ALTAREA

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

SOMMAIRE

1.1. Financial statements

Consolidated balance sheet

In € millions	Note	31/12/2019	31/12/2018 restated
Non-current assets		**5,455.4**	**5,289.0**
Intangible assets	7.2	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	7.3	23.4	–
Investment properties	7.1	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	4.5	565.7	387.4
Loans and receivables (non-current)		10.6	10.6
Deferred tax assets	5.3	31.2	30.5
Current assets		**3,632.4**	**2,730.3**
Net inventories and work in progress	7.4	1,064.5	986.6
Contract assets	7.4	564.9	444.4
Trade and other receivables	7.4	799.9	566.7
Income tax credit		9.4	14.6
Loans and receivables (current)		27.3	37.4
Derivative financial instruments	8	1.2	2.2
Cash and cash equivalents	6.2	830.2	678.5
Assets held for sale	7.1	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	6.1	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	6.2	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 Negociable European Medium Term Note		*30.0*	*–*
o/w Lease liabilities		*11.1*	*–*
o/w Contractual fees on investment properties		*138.5*	*–*
Long-term provisions	6.3	25.1	21.6
Deposits and security interests received		36.7	32.6
Deferred tax liability	5.3	53.4	14.5
Current liabilities		**2,928.6**	**2,160.6**
Current borrowings and financial liabilities	6.2	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 Negociable 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	8	98.2	67.2
Contract liabilities	7.4	168.8	105.7
Trade and other payables	7.4	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-capitalisation of interest expenses relating to property development programmes

Statement of consolidated comprehensive income

In € millions	Note	31/12/2019	31/12/2018 restated
Rental income		208.4	188.9
Property expenses		(2.5)	(5.4)
Unrecoverable rental expenses		(10.1)	(11.1)
Expenses re-invoiced to tenants		*60.3*	–
Rental expenses		*(70.4)*	–
Other expenses		(0.1)	(2.5)
Net charge to provisions for current assets		(5.0)	(2.8)
Net rental income	5.1	**190.8**	**167.1**
Revenue		2,860.2	2,164.9
Cost of sales		(2,479.0)	(1,842.3)
Other income		(132.1)	(111.7)
Net charge to provisions for current assets		(29.7)	(9.4)
Amortisation of customer relationships		(0.6)	–
Net property income	5.1	**218.8**	**201.5**
External services		41.2	51.8
Own work capitalised and production held in inventory		189.0	160.6
Personnel costs		(237.4)	(213.8)
Other overhead expenses		(87.2)	(96.7)
Depreciation expenses on operating assets		(23.9)	(9.6)
Net overhead expenses		**(118.2)**	**(107.6)**
Other income and expenses		(0.4)	(10.6)
Depreciation expenses		(5.4)	(1.7)
Transaction costs		(2.9)	(8.9)
Other		**(8.6)**	**(21.2)**
Proceeds from disposal of investment assets		172.7	46.5
Carrying amount of assets sold		(173.1)	(42.1)
Net charge to provisions for risks and contingencies		0.8	–
Net gain/(loss) on disposal of investment assets		**0.3**	**4.4**
Change in value of investment properties	7.1	86.1	(89.7)
Net impairment losses on investment properties measured at cost		(13.6)	(9.7)
Net impairment losses on other non-current assets		(0.5)	(0.6)
Net charge to provisions for risks and contingencies		(1.9)	(0.2)
OPERATING INCOME BEFORE THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES		**353.2**	**144.0**
Share in earnings of equity-method affiliates	4.5	59.2	55.9
OPERATING INCOME AFTER THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES		**412.4**	**199.9**
Net borrowing costs	5.2	(78.5)	(57.1)
Financial expenses		*(89.5)*	*(73.3)*
Financial income		*11.0*	*16.2*
Other financial results		–	2.1
Change in value and income from disposal of financial instruments	5.2	(65.2)	(38.2)
Discounting of debt and receivables		2.1	(0.2)
Net gain/(loss) on disposal of investments		1.1	214.5
Dividends		0.6	0.0
Profit before tax		**272.4**	**321.0**
Income tax	5.3	(36.9)	(36.4)
NET INCOME		**235.5**	**284.6**
of which Attributable to shareholders of Altarea SCA		**233.7**	**252.3**
of which Attributable to minority interests in subsidiaries		1.8	32.4
Average number of non-diluted shares		16,203,050	15,791,325
Net income per share attributable to shareholders of Altarea SCA (€)	5.4	**14.42**	**15.97**
Diluted average number of shares		16,393,265	15,992,352
Diluted net income per share attributable to shareholders of Altarea SCA (€)	5.4	**14.26**	**15.77**

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

Other comprehensive income

In € millions	31/12/2019	31/12/2018 restated
NET INCOME	**235.5**	**284.6**
Actuarial differences on defined-benefit pension plans	(0.7)	0.5
o/w Taxes	*0.2*	*(0.1)*
Subtotal of comprehensive income items that may not be reclassified to profit or loss	**(0.7)**	**0.5**
OTHER COMPREHENIVE INCOME	**(0.7)**	**0.5**
CONSOLIDATED COMPREHENSIVE INCOME	**234.8**	**285.2**
o/w Net comprehensive income attributable to Altarea SCA shareholders	233.0	252.8
o/w Net comprehensive income attributable to minority interests in subsidiaries	1.8	32.4

