the Group:

- Chairman: Via Aurelia Solutions;
- Chief Executive Officer: AltaGroupe.

Corporate offices expired within the past five years: None

At 31 December 2017, 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 a Supervisory Board member on 26 June 2007. Matthieu Taravella is Alain Taravella's son.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group: None

Corporate offices outside the Group:

- Chairman: Allevarat; Locus Investissements;
- Chief Executive Officer: AltaGroupe;
- Manager: SARL Galerie Sakura.

Corporate offices expired within the past five years

Director/Vice-Chairman: Altarea Inc[2][3]

At 31 December 2017, to the Company's knowledge, Matthieu Taravella owned 57,011 shares in Altarea.

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 *Officier de la Légion d'Honneur*.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group:

- Chairman: Pitch Promotion SAS[2];
- Managing Director: SAS Serie-Flex Habitat[2];
- Manager: SNC Lognes A 413[2];

Corporate offices outside the Group

- Vice-President: Club Athlétique Briviste Corrèze Limousin; Federation of French property developers;
- Chief Executive Officer: SAS Serie-Flex Habitat;
- Director: Institut Fournier; ASFO Grand Sud; Festival de Ramatuelle;
- Manager: EURL Société de Patrimoine SPI; SCI Voltaire SPI; SARL Altana Investissements; SDAB SOCANCO Finance and Conseil; SCF Terra Nova; SNC Lognes A 413; SCEA des Courcelles et de la Moricière.

Corporate offices expired within the past five years

- Chairman: *Fédération des Promoteurs Immobiliers* Île-de-France;
- Chairman – Chief Executive Officer: Pitch Promotion SA[2]: Phocéa International SA;
- Supervisory Board member: Primaxia;
- Director and Vice-Chairman of foreign companies: Wagram Real Estate Inc (United States);
- Manager: SNC Château Inkermann; SARL Les Fruits du Berry.

As of 31 December 2017, to the Company's knowledge, Christian Terrassoux owned directly and indirectly 190,000 shares of Altarea.

7.2.3.2 Working methods, preparation and organisation of the Board's work

Roles and responsibilities (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 the law, the Supervisory Board prepares a report for the Ordinary General Shareholders' Meeting convened to approve the Company's financial statements: the report is made available To the Shareholders at the same time as the management report and the financial statements for the period. The Supervisory Board draws up a report describing any proposed capital increase or reduction and submits it To the Shareholders. The Supervisory Board can call an Ordinary or Extraordinary General Meeting according to the procedures set forth by French law, if the Board deems necessary and after informing the Managers in writing.

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. Its opinion must be sought by Management prior to taking any of the following important decisions: (i) any investment of an amount greater than €15 million, (ii) any disposal of an amount greater than €15 million, (iii) any commitments made by the Company for an amount greater than €15 million, (iv) any loan agreement for an amount greater 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.

Notice of Meeting

The Company's Articles of Association provide that Board members be invited to meetings via simple letter or by any means of electronic communication. The Supervisory Board can meet by any means as soon as all members are present or represented. Supervisory Board meetings can be called by the Board Chairman, at least half of the Board members, or any Manager or General Partner. The Board members must be notified at least one week before the Meeting date, except under emergency circumstances.

Information

In accordance with French law, the Supervisory Board has the right to be provided with the same documents by the Managers as those made available to the Statutory Auditors.

Meeting location – Management attendance

Meetings take place at the 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.

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.

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.

Frequency of meetings

The Articles of Association require the Board to meet as often as the Company's interests make necessary and at least four times per year to examine the management report on the Company's activities.

In 2017, the Board met four times. The effective attendance rate was 93% and the attendance rate in person or by proxy was 98%.

Supervisory Board meetings and work in 2017

The Altarea Supervisory Board held the following meetings in 2017:

- meeting of 21 February 2017: Examination of the annual consolidated financial statements and the management report for the year ended 31 December 2016. 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. Review of the agenda and draft resolutions submitted to the Combined General Shareholders' Meeting; Financial strategy. Funding in 2017. Recommendation to Management for guarantees, pledges and endorsements given to the Company's subsidiaries. Review of forecast management documents. Review of matters of corporate governance: change in the composition of the Supervisory Board and Audit Committee, modification of the responsibilities of the Audit Committee, annual discussion on the Company's policy on gender equality and equal pay, CSR report, annual review of the working methods and preparation of the Supervisory Board's work, review of the criteria for the independence of the members of the Supervisory Board and specialist committees. Approval of the Chairman's report on internal control. Review of related party transactions already authorised by the Board;
- meeting of 26 April 2017: Recommendation to be given on a divestment proposal;

- meeting of 27 July 2017: Review of the half-yearly financial statements at 30 June 2016 and the related half-yearly business review. Group's financial policy. report on human resources and management. Health & Safety update. Recommendation to be given on investment and divestment projects. Forecast documents;
- meeting of 14 November 2017: update on the Group's business activities. Recommendation to be given on investment and divestment projects.

Specialist 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 commandite par actions).

The Supervisory Board has three specialist committees: an accounts 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, Chairman of the Investment Committee;
- Alain Dassas, representing ABP (APG) Fund;
- Emeric Servin, representing Predica;
- Christian de Gournay;
- Philippe Mauro;
- Eric Dumas.

