Press release

Paris, 2 March 2020, 5:45 p.m.
2019 annual results

ALTAREA

2019 Revenue of €3.1 billion, up +29%
Good performance across all business lines
2019 FFO: €298.8 million (+9.7%)
2020 guidance reached one year ahead

Transforming cities: a vast and growing market

Property development reached €4.3 billion of consolidated new orders (+16%)[1]
Consolidated pipeline of projects: €19.8 billion of potential value (+9%)

Retail: a winning strategy

- Deliveries: Cap3000 Southern extension and Paris-Montparnasse railway station (phase 2 of retail)
- Net rents: €190.8 million (+14.2%, +3.0% on a like-for-like basis)
- Value creation: +€121 million Group share (of which +€33 million at constant scope)
- Partnerships: Creation of 2 joint-ventures (25% owned by Altarea) for a total amount of €895 million of retail assets (of which €515 million invested upfront)

Residential: growing sales in a declining market

- New orders: €3,278 million incl. VAT (+12%) and 12,128 units (+3%)
- Wood construction: Acquisition of a 50% stake in Woodeum, leader in low-carbon residential

Business property: reloading the pipeline

- Development: Dual agreement with CNP Assurances in Paris Region
  Numerous tenders won in regional gateway cities
- Pipeline: €5,271 million (+20%), with 15 new projects

2020 guidance reached one year early

- Revenue: €3,110 million (+29.3%)
- Funds from operations[2]: €298.8 million (+9.7%), i.e. €18.23 per share (+7.0%)
- Increasing NAV: EPRA NAV[3] of €178.7 per share (+4.8%)
- Lower LTV[4]: 33.2% (-170 bps)
- Proposed dividend: €13.00 per share[5] (+2.0%), with an option for partial payment in shares

New guidance

- Steady and sustainable growth of FFO in the medium and long term
- Maintain the highest ranking "Green Star five-stars" at GRESB

Paris, 2 March 2020, 5:45 p.m. Following review by the Supervisory Board, the Management has approved the consolidated financial statements for 2019. The audit procedures on the consolidated and parent company (Altarea SCA) financial statements have been carried out, and the audit reports relating to their certification are being issued.

1 Of which Residential: €3.3 billion, Business Property: €0.8 billion, and Retail: €0.2 billion.
2 Funds from Operations (FFO): net profit excluding changes in value, calculated expenses, transaction fees and changes in differed tax. Group share. The 2019 variation as mentioned integrates IAS 23 and IFRS 16 vs. 2018 restated, i.e. +8.2% vs. 2018 published (and +5.5% vs. 2018 published per share). See "consolidated results" section of this press release and of the business review.
3 Fair value of all Group assets (net assets), including unrealized capital gains on assets and excluding the fair value of debt and financial instruments. Per share: taking into account the potential dilution related to the status of a limited partnership by shares.
4 Loan-to-value ratio. Consolidated net (bank and bond) debt/Restated value of assets including transfer duties.
5 As proposed to the General Meeting of shareholders of 19 May 2020, called to approve the 2019 financial statements.

"Altarea's success in 2019 illustrates our vision of the city deeply in line with the expectations of our fellow citizens, their representatives and all stakeholders in urban transformation.

Our revenue has increased by +29% and our 2020 FFO objective has been reached one year early. Our market has a huge potential and we are organising our Group to meet the ever-increasing needs. The urban transformation market is in fact experiencing a clear acceleration under the combined impact of the metropolisation of territories and the environmental emergency that has deeply changed real estate expectations. Our project portfolio has doubled in five years. It now reaches 20 billion euros across all products, reflecting the underlying dynamism of our market.

In an uncertain economic environment marked by persistently low interest rates, real estate is a tangible asset for its users, a safe investment for its owners and an attractive asset class for major investors. As such, 2019 has confirmed the great return of institutional investors, not only in the new housing market, but also in retail, as evidenced by the two investment funds set up by Altarea for nearly 900 million euros of retail property.

Altarea's strength lies in having developed an exceptional platform of real estate expertise covering all asset classes. Our teams offer all the real estate portfolio solutions that enable cities to play a key role in their transformation, either in successive phases or on the scale of entire neighbourhoods. Altarea's talents work on emblematic projects that will leave a sustainable mark on the urban landscape, such as Cap3000 in Nice and the major mixed-use project Cœur de Ville in Issy-les-Moulineaux. This variety of skills is also reflected through all our operational brands, which can express their specificities while benefiting from the strength and support of the Altarea group.

Given the potential of our market and our strategic positioning, we are raising our mid-term ambitions. In Residential, we are targeting an annual production of 18,000 to 20,000 units. In Retail, we are targeting a volume of assets under management between 6.0 and 7.0 billion euros while maintaining our economic ownership at around 3.0 billion euros in Group share. In Business Property, we are targeting annual production of 100,000 to 150,000 m² nationwide. A significant part of this growth will come from large mixed-use neighbourhoods, where we are way ahead. Altarea is also considering new development opportunities, through both internal and external growth, with the common goal of strengthening the Group's skills platform (services, asset management, social housing, urban logistics). This development strategy will be cautiously implemented considering current context.

Altarea has demonstrated in the past years its ability to absorb economic challenges ("yellow vests" crisis, national strikes) without consequences on its results. An extended, worsened and widespread impact of the Covid-19 epidemic could nevertheless affect fiscal year 2020 through its effects on the French economy.

In the medium and long-term, we remain confident in keeping the path of a steady growth, for our company and its results. This growth will be sustainable and we pledge to maintain the highest ranking "Green Star five-stars" at GRESB. "

Alain Taravella, Chairman and Founder of Altarea

Transforming cities: a vast and growing market

Metropolisation is the main underlying trend in real estate markets. The concentration of populations, activities and wealth within large gateway cities is now spreading to new areas located in their surroundings, opening up new real estate markets in the process.

The communities located in these areas are facing multiple challenges, including social inequality, housing affordability, transport and pollution… A large proportion of their property infrastructure has become outdated and must be rethought to meet the challenges of a growing population density. This phenomenon is driving the boom in major mixed-use urban redevelopment projects which constitute a particularly dynamic market segment.

In addition to these long-term trends, the environmental emergency is disrupting citizens' expectations with regard to real estate (energy efficiency, mobility, reversibility, mix of usages, new consumer habits, etc.).

The very core of Altarea's expertise is the development of real estate products that factor these challenges into a complex economic equation, allowing the Group to access a vast and growing urban market.

Altarea, a unique property expertise platform to support urban transformation

Altarea has developed a set of skills and a development platform covering all real estate asset classes (residential, retail, offices, logistics, hotels, serviced residences, etc.). This specificity allows the Group to respond effectively and comprehensively to urban transformation challenges.

At 31 December 2019, the Group is managing the biggest secured property portfolio in France (690 current projects), representing nearly 4.6 million m² all products combined, i.e. nearly €19.8 billion[6] in potential market value.

Secured Pipeline	Surface area (m²)[7]	Potential value (€m)[5]
Residential	2,737,600	12,764
Business Property	1,503,100	5,271
Retail	317,500	1,742
TOTAL	**4,558,200**	**19,777**
Change vs. 31/12/2018	*+9%*	*+9%*

This pipeline is focused on the most dynamic[8] French gateway cities and is essentially secured in the form of options[9], enabling the Group to control the level and pace of its commitments according to context.

In 2019, Altarea placed nearly €4.3 billion all products combined[10], an increase of +16%. These orders notably include Issy-Coeur de Ville, an iconic development reflecting the Group's expertise in terms of large mixed-use projects including housing, offices, shops and cinemas.

6 Estimated market value at delivery date. Retail - Creations / extensions: potential market value including duties on projects on delivery, at 100%. Retail component – Large mixed-use projects: revenue excl. VAT or potential value including transfer duties. Residential: properties for sale + future offering including VAT. Business property: potential market value excl. transfer duties on the date of disposal for investment projects (at 100%), amount excl. tax of off-plan sales/PDAs for the other development programmes (at 100%, or Group share for jointly owned projects), and capitalised delegated project management fees.
7 Retail: GLA. Residential: SHAB: property for sale and portfolio. Business property: surface area (floor area or usable area).
8 The Group focuses its development on 12 major French regions: Greater Paris, Métropole Nice Côte d'Azur, Marseille-Aix-Toulon, Toulouse Métropole, Bordeaux Métropole, Greater Lyon, Grenoble-Annecy, Eurométropole de Strasbourg, Nantes Métropole, Métropole Européenne de Lille, Montpellier Méditerranée Métropole, Métropole de Rennes.
9 In the form of options or sales promises on property funds that the Group can activate according to commercial and financial criteria, thus enabling the management of the rate of commitments.
10 Orders are the business indicator of the "Development" activity and do not include the sales of retail assets carried out by Altarea Commerce.

2019 property development (consolidated new orders)[11] (€m)	2019	2018	Change
Residential	3,278	2,917	*+12%*
Business Property	784	765	*+2%*
Retail component of large mixed-use projects	192	-	*n/a*
TOTAL	**4,254**	**3,682**	***+16%***

One step ahead in major mixed-use projects

Altarea is the pioneer of large mixed-use projects in France. The Group has secured 11 large mixed-use projects representing a potential value of around €3.5 billion and nearly 900,000 m² and more than 8,600 residential units.

In 2019, the Group added a further two projects together representing 96,000 m²: "Les Simonettes" in Champigny-sur-Marne (94) and "Coeur Mougins" district, near Cannes (06).

Major institutional investors increasingly active across real estate markets

Traditionally highly active in the Business property market, large institutional investors have confirmed their appetite for residential market, and more recently for the retail market.

Altarea has built strong relationships with institutional investors over the long term and maintains ongoing dialogue with them. The Group's pipeline, worth nearly €20 billion and focused almost exclusively on the most dynamic French gateway cities, offers investment supports particularly suited to their needs.

Throughout the year, the Group recorded three iconic transactions:

- the dual transaction with CNP Assurances comprising of, on the one hand, the off-plan sale of its future headquarters in the mixed-use Issy-Coeur de Ville project (41,000 m²), and on the other hand the acquisition by Altarea of its existing headquarters in Paris-Montparnasse (56,000 m²), in partnership with CDC (Caisse des Dépôts et Consignations);
- the set-up of a double-partnership in Retail (in which Altarea will hold a 25% stake) for a total amount of €895 million in shopping centres;
- the major partnership signed with CDC Habitat for the sale of 2,068 residential units in 2019.

In total, institutional investors represented 43% of the Group's new orders[12] in 2019, i.e. €1.8 billion (+11% compared with 2018).

RETAIL: a selective allocation of the Group's equity

Altarea's long-term strategy is to increase the volume of assets managed while concentrating its equity invested on a selection of real estate products while keeping the current level of capital employed. Assets under management thus amounted to €5.2 billion at the end of 2019, for an economic holding of €2.9 billion in Group share.

This strategy implemented along with the Group's expertise enabled it to create value on the volumes managed, while obtaining a high return on the share held. Over the year, Retail value creation amounted to +€121 million in Group share, of which +€88 million linked to deliveries (Cap3000 Sud and phase 2 of retail of gare Paris-Montparnasse) and +€33 million of value creation on existing portfolio.

11 Residential: VAT-inclusive orders net of cancellations at 100% (except joint control operations in Group share); Histoire & Patrimoine consolidated since July 2018, Severini since January 2019. Business Property: on development, 100% including VAT-inclusive amount of PDA/Off-Plan Sales/Off-Plan Leases signed at 100% (except transactions under joint control, in Group share); on investment, sale price including tax of the assets sold, net of the PDA amount when the asset sold has been the subject of a PDA signed with the Group, in Group share. Retail: VAT-inclusive off-plan sales at 100% (except joint control programmes in Group share).
12 Excluding the sales of retail assets carried out by Altarea Commerce.

Major shifts in the portfolio

The Group's portfolio has undergone profound change in recent years. It now consists of 33 assets in the four formats that are at the same time the most resilient and the most promising: regional shopping centres on exceptional locations, travel retail in railway stations, retail parks with secured rents and "galeries".

The portfolio grew substantially in 2019, with:

- the Southern extension of New Cap3000 Côte d'Azur, which, after five years of work, has become the most striking waterfront shopping destination in Europe, including fashion, leisure, services and restaurants;
- the acquisition of five Italian railway stations under concessions;
- the opening of the second phase of retail spaces of the Paris-Montparnasse railway station.

In addition, Altarea has sold (or is in the process of selling) seven assets (including the retail park 14th Avenue in Herblay, sold based on a capitalisation rate of 4.50%). Altarea will no longer hold any "galeries" (traditional malls) after the last transaction been finalized.

This selectivity is reflected in the robustness of the portfolio's operating performance indicators.

	31/12/2019	*Change*	*CNCC*
Retailer sales[13]	+4.9%		*+0.7%*
Footfall[14]	+3.4%		*+0.3%*
Net rental income[15]	€190.8m	*+14.2%*	
Like-for-like change	*+€4.0m*	*+3.0%*	
Financial vacancy[16]	1.6%	*+0.3 pt*	
Bad debt ratio [17]	1.8%	*+0.7 pt*	
Occupancy cost ratio[18]	10.9%	*-0.3 pt*	

Net rents rose sharply in 2019 (+14.2%), driven by the delivery of the first phase of retail spaces at the Paris-Montparnasse station in 2018, the delivery of the Southern extension of Cap3000 and the acquisition of Italian railway stations in early 2019, largely offsetting the disposals carried out in 2018 and 2019. On a like-for-like basis, net rental income increased by 3.0%.

A €895 m double-partnership agreement (of which €515 m invested upfront)

In 2019, Altarea signed several agreements with an institutional investor in retail, two of which related to specific types of assets:

- the "Alta Proximité" fund, which aims at investing €650 million in convenience stores in France, of which €270 million already invested in assets held by Altarea[19]. This transaction was finalised in 2019;

- the "Alta Commerces Europe" fund, whose purpose is to invest in European shopping centres, and which has made two initial acquisitions for €245 million in assets held by Altarea. The execution of this transaction, agreed in 2019, is pending (all the conditions are fulfilled).

The first investments made or planned were in line with appraisal values (average initial yield slightly above 5.50%). The two funds' average Loan-to-Value is 32% to date.

13 Change in revenue (incl. tax) from retailers on a like-for-like basis (sites) over a 12-month period. Data for France at the end of December 2019.
14 Change like-for-like (sites) over 12 sliding months in France. Excluding property being redeveloped. Data at the end of December 2019.
15 Net rental income including the contribution to the marketing fund, the rebilling of work and investments as lessor.
16 Estimated rental value (ERV) of vacant units as a percentage of total estimated rental value. France and International. Change compared with 31/12/2018.
17 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. Change compared with 31/12/2018.
18 Ratio of billed rents and expenses to tenants (including reductions) to sales revenue. Calculation (incl. tax) and at 100%. France. Change compared with 31/12/2018.
19 Le Parks (Paris), Reflets Compans (Toulouse) and Jas de Bouffan (Aix-en-Provence).

The two funds are 25% owned by Altarea, which remains the assets' manager. Altarea will consolidate these investments using the equity method.

RESIDENTIAL: growing sales in a declining market

The Group is designed to gain market shares

The housing market in large French cities is marked by a structural shortage, forevermore pronounced. This shortage causes a sharp rise in prices in a context of historically low interest rates and increased financial efforts buyers are willing to make. Projects located at the core of high-demand urban areas are increasingly complex to set up (notably in terms of administrative authorisations). On the other hand, units tend to sell very quickly given the strength of demand.

Facing the high demand in strained urban areas, Altarea has decided to develop its offer with the ultimate objective to gain market shares. Altarea aims at selling 18,000 to 20,000 residential units per year in the medium term and has embarked on a major investment campaign to boost its production.

Altarea acquires 50% of Woodeum, low-carbon residential leader

Created five years ago by renowned managers, Woodeum is a front-runner in low-carbon construction in France. This acquisition takes Altarea's strategy a step further in its environmental and societal responsibility approach. Woodeum will complement the Group's competences in order to address the challenges which arise from urban transformation and will help it respond even more accurately to communities and citizens' needs.

New brand architecture to gain market share

To accelerate growth in its market share, the Group has revised its brand architecture, with the aim of giving more operational autonomy to each brand (Cogedim, Pitch Promotion, Histoire & Patrimoine, Woodeum, Severini and Cogedim Club), while allowing them to benefit from the power of the Group embodied by the Altarea umbrella brand (strategy, finance, support, etc.).

#2 residential developer in France, with recognised customer engagement

Thanks to all its brands, Altarea ranks second among residential developers in France, having moved up a notch in the "Classement des Promoteurs" developer ranking[20]. The Group's performance is also the result of a customer-focused model. Cogedim was the first developer to be named "Customer Services of the Year" ("Elu Service Client de l'Année") in 2018, winning the distinction again in 2019 and 2020. The Group is also the leading French developer in the "Top 10 for Customer Reception" rankings created by Les Echos and HCG, ranking third across all sectors this year (6th last year).

Strong increase in new orders: +12% in value to €3,278m

New orders	31/12/2019	31/12/2018	*Change*
Individuals - Residential buyers	€1,011m	€897m	*+13%*
Individuals - Investment	€1,174m	€1,032m	*+14%*
Block sales	€1,093m	€988m	*+11%*
Total in value (incl. tax)	**€3,278m**	**€2,917m**	***+12%***
Individuals - Residential buyers	2,865 units	2,755 units	*+4%*
Individuals - Investment	4,671 units	4,227 units	*+11%*
Block sales	4,592 units	4,800 units	*-4%*
Total in units	**12,128 units**	**11,782 units**	***+3%***

20 Every year, the "Classement des Promoteurs" developer ranking published by Innovapresse analyse and compare business volumes, the number of residential units or square metres of offices produced, and the financial results of the principal private property developers. The 31st edition included 60 of the main players in the sector.