Consolidated cash flows statement

In € millions	Note	31/12/2019	31/12/2018 restated
Cash flow from operating activities			
Net income		**235.5**	**284.6**
Elimination of income tax expense (income)	5.3	36.9	36.4
Elimination of net interest expense (income)		78.1	54.7
Net income before tax and before net interest expense (income)		**350.5**	**375.7**
Elimination of share in earnings of equity-method subsidiaries	4.5	(59.2)	(55.9)
Elimination of depreciation and impairment		32.6	12.5
Elimination of value adjustments	7.1/5.2	(7.9)	138.5
Elimination of net gains/(losses) on disposals [(a)]		(0.9)	(221.1)
Elimination of dividend income		(0.6)	(0.0)
Estimated income and expenses associated with share-based payments	6.1	14.7	19.6
Net cash flow		**329.3**	**269.4**
Tax paid		(1.3)	(19.4)
Impact of change in operational working capital requirement (WCR)	7.4	10.3	(38.5)
CASH FLOW FROM OPERATIONS		**338.3**	**211.4**
Cash flow from investment activities			
Net acquisitions of assets and capitalised expenditures	7.1	(192.0)	(214.3)
Gross investments in equity-method subsidiaries and non-consolidated investments	4.5	(212.1)	(47.2)
Acquisitions of consolidated companies, net of cash acquired	4.3	(62.9)	(45.6)
Other changes in Group structure		7.1	2.4
Increase in loans and advances		(12.2)	(11.8)
Sale of non-current assets and reimbursement of advances and down payments [(a)]		217.3	45.8
Disposals of holdings in equity-method subsidiaries and non-consolidated investments	4.5	26.5	170.8
Disposals of consolidated companies, net of cash transferred		8.3	202.3
Reduction in loans and other financial investments		34.4	13.9
Net change in investments and derivative financial instruments		(35.8)	(0.0)
Dividends received		44.5	29.1
Interest income		22.0	17.4
CASH FLOW FROM INVESTMENT ACTIVITIES		**(154.8)**	**162.8**
Cash flow from financing activities			
Capital increase		5.7	1.8
Minority interests share in capital increases in subsidiaries		–	1.2
Dividends paid to Altarea SCA shareholders	6.1	(111.8)	(200.8)
Dividends paid to minority shareholders of subsidiaries		(48.0)	(35.7)
Issuance of debt and other financial liabilities	6.2	1,891.3	1,190.4
Repayment of borrowings and other financial liabilities	6.2	(1,662.0)	(1,747.8)
Repayment of lease liabilities	6.2	(22.7)	–
Net sales (purchases) of treasury shares	6.1	0.4	(18.6)
Net change in security deposits and guarantees received		3.8	0.4
Interest paid		(87.8)	(58.5)
CASH FLOW FROM FINANCING ACTIVITIES		**(31.0)**	**(867.5)**
CHANGE IN CASH BALANCE		**152.4**	**(493.3)**
Cash balance at the beginning of the year	**6.2**	**675.0**	**1,168.3**
Cash and cash equivalents		678.5	1,169.1
Bank overdrafts		(3.5)	(0.8)
Cash balance at period-end	**6.2**	**827.5**	**675.0**
Cash and cash equivalents		830.2	678.5
Bank overdrafts		(2.7)	(3.5)

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

(a) Proceeds on disposals included in the calculation of net cash flow are presented net of transaction costs. Likewise, disposals of property assets are presented net of transaction costs in the cash flow from investment activities.

Changes in consolidated equity

In € millions	Capital	Other paid-in capital	Elimination of treasury shares	Reserves and retained earnings	Equity attributable to Altarea SCA shareholders		Equity attributable to minority shareholders of subsidiaries	Equity
At 1 January 2018	**245.3**	**563.2**	**(54.0)**	**1,150.2**	**1,904.8**		**1,259.9**	**3,164.7**
Impacts of first-time application of IFRS 15 and IAS 23 on the opening balances				41.0	**41.0**		5.3	**46.3**
Net Income	–	–	–	*252.3*	***252.3***		*32.4*	***284.6***
Actuarial difference relating to pension obligations	–	–	–	*0.5*	***0.5***		*0.0*	***0.5***
Comprehensive income	–	–	–	252.8	**252.8**		32.4	**285.2**
Dividend distribution	–	*(157.1)*	–	*(43.7)*	***(200.8)***		*(53.2)*	***(254.0)***
Capital increase	*0.1*	*1.7*	–	–	***1.8***	*(a)*	*1.2*	***3.1***
Measurement of share-based payments	–	–	–	*13.4*	***13.4***		*0.0*	***13.4***
Elimination of treasury shares	–	–	*(0.6)*	*(12.2)*	***(12.9)***		–	***(12.9)***
Transactions with shareholders	0.1	(155.4)	(0.6)	(42.5)	**(198.4)**		(52.0)	**(250.4)**
Changes in ownership interests without taking or losing control of subsidiaries	–	–	–	(0.0)	**(0.0)**		(16.3)	**(16.3)**
Changes in ownership interests associated with taking or losing control of subsidiaries	0.0	–	–	–	**0.0**		(0.0)	**(0.0)**
Others	–	–	–	0.0	**0.0**		(0.0)	**(0.0)**
As of 31 December 2018 - restated	**245.4**	**407.9**	**(54.6)**	**1,401.4**	**2,000.1**		**1,229.3**	**3,229.4**
Impact of first-time application of IFRS 16 on the opening balances				0.3	**0.3**		(0.0)	**0.3**
Net Income	–	–	–	*233.7*	***233.7***		*1.8*	***235.5***
Actuarial difference relating to pension obligations	–	–	–	*(0.7)*	***(0.7)***		*(0.0)*	***(0.7)***
Comprehensive income	–	–	–	233.0	**233.0**		1.8	**234.8**
Dividend distribution	–	*(185.8)*	–	*(19.8)*	***(205.6)***		*(40.0)*	***(245.7)***
Capital increase	*9.8*	*89.8*	–	*(0.0)*	***99.5***	*(b)*	*0.0*	***99.5***
Measurement of share-based payments	–	–	–	*10.5*	***10.5***		*0.0*	***10.5***
Elimination of treasury shares	–	–	*21.5*	*(14.9)*	***6.5***		–	***6.5***
Transactions with shareholders	9.8	(96.1)	21.5	(24.3)	**(89.1)**		(40.0)	**(129.1)**
Changes in ownership interests without taking or losing control of subsidiaries	–	–	–	(0.0)	**(0.0)**		0.1	**0.1**
Changes in ownership interests associated with taking or losing control of subsidiaries	–	–	–	–	**–**		–	**–**
Others	–	–	–	0.1	**0.1**		(0.1)	**(0.0)**
At 31 December 2019	**255.2**	**311.8**	**(33.1)**	**1,610.6**	**2,144.4**		**1,191.1**	**3,335.5**

(a): Capital increase at Altarea SCA reserved on acquisition of the company SND in October 2018

(b): Capital increase at Altarea SCA by partial conversion into shares of the dividend distributed in 2019 (option offered on 50% of the maximuim dividend)

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

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

1.2. Notes - Consolidated income statement by segment

In € millions	31/12/2019 Funds from operations (FFO)	31/12/2019 Changes in value, estimated expenses and transaction costs	31/12/2019 Total	31/12/2018 restated Funds from operations (FFO)	31/12/2018 restated Changes in value, estimated expenses and transaction costs	31/12/2018 restated 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**	**–**	**–**	**–**
Transaction costs	**–**	**–**	**–**	**–**	**–**	**–**
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 PER SHARE (€/SHARE) GROUP SHARE	**18.23**	**(3.97)**	**14.26**	**17.03**	**(1.26)**	**15.77**

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

1.3. Other information attached to the consolidated financial statements

Detailed summary of notes to consolidated financial statements

NOTE 1 INFORMATION CONCERNING THE COMPANY

Altarea is a *société en commandite par actions* (a French partnership limited by shares), the shares of which are traded on the Euronext Paris regulated market, (Compartment A). Its registered office is located at 8, avenue Delcassé in Paris.