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. 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 its property development subsidiaries, the above ceilings are understood to be:

- before entering into any bilateral sales agreements for real estate over these ceilings;
- before signing any deeds for real estate over these ceilings, including following a unilateral sales agreement.

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 2017 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 7.2.1 above, Roles and responsibilities), 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:

- Dominique Rongier, Chairman of the Audit Committee;
- Françoise Debrus;
- Léonore Reviron, Representative of ATI;
- Alain Dassas, Representative of ABP (APG) Fund;
- Eliane 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.

Skills and experience of the Audit Committee members relevant to the Committee's responsibilities:

- Alain Dassas, independent member, was Director of Banking Relations and Financial Markets at Renault, Finance Director at Renault Crédit International and Director of Financial Operations and Financial Services at Renault;
- Françoise Debrus has worked as internal audit leader and Head of financial management and management audit at Unicredit; head of deposits and loans 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 chief investment officer at Crédit Agricole Assurances;
- Eliane 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 Installations Classified as Potentially Polluting;

- 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;
- Dominique Rongier, committee Chairman, independent member, has been an auditor at Arthur Andersen, Chief Financial Officer of the Pierre & Vacances Group, Chief Financial Officer of the Group Brossette SA, and Chief Financial Officer of the holding company Oros Communication;
- 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.

Independent members

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. The Committee does not 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 2017 financial year, the Committee met twice to examine the following points:

- meeting of 20 February 2017: review of the accounts at 31 December 2016, Appraisal values, update on internal control and review of the main activities in terms of internal control and risk management undertaken during the second half of 2016, report from the Statutory Auditors;
- meeting of 26 July 2017: review of the main activities in terms of internal control and risk management undertaken during the first half of 2017, review of the half-yearly accounts at 30 June 2016, review and approval of the Statutory Auditors' half-yearly report on services provided other than the audit of the financial statements.

Missions and responsabilities

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 missions:

- monitoring the process for preparing financial information and, where appropriate, making recommendations to ensure 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; 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. The Audit Committee also reviews the scope of consolidation and, where applicable, the reasons for which companies are not included;
- 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. 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. 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;
- 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;
- examination and monitoring of compliance by the Statutory Auditors with the criteria for independence. It ensures compliance with the rules for the rotation of Statutory Auditors and their signing partners. The Committee monitors the budget for the Statutory Auditors' fees to ensure that it is appropriate to their work. The Committee makes sure that the Co-statutory Auditor is efficiently assured;
- approval of the provision by the Statutory Auditors or their respective network of services other than the certification of the financial statements to the Company or its subsidiaries. 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;
- verification of the arrangements made by the Company in order to guarantee business continuity, with particular reference to documentation, files, systems and the protection of the Company against fraud and malicious acts;
- ensuring that the Company's operations comply with all applicable laws and regulations.

The Audit Committee must be consulted about:

- the appointment of the Statutory Auditors. Under Article 17.4 of the Articles of Association, the Supervisory Board is required to provide to the General Shareholders' 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 Shareholders' Meeting for appointment on the basis of a tender procedure. It also issues a recommendation to the General Shareholders' 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 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. If it deems necessary, the Committee may call on external experts, ensuring their competence and independence.

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.

The same Meeting modified the provisions of Article 14 of the Articles of Association regarding Management compensation: from 1st January 2013, Management compensation should be be set for successive three year periods by the Ordinary General Shareholders' Meeting in response to a proposal by 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.

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.

The Committee then met on 23 February 2016 to review Management compensation and develop proposals for the Supervisory Board, which then put recommendations to the Combined General Shareholders' Meeting of 15 April 2016 responsible for setting management compensation for the 2016, 2017 and 2018 financial years.

In 2017, the Committee did not meet, as no issues falling under its remit arose.

Assessment of the work of the Board and specialist committees

At its meeting of 5 March 2018, 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.

7.2.4 Management

7.2.4.1 Executive Management

As an SCA (*société en commandite par actions*, a French partnership limited by shares), the Company is run by 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 were the Managing Directors of Atlas until, respectively, 28 March 2017 and 5 March 2018.

7.2.4.2 Operational Management

Ludovic Castillo is in charge of the Retail REIT. He has been Manager of the Company Foncière Altarea since 30 May 2017, having succeeded Gilles Boissonnet.

Stéphane Theuriau took charge of the Residential and Office Property Development division until 5 March 2018,notably as Chairman of the Management Board of Cogedim. He was succeeded at this date by Philippe Jossé, hitherto Chief executive and member of the Management Board of Cogedim.

7.2.4.3 The 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 are mainly the Group Executive Committee and Management Committees for each business line (Residential Management Committee, Office Property Management Committee and Retail Management Committee).

7.2.4.4 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.

7.2.5 Additional information

7.2.5.1 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.

7.2.5.2 Convictions, bankruptcies, prosecutions

To the Company's knowledge and in view of the information at its disposal, none of the co-Managers or the Company's Supervisory Board members has, in the past five years:

- been convicted of any fraud;
- been the subject of a bankruptcy, receivership or liquidation order;
- been the subject of any prosecution or of any official public sanction imposed by statutory or regulatory authorities (including designated professional bodies).