The Group's new orders increased sharply with all the brands contributing to growth, despite in a declining market.

Residential pipeline and backlog

	31/12/2019	31/12/2018	*Change*
Backlog (excl. tax)	€3,778m *20 months of revenue*	€3,169m	*+19%*
Pipeline (incl. tax)[21]	€12,764m *47 months of revenue*	€11,295m	*+13%*
Number of units	*48,885 units*	*44,835 units*	*+9%*

In 2019, the teams of the Residential business lines won several iconic projects amongst which:

- the Tours Aillaud ("Cloud Towers") near La Défense, certified "Remarkable Contemporary Architecture" (1,000 units), and the former IBM campus in La Gaude, overlooking Nice (950 units);
- the Group also won 5 of the 23 projects tendered in the second edition of the "Inventons la métropole du Grand Paris" competition (3 for Cogedim and 2 for Pitch Promotion).

BUSINESS PROPERTY: reloading the pipeline

Altarea's expertise as a short

Altarea is France's leading developer of business property[22], managing a pipeline of €5.3 billion in potential value, with measured risk.

The Group acts as both promoter and/or investor:

- on new and complex restructuring projects;
- on a wide range of products (multi-tenant office space, head offices, logistics hubs, hotels, hospitals, etc.);
- systematically integrating a high level of environmental quality and taking into account the most demanding standards in terms of ease of use.

In terms of organisation, the Group is structured to address two complementary markets:

- Greater Paris: in a context of high prices and scarcity of land, Altarea works (generally in partnership) on capital-intensive projects, or alternatively as a service provider to support large investors and users;
- large regional gateway cities: Altarea acts in development programmes (off-plan or PDAs) generally sourced thanks to the local Residential network.

CNP Assurances' head offices: a remarkable dual transaction

The Group has signed a dual agreement with CNP Assurances, covering both its future headquarters and its current headquarters in Paris:

- Altarea sold the 41,000 m² office space in the mixed-use "Issy-Coeur de Ville" project (Issy-les-Moulineaux) to CNP Assurances off plan. CNP aims at transfering its headquarters there by 2022; and
- CNP Assurances has sold its current headquarters above the Paris-Montparnasse railway station to Altarea and CDC. These premises will undergo major restructuring in order to create a 56,000 m² office building in a district witnessing a major transformation.

21 Potential revenue in €m (incl. tax) (properties for sale and future offering).

22 Every year, the Developer Rankings published by Innovapresse analyse and compare business volumes, the number of residential units or square metres of offices produced, and the financial results of the principal private property developers. The 31st edition included 60 of the main players in the sector.

This particularly complex dual transaction illustrates Altarea's ability to source over-the-counter deals despite scarcity of land.

A successful year in reloading the pipeline
In 2019, the Group signed:

- nine office programmes in large regional gateway cities representing a total of 89,000 m², including the PDA covering the future campus of EM Lyon Business School and the off-plan sale of regional headquarters in Bordeaux, Aix, Nantes, Villeurbanne and Toulouse;
- five Greater Paris programmes representing nearly 120,000 m², including the CNP Assurances headquarters above the Paris-Montparnasse railway station; and
- one logistics programme representing nearly 47,000 m² in Bordeaux.

Overall, Altarea substantially reloaded its Business property portfolio in 2019, with these 15 projects adding up to €1.3 billion in potential value. The consolidated pipeline now stands at €5.3 billion on 69 programmes.

Figures at 100%	# projects	Surface area	Potential value[23]
Medium-term investment	6	226,700 m²	€2,506m
Property development[24] (PDA/Off-Plan Sales/Off-Plan Lease)	61	1,271,200 m²	€2,725m
Offices – Paris region	*10*	*204,600 m²*	*€973m*
Offices – Regions	*43*	*428,200 m²*	*€1,286m*
o/w logistics	*8*	*638,400 m²*	*€466m*
Delegated project management (DPM)	2	5,200 m²	€40m
Business property pipeline	**69**	**1,503,100 m²**	**€5,271m**
Change vs. 31/12/2018	*+9*	*+17%*	*+20%*

The Group also recorded €784 million including VAT (Group share) new orders[25], an increase of +2%.

23 Potential value: potential market value excluding transfer duties on the date of disposal for investment projects (at 100%), amount (excl. 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.
24 Projects intended for "100% external" clients only: aside from the property development agreements either signed or quoted, projects for which the Group acts as a medium-term co-investor (directly or through AltaFund). The latter represented additional Property Development revenue of €889 million excl. tax at 31/12/2019.
25 For business property, orders include both the signing of property development, off-plan or property management agreements for the development activity (amount including VAT of the contract signed, at 100% or in Group for developments under joint control), and asset sales for the investment activity (VAT-inclusive sale price in Group share, net of the property development amount when the asset sold has been the subject of a property development agreement signed with the Group).

Funds from operations (FFO): 2020 guidance reached one year early

Warning: the financial statements for the year ended 31 December 2019 included two changes in accounting standards (IAS 23 – Borrowing Costs and IFRS 16 – Leases). The impacts of these standards on the 2019 and 2018 financial statements published (2018 restated) are presented in the business review appended to this press release, and set out in detail in the notes to the consolidated financial statements available on the website at www.altarea.com.

In €m	Retail	Residential	Business Property	Other (Corporate)	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	TOTAL
Revenue	**227.5**	**2,294.4**	**587.9**	**0.1**	**3,109.8**	**–**	**3,109.8**
Change vs. 31/12/2018 published	*+7.4%*	*+24.1%*	*+73.3%*	*n.a.*	*+29.3%*		*+29.3%*
Net rental income	190.8	–	–	–	190.8	–	190.8
Net property income	–	208.1	11.9	(0.6)	219.4	(0.6)	218.8
External services	19.0	11.2	10.9	0.1	41.2	–	41.2
Net revenue	**209.8**	**219.4**	**22.8**	**(0.5)**	**451.5**	**(0.6)**	**450.9**
Change vs. 31/12/2018 published	*+11.7%*	*+18.0%*	*(51.0)%*	*n.a.*	*+7.4%*		
Own work capitalised and production held in inventory	6.5	157.8	24.7	–	189.0	–	189.0
Operating expenses	(42.6)	(220.0)	(35.1)	(8.9)	(306.6)	(18.4)	(325.0)
Net overhead expenses	**(36.1)**	**(62.3)**	**(10.3)**	**(8.9)**	**(117.5)**	**(18.4)**	**(136.0)**
Share of equity-method affiliates	6.0	18.2	60.2	–	84.4	(22.5)	61.9
Income/loss on sale of assets Retail						0.7	0.7
Changes in value, calculated expenses and transaction costs - Retail						62.3	62.3
Calculated expenses and transaction costs - Residential						(16.6)	(16.6)
Calculated expenses and transaction costs - Business Property						(1.7)	(1.7)
Other provisions Corporate						(6.1)	(6.1)
Operating income	**179.8**	**175.3**	**72.6**	**(9.4)**	**418.4**	**(2.9)**	**415.5**
Change vs. 31/12/2018 published	*+15.1%*	*+37,3%*	*(25.0)%*	*n.a.*	*+10.7%*		
Net borrowing costs	(37.2)	(9.2)	(10.8)	–	(57.2)	(19.2)	(76.4)
Gains/losses in the value of financial	–	–	–	–	–	(65.2)	(65.2)
Proceeds from the disposal of investments	–	–	–	–	–	(1.9)	(1.9)
Semmaris dividend	0.6	–	–	–	0.6	–	0.6
Corporate income tax	(2.4)	(3.4)	(1.3)	–	(7.1)	(29.8)	(36.9)
Net income	**140.8**	**162.7**	**60.5**	**(9.4)**	**354.7**	**(119.2)**	**235.5**
Non-controlling interests	(41.2)	(19.5)	4.8	–	(55.9)	54.1	(1.8)
Net income, Group share	**99.5**	**143.3**	**65.4**	**(9.4)**	**298.8**	**(65.1)**	**233.7**
Change vs. 31/12/2018 published	*+17.0%*	*+38.4%*	*(27.9)%*	*n.a.*	*+8.2%*		
Change vs 31/12/2018 restated	*+17.0%*	*+39.6%*	*(25.5)%*	*n.a.*	*+9.7%*		
Diluted average number of shares					*16,393,265*		
Net income, Group share per share					**18.23**		
Change vs. 31/12/2018 published					*+5.5%*		
Change vs 31/12/2018 restated					*+7.0%*		

Consolidated revenue for 2019 amounted to €3,109.8 million, an increase of +29.3% year-on-year, with all businesses delivering strong growth. Funds from operations (FFO) in Group share amounted to €298.8 million in 2019 (+9.7% vs 2018 restated, +8.2% vs published).

- Retail FFO increased by +€14.4 million (+17%) to €99.5 million, driven by the entries into operation and acquisitions and by the robust performance of assets on a like-for-like basis;
- Residential FFO increased by +€40.7 million to €143.3 million, mainly driven by a volume effect;
- Business Property FFO reflects a high level of activity (€65.4 million). 2018 includes a base effect of €18.0 million in performance fees on the operations of the AltaFund investment fund.

FFO in Group share amounted to €18.23 per share, an increase of +7.0% compared with 31 December 2018 restated, after taking into account the increase in the average number of shares[26].

This puts the Group both ahead of the 2019 guidance issued on 1st August 2019 (FFO per share between €17.50 and €17.70), and a full year ahead of the 2020 FFO guidance (FFO Group share of around €300 million[27]).

Growth in net asset value: EPRA NAV of €178.7 per share (+4.8%)

	31/12/2019	31/12/2018	*Change*
EPRA NAV	**€2,984m**	**€2,739m**	***+9.0%***
per share	***€178.7***	***€170.5***	***+4.8%***
EPRA NNNAV (NAV liquidation)	€2,872m	€2,709m	*+6.0%*
per share	*€172.0*	*€168.7*	*+2.0%*
Going concern NAV (fully diluted)[29]	€2,953m	€2,800m	*+5.4%*
per share	*€176.8*	*€174.3*	*+1.4%*

EPRA NAV[28] amounted to €178.7 per share, an increase of +4.8%. This performance stemmed from both the FFO generated and the considerable value creation in Retail (+€121 million, of which +€88 million on deliveries and +€33 million on the portfolio at constant scope).

Diluted going concern NAV per share[29] amounted to €176.8, an increase of +1.4%. The difference compared with EPRA NAV stems from the change in value on financial instruments and fixed rate debts (-€121 million) resulting from lower interest rates.

Financial structure: net debt remains stable at €2,475 million (+€26 million) despite a strong growth context

Improved debt ratios: LTV of 33.2% (-170 bps), net debt/EBITDA of 5.9x (vs 6.5x)

The strong growth of FFO and the sales and partnerships made in the Retail segment (exit from the last remaining "galeries"), offset growth investments in the Retail (acquisitions and capex), Residential (external growth) and Business Property (CNP Paris-Montparnasse mainly) segments.

	31/12/2019	31/12/2018	*Change*
Net financial debt	€2,475m	€2,449m	*+€26m*
LTV[30]	33.2%	34.9%	*-170 bps*
Net debt/EBITDA [31]	5.9x	6.5x	
ICR[32]	7.3x	8.0x	*-0.7x*
Net duration	4 yrs 9 mths	5 yrs 1 mth	*-4 months*
Average cost[33]	2.21%	1.94%	*+27 bps*

The above debt ratios do not take into account the "Alta Commerces Europe" partnership. This transaction, agreed in 2019, is pending (all the conditions are fulfilled) and will have an impact on the Group's consolidated net debt of -€200 million[34].

26 The diluted average number of shares at 31 December 2019 was 16,393,265, compared with 15,992,352 at 31 December 2018. The differential of +400,913 shares taking into account the pro rata temporis impacts of the dividend in shares (issue of 599,267 new shares) and the 40,166 shares created within the framework of the FCPE.
27 After impact of IFRS 16 and IAS 23 and increase in tax.
28 EPRA NAV includes dilutive effect resulting from the 2018 dividend partially paid in shares allowing the Group to strengthen its equity by €93.8 million and led to the issuance of 599,267 shares at €156.55.
29 Equity market value assuming a continuation in business, taking into account the potential dilution related to the SCA status.
30 Loan-to-Value (LTV): indebtedness ratio. Consolidated net bond and bank debt / Consolidated market value of Group assets.
31 FFO Operating income over net bond and bank debt.
32 Interest coverage ratio (ICR): operating income / net borrowing costs.
33 Average total cost including related fees (commitment fees, CNU, etc.).
34 Proforma of this transaction, the Group's net financial debt (bank and bond) was €2,275 million, the LTV was 31.4% and the net debt/EBITDA ratio was 5.4x.

Evolution of the Group’s financing methods

In September 2019, S&P Global confirmed the Altarea group’s “BBB, stable outlook” credit rating. Altarea immediately issued a rated bond issue of €500 million with a maturity of 8 years and 3 months, with a 1.875% coupon. The proceeds from this Bond were used in the amount of €416 million to refinance mortgage loans, thereby modifying the Group’s financing structure. At 31 December 2019, secured debt represented only 15% of the Group’s total gross debt, compared with 42% five years ago.

NON-FINANCIAL PERFORMANCE

Altarea's CSR approach is part of a continuous improvement process, which performance is recognized by non-financial rating agencies. In 2019, Altarea confirmed its "Green Star 5*" status in the GRESB rating for the fourth consecutive year. This commitment is also reflected in the certification of 100% of its Residential, Business property and Retail projects.

Altarea continues its efforts to reduce greenhouse gas emissions. The Group is working to define ambitious, quantified carbon trajectories for all its businesses that are compatible with the Paris agreement, making it possible to limit global warming to a level below 2°C. Over the last 10 years, the Group has reduced its CO_2 emissions by 59%. Altarea intends to pursue a policy of reducing its carbon footprint along these lines by stepping up its efforts across all its activities. The objective is to follow a path that is compatible with the Paris agreement and to contribute to territorial neutrality by 2030. At the same time, the Group is implementing its action plan on adapting to climate change, which aims at guaranteeing the comfort and safety of occupants and to ensure the long-term value of its assets.

The restructuring and fitting-out of the Group's future headquarters is exemplary of this strategy, with a limited carbon impact: performance of the materials selected (energy, environmental and health), selection of partners for the operation of the building based on CSR criteria…

OUTLOOK

Dividend for the 2019 financial year

A dividend of €13.0 per share (up +2%) will be proposed at the General Shareholders' Meeting on 19 May 2020, for the 2019 financial year.

Shareholders will also be offered the option to partially convert the dividend into shares. They will be free to choose between:

- full payment in cash;
- 50% in shares, and 50% in cash.

Guidance

The Group’s mid-term operational objectives for each of its business lines are the following:

- Residential: 18,000 to 20,000 units per year;
- Retail: assets under management between €6.0 and €7.0 billion, with a steady value of portfolio in Group share around €3.0 billion;
- Business property: 100.000 m² to 150.000 m² of yearly supply nationwide.

The Group aims at maintaining the highest ranking “Green Star five-stars” at GRESB.

This development strategy will be implemented taking into account, with all due care, the current context.

Altarea has demonstrated in the past years its ability to absorb economic challenges ("yellow vests" crisis, national strikes) without consequences on its results. An extended, worsened and widespread impact of the Covid-19 epidemic could nevertheless affect fiscal year 2020 through its effects on the French economy.

The Group is confident in keeping the path of a steady FFO growth in the medium and long-term. Dividend policy will remain in line with previous years.

Financial calendar 2020

First quarter 2020 revenue:	5 May 2020 (after trading)
Combined Shareholders' Meeting:	19 May 2020 (10 a.m.)
2020 half-year results:	30 July, 2020 (after trading)

A presentation is available for download on the Finance page of Altarea's website, in both French and English.

ABOUT ALTAREA – FR0000033219 - ALTA

Altarea is the leading property developer in France. As both a developer and an investor, the Group operates in the three main property markets (Retail, Residential and Business property), leading major mixed-use urban renewal projects in France. The Group has the required expertise in each sector to design, develop, market and manage made-to-measure property products. In Retail, Altarea managed assets of €5.2 billion (€2.9 billion in Group share) as of 31 December 2019. Listed in Compartment A of Euronext Paris, Altarea had a market capitalisation of nearly €3.4 billion at 31 December 2019.

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BUSINESS REVIEW

31 DECEMBER 2019

CONTENTS

1.1 An unrivalled platform of skills to support urban transformation

1.1.1 Urban transformation: a huge market

Metropolisation is the main underlying trend in real estate markets. The concentration of populations, businesses and wealth within large gateway cities is a phenomenon which is now covering new territories which constitute new real estate markets.

The communities located in these areas are confronted with multiple challenges, including social inequality, housing affordability, transport and pollution. A large proportion of their property infrastructure has become outdated, and must be rethought to meet the challenges of densification. This phenomenon is behind the boom in major mixed-use urban redevelopment projects, which constitute a particularly dynamic market segment.

Added to these long-term trends is the ecological emergency, which is revolutionising expectations with regard to real estate (energy performance, mobility, reversibility, mixed-use, new consumer habits, etc.).

The very core of Altarea's know-how is the development of mixed-use real estate products that factor these challenges into a complex economic equation. This gives it access to the huge urban transformation market.

1.1.2 A unique model

Altarea has developed a skills and development platform covering all real estate asset classes (residential, retail, offices, logistics, hotels, serviced residences, etc.). in order to respond effectively and comprehensively to the challenges of urban transformation[35].