Altarea chose the SIIC corporate form (*Société d'Investissement Immobilier Cotée*) as of 1 January 2005.

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, manage and exploit made-to-measure property products.

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

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

The consolidated financial statements for the year ended 31 December 2019 were approved by the Management on 2 March 2020 having been examined by the Audit Committee and the Supervisory Board.

NOTE 2 ACCOUNTING PRINCIPLES AND METHODS

2.1 Accounting standards applied by the Company

The accounting principles adopted for preparation of the annual consolidated financial statements are in line with IFRS standards and interpretations from the IASB, as adopted by the European Union at 31 December 2019 and available at:
http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

The accounting principles adopted on 31 December 2019 are the same as those used for the consolidated financial statements at 31 December 2018, with the exception of changes to the standards and interpretations adopted by the European Union applicable at 1 January 2019.

The information relating to the year ended 31 December 2018, presented in the reference document filed with the AMF (French Financial Markets Authority) on 2 April 2019 under number D19-0253 (and presented in the universal registration document filed with the AMF on 13 September 2019 under number D19-0813) are incorporated by reference.

Accounting standards, interpretations and amendments applicable as from the financial year beginning on 1 January 2019:

- IFRS 16 – Leases
- IFRIC 23 – Uncertainty relating to tax handling
- Annual improvements to IFRS (2015-2017 cycle);
- Amendments to IFRS 9 – Prepayment features with a penalty
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 19 – Plan reduction or liquidation amendment.

Standards and interpretations adopted as early as at 31 December 2019, whose application is mandatory for financial years starting on 1 January 2020 or later.

None.

Accounting standards and interpretations in effect at 1 January 2019 and mandatory after 31 December 2019:

None.

Other essential standards and interpretations released by the IASB approved in 2020 or not yet approved by the European Union:

- Amendments to IAS 1 and IAS 8 – Definition of materiality in financial statements
- Amendments to references within the standards' conceptual framework;
- IFRS 17 – Insurance Contracts;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Reform of references made to interest rates.

2.2 Main estimations and judgements

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

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

Measurement of intangible assets not subject to amortisation

- measurement of goodwill and brands (please see note 2.4.7 "Monitoring the value of non-current assets (excluding financial assets and investment property) and losses of value" and 7.2 "Intangible assets and goodwill"),

Measurements of other assets and liabilities

- measurement of investment properties (see Notes 2.4.5 “Investment properties” and 7.1 “Investment properties”),
- measurement of rights of use, lease liabilities and contractual fees on investment property (please see section 2.5 "Changes in methods in 2019"),
- measurement of inventories (see Note 2.4.8 “Inventories”),
- measurement of deferred tax assets (see Notes 2.4.16 “Taxes” and 5.3 “Income Tax”); note that the Group has applied the cut in tax rates programmed by the Finance Act currently in force since 31 December 2016,
- measurement of share-based payments (see Notes 2.4.12 “Share-based payments” and 6.1 “Equity”),
- measurement of financial instruments (see Note 8 “Financial risk management”).

Operating income estimates

- measurement of net property income and services using the percentage-of-completion method (see Note 2.4.17 “Revenue and revenue-related expenses”).

Non-current assets held for sale and discontinued operations

In accordance with the provisions of IFRS 5, the Group determines whether the criteria used to determine whether an asset or a group of assets should be classified as held for sale or if an operation is to be discontinued are met (see Note 2.4.6 “Non-current assets held for sale and discontinued operations” and 7.1 “Investment properties”).

2.3 Other principles for presenting the financial statements

Transactions eliminated in the consolidated financial statements

Balance sheet balances and income and expenses arising from intragroup transactions are eliminated when the consolidated financial statements are prepared.

Balance sheet classification

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

Assets which must be realised, consumed or disposed of within the scope of the normal operating cycle or within 12 months following closure, are classed as "current assets", as well as the assets held with a view to disposal and cash or cash equivalents. All other assets are classified as "non-current assets".

Liabilities which have to be paid within the scope of the normal operating cycle or within 12 months following closure are classified as "current liabilities", as well as the share of provisions arising from the normal operating cycle of the activity concerned due in less than one year.

Deferred taxes are always shown as non-current assets or liabilities.

2.4 Accounting principles and methods of the Company

2.4.1 Equity investments of the Company and consolidation methods

For consolidation, the following standards apply:

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

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

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

In this regard, within the limit of the protective rights granted to the JV partners,

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

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

Exclusively controlled entities

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

Any modification in the Company’s interest in a subsidiary not resulting in a loss of control is recognised in equity. If the Company loses the control over a subsidiary, the assets and liabilities and equity of this former subsidiary are derecognised. Any gain or loss resulting from this loss of control is recognised in profit or loss. Any interest retained in the former subsidiary is recognised at fair value on the date of loss of control according to the recognition method required under IFRS 11, IAS 28 or IFRS 9.

Entities subject to joint control

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

Joint control may be exercised through joint operation or a joint venture. According to IFRS 11, the joint operation is distinguished by the existence of directly held rights to certain assets and direct obligations for certain liabilities of the entity, whereas the joint venture confers a right to the entity's net assets. For joint operations, the Company records, in its accounts, the assets, liabilities, income and expenses relating to its interests in the joint operation. For joint ventures, the Company's interest in the entity's net assets is recognised according to the equity method described in IAS 28.

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

Entities subject to significant influence

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

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

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

Investments in associates are presented in accordance with IFRS 12.