7.2.5.3 Agreements entered into between an executive officer or significant Shareholder and subsidiaries

As of the date of this Registration Document, except for agreements relating to current transactions and conducted on arm's length terms, no agreement has been concluded between an executive officer or a major Shareholder and company subsidiaries.

(1) See paragraph 7.2.3.2, above, for the presentation of the Supervisory Board specialist committees.

7.3 Compensation of administrative, management and supervisory bodies

7.3.1 Principles and rules

7.3.1.1 Management

Management compensation is set for successive periods of three years by the Ordinary General Shareholders' Meeting (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 with the Supervisory Board. The Supervisory Board also consults with the Management Compensation Committee, a specialised committee composed solely of Members independent of Management.

This method for determining Management compensation is provided for in Article 14 of the Articles of Association as follows:

"As of 1 January 2013, Management compensation shall be set for successive periods of three years by the Ordinary General Shareholders' Meeting = (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 with 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 Shareholders' 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 voted unanimously in favour of the compensation proposal made for the general partner which was inserted into the draft fifth resolution submitted to the Ordinary General Shareholders' Meeting. The General Shareholders' Meeting approved the resolution that was proposed to it and consequently set Managers' compensation for 2016, 2017 and 2018 as follows:

Extract from the fifth resolution (Determination of "Management Compensation):

The General Shareholders' Meeting (…) 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.

Article 24.3 of the AFEP-MEDEF Code, to which the Company refers, recommends consultation with the Shareholders on the compensation of individual 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 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.

7.3.1.2 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".

Altafi 2, the sole general partner, receives a bonus dividend of 1.5% of the annual dividend. This amounted to €1,853,624.85 for FY 2014, €2,076,460.32 for FY 2015 and €2,557,944.54 for FY 2016. It is proposed at the annual Ordinary General Shareholders' Meeting, which is responsible for approving the financial statements for FY 2017 and appropriating its results, to paying the Shareholders a dividend representing a payment of €3,009,720 to the General Partner Altafi 2.

7.3.1.3 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.

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 2018, unless the General Shareholders' 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.

Supervisory Board 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.

7.3.2 Information on compensation

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).

Note that the Company's executive management comprises three Co-Managers: Alain Taravella, the company Altafi 2 and the company Atlas which are both chaired by Alain Taravella and are also controlled by him as understood under the terms of Article L. 233-3-I of the French Commercial Code. The Chief Executives of the company ATLAS were Stéphane Theuriau and Gilles Boissonnet until 28 March 2017 and 6 March 2018, respectively.

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 2016	FY 2017
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	0	0
Value of performance shares allocated during the financial year	0	0
Total Alain Taravella	**0**	**0**
2. Altafi 2 – Co-Manager		
Compensation due in respect of the financial year (itemised in Table 2)	3,779[a]	5,025[b]
Value of options allocated during the financial year	0	0
Value of performance shares allocated during the financial year	0	0
Total Altafi 2	**3,779**	**5,025**
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	0	0
Value of performance shares allocated during the financial year	0	0
Total Atlas	**0**	**0**
3. bis Stéphane Theuriau – Chief Executive Officer Atlas until 6 March 2018		
Compensation due in respect of the financial[c] year (itemised in Table 2)	800	800
Value of options allocated during the financial year	0	0
Value of performance shares allocated during the financial year[d]	1,024*	0
Total Stéphane Theuriau	**1,824**	**800**
3. ter Gilles Boissonnet, Chief Executive of Atlas until 28 March 2017		
Compensation due in respect of the financial[e] year (itemised in Table 2)	800	423
Value of options allocated during the financial year	0	0
Value of performance shares allocated during the financial year[f]	1,024*	0
Total Gilles Boissonnet	**1,824**	**423**

* ***Allocation of shares in respect of the 2015 and 2016 financial years associated with attendance and performance conditions.***

(a) Final amount of €3,179 thousand for management of Altarea and €600 thousand for management of Altareit, a subsidiary of Altarea.

(b) Provisional amount of €4,416 thousand for management of Altarea and €609 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 amount is in recognition of his operational responsibilities as Manager of Altarea France, a subsidiary of Altarea, until 30 May 2017, the date on which his term of office ended.

(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, above, 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 Shareholders' Meeting of the Shareholders, which are presented in Article 7.3.1.1 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 *(in € thousand)*	FY 2016 Amount due	FY 2016 Amount paid	FY 2017 Amount due	FY 2017 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	2,000	2,000	2,029	2,029
Variable annual compensation (paid in financial years n+1)	1,179[(a)]	2,172[(b)]	2,387[(c)]	1,179[(d)]
Variable multi-year compensation	0	0	0	0
Exceptional compensation	0	0	0	0
Other compensation[(e)]	600	600	609	609
Directors' fees	0	0	0	0
Benefits in kind	0	0	0	0
TOTAL	**3,779**	**4,772***	**5,025**	**3,817***
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**
3. bis Stéphane Theuriau – Chief Executive Officer Atlas until 6 March 2018				
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**
3. ter Gilles Boissonnet – Chief Executive Officer Atlas (until 28/03/2017)				
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	423	423
Directors' fees	0	0	0	0
Benefits in kind	0	0	0	0
TOTAL	**800**	**800**	**423**	**423**

** Amounts paid correspond to variable compensation in respect of the prior year after any adjustments*
(a) Corresponding to the amount of variable compensation for the 2016 financial year recognised in 2016 and paid in 2017.
(b) Corresponding to the amount of variable compensation for the 2015 financial year recognised in 2015 and paid in 2016.
(c) Corresponding to a provisional amount of for variable compensation for 2017, recognised in 2017 and that should be paid in 2018.
(d) Corresponding to the amount of variable compensation for the 2016 financial year recognised in 2016 and paid in 2017.
(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.