Leading property developer in France

With 690 projects currently underway, the Group is developing the largest portfolio of real estate projects in France, all product categories combined, with nearly 4.6 million m² under development and potential value of €19.8 billion at end-December 2019.

Secured pipeline (by product)	Surface area (m²) (a)	Potential value (€m) (b)
Residential	2,737,600	12,764
Business Property	1,503,100	5,271
Retail	317,500	1,742
Total	**4,558,200**	**19,777**
Change 31/12/2018	*+9%*	*+9%*

(a) Retail: GLA m² created. Residential: SHAB property for sale and portfolio Business property: surface area (floor area or usable area).
(b) Market value as of date of delivery. Retail: potential market value, inclusive of duties, of projects on delivery at 100% (net rental income capitalised at market rates) and revenue excluding VAT for promotional activities. Residential: property for sale and portfolio including VAT. Business property: potential market value excl. transfer duties on the date of disposal for investment projects (at 100%), amount excl. tax of off-plan sales/PDAs for the other development programmes (at 100%, or Group share for jointly owned projects), and capitalised delegated project management fees.

These projects are carried mostly in a "developer" business model (development for sale). In terms of commitments, the Group applies a rigorous policy:

• the project portfolio is mostly secured in the form of options or sale agreements for land assets, activated on the basis of commercial and financial criteria;

• the largest projects are often set up as partnerships in order to share risk.

At the end of 2019, commitments[36] across the pipeline amounted to €1.6 billion (Group share), of which €880 million already paid out and €710 million yet to be paid out.

Most of the invested capital is allocated to the Investor activity. The Group acts as a REIT for specific retail formats (with assets of €5.2 billion including transfer duties at end-December 2019, or €2.9 billion in Group share) and as a medium-term developer-investor for some significant office locations.

Altarea is accordingly both the most financially powerful property developer thanks to its REIT background, and the property investor with the greatest capacity for asset creation.

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35 The Group focuses its development on 12 major French regions: Grand Paris, Métropole Nice Côte d'Azur, Marseille-Aix-Toulon, Toulouse Métropole, Bordeaux Métropole, Greater Lyon, Grenoble-Annecy, Eurométropole de Strasbourg, Nantes Métropole, Métropole Européenne de Lille, Montpellier Méditerranée Métropole, Métropole de Rennes.
36 Commitments relate only to the project portfolio. These correspond to costs already spent or yet to be spent under the contract and not covered by sales.

One step ahead in major mixed-use projects

Altarea is a pioneer in the development of "new urban centres". The Group is developing major Mixed-use projects covering all asset classes (residential, retail, public facilities, hotels, serviced residences, offices, etc.) to improve urban life. This market segment is experiencing very strong momentum driven by the phenomenon of metropolisation.

In 2019, Altarea confirmed its position and won two major new projects near Cannes (Cœur Mougins) and in Champigny-sur-Marne near Paris (Les Simonettes district area). Located at the end of the future line 15 of the Grand Paris Express metro, this latest development will include 28,000 m² of residential, 900 m² of shops and services, 12,000 m² allocated to tertiary activities and 15,000 m² dedicated to other activities, including 9,000 m² for the "Cité artisanale of the Compagnons du Tour de France".

At 31 December 2019, Altarea managed 11 major mixed-use projects (covering nearly 892,000 m² and 8,600 residential units) representing a potential value of approximately €3.5 billion.

Large projects at 100%	Total surface area (m²) [a]	Residential (units)	Serviced Residences	Offices	Retail	Cinemas	Leisure/ Hotels	Public infrastructure	Estimated delivery
Aerospace (Toulouse)	64,000	790	-	x	x	x	x	-	2020-2021
Coeur de Ville (Bezons)	67,000	730	-	-	x	x	-	-	2020-2021
Cœur de Ville (Issy-les-Moulineaux)	105,000	610	x	x	x	x	x	x	2020-2022
Joia Meridia (Nice)	47,000	600	x	-	x	-	x	-	2020-2023
Belvédère (Bordeaux)	140,000	1,275	x	x	x	-	x	x	2021-2024
Fischer (Strasbourg)	37,000	490	x	-	x	x	-	x	2021-2024
La Place (Bobigny)	104,000	1,265	x	x	x	x	-	x	2021-2024
Quartier Guillaumet (Toulouse)	101,000	1,200	x	x	x	-	-	-	2022-2023
Les Simonettes (Champigny/Marne)	56,000	450	-	x	x	-	-	-	2022-2023
Cœur Mougins (Mougins)	40,000	570	x	-	x	x	x	x	2022-2025
Quartier des Gassets (Val d'Europe) [b]	131,000	n.d.	x	x	x	-	x	-	2024
Total (11 projects)	**892,000**	**>8,600**							

[a] Floor area.
[b] Detailed timetable pending.

1.1.3 Highlights of the year

Property development: consolidated new orders of €4.3 billion

In 2019, Altarea' consolidated new orders reached €4.3 billion across all products[37], an increase of 16%. These orders notably include Issy-Coeur de Ville, an iconic development reflecting the Group's know-how in terms of large mixed-use projects including residential, offices, shops and cinemas.

Property development new orders (€m)	2019	2018	*Change*
Residential	3,278	2,917	+12%
Business property	784	765	+2%
Retail component – Large mixed-use projects	192	-	n.a.
Total	**4,254**	**3,682**	**+16%**

Major institutional investors increasingly active across real estate markets

Traditionally operating chiefly in the corporate real estate market, large institutional investors have made a resolute move into the residential market, and more recently into the retail market. In a context of persistently low interest rates, the latter two segments offer an attractive risk-return ratio.

Altarea has built strong relationships with institutional investors over the long term, and maintains ongoing dialogue with them. The Group's pipeline, worth nearly €20 billion and focused almost exclusively on the most dynamic French gateway cities, offers investment supports particularly suited to the needs of these large institutional investors.

New orders by major institutional investors (€m)	2019	2018	*Change*
Residential	1,093	988	+11%
Business property	548	661	-17%
Retail component – Large Mixed-use projects	192	-	n.a.
Total	**1,833**	**1,649**	**+11%**
% of total new orders	*43%*	*45%*	

The year saw three iconic transactions:

• the dual transaction with CNP Assurances, comprising on the one hand the off-plan sale of its future headquarters in the mixed-use Issy-Coeur de Ville project (41,000 m²), and on the other hand the acquisition by Altarea of its existing

37 Orders are the business indicator of the "Development" activity and do not include the sales of retail assets carried out by land companies.

headquarters in Paris-Montparnasse (56,000 m²), in partnership with CDC;

• the establishment of a partnership between Crédit Agricole Assurances (75%) and Altarea (25%), covering a total of €895 million in shopping centres;

• the signing of a major partnership with CDC Habitat for the sale of 2,068 residential units in 2019.

In total, institutional investors represented 43% of the Group's orders[38] in 2019, i.e. €1.8 billion (+11% compared with 2018).

Retail: a selective allocation of the Group's equity

Altarea's long-term strategy is to increase the volume of businesses managed while concentrating its capital holdings on a selection of formats representing a stabilised level of capital.

Assets under management accordingly amounted to €5.2 billion at the end of 2019, on economic holdings of €2.9 billion in these assets (Group share).

This strategy allows it to reap the full value of the Group's operational know-how on the volumes managed, while obtaining a high return on the share held. Over the year, Retail value creation amounted to +€121 million in Group share, of which +€88 million linked to deliveries (Cap3000 Sud and phase 2 of Gare Paris-Montparnasse) and +€33 million in capital gains at constant scope.

Major shifts in the portfolio

The Group's portfolio has undergone profound change in recent years. It now consists of 33 assets in the four formats that are both the most resilient and the most promising: regional shopping centres located in exceptional places, travel retail in railway stations, retail parks with secured rents and convenience stores.

The portfolio grew substantially this year, with:

• the finalisation of Nouveau Cap3000, which, after work lasting five years, provides a sea-front development combining fashion, services, leisure activities and dining on a scale unprecedented in Europe;

• the acquisition of five Italian railway stations under concessions;

• the opening of the second tranche of retail outlets in the Paris-Montparnasse railway station.

In addition, Altarea has sold (or is in the process of selling) seven assets including the 14ème Avenue retail park in Herblay, sold based on a capitalisation rate of 4.50%. Upon completion of this final sales, Altarea will then hold no further traditional malls.

This selectivity is reflected in the solidity of the portfolio's operating performance: financial vacancy rate of 1.6% and bad debt ratio of 1.8%, with a 3.0% increase in net rental income on a like-for-like basis.

Partnerships in Retail

In 2019, Altarea signed two agreements with Crédit Agricole Assurances, related to two types of shopping centres:

• the "Alta Proximité fund", which aims to invest €650 million in France, of which €270 million invested in assets held by Altarea. This first transaction was finalised in 2019;

• the "Alta Commerces Europe fund", whose purpose is to invest in European shopping centres, and which has made two initial acquisitions for €245 million in assets held by Altarea. The execution of this transaction, agreed in 2019, is pending (all the conditions are fulfilled).

The two funds are 75% owned by Crédit Agricole Assurances and 25% by Altarea. The first investments made or planned were made in line with appraisal values (average gross yield slightly in excess of 5.5%). The two funds' average Loan-to-Value is 32%.

Altarea will remain the operational asset manager and will consolidate its 25% investment using the equity method.

Pipeline of projects under development

The Group is continuing its development with:

• the New Cap3000 which to be completed in 2020 by a "premium" mall;

• work on the Paris-Montparnasse railway station, with the final phase scheduled for completion in late 2020;

• the granting of definitive commercial approvals for the Ferney Voltaire shopping and leisure centre project in the French Geneva area (46,000 m²) and for the future retail spaces of the Paris-Austerlitz railway station (25,000 m²).

At the end of 2019, the Retail pipeline included 10 shopping centre creation/extension projects and 10 retail projects developed as part of large mixed-use projects, with total potential value of over €1.7 billion.

Residential: growing sales in a declining market

Facing the high demand in strained urban areas, Altarea has decided to develop its offer with the ultimate objective to gain market shares. Altarea aims to sell 18,000 to 20,000 units per year in the medium term, and has embarked on a major investment campaign to boost its production.

The Group is pursuing its growth strategy based on a platform of brands (Cogedim, Pitch Promotion, Histoire & Patrimoine and Cogedim Club). Altarea strengthened its offer with the acquisition in July of a 50% stake in Woodeum, a pioneer in the development of low-carbon residential construction (building using wood) and the acquisition of a 85% stake in Severini, a developer active mainly in Nouvelle-Aquitaine, in January 2019.

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38 Excluding transfers of partnerships carried out by Altarea Commerce.

2nd property developer in France[39]: new orders of €3.3 billion (+12%)

In 2019, the Group recorded very strong sales results and continued to gain market shares in a context dominated by the impending municipal elections in March 2020.

In 2019, new orders increased by +12% year-on-year to €3,278 million and by +3% in volume with 12,128 units sold. All customer categories are up, both Individual investors (+14% increase in value), first-time buyers (+13%) and Institutional investors (+11%).

On a like-for-like basis (excluding Severini and Woodeum), new orders increased by +9% in value and +1% in volume. This performance confirms the relevance of the Group's offer located almost exclusively in high-demand areas eligible for the Pinel scheme[40].

Pipeline of projects under development

Altarea has won numerous iconic projects, thereby reinforcing its project pipeline:

• Cogedim and Histoire & Patrimoine jointly won two major restucturing projects: Tours Aillaud ("Cloud Towers") at the foot of the La Défense neighbourhood (1,000 units) and the former IBM campus in Gaude overlooking the city of Nice (950 units);

• Cogedim and Pitch Promotion distinguished themselves by winning 5 of the 23 projects put out to tender during the second edition of the "Inventons la métropole du Grand Paris" competition.

In terms of development, the Residential pipeline (offering and land portfolio) amounted to €12.8 billion at end-2019 (+13% compared to end-2018).

Business property: reloading the pipeline

Altarea's expertise as a short

Today, Altarea is the leading developer of business property in France[41] with a portfolio of 69 projects representing a potential value of €5.3 billion (+20% in one year) in late 2019 with moderate risk.

The Group is acting as both promoter and/or investor:

• on new projects and high environmental quality complex redevelopment operations integrating modularity and mixed-use;

• on a wide range of products (multi-tenant office space, head offices, logistics hubs, hotels, hospitals, etc.);

• systematically integrating a high level of environmental quality and taking into account the most demanding standards in terms of user comfort.

In terms of organisation, the Group is structured to address two complementary markets:

• in the Grand Paris : in a context of high prices and scarcity of land, Altarea works on capital-intensive projects (generally in partnership), or alternatively as a service provider to support large investors and users;

• in regional gateway cities: the Group works on real estate development projects (off-plan sales or PDA) which are generally sourced thanks to the Residential territorial coverage of its various brands.

CNP Assurances head offices: a major dual transaction signed in 2019

The Group has signed a dual agreement with CNP Assurances, covering both its future headquarters and its current headquarters in Paris:

• Altarea sold the 41,000 m² office space in the large mixed-use "Issy-Coeur de Ville" project (Issy-les-Moulineaux) to CNP Assurances off plan. CNP aims to transfer its headquarters there by 2022; and

• CNP Assurances has sold its current headquarters above the Paris-Montparnasse railway station to Altarea, in partnership with CDC. These premises will undergo major restructuring in order to create a 56,000 m² office building in this district in the throes of major transformation.

This dual transaction received a special award from the CFNews Immo & Infra 2020 Jury due to its particularly complex nature, thereby illustrating Altarea's ability to source over-the-counter deals despite the scarcity of land.

Reloading of the pipeline in Paris and gateway cities

Taking the transaction with CNP Assurances in Paris Montparnasse into account, the Group signed:

•nine office programmes in large regional gateway cities representing a total of 89,000 m², including the PDA covering the future campus of EM Lyon Business School and the off-plan sale of regional headquarters in Bordeaux, Aix, Nantes, Villeurbanne and Toulouse;

• five Grand Paris projects representing nearly 120,000 m²; and

• one logistics project representing nearly 47,000 m² in Bordeaux.

Overall, Altarea substantially reloaded its business property portfolio in 2019, with these 15 transactions adding up to €1.3 billion in potential value. The consolidated pipeline now stands at €5.3 billion on 69 programmes.

The Group recorded new orders totalling €784 million in 2019, up +2% year on year.

Public interest partner for cities

Altarea approach is exemplary in terms of environmental transition, with the systematic consideration of sustainability issues in its projects (energy efficiency, limited urban sprawl, reversibility of buildings, biodiversity, etc.). The Group tops global rankings for its environmental performance.

Through its business activities, Altarea directly or indirectly supports 48,500 jobs[42] in many sectors of the French

39 Every year, the Developer Rankings published by Innovapresse analyse and compare business volumes, the number of residential units or square metres of offices produced, and the financial results of the principal private property developers. The 31st edition included 60 of the main players in the sector

40 The "high-demand areas" correspond to areas A bis, A and B1.

41 Source: Ranking of Developers carried out by Innovapresse analyzes and compares the business volumes, the number of residential units or square meters of office space produced, or the financial results of the main private real estate developers. The 31st edition focused on 60 of the main players in the sector.

42 Source: The Study "Empreinte Emplois Altarea Cogedim" (Altarea Cogedim Job Footprint) by Utopies 2019.

economy and hosts nearly 12,800 jobs[43] in its shopping centres. Positive fallouts are particularly significant at a local level, with the creation of long-term jobs.

Extra-financial performance and commitments

GRESB[44] 2019: "Green Star 5" status confirmed*

Altarea has again confirmed its "Green Star 5*" status for this year. This ranking rewards the company's CSR strategy and confirms its performance over the long term, the Group having been rated at least 90/100 since 2016. Moreover, Altarea has obtained an A rating for transparency, a token of the quality of its institutional publications and the reliability and exhaustive scope of its ESG reporting.

Acknowledgement of the commitment to Customers

The first property developer to have received the "Customer Service for the Year" award, the Group was again single out in 2020, for the 3rd consecutive year, for the level of service and quality of its customer relationship. The Group is also the number 1[10] French developer in the "Top 10 for Customer Reception" rankings created by Les Echos/HCG ranked in 3rd place this year (6th in 2019), all sectors included.

Renewal of the partnership with Habitat & Humanisme

Altarea has been supporting Habitat & Humanisme as a "major partner" for 12 years now. This sponsorship arrangement has contributed to the completion of 15 family boarding houses, housing for 500 individuals, and financing of permanent jobs within the association. The two partners have renewed their commitment for a further three years.

Social and Solidarity Economy

Altarea is also committed to the Social and Solidarity Economy. After creating the "SoCo" social and community real estate enterprise alongside the Baluchon Group and the Crédit Coopératif in 2018, the Group received the special "Support for Innovation"[45] award from Innovapresse for its "Reemployment Village" in early 2019. The purpose of this community area of 1,750 m² is to promote the offer of second hand products and repair and recycling activities. It is part of an urban renewal project in the Volpelier neighbourhood of Montreuil (Department 93).

Renewal of the commitment to Paris Climate Action

Since 2015, Altarea has renewed its commitment to the City of Paris to support the transition to a post-carbon city by signing the Paris Climate Action Charter and extending its commitment to include the Gold level commitment.

Talents

Between 2015 and 2019, the Group's headcount doubled as a result of the combined effect of its organic growth and external growth transactions. By the end of 2019, 2,045 employees (permanent and fixed-term contracts) were playing a role in the development of the Group, compared with 1,874 in late 2018.