2.4.2 Business combinations and goodwill

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

Business combinations are accounted for in accordance with the acquisition method of IFRS 3 as amended: upon initial consolidation of an entity of which the Group has acquired control, the assets and liabilities as well as identifiable contingent liabilities are recognised at their fair value at the acquisition date. Intangible assets are specifically identified whenever they are separable from the acquired entity or result from legal or contractual rights. Therefore, when control of an entity is acquired, the difference between the acquisition cost and the acquirer's proportionate interest in the fair value of the entity's identifiable assets, liabilities and contingent liabilities at the acquisition date is classified as goodwill representing future economic benefits resulting from assets that are not individually identified and separately recognised. The acquisition cost is the amount of the consideration transferred including, where applicable, any price supplements at their fair value. Moreover, the acquisition cost of the securities is recorded as an expense.

Goodwill:

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

In accordance with the standard, minority interests are measured either at fair value or at the proportionate share of the acquirer's assets; the choice is made on an acquisition-by-acquisition basis.

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

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

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

2.4.3 Intangible assets

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

In accordance with IAS 38:

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

Histoire & Patrimoine and Severini brands, which have an indefinite useful life, are thus not amortised.

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

2.4.4 Property, plant and equipment

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

2.4.5 Investment properties

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

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

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

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

The fair value of investment properties used by Management is based on the facts and circumstances taking into account their purpose. With this objective, Management uses external appraisals giving values inclusive of duties less the amount of duties corresponding to transfer taxes and expenses. These duties have been estimated at 6.9% in France (except in the Paris region (*Île-de- France*) where they are set at 7.5%), at 5.5% in Italy and 3.0% in Spain.

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

The appraisers use two methods:

- a method based on discounting projected cash flows over ten years, taking into account the resale value at the end of the period determined by capitalising net rental income. The appraisers have often preferred results obtained using this method,
- a method based on capitalising net rental income: the appraiser applies a yield rate reflecting the characteristics of the site (area, competition, rental potential, etc.) to the rental income (comprising the guaranteed minimum rental, the variable rental and the market rental of the vacant units) restated for all the charges borne by the owner. The second method is used to validate the results obtained from the first method.

Rental income takes into account:

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

Measurement of investment properties at fair value is in accordance with the recommendations of the "Barthès de Ruyter Work Group" and fully complies with the instructions of the "Appraisers' Code of Real Estate Valuation", as revised in 2017. In addition, experts refer to the RICS Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors Red Book.

Investment properties at fair value

Investment properties in operation are systematically measured at fair value.

At 31 December 2019, an external appraisal was performed on all assets in operation.

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

Investment Properties under Construction (IPUC) have been included within the scope of IAS 40. They are measured at fair value in accordance with the IFRS 13 guide when the criteria predefined by the Company are met.

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

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

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

Accordingly, investment properties under development and construction are measured either at cost or at fair value.

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

the property is measured at fair value, unless otherwise estimated.

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

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

Investment properties valued at cost

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

These investments primarily concern the following expenses:

- study and legal fees,
- land order fees or guarantees,
- demolition costs (if applicable),
- construction costs,
- pre-letting fees,
- external management fees,
- fees within the Group,
- early termination fees,
- financial vacancy rate,
- ancillary costs directly attributable to the project, and
- interest expenses in accordance with IAS 23.

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

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

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

For investment properties, which are recognised in the financial statements at cost, are tested for impairment at least once a year, or as soon as there is evidence of impairment.

The principal uncertainties surrounding the development and construction of these assets are linked to the award of administrative authorisations and to delays in the start-up or marketing of projects when economic conditions become less favourable.

Investment assets under development and construction are monitored by the Company depending on whether the project is at the study stage, "secured" (a project is completely secured when the property is under contract), has obtained administrative authorisation (mainly CDAC commercial authorisations, building permits) or, lastly, is being leased or under construction. The projected value is determined on the basis of internal five-year business plans that are reviewed by management at regular intervals. The methods used are rental income capitalisation or discounted cash flow.

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

2.4.6 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

Goodwill and other intangible assets with an indeterminate life (such as the brands) are tested once a year for impairment or more frequently if internal or external events or circumstances indicate that their value may have declined.

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

Goodwill and brands are allocated to a combinaition of CGUs - Residential operating sector and Business Property operating sector.

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

The basic principles of the DCF method are:

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

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

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

Sensitivity tables are created for all impairment tests carried out.

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

2.4.8 Inventories

Inventories relate to:

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

In accordance with the clarification of IAS 23 for the financial year, the interest expenses which can be allocated to programmes are no longer incorporated into inventories connected with off-plan sales transactions or with Property Development Contract transactions. Accordingly, these inventories can be sold off very rapidly.

Inventories are carried at cost price, less the portion of the cost price removed on a percentage-of-completion basis for off-plan sales or property development contract transactions. The cost price includes:

- the acquisition cost of land;
- construction costs (including roads and utilities works);
- all technical and programme management fees, whether internal or external to the Group, and
- related expenses associated directly with the construction programme.

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

2.4.9 Contractual Assets or Liabilities

Further to the application of IFRS 15, , the Group records a contract asset or liability in the statement of financial position in the context of the recording of contracts in the accounts on the percentage-of-completion method. The asset or liability corresponds to the amount generated by the ordinary activities based on off-plan sales or property development contracts, aggregated to date, for which the obligation to provide a service is fulfilled on a progressive basis, net of any client payments received to date. These are to a certain extent receivables not yet due, corresponding to any advances between collected calls for funds and the actual percentage of completion at the closing date. Within the statement of the financial position, the service is as follows:

- "Contract assets", if the receivables calculated on percentage of completion are greater than collected calls for funds,
- "Contract liabilities", if the receivables calculated on percentage of completion are less than collected calls for funds.

2.4.10 Financial assets and liabilities

The Group has elected not to apply the hedge accounting proposed in IFRS 9.