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.

	FY 2016		FY 2017	
Non-executive corporate officers *(in € thousand)*	**Directors' fees**	**Other compensation**	**Directors' fees**	**Other compensation**
Christian de Gournay, Chairman of the Supervisory Board	0	300[(a)]	0	300[(a)]
Altafi 5, Supervisory Board member	0	0	0	0
Florence Lemaire, Permanent Representative of ATI since Feb. 2017	N/A	N/A	0	107[(c)]
APG, Supervisory Board member	0	0	0	0
Alain Dassas, Permanent Representative of APG	15	0	15	0
ATI, Supervisory Board member	0	0	0	0
Léonore Reviron, Permanent Representative of ATI	10	3[(b)]	10	1.5[(b)]
Marie Anne Barbat-Layani, Supervisory Board member	2.5	0	10	0
Françoise Debrus, Supervisory Board member	12.5	0	15	0
Éliane Frémeaux, Supervisory Board member	7.5	0	12.5	0
Jacques Nicolet, Supervisory Board member	7.5	3[(b)]	10	3[(b)]
Predica, Supervisory Board member	0	0	0	0
Émeric Servin, Permanent Representative of Predica	7.5	0	10	20[(d)]
Michaela Robert, Supervisory Board member	5	0	12.5	0
Dominique Rongier, Supervisory Board member	15	3(2)	15	3[(b)]
Matthieu Taravella, Supervisory Board member	5	0	10	0
Gautier Taravella, Supervisory Board member	0	0	0	0
Christian Terrassoux, Supervisory Board member	0	1,213[(e)]	0	1,598[(f)]
TOTAL	**87.5**	**1,522**	**120**	**2,032.5**
OVERALL TOTAL	**1,609.5**		**2,152.5**	

(a) Compensation paid by Altarea for the office of Chairman of the Supervisory Board.
(b) Compensation paid as directors' fees for attending the meetings of the Supervisory Board of Altareit.
(c) Gross compensation paid by Altarea Management, a subsidiary of the Company, for the salaried duties of Assistant Corporate Legal Director (permanent contract). This amount does not take into account the allocation of free Altarea shares granted in 2017 as part of the «Tous en actions!» (shares for all) plan covering all Group employees with permanent contracts (see table 6, below).
(d) compensation paid in 2017 for an assignment given by the Supervisory Board.
(e) €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 excluding taxes in service fees paid by Pitch Promotion SNC to Terra Nova that he manages and controls.
(f) €108,072 for compensation as Chairman of Pitch Promotion SAS, and €1,490,000 excluding taxes in service 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 the executive corporate officers, members of the Supervisory Board and their permanent representatives in 2017

No free shares were granted during the past financial year to the executive corporate officers of the Company, namely Alain Taravella, Altafi 2 and ATLAS, Co-managers, either by the Company itself or by another Group company.

No free shares were granted during the past financial year to members of the Supervisory Board, either natural persons or legal entities, by the Company itself or by another Group company.

Florence Lemaire, Permanent Representative of Altafi 5 on the Company's Supervisory Board, benefited from a bonus share plan in the same way as all Group employees with permanent contracts as part of the «Tous en actions!» (Shares for all) general bonus share plan.

	Plan number	Plan date	No. of shares allocated	Valuation of shares[(1)]	Vesting date	Date of availability
Florence Lemaire, permanent representative of Altafi 5 on Supervisory Board	Plan n° 46[(b)]	22/03/2017	100	€11,099.41	10/04/2019	11/04/2019

(a) According to the method used for the consolidated financial statements.
(b) The acquisition of a 50% 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 in 2017

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.

It should be noted that 12,000 shares allocated on 2 April 2013 to Gilles Boissonnet (Managing Director of Atlas until 28 March 2017) became available on 2 April 2017.

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, or 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 are currently vesting or in a lock-up period in favour of executive corporate officers of the Company, namely Alain Taravella, Altafi 2, or Atlas, Co-managers.

No free shares are currently vesting or in a lock-up period in favour of corporate officers of the Company, namely the natural persons and/or legal entities on the Supervisory Board[1].

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, or 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.

(1) Florence Lemaire, Permanent Representative of Altafi 5 on the Company's Supervisory Board, has benefited from bonus share plans in the same way as all Group employees with permanent contracts as part of the «Tous en actions!» (Shares for all) general bonus share plans, namely Plans No. 32 of 1 February 2016 (45 shares), No. 33 of 8 February 2016 (44 shares), No. 44 of 15 December 2016 (45 shares), No. 45 of 16 December 2016 (56 shares) and No. 46 of 22 March 2017 (100 shares) (see Note 6.1 to the consolidated financial statements).