To support its strong growth, the Group has a very active recruitment policy and has a strong focus on effective integration and development of talents throughout their professional career. More than 4,300 training days were dispensed and 89% of employees took at least one of the courses offered in 2019.

Ranked 2nd in the 2019 list of the "500 Best Employers" in the real estate category published by the magazine Capital, the Group's HR policy was also recognised this year by:

• the Gold Trophy in category "Growing Group" during the 4th edition of U-Spring, the "spring of company universities", organised by Leaders League and the 2019 Gold Trophy awarded by Leaders League in the "Leadership and Talent Management" category;

• the designation "Employer of choice for young people" with both the "Engagement Jeunes" and "*Happy Trainees*" labels obtained for the second year running.

Working for Altarea 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" (or "We all have a share in success") scheme, nearly 615,000 free shares (i.e. approximately 3.7% of the share capital) have been awarded over the last five years as part of a programme of free share grants to all employees through various plans, accompanied by agreements relating to increased working time and individual and collective performance criteria.

The big project in 2020 will be the move of all Ile-de-France employees to Richelieu: the Group's new Paris head office. In addition to showcasing the Group's Business Property expertise, Richelieu will embody the values of the Group and the employer brand: entrepreneurial spirit, creativity, innovation and diversity.

1.1.4 Outlook

Dividend for the 2019 financial year

A dividend of €13 per share (up +2%) will be proposed at the General Shareholders' Meeting on 19 May 2020, for the 2019 financial year.

Shareholders will also be offered the option to partially convert the dividend into shares. They will be free to choose between:

• full payment in cash;

• 50% in shares, and 50% in cash.

Guidance

The Group's mid-term operational objectives for each of its business lines are the following:

• Residential: 18,000 to 20,000 units per year;

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43 Source: "Les impacts emploi d'Altarea et de ses activités" (The employment impact of Altarea and its businesses) by PwC.
44 Each year, the GRESB (Global Real Estate Sustainability Benchmark), a leading international ranking, assesses the ESG performance of real estate companies around the world (1,005 companies and funds from 64 countries assessed in 2019).

45Every year, the Developer Rankings published by Innovapresse analyse and compare business volumes, the number of residential units or square metres of offices produced, and the financial results of the principal private property developers. The 31st edition included 60 of the main players in the sector.

• Retail: assets under management between €6.0 and €7.0 billion, with a steady value of portfolio in Group share around €3.0 billion;

• Business property: 100.000 m² to 150.000 m² of yearly supply nationwide.

The Group aims at maintaining the highest ranking "Green Star five-stars" at GRESB.

This development strategy will be implemented taking into account, with all due care, the current context.

Altarea has demonstrated in the past years its ability to absorb economic challenges ("yellow vests" crisis, national strikes) without consequences on its results. An extended, worsened and widespread impact of the Covid-19 epidemic could nevertheless affect fiscal year 2020 through its effects on the French economy.

The Group is confident in keeping the path of a steady FFO growth in the medium and long-term. Dividend politicy will remain in line with previous years.

1.2 Business

1.2.1 Retail

1.2.1.1 THE MARKET

In-depth transformation of the market

Over the past decade, consumer purchasing methods and motivations have been revolutionised. In particular, brick-and-mortar retail has learned to live alongside the Internet and to use this resource: brands have adapted and become multi-channel operators.

Today, the major emerging trend is responsible consumption, with close attention being paid to product sourcing and manufacturing methods: the circular economy, organic products, local systems, low carbon footprints, etc.

Alongside well-established retail brands which have succeeded their transformation (mergers, multi-channel operations, etc.), we have witnessed the emergence of new DNVB commercial concepts[46] created on the Internet which are completely changing the commercial landscape including in physical terms (pop up stores, etc.).

Formats impacted by this transformation

Hypermarket malls

Hypermarkets, which were long the driving force behind most French shopping centres, are increasingly tending to downsize their formats. Only those hypermarkets which are the genuine leaders in their retail zones manage to retain footfall, to the detriment of their competitors and any shopping centres adjacent to these.

Regional shopping centres

In addition to their traditional benefits (wide product range, frequent changes in brands, events at all times) and their extensive offer of leisure activities, major shopping centres have become particularly high performance with regard to customer relationships thanks to their mastery of the digital tools which allow customers to prepare for their visits and customise their experience in the long-term. As genuine destinations in their own right, their scale allows them to offer the most complete customer experience of the entire retail universe.

Major retail parks

Year after year, major retail parks have confirmed the relevance of their fundamentals: rigorous control of costs at all stages (construction, rent and charges, maintenance) allowing brands to offer a particular effective price/product mix.

The growth in legislation preventing urban spread is imposing drastic limits on the creation of new retail parks, which is making rentals in this format increasing hard to come by, even though sought after by international brands looking for larger flagship stores at competitive prices.

Travel retail

Retail spaces in railway stations have to deal with intensive footfall and a wide range of customer profiles (international, national or local travellers, and users from the area surrounding the railway station).

The challenge associated with this type of retail is to calibrate the offer in terms of products and services with the various customer pathways. Thanks to the exceptional volume of natural footfall, those railway stations which have managed to optimise this offer are seeing the highest returns recorded across all retail formats.

"Proximité"

Customer loyalty to convenience stores is very strong as this format provides simple solutions for the new way of life and of consuming in towns and cities:

• cars being abandoned in favour of other forms of mobility;

• increased density of housing and reduction in storage space;

• high demand for food outlets and local sourcing;

• development of restaurant offers and services.

New needs at the heart of the cities

There is a great need for new retail areas, and players in the sector (retailers, lessors, developers, public authorities) are now measuring the scale of this. These needs are centred in the greater cities, and stem from their growing population density.

Communities formerly located on the outskirts of greater cities are experiencing an influx of people. Their real estate infrastructure (industrial, retail, low-density housing) is now inadequate, and must be reshaped in order to meet the challenges brought by a growing population. Redevelopment of this nature most often involves the launch of major projects covering all asset classes (residential, retail, public infrastructure, hotels, serviced residences, offices, etc.).

The retail offer is often key to the success of these large mixed-use developments, and needs to combine dedicated pedestrian spaces and landscaped environment:

• an integrated understanding of the commercial offering;

• an offer of local services: health, food and gastronomy, family services, leisure (cinema, restaurants);

• around equipment and services traditionally present in shopping centres: events, digital tools.

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46 *Digital Native Vertical Brands.*

1.2.1.2 GROUP STRATEGY

The Group's long-term strategy consists of developing the volume of retail space under management (currently €5.2 billion) while focusing its shareholdings in a few formats for stabilised levels of share capital (€2.9 billion, Group share).

This strategy allows Altarea to obtain the full value of its operational know-how within the volumes under management, which obtaining excellent return on the share held.

Depending on the circumstances, the Group may therefore on occasion be both the buyer and the seller of retail space, on a proprietary basis or through a partnership.

Shopping centres: a major source of value creation

Historically the Group's model has been to develop through the acquisition, creation or extension of assets, with a focus on certain formats: large shopping centres, large retail parks and travel retail.

Today, Altarea is working on a limited number of projects under development, with a significant share in travel retail (railway stations). At end-December 2019, the pipeline holds 10 projects representing slightly over €1.0 billion in potential value.

"Proximité": a response adapted to needs

Its combination of real estate expertise allows the Group to provide an unmatched solution to communities facing the challenges of metropolisation. Altarea is the undisputed leader in large Mixed-use projects in France.

In terms of proximity, Altarea has developed a specific approach with convenience retailers or local traders (such as bakers, restaurants pharmacies, etc.).

The Group has therefore developed unique know-how which it implements:

• as the promoter for the retail component of major Mixed-use projects, destined for sale;

• in the context of the management of convenience stores which the Group is developing both on behalf of third parties and on behalf of the recently created Proximité fund.

This market segment is set to enjoy particularly strong growth in the coming years, particularly on traditional retail sites that are well suited for urban redevelopment. A systematic study of all French commercial areas by Altarea's teams identified 120 sites potentially suitable for a transformation of this nature.

The Group is already working on several existing sites for which it has secured the property. Exploratory discussions are under way with several owners of retail sites with a view to assessing their potential for redevelopment or increasing density via the urban mix (housing, office space, etc.).

1.2.1.3 PIPELINE AT 31 DECEMBER 2019

The Group's Retail pipeline breaks down into:

• the creation/extensions of retail space;

• the Retail components of major Mixed-use urban projects, most of which are intended to be sold to investors, with Altarea continuing to act as the manager.

Pipeline Retail	GLA (in m²)	Potential value (€m)[(a)]
Creations / extensions	159,100	1,030
Large Mixed-use projects	158,400	712
Total	**317,500**	**1,742**

[(a)] *Retail - Creations / extensions: potential market value including duties on projects on delivery, at 100%. Retail component – Large Mixed-use projects: revenue excl. tax or potential value including transfer duties.*

"Retail – creations/extensions" pipeline

Under construction

Cap3000 (Saint-Laurent-du-Var, Nice) : the most striking waterfront shopping destination in Europe

The Group has entered the final phase of the project to transform this iconic site, which after five years of works will have doubled in surface area (135,000 m² in total) and will provide a seafront offer on an unprecedented scale in Europe, including fashion, leisure, services and restaurants with 300 shops.

The last milestone of the metamorphosis will be the delivery in late 2020 of Corso, a premium mall of around thirty shops, already partly leased, including Mauboussin, Mont-Blanc, a 500 m² multi-brand luxury watch area, as well as a high-end gourmet offer.

This last step will confirm the international opening of Cap3000, both in terms of brands and customers. As a reminder, Cap3000 is located next to Nice airport (2nd international airport in France) and benefits from the unique tourist appeal of the Côte d'Azur.

In addition, the Group has signed a partnership with the Region for the creation of 4,000 jobs in the area.

Paris-Montparnasse railway station

The Group will eventually develop 130 shops, restaurants and amenities on this exceptional site, offering a hub for users and residents, with an extremely diverse range of fashion, beauty, decoration and services. For food, the project provides for the implementation of a unique offer bringing together renowned chefs (Pierre Hermé, Christophe Gontran, Christophe Adam, Yann Couvreur) and original concepts (YO! Sushi, Bubbleology, Papa Boun, Pegast, Mardi Crêpes, Clasico Argentino and Noglu).

The work is being carried out in three successive phases to limit the impact for station users. The project's first phase opened at the end of 2018, the second phase opened in late 2019 and the final phase is due to open in one year's time.

Launch of international construction sites

Sant Cugat (Barcelona, Spain)

This year, Altarea launched work on the renovation and repositioning of this centre located a few kilometres away from Barcelona. Sant Cugat will ultimately offer nearly 41,000 m² in commercial space with a Carrefour hypermarket, a cinema and over 100 boutiques with major brands such as Decathlon or Primark (opening scheduled for mid-2020).

Due Torri (Stezzano, Italy)

Le Due Torri, opened in April 2010 in the Milan region, confirms its position focused on fashion and design. in order to complete its top-of-the-range offer, the Group began work on the extension of 8,000 m².

Two ratified commercial authorisations

In late 2019, the Group also obtained final commercial authorisations for the following two projects.

Paris-Austerlitz railway station

Altarea has been selected by the SNCF to carry out the redevelopment of the commercial areas of the Paris-Austerlitz railway station in the context of an urban renovation project which is aimed at opening the station up to its local area.

The future railway station will have commercial space of approximately 25,000 m² comprised of 85 shops. The 280 m² glass-covered station concourse, part of Paris' heritage, will be totally restored in the context of this project.

Ferney-Voltaire (Pays de Gex, Ain)

This 46,000 m² shopping and leisure centre, designed by the architect Jean-Michel Wilmotte, is located at the heart of an exceptional shopping area in the Ferney-Genève district. Close both to the airport and the city centre, it will feature 15 mid-size retail spaces and around one hundred stores.

As an area which is full of life, the shopping complex will host a cultural centre comprised of a cinema, an area run by the Centre Pompidou art gallery, and "Universcience" (the fruit of a joint venture with Paris' Cité de la Science et de l'Industrie and the Grand Palais).

The leisure package will be completed by sports facilities (climbing walls, playing fields on the roof) and suitable but varied dining options.

The commercial project forms part of the Ferney-Genève Innovation development project which intends to create a new neighbourhood consisting of 2,500 residential units, office space and services.

Commitments

Given the Group's prudential criteria, the decision to start work is only made once a sufficient level of pre-letting has been reached. Considering the progress achieved from both an administrative and commercial point of view, most pipeline projects should be delivered between 2020 and 2024.

In €m	At 100%	%	Group
Committed	324	38%	217
o/w paid out	*193*	*59%*	*135*
o/w to be paid out	*131*	*41%*	*82*
Secured not committed	522	62%	522
Total	**846**	**100%**	**739**

"Retail – Creations/extensions" pipeline		Group share	GLA (in m²) (a)	Gross rent (€m)	Net invest. (€m) (b)	Yield	Potential value (€m)(c)	Progress
Cap3000 - Corso (Nice)	Expansion	33%	8,600					Under construction
Sant Cugat (Barcelone)	Redev./Exp.	100%	5,000					Under construction
Le Due Torri (Lombardy)	Redev./Exp.	25%	8,000					Under construction
Ferney-Voltaire (Geneva area)	Creation	100%	46,400					Secured
Ponte Parodi (Genoa)	Creation	100%	36,700					Secured
Large shopping centres (5 projects)			**104,700**					
Paris-Montparnasse station (Phase 3)	Creation	100%	4,400					Under
Paris-Austerlitz station	Creation	100%	25,000					Secured
Italian stations (5)	Expansion	100%	13,800					Secured
Travel retail (3 projects)			**43,200**					
La Vigie (Strasbourg)	Expansion	100%	10,000					Under
Aubergenville 2	Expansion	100%	1,200					Secured
Retail Parks (2 projects)			**11,200**					
Total at 31 December 2019 (10			**159,100**	**76.4**	**846**	**9.0%**	**1,030**	
o/w Group share			-	*70.1*	*745*	*9.4%*	*924*	

(a) Total GLA created (in m²). For renovation/extension projects, figures represent additional GLA created.
(b) Total budget including financing expenses and internal costs.
(c) Potential market value inclusive of duties of the projects on delivery (net rental income capitalised at market rates).

"Retail component – Large Mixed-use projects" pipeline

Ten of the Group's major Mixed-use projects include a significant retail component, for a total of 158,400 m² and anticipated potential value of €712 million.

Construction has already begun on six of these projects, and four have already been sold.

"Retail component – Large mixed-use projects" pipeline	Total surface area of projects	Surface area created (a)	Potential value (€m) (b)	Progress
Aerospace (Toulouse)	64,000	11,700		Under construction/sold
Coeur de Ville (Bezons)	67,000	19,600		Under construction/sold
Cœur de Ville (Issy-les-Moulineaux)	105,000	17,200		Under construction
Joia Meridia (Nice)	47,000	9,100		Under construction/sold
Belvédère (Bordeaux)	140,000	9,400		Under construction
Fischer (Strasbourg)	37,000	3,900		Under construction
La Place (Bobigny)	104,000	9,600		Secured
Quartier Guillaumet (Toulouse)	101,000	8,200		Secured
Cœur Mougins (Mougins)	40,000	7,700		Secured
Quartier des Gassets (Val d'Europe)(b)	131,000	62,000		Secured
Total at 31 December 2019 (10 projects)	**836,000**	**158,400**	**712**	

(a) GLA (in m²).
(b) Revenue excluding VAT or potential value inclusive of duties for projects on delivery.

In 2019, Altarea sold the retail component of two major Mixed-use projects, for a total of €192 million, to Crédit Agricole Assurances:

• Issy Cœur de Ville, with 17,200 m² includes a 7-screen UGC cinema, some thirty shops (including a mid-size food hall) and 8 restaurants with terrace areas;

• Bezons Cœur de Ville, with 19,600 m² includes a 5-screen cinema, 50 shops and restaurants, 1 large foodhall covering 3,000 m², a gym and a medical centre

1.2.1.4 PORTFOLIO

Figures at 100%	No.	GLA (in m²)	Current gross rental income (€m) [d]	Appraisal value (€m) [e]
Controlled assets [a]	27	624,000	194.8	4,103
Equity assets [b]	6	99,700	38.9	698
Total portfolio assets	**33**	**723,700**	**233.7**	**4,801**
o/w Group share	*n/a*		*143.4*	*2,893*
Management for third parties [c]	6	119,500	24.2	
Total assets under management	**39**	**843,200**	**257.9**	

[a] Assets in which Altarea 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 for which Altarea 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 with a management mandate for an initial period of three to five years, renewable.
[d] Rental values on signed leases at 1 January 2020.
[e] Appraisal value including transfer duties.

Change in the portfolio

€ millions	100%	*Chang*	Group	*Change*
At 31/12/2018	**4,623**		**3,089**	
Investments/Acquisitions	360		295	
Disposals	(237)		(224)	
Partnerships	–		(388)	
Value creation	**55**		**121**	
At 31/12/ 2019	**4,801**	*+3.9%*	**2,893**	*(6.4)%*

Investments and acquisitions

The following were acquired in 2019:

• the south extension of Cap3000, excluding the Corso Mall;
• the 2nd phase of the shops in the Paris-Montparnasse railway station (5,300 m²);

• the retail areas of the five Italian railway stations under concession (8,600 m² in total).

Disposals and partnerships

Over the year, the Group sold (or is in the process of selling) seven assets for a total of 62,000 m²: the traditional malls in Flins, Okabé (Kremlin-Bicêtre) and Olliloules, as well as the 14ème Avenue retail park in Herblay (sold on the basis of a capitalisation rate of 4.50%) and miscellaneous small-scale assets. The sales in this year were on average completed at above the appraisal value.