Application principles for IAS 32, IFRS 9 and IFRS 7 are as follows:

Measurement and recognition of financial assets and liabilities

- Trade and other receivables are measured at face value less any allowances for impairment. In accordance with IFRS 9, with regard to impairment, the Group applies a model based on expected losses, (expected credit losses based on the useful life of the receivables, itself based on the experience of the Group's historic credit losses) to its trade receivables (mainly Retail business).
- Receivables relating to participating interests in equity-method affiliates are classified in the balance sheet under "Securities and receivables on equity-method affiliates or non-consolidated interests". For the Property Development transactions, receivables from companies accounted for by the equity method have a short collection period (in relation to the operating cycle of the Development). For Retail transactions, these receivables have a longer maturity in relation to the holding period of the underlying asset. Other receivables from participating interests and shareholders' accounts classified in the balance sheet under "Financial receivables and loan" relate mainly to advances made to minority partners of consolidated or deconsolidated companies.
- Deposits and securities paid concern deposits paid on projects. They are the offsetting amount of security deposits paid into escrow accounts by shopping centre tenants (deposits and securities not discounted) and/or, guarantee deposits paid for buildings occupied by the Group.
- Equity instruments mainly comprise equity securities of non-consolidated companies. They are recognised as at fair value through profit or loss if they are held for trading; otherwise, they are recognised at fair value by non-recyclable OCI (changes in fair value are registered in a separate equity line item under "other comprehensive income").
  For unlisted securities, if the fair value cannot be reliably determined at each closing, they remain in the balance sheet at their initial fair value, i.e. at purchase price increased by transaction costs, adjusted by any gains or losses of value determined by an analysis of the proportionate share of the equity held.
- At each acquisition of equity securities, a similar analysis will be carried out to determine the Group's management intention. For the shares of listed companies, this fair value is determined on the basis of estimation including, where necessary, the market indicators on the closing date.
- Derivative financial instruments (assets and liabilities) are considered as being held for trading. They are measured at fair value. The change in fair value of derivatives is recognised in the income statement.
- Cash as defined in IAS 7 includes liquid assets in bank current accounts and holdings in deposit accounts that are redeemable or tradeable in the very short term (i.e. initial maturity of less than three months) and carry no significant risk of loss of value through fluctuations in interest rates. These assets are carried on the balance sheet at fair value. Changes in the fair value of these instruments are recognised in income, with a corresponding adjustment to cash. Cash must be available immediately for the needs of the Group or its subsidiaries.
- All borrowings and interest-bearing liabilities are initially recognised at fair value, less directly attributable transaction costs. Thereafter, they are carried at amortised cost using the effective interest rate method. Initial effective interest rates are determined by an actuary. In the event of renegotiation of financial liabilities contracts recognised at amortised cost, if quantitative and qualitative tests lead to the conclusion that there is no substantial change to the contractual cash flows, the Group will maintain the original initial effective interest rate and adjust the amortised cost of the liability in question, against the result.

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

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

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

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

2.4.11 Equity

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

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

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

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

2.4.12 Share-based payments

Share-based payments are transactions based on the value of shares of the issuing company: stock options, rights to free share grants and employee investment plans (PEEs).

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

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

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

2.4.13 Earnings per share

Net income per share (in €)

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

Diluted net income per share (in €)

Diluted earnings per share is calculated by dividing net income (Group share) by the weighted average number of ordinary shares in issue adjusted for the dilutive effects of the options during the period.

The dilutive effect is calculated according to the "share buyback" method. Under this method, the funds received from the exercise of options are assumed to be applied first to repurchasing own shares at the market price. The market price is taken to be the volume- weighted average of average monthly prices of Altarea shares. The theoretical number of shares that would be repurchased at this market price is subtracted from the total number of shares produced by the exercise of warrants and options. The number calculated using this method is then added to the average number of shares in issue to produce the denominator.

Potential ordinary shares shall be treated as dilutive if the conversion in ordinary share implies a reduction in the result per share.

2.4.14 Employee benefits

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

Post-employment benefits

Benefits payable at retirement are paid to employees at the time of retirement based on length of service and final salary. These benefits are part of the defined benefits plan, a plan to which the employer is formally or implicitly committed in an amount or a level of benefits and therefore bears the risk in the medium or long term.

A provision is recorded in the liabilities to cover all these pension commitments. It is regularly valued by independent actuaries according to the projected credit unit method and represents the probable present value of the vested rights taking into account salary increases until retirement, the probability of retirement and the probability of survival.

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

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

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

- Discount rate: Rate of return on AA-rated corporate bonds (euro zone) with maturities of more than 10 years. The Group uses the Iboxx rate which stands at 0.65%,
- Mortality table: Women’s Table (TF) and Men’s Table (TH) 2000-2002,
- Reason for departure: depending on local laws and for France, voluntary retirement on the date of eligibility for full pension benefits,
- Turnover: annual average turnover observed over the last 3 years, standing at between 6% and 10% depending on branch and age Group,
- long-term salary adjustment rate (including inflation): 2.2%.

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

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

Other post-employment benefits

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

Severance pay

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

Short-term benefits

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

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

2.4.15 Provisions and contingent liabilities

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

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

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

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

2.4.16 Corporate income tax

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

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

Income taxes are recognised in accordance with IAS 12.

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

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

Since 31 December 2016, the Group has applied the gradual and programmed reduction in the rate in its consolidated financial statements in accordance with the Finance Act in force,

Deferred tax assets are reassessed at each closing date and are recognised where it is likely that future taxable profits will allow their recovery based on a business plan for tax purposes prepared by management for a reasonable period.

Deferred taxes in the balance sheet are presented in a net position at the level of each tax consolidation group, as either an asset or a liability in the consolidated balance sheet.

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

2.4.17 Revenue and revenue-related expenses

Net rental income includes: rental income and other net rental income less land expenses, non-recovered service charges, other charges and net allowances for impairment for bad debts.

Rental income includes gross rental income, including the effects of spreading stepped rents over the non-cancellable lease term, rent holidays and other benefits granted by contract to the lessee by the lessor, and notably reductions granted during the lease term. Other net rental income includes revenues and expenses recognised on initial lease payments received, termination fees received and early termination fees paid to tenants (for which there is no proof that the building's improved rental profitability is due to them).

Land expenses correspond to the variable total fees charged fees for temporary occupation permits and construction leases, these not being within the scope of application of IFRS 16.

Non-recovered rental expenses are expenses normally passed on to tenants (rental expenses, local taxes, etc.), but for which the owner is still liable due to their ceiling or the vacancy of rental floor areas.

Other expenses include the lessor's contributions to the centres' marketing, non-capitalised construction work not passed on to the tenants, rental management fees on certain leases.

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

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

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

All property development/off-plan sales and Property Development Contract transactions are concerned by this method.

For these programmes, revenue from notarised sales is recognised, in accordance with IFRS 15 "Revenue from contracts with customers", in proportion to the percentage of completion of the programmes, measured by the total percentage of costs directly related to construction (including the cost of land) incurred in comparison to the total forecast budget (updated at each closing date) and to the percentage of sales realised determined relative to budget total sales. The event giving rise to recognition of percentage-of-completion revenue is thus the purchase of the land combined with the signature of deeds of sale (notarised sales).