7.4 Delegations granted by the General Shareholders' Meeting for capital increases

7.4.1 Delegations valid during the past financial year

Delegations valid during 2017	Date of authorisation (GSM)	Expiry date	Maximum nominal amount	Use in 2017
Share buyback programme				
Authorisation to proceed with share buybacks at a maximum price per share of €300 and for a maximum total amount of €100 million	11/05/2017[e]	11/11/2018	Up to a maximum of 10% of the share capital	See 6.3.2, above
Authorisations to reduce the share capital by cancelling shares purchased under the buyback programme	11/05/2017[f]	11/07/2019	Up to a maximum of 10% of the share capital per 24 month period	None
Authorisations with preservation of preferential subscription rights				
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company[a][b]	11/05/2017[f]	11/07/2019	€95 million for equity securities €300 million for debt securities	None
Authorisations to increase the share capital by capitalising reserves	11/05/2017[f]	11/07/2019	€95 million	None
Authorisations without preferential subscription rights				
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company liée, as part of a public offer[a][b][c]	11/05/2017[f]	11/07/2019	€95 million for equity securities €300 million for debt securities	None
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company, as part of a private placement[a][b][c]	11/05/2017[f]	11/07/2019	€95 million and 20% of the share capital per annum for equity securities €300 million for debt securities	None
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company, for the benefit of categories of persons[a]	11/05/2017[f]	11/11/2018	€20 million	None
Issue of ordinary shares that may be combined with securities giving access to the company's share capital as remuneration for contributions in kind of securities[a][c]	11/05/2017[f]	11/07/2019	10% of the share capital	None
Issue of ordinary shares and / or equity securities giving access to other securities to be used to remunerate the securities contributed as part of a public exchange offer initiated by the Company[a][c]	11/05/2017[f]	11/07/2019	€95 million	None
Authorisations for the benefit of employees and senior management				
Increase in the capital reserved for members of an employee savings scheme	11/05/2017[f]	11/07/2019	€10 million	None
Bonus share plans	15/04/2016	15/06/2019	350,000 shares[g]	See 6.3.1 above
Stock option plans (share purchase)[d]	11/05/2017[f]	11/07/2020	350,000 shares[g]	None
Stock option plans (share subscription)[d]	11/05/2017[f]	11/07/2020	350,000 shares[g]	None
Share subscription warrants (BSA, BSAANE et BSAAR)[d]	11/05/2017[f]	11/11/2018	350,000 shares[g]	None

(a) Authorisation subject to a nominal global ceiling of €95 million for a capital increase by the issue of new shares and €300 million for the issue of debt securities.
(b) Authorisation subject to an authorisation to increase the issue amount by an additional 15% in case of over-subscription.
(c) Delegation subject to an authorisations granted to Management to set the issue price up to a maximum of 10% of the share capital per annum.
(d) Authorisation subject to a global ceiling of 350,000 shares, of which a maximum of 100,000 shares for the corporate officers.
(e) Authorisation rescinding any authorisation of the same kind granted by the Combined General Shareholders' Meeting of 15 April 2016, use of which in 2017 is described in paragraph 6.3.2, above.
(f) Authorisation rescinding any authorisation of the same kind granted by the Combined General Shareholders' Meeting of 15 April 2016, which was not used in 2017.
(g) Representing approximately 2.18% of the share capital au 31 December 2017.

7.4.2 Delegations sought from the next General Shareholders' Meeting to be held on 15 May 2018

Delegations sought from the General Shareholders' Meeting of 15/05/2018	Resolution	Duration / Expiry date
Share buyback programme		
Authorisation to proceed with share buybacks at a maximum price per share of €300 and for a maximum total amount of €100 million[a]	6th resolution	18 months 15/11/2019
Authorisations to reduce the share capital by cancelling shares purchased under the share buyback programme[a]	7th resolution	26 months 15/07/2020
Authorisations with preservation of preferential subscription rights		
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company[b]	8th resolution	26 months 15/07/2020
Authorisations to increase the share capital by capitalising reserves[a]	17th resolution	26 months 15/07/2020
Authorisations without preferential subscription rights		
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company, as part of a public offering[b]	9th resolution	26 months 15/07/2020
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company, as part of a private placement[b]	10th resolution	26 months 15/07/2020
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company, for the benefit of particular categories of persons[a]	14th resolution	18 months 15/11/2019
Authorisations granted to Management to set the issue price for capital increases without preferential subscription rights subject to a maximum of 10% of the share capital per year[a]	11th resolution	26 months 15/07/2020
Issue of ordinary shares that may be combined with securities giving access to the Company's share capital as remuneration for contributions in the form of securities[a]	13th resolution	26 months 15/07/2020
Issue of ordinary shares and / or equity securities giving access to other securities to be used to remunerate the securities contributed as part of a public exchange offer initiated by the Company[a]	15th resolution	26 months 15/07/2020
Global ceiling and other authorisations		
Setting aggregate nominal ceiling of authorisations to the Management at €95 million for share issues and at €500 million for marketable securities representing debt in the Company[b]	16th resolution	26 months 15/07/2020
Option of increasing the amount of an issue in case of over subscription[a]	12th resolution	26 months 15/07/2020
Authorisations for the benefit of employees and senior management		
Increase in the capital reserved for members of an employee savings scheme (global ceiling of €10 million)[a]	18th resolution	26 months 15/07/2020
Bonus share plans[a][c]	19th resolution	38 months 15/07/2021
Stock option plans (share purchase)[a][c]	20th resolution	38 months 15/07/2021
Stock option plans (share subscription)[a][c]	21th resolution	38 months 15/07/2021
Share subscription warrants (BSA, BSAANE and BSAAR) [a][c]	22th resolution	18 months 15/11/2019

(a) Authorisation sought and subject to the same conditions as the current delegation of the same description presented in the table in paragraph 7.4.1, above.