In 2019, Altarea signed two agreements with Crédit Agricole Assurances, related to two types of shopping centres:

• the "Alta Proximité fund", which aims to invest €650 million in France, of which €270 million invested in assets held by Altarea[47]. This first transaction was finalised in 2019;

• the "Alta Commerces Europe fund", whose purpose is to invest in European shopping centres, and which has made two initial acquisitions for €245 million in assets held by Altarea. The execution of this transaction, agreed in 2019, is pending (all the conditions are fulfilled).

The two funds are 75% owned by Crédit Agricole Assurances and 25% by Altarea. The first investments made or planned were in line with appraisal values as of 31 December 2019 (average gross yield slightly in excess of 5.5%). The two funds' average Loan-to-Value is 32% as of date. Altarea will remain the assets' operator and will consolidate its 25% investment using the equity method.

Value creation

Over the course of 2019, Retail value creation (asset value taken on a like-for-like basis and value creation on delivery) amounted to €55 million at 100% and €121 million in Group share, of which €88 million linked to deliveries and €33 million in capital gains at constant scope.

Breakdown of the portfolio by asset type

The Group now holds 33 assets, with an average unit value of €145.5 million.

In terms of Group share, the portfolio is now comprised solely of regional shopping centres, travel retail, retail parks and convenience stores.

As a reminder, 37% of the portfolio was made up of traditional malls five years ago and this was still 10% of the total last year.

At 100% (€m)	31/12/2019		31/12/2018	
Regional shopping centres	3,033	*63%*	2,837	*61%*
Travel retail	478	*10%*	292	*6%*
Retail parks	950	*20%*	834	*18%*
Traditional malls	-	-	403	*9%*
Convenience stores	341	*7%*	257	*6%*
Total	**4,801**	*100%*	**4,623**	*100%*

Group share (€m)	31/12/2019		31/12/2018	
Regional shopping centres	1,531	*53%*	1,627	*53%*
Travel retail	429	*15%*	233	*8%*
Retail parks	817	*28%*	782	*25%*
Traditional malls	-	-	296	*10%*
Convenience stores	116	*4%*	150	*5%*
Total	**2,893**	*100%*	**3,089**	*100%*

47 Le Parks (Paris), Reflets Compans (Toulouse) and Jas de Bouffan (Aix-en-Provence).

Change in the property exit rate[48]

At 100%	31/12/2019	31/12/2018
Regional shopping centres	4.65%	4.54%
Retail parks	5.39%	5.19%
Traditional malls		6.18%
Convenience stores	5.72%	5.70%
Travel retail	4.81%	4.76%
Weighted average	**4.89%**	**4.83%**

Group share	31/12/2019	31/12/2018
Regional shopping centres	4.79%	4.88%
Retail parks	5.41%	5.19%
Traditional malls		5.99%
Convenience stores	6.78%	6.06%
Travel retail	4.86%	4.87%
Weighted average	**5.06%**	**5.10%**

Operational performance

Economic environment

Growth in France's GDP was ultimately just +1.2%[49] in 2019, with a slight fall (-0.1%) in the 4th quarter for the first time since the 2nd quarter of 2016. While growth in France is holding up rather better than that in other European countries, the successive waves of strike movements has held back household consumption and corporate investment which fell in the final quarter. For the year as a whole, these indicators are however up by +1.2% (compared with +0.9% in 2018) and +3.6 (compared with +2.8% in 2018) respectively.

The tax and social security reforms and the emergency social and economic measures adopted by the government led to a +2.1% average increase in spending power in France in 2019.

For 2020, the forecasts are prudent: the government is expecting +1.3% growth in GDP, while at this stage, the Bank of France is predicting +1.1%, its lowest rate since 2016. In the fourth quarter of 2019, unemployment fell by 0.4 point to 8.1% of the population, its lowest level since the 2008 financial crisis.

Tenants' revenue[50] *and footfall*[51]

	Sales (incl. tax)	Footfall
France portfolio	+4.9%	+3.4%
Benchmark France (CNCC)	+0.7%	+0.3%

Genuine destinations (Cap3000, Bercy Village, etc.) combining retail and leisure activities, or sites which have natural footfall (railway stations), the type of assets held by the Group enables its commercial performance (visitor numbers and revenue) to be increased in their shopping areas.

Consolidated net rental income[52]

	In €m	*Change*
Net rental income 2018	**167.1**	
Disposals	(2.4)	
Deliveries	13.3	
Acquisitions	5.5	
Like-for-like change	**4.0**	**+3.0%**
IFRS 16 impact [(a)]	3.4	
Net rental income 2019	**190.8**	
o/w net rental income from assets held in partnership or disposed of in 2019	*27.5*	

(a) Cancellations of fees paid.

In 2019, net rental income was up sharply at €190.8 million (+14.2%): the impact of the deliveries and acquisitions completed (extension of Cap3000, parts one and two of the Paris-Montparnasse railway station stores and acquisition of a portfolio of railway stations in Italy) more than off-sets the disposals completed in 2018 and 2019.

Occupancy cost ratio[53]*, bad debt ratio*[54] *and financial vacancy rates*[55]

At 100%	31/12/2019	31/12/2018	31/12/2017
Occupancy cost ratio	10.9%	11.2%	10.8%
Bad debt ratio	1.8%	1.1%	1.2%
Financial vacancy	1.6%	1.3%	2.4%

As for asset management, the Group is favouring the optimisation of the occupation rate for its assets and the rigorous management of rental charges recoverable from tenants. These levers are behind the 3.0% progression of net rental income on a like-for-like basis[56].

Leasing (leases signed)

At 100%	Number of leases	New rent
France	229	€18.8m
International	52	€5.6m
Total portfolio	**281**	**€24.4m**
Pipeline	94	€14.3m
Total	**375**	**€38.7m**

Retail activity remained strong in 2019:

• 281 leases were signed on portfolio assets. The Group signed with brands as diverse as the virtual reality concept *Illucity*. The range of dining options grew across the sites with concepts including Fresh Burritos, Pitaya, Les Burgers de Papa, and Maison Pradier or Bon Glaze. Sites will also be welcoming a range of brands focusing on men's well-being.

• 94 leases were signed for pipeline assets, with prestigious entities and innovative concepts for the Corso section of

48 The exit rate (or "capitalisation rate") is 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.
49 Source: INSEE ("Informations rapides" – 31 January 2020).
50 Change in revenue (incl. tax) from retailers on a like-for-like basis (sites) over a 12-month period as of end-December 2019.
51 Change in footfall, measured by Quantaflow in equipped shopping centres, and by counting cars for the retail parks (excluding travel retail outlets) and CNCC data (12 month rolling figure at end-December 2019).
52 The Group reports net rental income including the contribution to the marketing fund, the re-billing of work and investments as lessor, that are not included in the EPRA definition of net rental income.
53 Ratio of billed rents and expenses to tenants (including reductions) to sales revenue. Calcul (incl. tax) and at 100%. France.
54 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.
55 Estimated rental value (ERV) of vacant units as a percentage of total estimated rental value. France and International. At end-2019, there were 50 vacant units.
56 NB, the renewals having an impact on this progress include the relocation of the mid-size surface area previously occupied by Marks & Spencer in the Qwartz centre.

Cap3000. At the Paris-Montparnasse railway station, phase 3 is now at the marketing stage with a growing range of high-level dining options.

Lease expiry schedule

Lease end date	In €m, at 100%	% of total	3-year termination option	% of total
Expired	12.8	*5.5%*	9.0	*3.9%*
2021	15.4	*6.6%*	5.7	*2.4%*
2022	14.8	*6.3%*	29.1	*12.5%*
2023	11.9	*5.1%*	49.2	*21.1%*
2024	14.3	*6.1%*	39.4	*16.9%*
2025	23.6	*10.1%*	25.5	*10.9%*
2026	29.2	*12.5%*	12.8	*5.5%*
2027	26.2	*11.2%*	24.1	*10.3%*
2028	26.3	*11.3%*	9.1	*3.9%*
2029	23.9	*10.2%*	4.5	*1.9%*
>2030	35.3	*15.1%*	25.3	*10.8%*
Total	**233.7**	**100%**	**233.7**	**100%**

Assets under management

In addition to its proprietary assets, Altarea is developing its third-party management business. Therefore, at end-2019, the Group manages six assets on behalf of institutional investors, taking the total volume under management (portfolio assets and assets held by third parties) to 39 assets and €5.2 billion in value, for over 2,000 leases in total.

Details of assets managed at 31 December 2019

Asset and type	GLA (in m²)	GRI (€m) [d]	Value (€m)	Group share	Value GS (€m)
Cap3000 (Nice)	97,000			33%	
Espace Gramont (Toulouse)	56,700			51%	
Avenue 83 (Toulon-La Valette)	53,500			51%	
Qwartz (Villeneuve-la-Garenne)	43,300			100%	
Sant Cugat (Barcelona, Spain)	36,000			100%	
Bercy Village (Paris)	23,500			51%	
Large shopping centres (6 assets)	**310,000**	**121.1**	**2,788**		**1,470**
Montparnasse station - Phases 1 & 2 (Paris)	13,800			100%	
Gare de l'Est (Paris)	6,800			51%	
Italian railway stations (5 assets)	8,600			100%	
Oxygen (Belvédère 92)	2,900			100%	
Travel retail (8 assets)	**32,100**	**33.1**	**478**		**429**
Family Village (Le Mans-Ruaudin)	30,500			100%	
Family Village (Limoges)	29,000			100%	
Family Village (Nîmes)	28,800			100%	
Les Portes de Brest Guipavas	28,600			100%	
Family Village (Aubergenville)	27,800			100%	
Espace Chanteraines (Gennevilliers)	23,700			51%	
Thiais Village	22,800			100%	
Les Portes d'Ambresis (Villeparisis)	20,300			100%	
La Vigie (Strasbourg)	18,200			100%	
Marques Avenue A13 (Aubergenville)	12,900			100%	
Pierrelaye	10,000			100%	
Retail parks (11 assets)	**252,600**	**37.4**	**790**		**736**
Massy -X%	18,400			100%	
Grand Place (Lille)	8,300			100%	
Miscellaneous	2,600			100%	
Convenience stores (2 assets)	**29,300**	**3.2**	**47**		**47**
Controlled assets [a] (27 assets)	**624,000**	**194.8**	**4,103**		**2,683**
Le Due Torri (Bergamo – Stezzano, Italy)	30,900			25%	
Corte Lombarda (Bellinzago, Italy)	21,200			25%	
Jas de Bouffan (Aix-en-Provence)	9,800			18%	
Carré de Soie (Lyon)	51,000			50%	
Le Parks (Paris)	33,300			25%	
Reflets Compans (Toulouse)	14,000			25%	
Miscellaneous	1,400			49%	
Equity assets [b] (6 assets)	**99,700**	**38.9**	**698**		**210**
Total portfolio assets (33 assets)	**723,700**	**233.7**	**4,801**		**2,893**
Third-party asset management [c] (6 assets)	**119,500**	**24.2**	**387**		
Total assets under management (39 assets)	**843,200**	**257.9**	**5,188**		

[a] Assets in which Altarea 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 for which Altarea 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 with a management mandate for an initial period of three to five years, renewable.

1.2.2 Residential

2019: pre-election "wait and see" attitude in a market marked by shortages

In France, large gateway cities are subject to a structural increasing shortage of housing leading to sharp price increase.

Projects located at the core of high-demand urban areas take an increasingly long time to set up (notably in terms of administrative approval). However, units tend to sell very quickly, given the strength of demand.

In 2019, the residential market in France is expected to reach 150,000 units, down slightly from the high level of 155,000 units placed in 2018. The offer-side shortage has been accentuated by the imminence of the March 2020 local elections.

End-September 2019, sales under new programmes fell by -14% on the previous year and the stock is less than nine months' sales in several major gateway cities (Paris Region, Nantes, Rennes, Strasbourg and Montpellier).[57]

The drivers for the market remain solid:

• highly promising underlying demographics, notably for those gateway cities in which Altarea has a presence ;

• long-term low interest rates for borrowers ;

• substantial tax instruments which are now focused on high-demand areas (Pinel and PTZ) ;

• the required construction of social housing and the Government's anticipated relaunch policy.

The Group is expecting an upturn in sales in the 2nd quarter 2020 which should then accentuate in 2021.

A winning strategy

Facing the high demand in strained urban areas, Altarea has decided to develop its offer with the ultimate objective to gain market shares. Altarea aims to sell 18,000 to 20,000 units per year at a future date, and has embarked on a major investment campaign to boost its production.

Therefore, in 2019, the Group:

• increased the size of its property pipeline[58] which went up from 44,800 units to 48,900 units (+9%); almost exclusively located in high-demand areas;

• improved its operational capacity with 119 new hires (net of all resignations) with operational profiles such as developers, sellers, program managers, etc.;

• increased its commercial investments, mainly advertising content;

• deepened its geographic presence within large gateway cities thanks to the Mixed-use projects turning Altarea into a key intermediary for all local authorities wishing to transform urban areas;

• widened its product offer and made preparations for the future by acquiring Histoire & Patrimoine (specialised in historical buildings) in 2018 and taking a 50% stake in Woodeum, leading developer of low-carbon construction built from CLT in France, July 2019.

This strategy is now starting to bear fruit: the Group has become the 2nd largest residential property developer in France, moving up one place in the ranking.[59]

To accelerate growth in its market share, the Group has revised its brand architecture, with the aim of giving more operational autonomy to each banner (Cogedim, Pitch Promotion, Histoire & Patrimoine, Woodeum, Severini and Cogedim Club), while allowing them to benefit from the power of the Group embodied by the Altarea umbrella brand (strategy, finance, support, etc.).

Customers are at the core of the process

The Group sets itself apart by the close attention it pays to customers' expectations when developing its product ranges. A Customer Service Department was created for this purpose in 2016.

Since then, in 2018, Cogedim became the top property developer in terms of "Awarded Customer Service for the Year" for the level of service and quality of its customer relationship. This recognition was repeated in 2019 and in 2020.

The Group is also the number 1 French developer in the "Top 10 for Customer Reception" rankings created by Les Echos / HCG, and, this year, ranks 3rd for all sectors taken together (6th place in 2019).

To develop appropriate and suitable products, the Group has focused its efforts on three areas:

Comprehensive customer support

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

• customisation of the offer in addition to a catalogue of 200 technical and decorative options. Customers can personally select their own options at Cogedim Stores, where they can wander through show apartments, browse the choice of materials and enjoy an immersive digital experience. To date, the Group has opened six stores in gateway cities (Paris, Toulouse, Bordeaux, Lyon, Nantes and Marseille) and four option areas (Montpellier, Strasbourg, Fréjus and Bayonne);

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

• strengthening the range of services offered to private customers, rental management and financial advise in particular.

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57 Source: "Observatoire de l'immobilier de la FPI" - Q3 2019.
58 Properties for sale and land option portfolios
59 Source: Developer Rankings produced by Innovapresse which analyses and compares business volumes, the number of residential units or square metres of offices produced, and the financial results of the principal private property developers. The 31st edition included 60 of the main players in the sector.

A commitment to quality

Over the last 3 years, 100% of Group operations have been NF Habitat certified[60], a veritable mark of quality and performance, guaranteeing users improved comfort and energy savings.

In addition, 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.

In 2019, the Group won the "Prix du Grand Public (GRDF)" at the "Pyramides d'argent" awards organised by the Fédération des Promoteurs d'Ile-de-France for its "Serigraf" programme in Cachan, awarded "NF Habitat" certification.

It also won the "Soutien à l'innovation" award for its re-use village in Montreuil, 1,750 m² dedicated to solidarity and the social economy, located within a project comprised of 60 accessible residential units, 22 social housing units and co-living accommodation for young workers and single parent families.

Innovative programmes rooted in the city

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

This year, Altarea also distinguished itself by winning 5 of the 23 projects awarded further to the second edition of the "Inventons la métropole du Grand Paris" competition, an indication of how its projects are well aligned with the expectations of local authorities (3 projects awarded to Cogedim and 2 to Pitch Promotion).

An efficient geographical strategy

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

Against this backdrop, the Group's geographical strategy aims is aimed at holding strong positions in the most dynamic gateway cities[61], targeting high-demand areas where the need for residential units is the highest. The renewal of the Pinel law up until the end of 2021 and its closer application in these high-demand areas in 2018 confirmed this strategy adopted by the Group. At end-2019, the entirety of the Group's property for sale and its land portfolio was located within eligible areas.

A multi-brand and multi-product strategy

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

It operates through its national brand Cogedim, backed up in the main French gateway cities by Pitch Promotion and complemented in terms of products by Cogedim Club (residences for senior citizens) and Histoire & Patrimoine (Historical Monuments), and also, since July 2019, by Woodeum (low carbon residential developments).

In early 2019, the Group also finalised the acquisition of 85% of Severini, a developer, strengthening its presence in Nouvelle-Aquitaine.