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

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

Losses on “new projects” are included in net property income.

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

Net overhead expenses correspond to income and expense items inherent in the business of the Group's service companies.

For each operating segment, income includes payments for services provided to third parties, such as delegated project management fees related to Property Development activities, rental management fees (syndicate agent, co-ownership management), and fees for marketing and other services, internal management fees (after elimination of inter-company profit margins) – see note on Investment Properties or inventories.

Expenses includes personnel costs, overhead costs (miscellaneous fees, operating expenses, etc. excluding fixed rent paid which has now been re-stated in accordance with IFRS 16), as well as depreciation of operating assets. Capitalised production and production held in inventory is deducted from this amount.

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

2.4.18 Leases

On 31 October 2017, the European Union adopted IFRS 16 - Leases, whose application is mandatory for financial years starting on or after 1 January 2019. This standard, for the tenant, puts an end to the distinction between finance and operating leases, however this distinction is maintained for landlords.

Leases in the financial statements with the Company as lessor

The Group's rental income derives from simple operating leases and concerns rent paid for properties and centres being operated. This rental income recognised on a straight-line basis for the entire term of the lease. The Group therefore retains substantially all the risks and rewards incidental to ownership of its investment properties.

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

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

Termination fees are charged to tenants when they terminate the lease before the end of the contract term. These fees are accounted for as part of the lease agreement that was terminated and are taken to income in the year they are recognised.

When the lessor terminates a lease before its term, the lessor pays a termination fee to the tenant in place.
If payment of an early termination fee enables performance of the asset to be enhanced (as by replacing a tenant, increasing the rent and thereby the value of the asset), this expenditure may be capitalised. If not, this expenditure is expensed as incurred.
If an early termination fee is paid as part of major renovation or reconstruction work on a building that requires tenants to leave, this expenditure is capitalised and included in the cost price of the asset under development or redevelopment.

Leases in the financial statements with the Company as lessee

For all leases which can be defined as "lease agreements", IFRS 16 requires a right-of-use asset, the leased asset, to be recorded in the balance sheet statement of the tenants (as non-current assets) in exchange for a lease liability (as financial liabilities). Please see section 2.5 "Changes in method in 2019".

2.4.19 Gain (loss) on the disposal of investment assets

The gain or loss on disposal of investment properties is the difference between:

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

2.4.20 Adjustment to value of investment properties

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

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

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

2.4.21 Borrowing costs or costs of interest-bearing liabilities

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

Further to the clarification of the standard for the financial year, the interest expenses which can be allocated to off-plan sales or Property Development Contract transactions are no longer incorporated into inventories. However, these may still be allocated to property assets under development and construction, during the construction phase of the asset, if they can be defined as qualifying assets.

The cost of net financial debt includes interest incurred on borrowings including the amortisation of issuance expenses, and other financial liabilities, income from loans and advances to participating interests, lease liabilities (IFRS 16), gains on sale of marketable securities and the impact of interest-rate swaps used as interest-rate hedges.

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

2.4.22 Discounting of payables and receivables

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

2.4.23 Cash flow statement

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

2.4.24 Operating segments

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

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

- funds from operations (FFO);[1]
- changes in value (unrealised or realised), estimated expenses, and transaction costs.

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

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

The Company has the following operating segments:

- Retail: shopping centres completed or under development,
- Residential: residential property development,
- Business Property: the property development, services and investment business.

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

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

<u>As part of the Group's current operations:</u>

1. Funds from operations (FFO)

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

The main aggregates of the **funds from operations** monitored by the Group in internal reports are:

- net income of the segment, including impairment of current assets:
  - Retail: net rental income,

[1] *Fund From Operations*

- Residential and Business Property: net property income.

- net overhead expenses including the provision of services that offset a portion of overhead and operating expenses are defined as being personnel costs, other operating expenses, other income and other expenses for the sector and the expenses covered by reversals of provisions used.
- share of funds from joint ventures or associates' operations.

Net borrowing costs are the net borrowing costs excluding calculated expenses which correspond in particular to the spreading of bond issue costs and (shown in changes in value, estimated expenses and transaction fees).

Tax (FFO) is the tax due for the period excluding deferred tax and excluding tax due relating to changes in value (exit tax, etc.).

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

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

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

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

Prior year NAV

\+ Funds from operations (FFO)

\+ Changes in value, estimated expenses and transaction costs

\- Dividend distribution

\+ Capital increase

+/- Other reconciliation items

= Current-year NAV

The main aggregates of the funds from **operations** monitored by the Group in internal reports are:

- **Changes in value** which concern gains and losses from the Retail sector:
- from asset disposals, and where applicable, extraordinary payments received and equivalent in economic terms to the value of the asset sold,
- from the value of investment properties, including value adjustments for properties measured at fair value (including right-of-use assets) or held for sale as well as impairment losses of properties measured at cost.
- **Estimated expenses** include:
- expenses or net allowances for the period related to share-based payments or other benefits granted to employees,
- allowances for depreciation and amortisation net of reversals for non-current assets other than investment properties, including allowances relating to intangible assets or goodwill identified during business combinations, and right-of-use relating to tangible and intangible assets,
- allowances for non-current provisions net of used or unused reversals;
- **Transaction costs** include fees and other non-recurring expenses incurred from corporate development projects that are ineligible for capitalisation (e.g., expenses incurred from business combinations or equity investments, whether completed or not) or that are ineligible for inclusion under issuance costs (e.g. certain commissions incurred from capital management). Income and expenses outside the Company's going concerns are also included.

Also presented are **changes in value and income from disposal of financial instruments** representing adjustments in the value of financial instruments measured at fair value as well as the effect of discounting debt and receivables. Results from the disposal of financial instruments represent the balance for amounts incurred in the period from restructuring or cancelling financial instruments.

3. Minority interests line

The line relating to minority interests corresponds to the share of net income attributable to minority shareholders of subsidiaries divided between the share of the funds from operations (FFO) and the share attributable to minority shareholders of subsidiaries of changes in value, estimated expenses, transaction costs and deferred tax.

In exceptional transactions, leases are analysed in a highly specific way and the indicators presented above may have to be adjusted, i.e. reclassified to match the presentations in internal reports for greater clarity.

2.5 Changes in methods in 2019

2.5.1 IFRS 16 – Leases

On 31 October 2017, the European Union adopted IFRS 16 whose application is mandatory for financial years starting on or after 1 January 2019.