(b) Authorisation sought and subject to the same conditions as the current delegation of the same description presented in the table in paragraph 7.4.1, above, with the exception of the debt securities issue ceiling being set at €500 million.

(c) Authorisation subject to a global ceiling of 350,000 shares, of which a maximum of 100,000 shares for the corporate officers.

It should be noted that the delegations presented in the above table would rescind, if adopted by the General Shareholders' Meeting of 15 May/2018, to the delegations of the same description previously granted by the General Shareholders' Meeting and presented in paragraph 7.4.1, above.

7.5 Conditions of participation in the General Shareholders' Meeting

Except for the requirements set by applicable laws and regulations, there are no particular procedures relating to Shareholder participation in General Meetings. Article 28 of the Company's Articles of Association state the following points:

Calling of meetings

General Meetings are called and take place in accordance with the provisions of the law.

Notice of Meetings may be given electronically, provided that the Shareholders have given their prior written consent.

Meetings take place at the registered office or any other place indicated in the notice of Meeting.

Proxies

Any Shareholder may participate in person or by proxy in the General Shareholders' Meeting, whatever the number of shares they hold, upon proof of identity and the ownership of their shares in the form of an accounting entry entry at least two working days before the date of the General Shareholders' Meeting. However, Management may shorten or even do away with this period if it is to the benefit of all Shareholders.

Legal entities may take part in General Meetings through their legal representatives or any other person duly appointed for this purpose by their legal representatives.

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 Shareholders' 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 – Bureau

General Meetings are chaired by the Manager or one of the Managers if there is more than one. If the Meeting is called by the Supervisory Board, it is chaired by the Chairman of the Supervisory Board or one of its members designated to that effect. Failing that, the Meeting elects its own Chairman.

Minutes of General Meetings are drawn up and copies certified and issued in accordance with the law.

7.6 Items that may have an impact in case of a take-over bid or public exchange offer

The information referred to under Article L. 225-100-3 of the French Commercial is provided in Chapters 6 and 7 of this document, in paragraphs 6.2, 6.3 and 7.2 to 7.5.

APPENDICES 8

8.1 Persons Responsible for the Registration Document and the Audit of the Financial Statements

8.1.1 Person responsible for the Registration Document

Altafi 2, Co-Manager, represented by its Chairman, Alain Taravella.

8.1.2 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

Co-Manager

Represented by its Chairman

Alain Taravella

8.1.3 Persons responsible for the audit of the financial statements

Statutory Auditors[(a)]	Date of first appointment	Start date and duration of current term	Expiration of term
Full members			
GRANT THORNTON French member of Grant Thornton International 29, rue du Pont – 92200 Neuilly-sur-Seine Represented by Laurent Bouby	15/04/2016	15/04/2016 6 financial years	GSM on the accounts for the financial year 2021
ERNST & YOUNG ET AUTRES Tour First – 1, place des Saisons – 92400 Courbevoie Represented by Anne Herbein	28/05/2010	15/04/2016 6 financial years	GSM on the accounts for the financial year 2021
Alternates			
IGEC – Institut de Gestion et d'Expertise Comptable 22, rue Garnier – 92200 Neuilly-sur-Seine	15/04/2016	15/04/2016 6 financial years	GSM on the accounts for the financial year 2021
Auditex Tour First – 1, place des Saisons – 92400 Courbevoie	28/05/2010	15/04/2016 6 financial years	GSM on the accounts for the financial year 2021

(a) The Company's Statutory Auditors are members of Compagnie Nationale des Commissaires aux Comptes.

8.2 Documents on display

The following documents are available to the public in electronic or printed form, and can be obtained from the Company's registered office at 8, Avenue Delcassé – 75008 Paris, on working days and during office hours:

- the Company's most recent Articles of Association;
- all reports, letters and other documents, past financial data, and expert opinions or statements requested by the Company that are included or mentioned in this Registration Document;
- financial data for the Company and its subsidiaries for the two financial years prior to the year in which this Registration Document is published.

Furthermore, regulated information about the Company, including Registration Documents and the annual and half-yearly financial statements filed with the French financial markets authority (*AMF*) for the past ten financial years, is available and may be consulted on the Company's internet site http://www.altareacogedim.com (heading *Financial information/Regulatory information* and *Publications)*.