Altarea thus provides a well-judged response in all market segments and for all customer types:

• High-end[62]: products defined by demanding requirements in terms of location, architecture and quality. At end-2019, these represented 11% of new orders over the year by volume ;

• Entry and mid-range[63]: these programmes, which represent 81% of new orders for the Group by volume, are specifically designed to meet:

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

- 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 (4%): the Group is developing a wide range of student halls of residence, business travel accommodation, exclusive residences, etc. In particular, under the Cogedim Club® brand, it is currently developing a serviced residences concept for senior citizens, combining city-centre locations with a range of a la carte services. In 2019, six Cogedim Club residences were inaugurated, taking the number of operational sites to 18. In 2019, nine projects were under construction and 6 should be launched in 2020;

• Renovation of historical sites (4%): under the Histoire & Patrimoine brand, the Group has a range of products for Historical Monuments, Malraux Law properties and Real Estate Tax schemes. This offer is expected to grow in scale. For example, in 2019, Histoire & Patrimoine and Altarea Grands Projets won the Call for Expressions of Interest for the restructuring and conversion of the Aillaud Towers ("Cloud Towers") located in Nanterre right next to the La Défense neighbourhood and certified as an example of "Remarkable Contemporary Architecture". The Group also added to its portfolio with a major development project on the old IBM campus in La Gaude near Nice, which will eventually offer 250 units refurbished by Histoire & Patrimoine and 700 units developed by Cogedim;

• Sales in divided ownership: the Group is developing 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.

60 *Excluding co-development, rehabilitations and managed residences.*
61 *Grand Paris, Métropole Nice Côte d'Azur, Marseille-Aix-Toulon, Grand Lyon, Toulouse Métropole, Grenoble-Annecy, Nantes Métropole, Bordeaux Métropole, Métropole européenne de Lille, Eurométropole de Strasbourg, Montpellier Méditerranée Métropole, Rennes Métropole.*

62 *Programmes at over €5,000 per m² in the Paris Region and over €3,600 per m² in other regions.*
63 *Programmes under €5,000 per m² in the Paris Region and under €3,600 per m² in other regions.*

New orders[64]: €3,278 million (+12%)

New orders	2019		2018		Chan
Individuals - Residential	1,011	€m	897	€m	+13%
Individuals - Investment	1,174	€m	1,032	€m	+14%
Block sales	1,093	€m	988	€m	+11%
Total in value (incl. tax)	**3,278**	**€m**	**2,917**	**€m**	**+12%**
o/w equity-method (Group	*181*	*€m*	*259*	*€m*	
Individuals - Residential	2,865	unit	2,755	unit	+4%
Individuals - Investment	4,671	unit	4,227	unit	+11%
Block sales	4,592	unit	4,800	unit	(4)%
Total in units	**12,128**	**unit**	**11,782**	**unit**	**+3%**

In 2019, the dynamic in terms of increasing market share remained positive, with new orders up +12% in value and +3% in volume.

All brands are growing, confirming the suitability of the Group's offer for all categories of customers, and the pertinence of its geographical positioning.

On a like-for-like basis (excluding Severini and Woodeum), new orders up +9% in value to €3,193 million and +1% in volume (11,881 units) over the year.

This year was marked by excellent marketing campaigns for the Grand Paris large mixed-use projects, notably Issy-Cœur de Ville, which explain the increase in average price per unit over one year, both for private purchasers and institutionals (+5% to €290,000 and +16% to €238,000 respectively).

In a declining market, the Group's orders increased sharply, with all the brands contributing to growth

New orders by product range

Number of units	2019	%	2018	%	Change
Entry-level/mid-range	9,782	81%	8,497	72%	+15%
High-end	1,323	11%	2,181	19%	(39)%
Serviced Residences	512	4%	723	6%	(29)%
Renovation/Rehabilitation	511	4%	381	3%	+34%
Total	**12,128**		**11,782**		**+3%**

Notarised sales

€ millions incl. tax	2019	%	2018	%	Change
Entry-level/mid-range	1,972	60%	1,718	71%	+15%
High-end	958	29%	526	22%	+82%
Serviced Residences	182	6%	96	4%	+90%
Renovation/Rehabilitation	167	5%	84	3%	x2
Total	**3,279**		**2,425**		**+35%**

Revenue by % of completion

In €m (excl. tax)	2019	%	2018	%	Chan
Entry-level/mid-range	1,550	68%	1,277	69%	+21%
High-end	566	25%	455	25%	+24%
Serviced Residences	92	4%	78	4%	+18%
Renovation/Rehabilitation	74	3%	33	2%	x2.2
Total	**2,283**		**1,844**		**+24%**

Outlook

Supply[65]

Supply	2019	2018	Change
€ millions (incl. tax)	5,126	5,094	+1%
Number of units	20,723	20,237	+2%

Commercial launches

Launches	2019	2018	Change
Number of units	11,499	12,255	(6)%
Number of transactions	166	202	(18)%
Revenue incl. Tax (€m)	**3,434**	**3,179**	**+8%**

Project under construction

The Group launched a large number of projects this year, including two large Mixed-use projects: Issy-Cœur de Ville and Cœur Mougins, near Cannes.

At the end of 2019, 282 projects were under construction, compared with 254 at the end of 2018.

Residential backlog[66]

In €m (excl. tax)	2019	2018	Change
Notarised revenue not recognised	1,722	1,388	24%
Revenues reserved but not notarised	2,057	1,781	15%
Backlog	**3,778**	**3,169**	**19%**
o/w equity-method (Group	*258*	*270*	*(4)%*
Number of months	*20*	*21*	

The Residential backlog remains at a very high level giving very strong visibility for the next few financial years.

Properties for sale[67] and future offering[68]: 47 months of pipeline

€ millions incl. tax Potential revenue	31/12/2019	No. of months	31/12/2018	Change
Properties for sale	2,104	8	*2,103*	*+0%*
Future offering	10,659	39	*9,192*	*+16%*
Pipeline	***12,764***	***47***	**11,295**	**+13%**
In no. of units	*48,885*		*44,835*	*+9%*
In m²	*2,737,600*		*2,510,800*	*+9%*

64 New orders 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, including Woodeum). Histoire & Patrimoine consolidated since 1 July 2018, Severini since 1 January 2019).
65 Sale agreements for land signed and valued as potential residential orders (incl. taxes).
66 The Residential backlog consists of revenues (excluding tax) from notarised sales, to be recognised on a percentage-of-completion basis, and individual and block new orders to be notarised (retail and institutional investors). It also includes projects on which the Group exercises joint control (consolidated by the equity method). The corresponding revenue is therefore not included in the consolidated revenue of the Group's Residential business line.
67 Units available for sale (incl. taxes value, or number count).
68 Future offering consisting of secured projects (through an option on the land, mostly in unilateral form) whose launch has not yet occurred (value including taxes of potential revenue when expressed in euros).

The Residential pipeline represents almost four years of business with nearly 48,900 units, almost exclusively located in high-demand areas eligible for the Pinel scheme.

Risk management

At 31 December 2019, the Group's properties for sale amounted to €2.1 billion incl. tax (or 8 months of activity), with the following breakdown according to the stage of completion of the programmes:

In €m

	Project not yet started	Project under construction	In stock	Total
Amounts committed excl. tax	**171**	**776**	**25**	**972**
Of which already paid out [a]	*171*	*329*	*25*	*525*
Properties for sale incl. tax [b]	**794**	**1,273**	**37**	**2,104**
In %	*38%*	*60%*	*2%*	*100%*
o/w to be delivered	*in 2020*	*196*		
	in 2021	*597*		
	≥ 2022	*480*		

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

Management of real estate commitments

38% of properties for sale relates to programmes whose construction has not yet been launched and for which the amounts committed correspond essentially to studies, advertising, and loss of use indemnities (or guarantees) paid within the framework of promises on land, and cost of land.

60% of the offering is currently under construction, including a limited share (€196 million or 9% of total properties for sale) representing units to be delivered by the end of 2020.

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

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

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

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

• strong pre-commercialisation required when acquiring land;

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

1.2.3 Business property

1.2.3.1 AN ATTRACTIVE MARKET

In 2019, the market for investment in office property in the Paris Region remained extremely dynamic (growth of +13% over the year to €21.7 billion[69]), confirming the cyclical upswing which began in 2017. Significant transactions in excess of €200 million formed 47% of this increase in terms of investment volume. In the regions, the investment market slowed to €2.7 billion (-11% over a year) but is still very dynamic in prime locations and in the gateway cities.

With regard to the rental market, demand placed in the Paris Region improved in the second half-year to reach 2.3 million m² according to Immostat, down 10% over a year.

Immediate supply continues to fall to 2.7 million m² (-8% over a year). In this context of rare quality supply in the most sought-after zones (Paris CBD and West Crescent), the rise in nominal rents continues (+3% over a year for new or redeveloped assets and +5% for old assets).

Growth continues in the industrial sector, supported by urban logistics and e-commerce. The volume invested in Logistics reached €4.1 billion in 2019 (+24% over the year[70]), recording its best performance of the decade.

1.2.3.2 A RAPIDLY CHANGING SEGMENT

Business Property must adapt to new uses and employees' expectations in the area of quality of life in the work place (collaborative work, attractive areas inspired by residential codes). It also needs to be the incarnation of the attractiveness of occupier's brand as an employer.

In the last decade, Altarea has developed buildings which have become genuinely emblematic of their users' corporate culture, both with regard to the architectural signature and to environmental performance, connectivity and flexibility (Tour First in La Défense, Kosmo in Neuilly-sur-Seine, Bridge in Issy-les-Moulineaux and also Richelieu, which will become Altarea's head office in 2020).

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

To scale up this measure, in 2019, the Group created Altarea Entreprise Studio, an entity dedicated to designing buildings that are able to evolve through time due to their evolutive architecture, their technical design and also their services.

An investor developer model

Altarea is currently the number one business property developer in France.[71] The Group has developed a unique model allowing it to undertake significant operations with a controlled risk:

• as a developer[72] in off-plan sales, off-plan leases and property development contracts, with a particularly strong position on the turnkey users market, or as a service provider under delegated project management contracts;

• or as an investor, either directly or through AltaFund,[73] for high-potential assets (prime location) in view of their sale once redevelopment has been completed.[74]

The Group is systematically the developer of projects in which it acts as co-investor and Manager.[75]

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

A dual diversification strategy

Organisation

In terms of organisation, the Group is structured to address two complementary markets:

• in Grand Paris: in a context of high prices and scarcity of land, Altarea works on capital-intensive projects (generally in partnership), or alternatively as a service provider to support large investors and users;

• in gateway cities: Altarea acts in development programmes (off-plan sales or PDAs) generally sourced thanks to the local Residential network.

Product type

The Group is developing a wide range of products: multiple occupancy office space, head offices, logistics hubs, hotels, hospitals, etc.

The "Logistique" investment fund, created in late 2017 by Pitch Promotion, has enabled the Group to become a major stakeholder in the logistics market in France in just a few years, with nearly 640,000 m² under development at end-2019 (9% of the pipeline by potential value).

Product quality

Whether for new office projects or complex redevelopment operations, all of the Group's operations combine high environmental quality with modularity and multiple uses.

69 Source: Immostat (economic interest group [GIE] made up of BNP Paribas Real Estate, CBRE, JLL and Cushman & Wakefield) - January 2020.
70 Marketbeat France - Cushman&Wakefield.
71 Source: Developer Rankings produced by Innovapresse which analyses business volumes, the number of residential units or square metres of offices produced, and the financial results of the principal private property developers. The 31st edition included 60 of the main players in the sector.
72 This development activity does not present any commercial risk: Altarea carries only a measured amount of technical risk.
73 AltaFund is a discretionary investment fund, created in 2011, of which Altarea is one of the contributors alongside leading institutional investors.
74 Resold rented or not.
75 Through marketing, sale, asset and fund management contracts.

1.2.3.3 SUSTAINED BUSINESS

Solid new orders

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

• PDA and Off-Plan Sales contracts and Off-Plan Leases signed for the Property development activity, at contract price including tax;[76]

• sale of assets in the investment business, at sale price including tax.[77]

€ millions incl. tax	31/12/2019	31/12/2018	*Change*
Signing of Property development agreements or Off-plan sales	601	418	*+44%*
Asset sales (as Group share)	183	347	*(47)%*
Total	**784**	**765**	***+2%***

In 2019, the Group recorded €784 million incl. VAT in new orders (Group share), an increase of 2% year on year, including:

• the Off-plan sale to CNP Assurances of the three office buildings of the Issy-Coeur de Ville project, in which CNP will establish its future head office;

This transaction forms part of the double transaction completed by Altarea and CDC Investissement Immobilier (on behalf of Caisse des Dépôts et Consignations) in October 2019, the second part of which involves the acquisition of the current head office of CNP Assurances located above the Paris-Montparnasse railway station (the "PRD-Montparnasse" building integrated into the investment transactions), scheduled for substantial redevelopment. This double transaction was awarded the "Prix spécial du Jury" by CFNews Immo & Infra 2020.

• the Off-plan sale of the Convergence building in Rueil Malmaison, future head office of the Danone Group;

• the PDA for the EM Lyon Business School in Lyon-Gerland (29,000 m²)

• the PDA for a logistics platform for LIDL in Nantes ;

• the off-plan sale to Newton Offices of one of the four properties making up the Les Carrés du Golf programme in Aix-en-Provence. This 11,000 m² project, due to be delivered in 2020, is now fully leased following the signing of an off-plan lease agreement with EDF in mid-October 2019.

Deliveries and reloading the pipeline

Portfolio: 69 projects in progress

At 31/12/2019	No.	Surface area (m²) at 100%	Develop ment revenue excl tax	Potential value at 100% (€m excl. tax)
Investments [(a)]	6	226,700	889	2,506
Property developer (property development of off-plan sales contracts) [(b)]	61	1,271,200	2,725	2,725
o/w Offices - IDF	*10*	*204,600*	*973*	*973*
o/w Offices - Regions	*43*	*428,200*	*1,286*	*1,286*
o/w Logistics	*8*	*638,400*	*466*	*466*
Delegated project management [(c)]	2	5,200	40	40
Total	**69**	**1,503,100**	**3,654**	**5,271**
Change vs. 31/12/2018	*+9*	*+17%*		*+20%*

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

2019 deliveries

Altarea delivered six projects:

• two redeveloped office properties (Paris Bergère and Delegated Project Management for 16 avenue Matignon), as well as a hotel situated within the Massy Place du Grand Ouest large Mixed-use project;

• and three Logistics projects (10,700 m²) in the Paris Region.

Supply

Supply corresponds to the projects which entered the pipeline over the course of the year, combining numbers for two types of events:

• acquisitions (or options) on investment projects, used to calculate the market value excluding transfer duties of the projects on the date of sale;

• signatures of PDA or Off-plan sale/lease contracts for development projects (excluding investment projects), used to calculate the value (including VAT) of the contract signed, and signatures of delegated project management contracts.

In 2019, Altarea substantially reloaded its pipeline with 15 projects for a total potential value of €1.3 billion, including €925 million for Grand Paris projects (5 projects).

Certain of these new projects are of particular note:

• two investment projects: CNP Assurances' current head office in Paris-Montparnasse and one other major redevelopment works project involving an office block located Rue de Saussure in Paris;

• PDA, including the EM Lyon Business School project, a hotel complex with nearly 700 rooms in the Paris region on behalf of a leading commercial entity; and a 46,500 m² tranche to complete a logistics hub project currently under

76 New orders at 100%, with the exception of projects under joint control (equity-accounted) for which new orders are shown in Group share.

77 New orders in Group share, net of the amount of the PDA when the assets sold were covered by a PDA signed with the Group, so that the same amount is not counted twice for the same asset.

development in Bordeaux, taking this to a total of 170,000 m²;

• 10 Off-plan sales projects, including those located in the Mixed-use Simonettes project in Champigny (14,000 m², including the Cité artisanale des Compagnons du Tour de France), and 8,400 m² for the Technopôle de la Mer in Ollioules;

• and the redevelopment of the head office of a major French business near Place de la Concorde in Paris, under Delegated project management.

Backlog[78] (Off-plan/PDA and delegated project management)

In €m	31/12/2019	31/12/2018	Change
Off-plan, PDC	668	855	(22)%
o/w equity-method (Group share)	*73*	*84*	*(13)%*
Fees (DPM)	9	7	-
Total	**677**	**862**	**(21)%**

Focus on investment projects

At end-2019, the Group's development - investment portfolio (held with leading institutional investors) has six projects. The Group sold two investment projects to CNP Assurances in the context of the Issy-Cœur de Ville project (now classified as pure promotion projects) and reloaded the pipeline with two major redevelopment projects concerning CNP Assurances' current head office at Paris-Montparnasse and an office block located on rue de Saussure in Paris.

The cost price of these six projects is €2.0 billion at 100% (€639 million in Group share) with a potential value of over €2.5 billion (estimated sale price), i.e. an expected gain of about €146 million in Group share.

Project	Group share	Surface area (m²)	Estimated rent (€m) (a)	cost price (€m) (b)	Potential value at 100% (€m excl. tax) (c)	Progress (d)
Bridge (Issy-les-Moulineaux)	25%	57,900				Under construction/leased
Landscape (La Défense)	15%	67,400				Under construction
Tour Eria (La Défense)	30%	25,000				Under construction
Cocktail (La Défense)	30%	18,100				Secured
PRD-Montparnasse (Paris)	50%	56,200				Secured
Saussure (Paris)	100%	2,100				Secured
TOTAL at 100%	**31%**	**226,700**	**114**	**1,976**	**2,506**	
o/w Group share			*35*	*639*	*785*	

(a) Gross rent before supporting measures.
(b) Including the acquisition of land and PDA completed by the Group for a total of €889 m.
(c) Potential market value excluding project rights at the date of sale, held directly or via AltaFund.
(d) Secured projects: projects either fully or partly authorised, where the land has been acquired or for which contracts have been exchanged, but on which construction has not yet begun.
(e) Weighted average of group share on cost price.

Commitments at 31 December 2019

In €m, Group share	Investment	Property development	Total
Already paid out	168	53	221
To be paid out	182	–	182
Total commitments	**350**	**53**	**403**

As for new developments, commitments are limited to the amount of studies for projects being arranged. Regarding projects under construction, financial commitments are covered by calls for funds (except “blank” transactions). At 31 December 2019, total commitments amounted to €53 million.