For landlords, IFRS 16 maintains the existing distinction between finance and operating leases. Its application therefore has no impact on the landlord position of the Group financial statements. Its application therefore has no impact on the landlord position of the Group financial statements:

- rental income generated by operating leases concerns rent paid on properties/centres in operation, and
- going forward, all expenses re-invoiced to tenants, excluded from the revenue, will be presented as a specific item in the income statement.

For tenants, this standard abandons the existing distinction between finance and operating leases.

For all leases which can be defined as "lease agreements", this standard requires a right-of-use asset, the leased asset, to be recorded in the balance sheet statement of the tenants (as non-current assets) in exchange for a lease liability (as financial liabilities).

The Group opted for the modified-retrospective transition approach. The effects of the transition are therefore included in equity at the opening of this financial year, i.e. on 1 January 2019. Therefore, the Group's financial statements presented in comparison with those of the period were not restated in accordance with the provisions of this standard. The impacts on the opening balance sheet are set out below.

A census of the leases was carried out. For the Group, leases lying within the field of application of the standard mainly concern two types of contracts whose economic features are fundamentally different:

- property leases (the Group leases its offices in the majority of cities where it operates) and vehicle leases,
- Temporary Occupation Authorisations for railway stations and Construction Leases for certain Retail assets.

Temporary Occupation Authorisations fall under the scope of IFRS 16. In this context, the Group is the occupying party and, therefore grants the Group certain rights regarding the work, constructions and real estate facilities. According to IFRS 16, fixed fees are re-stated over the term of the agreements. This constitutes the main impact on the Group's consolidated finanacial statements resulting from the application of IFRS 16.

They key assumptions used to calculate the debt and therefore the right of use are the term of the contracts and the rate:

- the terms adopted on the date of transition are the residual terms of all current contracts. These corresponding to the fixed period of the commitment, taking into account any optional periods for which their is a reasonable expectation of these being exercised,
- the discounting rates applied on the date of transition are based on the marginal rate of indebtedness for each company holding a contract. These rates are calculated with regard to the residual terms of the contracts as from the date of their initial application, i.e. 1 January 2019.

The Group has not applied any simplification measures as of the date of transition.

The implementation of the standard has had a significant impact on the recording of lease agreements in the accounts and on their presentation within the Group's financial statements.

- on the balance sheet, an asset is recorded in the form of a right-of-use asset in exchange for a liability corresponding to the rent. The Group therefore acknowledges a right-of-use on tangible and intangible fixed assets (connected to its property and vehicle lease agreements) as consideration for its lease liabilities; and a right-of-use on investment property (in relation in particular to Temporary Occupation Authorisations in particular) in exchange for the contractual fees on investment properties,
- on the income statement, rents from rental contracts (previously entered under property expenses) are replaced by allocations to amortisation of right-of-use asset and by interest fees; land charges (fees for Temporary Occupation Authorisations, Construction Leases) are replaced by change in the value of investment property, and interest fees. Leases and rental fees entered at 31 December correspond mainly to variable rent due under certain lease agreements and to rental expenses (which, in accordance with the application of IFRS 16, are not restated),
- with regard to the cash flow table, the cash flows linked to financing activities are impacted by repayments of lease liabilities and contractual fees on investment property (within one single item "Repayment of lease liabilities") and by interest expenses.

The change in the amounts is related to new agreements or agreements ended during the period. These changes are detailed in Notes 7.1 “Investment Properties” and 7.3 “Right-of-use on tangible and intangible fixed assets”. Moreover, during the lifetime of the agreement, lease liability and right-of-use asset may vary based on changes in the rent index defined in the leases. The main indexes are: the French national construction costs index, the French office rent index, the French commercial rent index and the French benchmark rent index.

2.5.2 IAS 23 – Borrowing Costs

IAS 23 requires the capitalisation of borrowing costs attributable directly to the acquisition, construction or production of a qualifying asset as the cost of such asset.

In the context of changes to IFRS, in this year, the IASB provided a clarification concerning the capitalisation of borrowing expenses for real estate operations completed in the form of off-plan sales or Property Development Contracts.

The asset connected with these development programmes (both for Residential and Business Property) no longer corresponds to the definition of a qualified asset to the extent that, as an off-plan sale, it is liable to be sold very quickly and therefore without any period of time being required for development; the asset stored is therefore ready to sell.

A clarification has been made to IAS 23 and is applicable retrospectively from 1 January 2018 for the Group which is presenting the impacts on its opening equity as of such date.

The financial statements presented in comparaison with those for the period have therefore been restated.

2.5.3 IFRIC 23 interpretation – Uncertainty relating to tax handling

The IFRIC 23 interpretation clarifies the application of the provisions of IAS 12 – Income taxes concerning the recording the accounts and assessment when uncertainties exist regarding the handling of corporate income tax. The adoption of this interpretation has had no impact on the assessment of the Group's current and deferred taxation, at the start of the period and as at 31 December 2019. Should uncertain tax liabilities or related to uncertain tax positions be recorded in the financial statements, these would be presented as a tax liability.

2.5.4 Change in presentation - Application of IFRS 15 to contract assets and liabilities

In accordance with IFRS 15, the Group sets out contract assets and liabilities under two separate headings in the assets and liabilities sections of its financial position. These assets and liabilities were included in the items "Customers and other receivables" and "Trade and other payables" and are now set out under separate headings. The financial position has been restated for the financial year ending 31 December 2018 (please see section 2.5.6).