8.3 Cross-reference tables

8.3.1 Headings of Appendix 1 of European regulation No. 809/2004

Headings of Appendix 1 of European regulation No. 809/2004		Sections	Pages
18.4.	Arrangements relating to change in control	N/A	
19.	**Related-party transactions**	**3.6.9 - 4.3.3.4**	**132 - 154**
20.	**Financial information concerning the issuer's assets, liabilities, financial position, profits and losses**		
20.1.	Historical financial information	2.3 - 3 - 4	77 - 87 - 141
20.2.	Pro forma financial information	4.3.2.3	146
20.3.	Financial statements	3 - 4	87 - 141
20.4.	Auditors' verifications	3.7 - 4.4 - 4.5 - 5.10	137 - 157 - 161 - 241
20.5.	Date of latest financial information	Page 1	1
20.6.	Interim and other financial information	N/A	
20.7.	Dividend policy	6.7	274
20.8.	Legal and arbitration proceedings	6.8.3	276
20.9.	Significant change in the issuer's financial or trading position	6.8.4.2	276
21.	**Additional information**		
21.1.	Share capital		
21.1.1.	Amount and characteristics	6.3.1	249
21.1.2.	Shares not representative of share capital	N/A	
21.1.3.	Treasury shares	6.3.2	250
21.1.4.	Shares giving access to share capital	6.3.3	250
21.1.5.	Rights or obligations attached to share capital not paid	N/A	
21.1.6.	Capital of a member of the Group subject to an option	N/A	
21.1.7.	History of changes in capital	6.3.4	251
21.2.	Deeds of constitution		
21.2.1.	Corporate purpose	6.2.6	247
21.2.2.	Provisions concerning corporate and executive officers	7.2	279
21.2.3.	Rights, privileges and restrictions relating to shares	6.2.9 - 7.5	248 - 298
21.2.4.	Specific conditions for amending Shareholders' rights	6.2.2	247
21.2.5.	Convening of and admission to meetings	7.5	298
21.2.6.	Provisions that may delay, defer or prevent a change of control	N/A	
21.2.7.	Declaration of shareholding threshold crossings	6.3.5	251
21.2.8.	Specific conditions for changes to capital	6.3.1	249
22.	**Material contracts**	**N/A**	
23.	**Third party information and statements by experts**	**6.6.3.1**	**265**
24.	**Documents on display**	**8.3**	**301**
25.	**Information on holdings**	**3.6.4.2**	**111**

8.3.2 Annual financial report (Articles 222-3 of the AMF General Regulations and L. 451-1-2 of the French Monetary and Financial Code)

In accordance with Article 222-3 of the AMF General Regulation this Registration Document includes the Annual Financial Report for 2017.

Title		Sections	Pages
1.	**Annual financial statements**	**4**	**141**
2.	**Consolidated financial statements**	**3**	**87**
3.	**Management report** Cross-reference table, below (8.3.3)		
4.	**Supervisory Board Report on Corporate Governance**	**7**	**277**
5.	**Statutory Auditors' reports**		
	Report on the annual financial statements	4.4	157
	Report on the consolidated financial statements	3.7	137
6.	**Statement by persons responsible for the annual financial report**	**8.1.2**	**300**

8.3.3 Management report to the General Shareholders' Meeting (Articles L. 225-100-1, L. 232-1 and L. 233-26 of the French Commercial Code)

Title	Sections	Pages
I. Activities		
Analysis of changes to the business, results and financial position of the Company during the past financial year	1.4 - 2 - 4	26 - 59 - 141
Analysis of changes to the business, results and financial position of the Group during the past financial year	1.4 - 2 - 3	26 - 59 - 87
Results of the subsidiaries and companies controlled by type of business	1.4 - 2.2 - 3.5 - 3.6.4.2	26 - 63 - 93 - 111
Research and development activities	6.8.5	276
Foreseeable changes	1.4 - 6.8.4	26 - 276
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Front cover image: Inauguration of the Massy Place du Grand Ouest district, 10 October 2017 in Massy (91).

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Undated data are for 2016; they apply to the urban area of the different gateway cities.

Detail of data with a different reference year and geographical scope, in the order in which the cities appear:
• Grand Paris: [GDP: 2015; number of inhabitants: 2015] • Toulouse: [number of inhabitants: 2015; base population in 2013: 734,944, in 2015: 755,882; change in population of the urban area between 2013 and 2015; GDP: 2016] • Bordeaux: [number of inhabitants: 2015; business creations: 2016; GDP: 2013] • Aix-Marseille-Toulon [number of inhabitants: 2016; business creations: 2016; GDP: 2016] • Nice-Côte d'Azur: [business creations: 2016; number of tourists and overnight stays: 2013, for the department of Alpes-Maritimes; number of students: 2014] • Nantes: [change in household income calculated between 2011 and 2013; number of inhabitants: 2015; business creations: 2016] • Grand Lyon: [number of inhabitants: 2015; change in household income calculated between 2013 and 2015; GDP: 2016] • Strasbourg: [number of tourists, for the Bas-Rhin département: 2017; business creations: 2016; change in household income calculated between 2011 and 2013] • Grenoble-Annecy: [Annecy-Grenoble population in 2014: 640,410, in 2015: 644,142; change in population of the two urban areas collected between 2013 and 2015; number of students 2016; business creations: 2016] • Montpellier: [number of students 2014; number of overnight stays and visitors: department of Hérault; business creations 2016] • Lille: [number of students: 2014; number of inhabitants: 2015].