78 Backlog (Residential and Property offices) 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.

Details of the pipeline at 31 December 2019

	Type	Surface area (m²)	Revenue excl. tax (€m) [a]	Potential value at 100% (€m excl. tax) [b]	Progress [c]
Group investment projects (6 developments)		**226,700**	**889**	**2,506**	
Bassins à Flot (Bordeaux)	Off-plan sales	37,800			Under construction
Cœur de Ville - Hugo Building (Issy-les-Mx)	PDA	25,700			Under construction
Cœur de Ville - Leclerc & Vernet buildings	PDA	15,200			Under construction
Richelieu (Paris)	PDA	33,000			Under construction
Convergence (Rueil Malmaison)	Off-plan sales	25,400			Under construction
Orange (Lyon)	PDA	25,900			Under construction
Other Office projects (17 projects)	*PDA/Off-plan*	*120,000*			*Under construction*
Belvédère (Bordeaux)	Off-plan sales	50,000			Secured
Amazing Amazones (Nantes)	Off-plan sales	19,700			Secured
EM Lyon Business School (Lyon)	PDA	29,400			Secured
Other Office projects (27 transactions)	*PDA/Off-plan*	*250,626*			*Secured*
Hexahub Atlantique (Nantes)	PDA	46,505			Under construction
Other Logistics projects (2 projects)	*PDA/Off-plan*	*62,195*			*Under construction*
Other Logistics projects (5 projects)	*PDA/Off-plan*	*529,800*			*Secured*
"100% external" projects (61 transactions)		**1,271,200**	**2,725**	**2,725**	
Total investment portfolio / Off-plan sales / property development contracts (67 projects)		**1,497,900**	**3,614**	**5,231**	
Delegated project management portfolio (2 projects)		**5,200**	**40**	**40**	
Total Property Development Portfolio (69 projects)		**1,503,100**	**3,654**	**5,271**	

(a) PDA/Off-plan sales: amount excl. tax of signed or estimated contracts, at 100%. Delegated project management contracts: fees capitalised.

(b) Investments: potential market value excluding transfer duties on the date of disposal for investment projects (at 100%). Off-plan/PDA: value excluding tax of contracts signed or estimated for the other development programmes (at 100%, or Group share for jointly owned projects). Delegated project management contracts: fees capitalised.

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

1.3 Consolidated results and Net Asset Value

1.3.1 Impact of the application of IAS 23 and IFRS 16

Two changes in IFRS accounting standards impact the published consolidated statements for the financial year 2019.

IAS 23 – Borrowing Costs

The clarification of IAS 23 leads to directly entering interest expenses on development projects (previously in inventory) under charges.

With obligatory retrospective application from 1 January 2018, this standard leads to reclassifications interest expenses between income statement lines, with an impact on the 2018 financial year which must be restated for comparison.

IFRS 16 – Leases

IFRS 16 ends the distinction between finance and operating leases. This standard is applicable as from 1 January 2019.

On the balance sheet, this standard leads to the recognition of an intangible asset corresponding to the value of the right-of-use of the leased asset, over the firm duration of the contract assets. As a balancing entry, a financial liability is recognized under the heading "Borrowings and financial liabilities".

For the Group, this standard concerns two types of contract with fundamentally different economic characteristics:

• leasing of office space and vehicles used by Group employees, leading to the recording in the financial statements of a Lease liabilities of €23.2 million as liabilities on the balance sheet;

• Temporary Occupation Authorisations (AOT) for railway stations and construction leases (BAC) on certain retail assets, leading to the recording in the financial statements of a Contractual fee on investment properties of €143.4 million as liabilities on the balance sheet.

In the income statement, rents from office and vehicle leases (previously recorded under operating expenses) are replaced by charges for depreciation of the right-of-use assets and by interest charges; land charges (AOT, BAC royalties), are replaced by changes in the value of investment properties and interest charges.

Presentation of the financial statements

In accordance with the clarification of IAS 23, all of the 2019/2018 variations presented below have been calculated on the basis of restated 2018 income. The application of IAS 23 therefore leads to restatements:

• of -€4.7 million in opening equity as at 1 January 2018;

• and of -€3.0 million in net income (Group share) as at 31 December 2018 (broken down into -€3.8 million FFO income (Group share) and +€0.8 million in calculated expenses).

Moreover, the application of IFRS 16 leads to restatements of:

• of +€0.3 million in opening equity as at 1 January 2019;

• of -€1.5 million in net income (Group share) as at 31 December 2019 (broken down into +€27.1 million FFO income (Group share) and -€28.6 million in depreciation expenses).

1.3.2 2019 Consolidated results

2019 consolidated revenues amounted to €3,109.8 million up by +29.3% year-on-year, with all activities witnessing an increase in revenues: +7.4% for the Retail unit, +24.1% for Residential and +70.3% for Business Property.

Net income from operations (FFO) Group share amounted to €298.8 million in 2019 (+9.7% vs 2018 restated), broken down as follows:

• growth in Retail of +€14.4 million (+17%), generated both from entries in operation and acquisitions and the solid performance of the portfolio on a like-for-like basis;

• strong Residential growth of +€40.7 million (+39.6%), mainly driven by a volume effect;

• a high level of activity in Business Property (€65.4 million) on a 2018 comparison base, that included €18.0 million in performance fees on the operations of the AltaFund investment fund.

In €m	Retail	Residential	Business property	Other (Corporate)	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	TOTAL
Revenue	**227.5**	**2,294.4**	**587.9**	**0.1**	**3,109.8**	**–**	**3,109.8**
Change vs. 31/12/2018 published	*+7.4%*	*+24.1%*	*+70.3%*	*n.a.*	*+29.3%*		*+29.3%*
Net rental income	190.8	–	–	–	190.8	–	190.8
Net property income	–	208.1	11.9	(0.6)	219.4	(0.6)	218.8
External services	19.0	11.2	10.9	0.1	41.2	–	41.2
Net revenue	**209.8**	**219.4**	**22.8**	**(0.5)**	**451.5**	**(0.6)**	**450.9**
Change vs. 31/12/2018 published	*+11.7%*	*+21.8%*	*(50.2)%*	*n.a.*	*+9.1%*		*+9.1%*
Own work capitalised and production held in inventory	6.5	157.8	24.7	–	189.0	–	189.0
Operating expenses	(42.6)	(220.0)	(35.1)	(8.9)	(306.6)	(18.4)	(325.0)
Net overhead expenses	**(36.1)**	**(62.3)**	**(10.3)**	**(8.9)**	**(117.5)**	**(18.4)**	**(136.0)**
Share of equity-method affiliates	6.0	18.2	60.2	–	84.4	(22.5)	61.9
Income/loss on sale of assets Retail						0.7	0.7
Change in value, estimated expenses and transaction costs – Retail						62.3	62.3
Calculated expenses and transaction costs - Residential						(16.6)	(16.6)
Calculated expenses and transaction costs - Business Property						(1.7)	(1.7)
Other provisions Corporate						(6.1)	(6.1)
Operating income	**179.8**	**175.3**	**72.6**	**(9.4)**	**418.4**	**(2.9)**	**415.5**
Change vs. 31/12/2018 published	*+15.1%*	*+37.2%*	*(25.0)%*	*n.a.*	*+10.7%*		*+0.6%*
Net borrowing costs	(37.2)	(9.2)	(10.8)	–	(57.2)	(19.2)	(76.4)
Gains/losses in the value of financial instruments	–	–	–	–	–	(65.2)	(65.2)
Proceeds from the disposal of investments	–	–	–	–	–	(1.9)	(1.9)
Semmaris dividend	0.6	–	–	–	0.6	–	0.6
Corporate income tax	(2.4)	(3.4)	(1.3)	–	(7.1)	(29.8)	(36.9)
Net income	**140.8**	**162.7**	**60.5**	**(9.4)**	**354.7**	**(119.2)**	**235.5**
Non-controlling interests	(41.2)	(19.5)	4.8	–	(55.9)	54.1	(1.8)
Net income, Group share	**99.5**	**143.3**	**65.4**	**(9.4)**	**298.8**	**(65.1)**	**233.7**
Change vs. 31/12/2018 published	*+17.0%*	*+38.5%*	*(27.9)%*	*n.a.*	*+8.2%*		
Change vs. 31/12/2018 restated	*+17.0%*	*+39.6%*	*(25.5)%*	*n.a.*	*+9.7%*		
Diluted average number of shares					*16,393,265*		
Net income, Group share per share					**18.23**		
Change vs. 31/12/2018 published					*+5.5%*		
Change vs. 31/12/2018 restated					*+7.0%*		

1.3.2.1 FFO[79]

FFO Retail

In €m	2019		2018 restated
Rental income	208.4		188.9
Rental costs and other expenses	(17.6)		(21.8)
Net rental income	**190.8**	*+14.2%*	**167.1**
% of rental income	*91.5%*		*88.5%*
Contribution of EM associates	6.0		11.7
Net borrowing costs	(37.2)		(30.6)
Semmaris dividend	0.6		-
Corporate income tax	(2.4)		(2.4)
Non-controlling interests	(41.2)		(38.1)
FFO Retail REIT	**116.6**	*+8.3%*	**107.6**
External services	19.0		19.9
Net property income	–		0.8
Own work capitalised & production	6.5		5.3
Operating expenses	(42.6)		(48.5)
FFO Retail Services	**(17.1)**	*(24.3)%*	**(22.5)**
FFO Retail	**99.5**	*+17.0%*	**85.1**
Of which Semmaris	*0.6*		*6.6*

FFO Retail for 2019 was driven by the entry into operation of the first tranche of the Paris-Montparnasse railway station project at end-2018 and, to a lesser extent, by that of the Cap3000 extension in November 2019. The five Italian railway stations acquired in early 2019 also contributed to the scope effect.

On a like-for-like basis, net rental income grew by +3.0%, reflecting the strong performance of the assets held.

As a reminder, the investment in Semmaris almost all of which was sold in July 2018 made a 6.6 million contribution to earnings in 2018, compared with €0.6 million in 2019.

FFO Residential

In €m	2019		2018 restated
Revenue by % of completion	2,283		1,844
Cost of sales and other expenses	(2,075)		(1,662)
Net property income Residential	**208.1**	*+14.5%*	**181.8**
% of revenue	*9.1%*		*9.9%*
External services	11.2		4.1
Production held in inventory	157.8		135.3
Operating expenses	(220.0)		(200.6)
Contribution of EM associates	18.2		12.6
Operating income Residential	**175.3**	*+31.6%*	**133.2**
% of revenue	*7.7%*		*7.2%*
Net borrowing costs	(9.2)		(12.5)
Other	-		0.1
Corporate income tax	(3.4)		(4.0)
Non-controlling interests	(19.5)		(14.1)
FFO Residential	**143.3**	*+39.6%*	**102.6**

Residential FFO growth was driven by the increases in market share in previous years:

• €26.3 million increase in property margin;

• and €15.8 million improvement in the coverage of operating expenses.

FFO Business Property

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

• net property income generated by development projects (PDA and Off-plan sales);

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

• and contribution from equity-method associates: profits made on partnership projects.

In €m	2019		2018 restated
Revenue by % of completion	577.0		317.7
Cost of sales and other expenses	(565.1)		(298.7)
Net property income Business	**11.9**	*(37.1)%*	**19.0**
% of revenue	*2.1%*		*6.0%*
External services	10.9		27.5
Production held in inventory	24.7		20.0
Operating expenses	(35.1)		(47.1)
Contribution of EM associates	60.2		74.6
Operating income Business	**72.6**	*(22.7)%*	**94.0**
% of revenue + ext. serv. prov.	*12.4%*		*27.2%*
Net borrowing costs	(10.8)		(4.4)
Corporate income tax	(1.3)		(2.0)
Non-controlling interests	4.8		0.0
FFO Business property	**65.4**	*(25.5)%*	**87.7**
Of which AltaFund	*4.6*		*18.0*

2019 FFO remain high, however the contribution made thereby is down given the adverse base effect compared with 2018.

In 2018, the Group had recorded a performance fee (Promote) in connection with AltaFund projects (sale of Kosmo to Sogecap and progress made on Richelieu), for a total of €18.0 million.

FFO per share: €18.23

FFO Group share amounted to €18.23 per share, a strong increase year on year (+7.0% compared with 31 December 2018 on an adjusted basis and +5.5% compared with 2018 as published).

This change includes the dilutive effect linked to payment of the 2018 dividend in shares (in May 2019) which lead to the creation of 599,267 new shares.

Overall, the diluted average number of shares at 31 December 2019 was 16,393,265, compared with 15,992,352 at 31 December 2018. The differential of + 400,913 shares takes into account the impact of the dividend in shares, and the 40,166 shares created within the framework of the FCPE, pro rata temporis.

79 Funds From Operations (FFO): net profit excluding changes in value, calculated expenses, transaction fees and changes in differed tax. Group share.

1.3.3 Net asset value (NAV)

1.3.3.1 GROWTH IN NET ASSET VALUE: EPRA NAV[80] OF €178.7 PER SHARE (+4.8%)

EPRA NAV - GROUP	31/12/2019				31/12/2018 published	
	In €m	Change	€/share	change	In €m	€/share
Consolidated equity, Group share	**2,144.4**		**128.4**		**2,007.9**	**125,0**
Other unrealised capital gains	701.5				641.1	
Restatement of financial instruments	97.5				64.4	
Deferred tax on the balance sheet for non-SIIC assets (a)	40.3				25.2	
EPRA NAV	**2,983.7**	**+9.0%**	**178.7**	**+4.8%**	**2,738.6**	**170.5**
Market value of financial instruments	(97.5)				(64.4)	
Fixed-rate market value of debt	(63.4)				(7.8)	
Effective tax for unrealised capital gains on non-SIIC assets (b)	(21.9)				(24.5)	
Optimisation of transfer duties (b)	92.0				87.7	
Partners' share (c)	(20.6)				(20.2)	
EPRA NNNAV (NAV liquidation)	**2,872.4**	**+6.0%**	**172.0**	**+2.0%**	**2,709.4**	**168.7**
Estimated transfer duties and selling fees	80.8				91.5	
Partners' share (c)	(0.6)				(0.7)	
Going concern Nav (fully diluted)	**2,952.5**	**+5.4%**	**176.8**	**+1.4%**	**2,800.2**	**174.3**
Number of diluted shares:	*16,700,762*				*16,061,329*	

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

1.3.3.2 CHANGE IN NAV

	Going concern Nav (fully diluted)		EPRA NAV	
	in €m	€/share	in €m	€/share
Published NAV 31/12/2018	**2,800.2**	**174.3**	**2,738.6**	**170.5**
Standards (a)	(35.4)	(2.1)	(35.4)	(2.1)
Dividend (b)	(106.1)	(13.5)	(106.1)	(13.5)
Financial instruments and fixed-rate debt (c)	(121.5)	(7.3)	(32.8)	(2.0)
Proforma 2018 NAV standards, div. and fin. instr.	**2,537.2**	**151.5**	**2,564.3**	**153.0**
2019 FFO	298.8	18.2	298.8	18.2
Value creation - Property development	33.9	2.0	33.9	2.0
Value creation in Retail - Development	87.9	5.3	87.9	5.3
Value creation - Retail - Portfolio	32.8	2.0	32.8	2.0
Other (d)	(38.0)	(2.2)	(33.9)	(1.8)
NAV 31/12/2019	**2,952.6**	**176.8**	**2,983.7**	**178.7**
Change	*+5.4%*	*+1.4%*	*+9.0%*	*+4.8%*

(a) o/w IAS 23 and IFRS 16
(b) o/w option of dividend payment in securities and dilutive effect.
(c) Of which market value of fixed rate debt.
(d) Of which D&A, deferred taxation liabilities, contribution to free share grants, transaction fees, debt issuance expenses and partners' share.

Property

2019 value creation is almost exclusively comprised of the capital gains anticipated on Business Property projects.

80 Fair value of all Group assets (net assets), including unrealized capital gains on assets and excluding the fair value of debt and financial instruments. Per share: taking into account the potential dilution related to the status of a limited partnership by shares.

The unrealised capital gains in the Property Development division have moreover remained unchanged despite the growth in appraisal value, notably for residential.

Retail

The Group recorded strong value creation linked to deliveries over the course of the year (Phase 2 of the Paris-Montparnasse retail spaces and south extension of Cap3000), for a total of +€87.9 million.

On a like-for-like basis, value creation on assets (+€32.8 million) came essential from travel retail and major retail parks, whose attractiveness to major investors is confirmed year after year (see the project involving the 14ème Avenue retail park in Herblay, sold during the year on the basis of a 4.50% capitalisation rate).

Financial instruments & Fixed-rate debt

The total Group debt is covered by long-term hedging (variable rate debt by swaps or fixed-rate debt).

The significant fall in rates recorded throughout 2019 has led to a significant correction in the mark-to-market for fixed-rate debt and financial instruments, for a total of €121.5 million.

1.3.3.3 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 Residential and Business Property Development division (Cogedim, Pitch Promotion, Histoire & Patrimoine and Severini);

• the Business Property investment division (AltaFund, Bridge, PRD Montparnasse);

• and the Rental Management and Retail Property Development division (Altarea France).

These assets are appraised once per year by external appraisers on annual closing.

Altarea France is valued by Accuracy.

The Property Development division (Residential and Business Property) and the Business Property Investment division are valued by appraisers Accuracy and 8Advisory.

The 50% stake in Woodeum acquired in July 2019 is recorded at its acquisition price.