Data on transitions pages, with a reading order data/source: by page: column from left to right, then from top to bottom:
P. 24 – Regional transition: 1. 46% of jobs in France – 22% in Paris and 24% in the regions – are located in urban areas with more than 500,000 inhabitants (France Stratégie report, February 2017, 2006 and 2013). **2.** 30% of French people believe that local authorities should increase spending in favour of economic development and the promotion of the local area, 36% for regional civil political representatives (Ipsos survey, "Les Français et le service public local" (the French and local public service), February 2017). **3.** 22 French inter-municipality associations classed as gateway cities on 1 January 2018, up from 15 in 2017 (*Commissariat général à l'égalité des territoires* (General Commission for Equality of the Regions, 2017)). On average, in the employment zones encompassing the 12 French gateway cities, average employment growth between 1999 and 2014 was 1.4% per year, compared with 0.8% for the country as a whole (France Stratégie, analysis note #64, November 2017). **4.** 74% of French people think that their opinions and their ideas should be heard to help elected officials act and make decisions (Nouvelle Citoyenneté (New Citizenship) survey, OpinionWay, 2015). **5.** 26 cities had adopted a participatory budget system in 2016, and 47 in 2017 (lesbudgetsparticipatifs.fr study, 2017). **6.** 64% of French people want their municipality to propose a participatory budget (*Observatoire des usages émergents de la ville – l'Observatoire société et consommation* (ObSoCo) (Emerging uses of the city observatory– Observatory of society and consumption) + Chronos, November 2017).

P. 26 – Ecological transition: 7. 44% of entrepreneurs believe that climate change is a major challenge (OpinionWay survey, 2017). **8.** 45% of French energy consumption and 25% of CO_2 emissions (over the whole life cycle of a building) come from the building sector (*Bilan énergétique pour la France* (Energy review for France), 2016). **9.** US$1 invested in natural disaster prevention saves US$7 dollars of reconstruction (UN General Assembly). **10.** The construction sector consumes about 50% of all raw materials processed worldwide ("Construction et énergie: architecture et développement durable" (Contruction and energy, architecture and sustainable development), Manfred Hegger, 2011). **11.** 50% of French people think the city of the future will be "green" and "ecological" (Unep, 2016). **12.** The construction sector produces more than 60% of waste in Europe; the operation of buildings in Europe consumes about 41% of total energy used ("Construction et énergie: architecture et développement durable", Manfred Hegger, 2011).

P. 28 – Societal transition: 13. 81% of French workers believe that new ways of organising work have a positive impact on well-being and job performance (OpinionWay study, 2016). **14.** 72% of students say they are prepared to refuse a job opportunity in a city because of poor air quality or lack of space, 66% lack of calm and 52% distance from nature (Harris Interactive Study, "Les étudiants et le logement" (Students and Housing) September 2017). **15.** 78% of French people would like to be consulted and involved with the construction of tomorrow's city centres (CSA study, "Centre-ville en mouvement", (Downtown-in-motion), 2017). **16.** 1 in 5 French people have already given their opinion on a project or issue concerning their region, city or neighbourhood, on the Internet or social networks (OpinionWay for 20 Minutes, "Les nouveaux influenceurs" (The new Influencers), September 2015). **17.** More than 3/7 of French people (77%) approve intergenerational family housing (Link Institute survey for SwissLife, "Sur la solidarité intergénérationnelle" (On intergenerational solidarity), 2016). **18.** Among the means identified by the draft law to promote social diversity, 73% of French people believe that the sensible construction of social residential housing is an essential driver, (Elabe Institute survey for Alila Group, April 2016). **19.** 62% of French people say that it is important to promote the recognition and development of urban cultures (Elabe Institute survey for Alila Group, April 2016). **20.** 61% of French people regularly use collaborative economy platforms (BVA survey, 2014). **21.** No. 1: France boasts the largest number of fab labs in Europe, and the second-largest worldwide (World Fab Lab Congress, 2016).

P. 30 – Technological transition: 22. One out of two of French local authorities have started thinking about the smart city ("La Gazette" study and m2ocity, 2017). **23.** Nice, ranked 4th in the Juniper 2015 Smart Cities ranking: 3,000 sensors, 160 hectares: between 10% and 20% net savings on energy, water or street lighting (Veolia Smart Cities report, 2017). **24.** 32% of the interactions between citizens and public authorities in Europe are online (European Commission, 2017). **25.** ARUP estimates that the global smart systems market will be worth around US$400 bn by 2020 (ARUP estimate, excerpt from the Veolia Smart Cities report, 2017) **26.** 13.6% projected annual growth of the smart city market between 2014 and 2020 (Grand View Research, 2016). **27.** 25% annual growth in the 3D printing market expected between 2017 and 2020 (Kéa & Partners, *La Revue*, "L'heure de l'entreprise responsable" (Time for responsible business), June 2017). **28.** 72% of consumers are afraid that the retail sector will become dehumanised with the development of digital tools and artificial intelligence (Havas Paris/OpinionWay survey, April 2014). **29.** More than 2/3 of French people believe that digital technology is an opportunity for their jobs, the consumer, their business and the economy as a whole (Ipsos survey for *Le Monde*, to mark the presentation of the Prix du livre économique, December 2017).

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