Retail assets and goodwill for the going concern hotel are valued by 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 2017. 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 & International	43%
Cushman & Wakefield	France & International	56%
CBRE	France	1%

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. 8Advisory 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 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'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).

1.4 Financial resources

1.4.1 Highlights

Confirmation of the BBB credit rating

On 25 September 2019, S&P Global confirmed the "BBB, Investment Grade, stable outlook" financial rating for both Altarea and Altareit, the listed subsidiary operating the Group's development activities.

Successful €500 million rated bond issue maturing in 2028

Following this confirmation, Altarea successfully placed, in October 2019, a €500 million rated bond with maturity of 8 years and 3 months, offering a coupon of 1.875%. The proceeds from this issue were used in the amount of €416 million to refinance mortgage loans.

Further to this transaction, the percentage of debt secured via assets fell from 33% to 15%, thereby reinforcing the Group's corporate signature.

Strengthening of equity by €93.8 million

With a subscription rate of 92.6%, the success of the option for the partial payment of the dividend in shares has enabled the Group to strengthen its equity by €93.8 million.

1.4.2 Financial position

Group net debt: €2,475 million

As at 31 December 2019, the Group's net financial debt stood at €2,475 million, almost stable compared to 31 December 2018 (+€26 million).

The average duration was 4 years and 9 months[81] (almost stable).

In €m	31/12/2019	31/12/2018
Corporate and bank debt	226	186
Credit markets (a)	2,370	1,663
Mortgage debt	505	1,020
Debt on property development	205	258
Total gross debt	3 306	**3,128**
Cash and cash equivalents	(830)	(679)
Total net debt	**2,475**	**2,449**

(a) This amount includes bond debt and €709.5 million of NEU CP and NEU MTN.

In €m	REIT division	Property Developm	Total
Corporate and bank debt	78	148	226
Credit markets (a)	1,704	666	2,370
Mortgage debt	505	–	505
Debt on property development	–	205	205
Total gross debt	**2,287**	**1,019**	**3,306**
Cash and cash equivalents	(145)	(685)	**(830)**
Total net debt	**2,142**	**334**	**2,475**

(a) This amount includes bond debt and €709.5 million of NEU CP and NEU MTN.

Taking into account the impacts of the creation of the "Alta Commerces Europe" fund in early 2020 (the execution of this transaction is pending, all the conditions are fulfilled), the Group has financial liabilities of €2,275 million, down by €200 million.

€395 million in new long-term financing

Since the start of the year, the Group has put in place bank financing for a total of €395 million including €315 million in the form of revolving loans with an average term of 5 years.

At the same time, the Group repaid €229 million of revolving loans with shorter maturities and at a higher cost, as well as the repayment of a €150 million bond at year end.

Short and medium-term negotiable securities

The Group has two NEU CP programmes (maturity under or equal to 1 year, formerly called commercial paper and two NEU MTN programmes (maturity above 1 year, formerly called medium term negotiable notes) for the Altarea and Altareit companies. As of 31 December 2019, the amounts outstanding broke down as follows:

- €424.5 million of NEU CP for Altarea;
- €285.0 million of NEU CP and €30.0 million of NEU MTN for Altareit.

In early 2020, Altareit completed several NEU MTN transactions with terms of between 18 and 24 months, with the aim of taking more frequent action in this market which is particularly well suited to promotion cycles.

Available liquidity

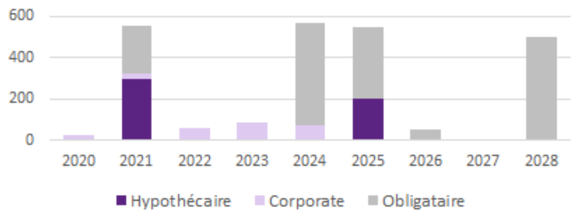
As at 31 December 2019, available cash and cash equivalents, to be drawn at any time and immediately, was composed of:

- €318.7 million in cash;
- €962.7 million of unused revolving credit lines.

This available cash and cash equivalents includes €709.5 million in treasury notes with an average duration of about 5 months.

Maturity schedule for Group debt by maturity[82]

The chart below (in € millions) presents the Group's debt by maturity at 31 December 2019.



81 Excluding NEU CP (Negotiable EUropean Commercial Paper), NEU MTN (Negotiable EUropean Medium Term Note) and development borrowing.

82 Debt drawn at 31 December 2019, excluding property development debt, NEU CP and NEU MTM.

The Group has no material debt due to mature before 2024 other than:

• a mortgage repayment of €295 million due in 2021 (borrowing for Cap3000, the refinancing of which was simple);

• and a maturing bond (Euro PP) of €230 million.

Debt due in 2024 corresponds to the term of the bond issued in 2017 by Altarea.

The 2025 maturity date corresponds mainly to the 350 million bond issuance completed by Altareit.

1.4.3 Financing strategy

Historically, the Group has been financed either via the mortgage markets or the bank lending markets (revolving loans or term loans). Financing was put in place at variable rates and then hedged using long-term swaps or caps (micro-hedging and macro-hedging).

For a few years now, the Group has completely modified this financing structure, with recourse now being mainly to the lending markets. This trend was accelerated in 2018 with the Group's S&P Global rating. Today, the Group is using a wide range of instruments on offer in the lending markets (Euro PP, NEU CP, NEU MTN, public bond issuances).

This structural modification to the financial methods used and the increasing recourse to fixed-rate bonds have rendered the previous hedging strategy obsolete. This is why, in early January 2020, the Group completed a major restructuring of its swaps portfolio (cancellations), enabling it to avoid excessive hedging in the short term.

Hedging: nominal amount and average rate

The following table sets out the hedging profile after restructuring:

Maturity	Swap (m€) (a)	Fixed-rate debt (€m) (a)	Total (m€) (a)	Average swap rate (b)
2020	833	1,248	2,082	0.67%
2021	583	1,068	1,650	0.60%
2022	582	1,067	1,649	0.60%
2023	581	1,066	1,647	0.60%
2024	580	966	1,545	0.56%
2025	–	550	550	(0.09)%
2026	–	550	550	(0.09)%

(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.

Average cost of debt: 2.21%[83]

The increase in the average cost of debt (2.21% at 31 December 2019 compared with 1.94% at 31 December 2018) reflects the transition period regarding the Group's financing structure, with increased recourse to long-term fixed-rate bonds, which is progressively being used to replace mortgage financing.

1.4.4 Financial ratios and ratings

Net Debt to EBITDA ratio

At 31 December 2019, the Net Debt to EBITDA ratio[84] was 5.9x compared with 6.5x in 2018 and 7.10x in 2017 compared with 8.83x in 2016.

This improvement is linked to the high profitability of capital employed by the Group.

Loan *to Value* (LTV)

The LTV ratio compares consolidated net bond and bank debt to the consolidated market value of Group assets. At 31 December 2019, its was 33.2% (compared to 34.9% at 31 December 2018) in line with the overall long-term objective of the Group, which is about 40%.

The above debt ratios do not take into account the creation of the "Alta Commerces Europe" fund which was agreed in 2019 and pending execution (all the conditions are fulfilled). The expected impact of this operation on the Group's consolidated net debt will amount to -€200 million[85].

At 31/12/2019	In €m
Gross debt	3,306
Cash and cash equivalents	(830)
Consolidated net debt	**2,475**
Shopping centres at value (FC) (a)	4,103
Shopping centres at value (FC) intended for sale	342
Shopping centres at value (EM affiliates' securities) (b)	182
Investment properties valued at cost (c)	510
Business Property investments (d)	352
Enterprise value of Property Development	1,969
Market value of assets	**7,457**
LTV Ratio	**33.2%**

(a) Market value (including transfer taxes) of shopping centres in operation recognised 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 shares in companies consolidated using the equity method holding investments in Office Property and other Office Property assets.

Covenants

	Covenant	31/12/2019	31/12/2018 restated	Delta
LTV (a)	≤ 60%	33.2%	34.9%	(1.7) pt
ICR (b)	≥ 2.0 x	7.3 x	8.0 x	(0.7x)

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

At 31 December 2019, the financial position of the Group fully satisfied all of the covenants of its various credit contracts.

83 *Including related fees (commitment fees, non-use fees, etc.).*
84 *FFO Operating income over net bond and bank debt.*

85 *Proforma of this transaction, the Group's net financial debt (bank debt and bonds) came to €2,275 m, LTV was 31.4% and the net debt/EBITDA ratio was 5.4x.*

Consolidated income statement by segment

	31/12/2019			31/12/2018 restated		
In € 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	208.4	–	208.4	188.9	–	188.9
Other expenses	(17.6)	–	(17.6)	(21.8)	–	(21.8)
Net rental income	**190.8**	**–**	**190.8**	**167.1**	**–**	**167.1**
External services	19.0	–	19.0	19.9	–	19.9
Own work capitalised and production held in inventory	6.5	–	6.5	5.3	–	5.3
Operating expenses	(42.6)	(3.2)	(45.8)	(48.5)	(3.7)	(52.2)
Net overhead expenses	**(17.1)**	**(3.2)**	**(20.3)**	**(23.4)**	**(3.7)**	**(27.1)**
Share of equity-method affiliates	**6.0**	**(6.4)**	**(0.3)**	**11.7**	**(8.6)**	**3.1**
Net allowances for depreciation and impairment	**–**	**(7.7)**	**(7.7)**	**–**	**(2.5)**	**(2.5)**
Income/loss on sale of assets	**–**	**0.7**	**0.7**	**0.8**	**180.3**	**181.1**
Income/loss in the value of investment property	**–**	**71.1**	**71.1**	**–**	**(99.4)**	**(99.4)**
Transaction costs	**–**	**(1.2)**	**(1.2)**	**–**	**(5.1)**	**(5.1)**
OPERATING INCOME - RETAIL	**179.8**	**53.4**	**233.2**	**156.3**	**61.1**	**217.4**
Revenue	2,283.1	–	2,283.1	1,844.1	–	1,844.1
Cost of sales and other expenses	(2,075.0)	(0.6)	(2,075.6)	(1,662.3)	–	(1,662.3)
Net property income	**208.1**	**(0.6)**	**207.5**	**181.8**	**–**	**181.8**
External services	11.2	–	11.2	4.1	–	4.1
Production held in inventory	157.8	–	157.8	135.3	–	135.3
Operating expenses	(220.0)	(16.3)	(236.4)	(200.6)	(11.8)	(212.4)
Net overhead expenses	**(51.0)**	**(16.3)**	**(67.4)**	**(61.1)**	**(11.8)**	**(72.9)**
Share of equity-method affiliates	**18.2**	**(5.5)**	**12.7**	**12.6**	**19.1**	**31.7**
Net allowances for depreciation and impairment	**–**	**(15.1)**	**(15.1)**	**–**	**(4.1)**	**(4.1)**
Transaction costs	**–**	**(1.5)**	**(1.5)**	**–**	**(1.7)**	**(1.7)**
OPERATING INCOME - RESIDENTIAL	**175.3**	**(39.0)**	**136.3**	**133.2**	**1.5**	**134.8**
Revenue	577.0	–	577.0	317.7	–	317.7
Cost of sales and other expenses	(565.1)	–	(565.1)	(298.7)	–	(298.7)
Net property income	**11.9**	**–**	**11.9**	**19.0**	**–**	**19.0**
External services	10.9	–	10.9	27.5	–	27.5
Production held in inventory	24.7	–	24.7	20.0	–	20.0
Operating expenses	(35.1)	(3.7)	(38.8)	(47.1)	(2.4)	(49.6)
Net overhead expenses	**0.6**	**(3.7)**	**(3.1)**	**0.4**	**(2.4)**	**(2.0)**
Share of equity-method affiliates	**60.2**	**(10.6)**	**49.6**	**74.6**	**(12.8)**	**61.8**
Net allowances for depreciation and impairment	**–**	**(3.0)**	**(3.0)**	**–**	**(1.4)**	**(1.4)**
Income/loss in the value of investment property	**–**	**1.3**	**1.3**	**–**	**–**	**–**
OPERATING INCOME - BUSINESS PROPERTY	**72.6**	**(15.9)**	**56.7**	**94.0**	**(16.6)**	**77.4**
Others (Corporate)	**(9.4)**	**(1.3)**	**(10.7)**	**(3.0)**	**(10.0)**	**(13.0)**
OPERATING INCOME	**418.4**	**(2.9)**	**415.5**	**380.4**	**36.1**	**416.6**
Net borrowing costs	**(57.2)**	**(21.3)**	**(78.5)**	**(47.5)**	**(9.6)**	**(57.1)**
Other financial results	**–**	**–**	**–**	**–**	**2.1**	**2.1**
Discounting of debt and receivables	**–**	**2.1**	**2.1**	**–**	**(0.2)**	**(0.2)**
Change in value and income from disposal of financial instruments	**–**	**(65.2)**	**(65.2)**	**–**	**(38.2)**	**(38.2)**
Net gain/(loss) on disposal of investments	**–**	**(1.9)**	**(1.9)**	**–**	**(2.2)**	**(2.2)**
Dividends	**0.6**	**–**	**0.6**	**0.0**	**–**	**0.0**
PROFIT BEFORE TAX	**361.8**	**(89.3)**	**272.4**	**333.0**	**(11.9)**	**321.0**
Corporate income tax	**(7.1)**	**(29.8)**	**(36.9)**	**(8.4)**	**(28.0)**	**(36.4)**
NET INCOME	**354.7**	**(119.2)**	**235.5**	**324.6**	**(40.0)**	**284.6**
Non-controlling interests	**(55.9)**	**54.1**	**(1.8)**	**(52.2)**	**19.8**	**(32.4)**
NET INCOME, GROUP SHARE	**298.8**	**(65.1)**	**233.7**	**272.4**	**(20.2)**	**252.3**
Diluted average number of shares	*16,393,265*	*16,393,265*	*16,393,265*	*15,992,352*	*15,992,352*	*15,992,352*
NET INCOME, GROUP SHARE PER SHARE	**18.23**	**(3.97)**	**14.26**	**17.03**	**(1.26)**	**15.77**

(1) Restated to take into account the clarification made to IAS 23 - Borrowing costs on the non-compounding of interest expenses relating to property development programmes

Consolidated balance sheet

In € millions	31/12/2019	31/12/2018 restated
Non-current assets	**5,455.4**	**5,289.0**
Intangible assets	331.4	313.7
o/w Goodwill	*209.4*	*194.3*
o/w Brands	*105.4*	*100.7*
o/w Client relations	*0.6*	–
o/w Other intangible assets	*16.1*	*18.8*
Property plant and equipment	20.9	20.6
Right-of-use on tangible and intangible fixed assets	23.4	–
Investment properties	4,472.1	4,526.2
o/w Investment properties in operation at fair value	*3,826.2*	*3,931.3*
o/w Investment properties under development and under construction at cost	*509.3*	*594.9*
o/w Right-of-use on Investment properties	*136.7*	–
Securities and investments in equity affiliates and unconsolidated interests	565.7	387.4
Loans and receivables (non-current)	10.6	10.6
Deferred tax assets	31.2	30.5
Current assets	**3,632.4**	**2,730.3**
Net inventories and work in progress	1,064.5	986.6
Contract assets	564.9	444.4
Trade and other receivables	799.9	566.7
Income tax credit	9.4	14.6
Loans and receivables (current)	27.3	37.4
Derivative financial instruments	1.2	2.2
Cash and cash equivalents	830.2	678.5
Assets held for sale	335.0	–
TOTAL ASSETS	**9,087.9**	**8,019.3**
Equity	**3,335.5**	**3,229.4**
Equity attributable to Altarea SCA shareholders	**2,144.4**	**2,000.1**
Capital	255.2	245.4
Other paid-in capital	311.8	407.9
Reserves	1,343.8	1,094.6
Income associated with Altarea SCA shareholders	233.7	252.3
Equity attributable to minority shareholders of subsidiaries	**1,191.1**	**1,229.3**
Reserves associated with minority shareholders of subsidiaries	994.2	1,001.8
Other equity components, Subordinated Perpetual Notes	195.1	195.1
Income associated with minority shareholders of subsidiaries	1.8	32.4
Non-current liabilities	**2,823.7**	**2,629.3**
Non-current borrowings and financial liabilities	2,708.5	2,560.6
o/w Participating loans and advances from associates	*77.9*	*76.3*
o/w Bond issues	*1,613.5*	*1,117.4*
o/w Borrowings from lending establishments	*837.5*	*1,367.0*
o/w Treasury notes	*30.0*	–
o/w Medium-term marketable securities	*11.1*	–
o/w Contractual fees on investment properties	*138.5*	–
Long-term provisions	25.1	21.6
Deposits and security interests received	36.7	32.6
Deferred tax liability	53.4	14.5
Current liabilities	**2,928.6**	**2,160.6**
Current borrowings and financial liabilities	1,016.0	741.9
o/w Bond issues	*16.9*	*164.9*
o/w Borrowings from lending establishments	*95.4*	*94.1*
o/w Negotiable European Commercial Paper	*709.5*	*381.0*
o/w Bank overdrafts	*2.7*	*3.5*
o/w Advances from Group shareholders and partners	*174.4*	*98.4*
o/w Lease liabilities	*12.1*	–
o/w Contractual fees on investment properties	*4.9*	–
Derivative financial instruments	98.2	67.2
Contract liabilities	168.8	105.7
Trade and other payables	1,639.6	1,239.8
Tax due	6.1	6.0
TOTAL LIABILITIES	**9,087.9**	**8,019.3**

Restated as at 31 December 2018 to take into account the clarification made to IAS 23 - Borrowing costs on the non-compounding of interest expenses relating to property development programmes