2.5.5 Impact of the clarification made to IAS 23 – Borrowing costs in opening balance sheet at 1 January 2018

In € millions	31/12/2017 Published	Impacts IFRS 15	Impacts IAS 23	01/01/2018
Non-current assets	**5,437.9**	**(19.2)**	**(4.9)**	**5,413.9**
Intangible assets	258.5	–	–	258.5
Property, plant and equipment	18.5	–	–	18.5
Investment properties	4,508.7	–	–	4,508.7
Securities and investments in equity affiliates and unconsolidated interests	564.0	3.7	(4.8)	562.9
Loans and receivables (non-current)	9.3	–	–	9.3
Deferred tax assets	79.0	(22.9)	(0.1)	56.0
Current assets	**3,154.8**	**(238.6)**	**0.2**	**2,916.4**
Net inventories and work in progress	1,288.8	(503.2)	0.2	785.8
Trade and other receivables	630.8	264.6	–	895.4
Income tax credit	8.6	–	–	8.6
Loans and receivables (current)	49.3	0.0	–	49.3
Derivative financial instruments	8.2	–	–	8.2
Cash and cash equivalents	1,169.1	(0.0)	–	1,169.1
TOTAL ASSETS	**8,592.8**	**(257.8)**	**(4.7)**	**8,330.3**
Equity	**3,164.7**	**51.0**	**(4.7)**	**3,211.0**
Non-current liabilities	**2,886.9**	**(0.2)**	**0.0**	**2,886.7**
Non-current borrowings and financial liabilities	2,826.1	–	–	2,826.1
Long-term provisions	20.1	–	–	20.1
Deposits and security interests received	32.2	–	–	32.2
Deferred tax liability	8.6	(0.2)	0.0	8.3
Current liabilities	**2,541.1**	**(308.5)**	**–**	**2,232.6**
Current borrowings and financial liabilities	1,032.2	–	–	1,032.2
Derivative financial instruments	34.9	–	–	34.9
Trade and other payables	1,460.3	(308.5)	–	1,151.8
Tax due	13.8	–	–	13.8
TOTAL LIABILITIES	**8,592.8**	**(257.8)**	**(4.7)**	**8,330.3**

The IFRS 15 impact presented is the impact of the implementation of the standard at 1 January 2018, as detailed in the Notes to the consolidated financial statements for the financial year ended 31 December 2018.

2.5.6 Opening impact of the application of IFRS 16 (at 1 January 2019), IFRS 15 and the clarification of IAS 23 (at 31 December 2018)

In € millions	31/12/2018 published	Impacts IAS 23	Impacts IFRS 15	31/12/2018 restated	Impacts IFRS 16	01/01/2019
Non-current assets	**5,296.9**	**(7.9)**	**–**	**5,289.0**	**142.8**	**5,431.8**
Intangible assets	313.7	–	–	313.7	–	313.7
Property, plant and equipment	20.6	–	–	20.6	–	20.6
Right-of-use on tangible and intangible fixed assets	–	–	–	–	43.6	43.6
Investment properties	4,526.2	–	–	4,526.2	99.6	4,625.9
o/w Investment properties in operation at fair value	*3,931.3*	–	–	*3,931.3*	*(26.6)*	*3,904.7*
o/w Investment properties under development and under construction	*594.9*	–	–	*594.9*	*(7.8)*	*587.1*
o/w Right-of use on investment properties	–	–	–	–	*134.0*	*134.0*
Securities and investments in equity affiliates and unconsolidated interests	395.3	(7.9)	–	387.4	(0.2)	387.2
Loans and receivables (non-current)	10.6	–	–	10.6	–	10.6
Deferred tax assets	30.5	0.0	–	30.5	(0.2)	30.3
Current assets	**2,730.2**	**0.1**	**–**	**2,730.3**	**(0.2)**	**2,730.2**
Net inventories and work in progress	986.4	0.1	–	986.6	–	986.6
Contract assets	–	–	444.4	444.4	–	444.4
Trade and other receivables	1,011.0	0.0	(444.4)	566.7	(0.2)	566.5
Income tax credit	14.6	–	–	14.6	–	14.6
Loans and receivables (current)	37.4	(0.0)	–	37.4	–	37.4
Derivative financial instruments	2.2	–	–	2.2	–	2.2
Cash and cash equivalents	678.5	–	–	678.5	–	678.5
TOTAL ASSETS	**8,027.1**	**(7.8)**	**–**	**8,019.3**	**142.7**	**8,162.0**
Equity	**3,237.3**	**(7.9)**	**–**	**3,229.4**	**0.3**	**3,229.7**
Equity attributable to Altarea SCA shareholders	**2,007.9**	**(7.7)**	**–**	**2,000.1**	**0.3**	**2,000.4**
Equity attributable to minority shareholders of subsidiaries	**1,229.4**	**(0.2)**	**–**	**1,229.3**	**(0.0)**	**1,229.3**
Non-current liabilities	**2,629.2**	**0.1**	**–**	**2,629.3**	**123.8**	**2,753.1**
Non-current borrowings and financial liabilities	2,560.6	–	–	2,560.6	123.8	2,684.4
o/w Participating loans and advances from associates	*76,3*	–	–	*76,3*	–	*76,3*
o/w Bond issues	*1,117.4*	–	–	*1,117.4*	–	*1,117.4*
o/w Borrowings from lending establishments	*1,367.0*	–	–	*1,367.0*	*(30.1)*	*1,336.9*
o/w Lease liabilities	–	–	–	–	*23.4*	*23.4*
o/w Contractual fees on investment properties	–	–	–	–	*130.5*	*130.5*
Long-term provisions	21.6	–	–	21.6	–	21.6
Deposits and security interests received	32.6	–	–	32.6	–	32.6
Deferred tax liability	14.4	0.1	–	14.5	(0.0)	14.4
Current liabilities	**2,160.6**	**0.0**		**2,160.6**	**18.6**	**2,179.2**
Current borrowings and financial liabilities	741.9	–	–	741.9	18.9	760.8
o/w Bond issues	*164.9*	–	–	*164.9*	–	*164.9*
o/w Borrowings from lending establishments	*94.1*	–	–	*94.1*	*(3.6)*	*90.5*
o/w Negociable European Commercial Paper	*381.0*	–	–	*381.0*	–	*381.0*
o/w Bank overdrafts	*3.5*	–	–	*3.5*	–	*3.5*
o/w Advances from Group shareholders and partners	*98.4*	–	–	*98.4*	–	*98.4*
o/w Lease liabilities	–	–	–	–	*20.0*	*20.0*
o/w Contractual fees on investment properties	–	–	–	–	*2.5*	*2.5*
Derivative financial instruments	67.2	–	–	67.2	–	67.2
Contract liabilities	–	–	105.7	105.7	–	105.7
Trade and other payables	1,345.5	0.0	(105.7)	1,239.8	(0.3)	1,239.5
Tax due	6.0	–	–	6.0	–	6.0
TOTAL LIABILITIES	**8,027.1**	**(7.8)**		**8,019.3**	**142.7**	**8,162.0**

2.5.7 Reconciliation of lease liabilities and contractual fees on investment properties as of the date of transition with off-balance sheet commitments as at 31 December 2018 (minimum rent to be paid)

In € millions

Total rent commitments for payment at 31 December 2018	**21.4**
Off-balance sheet commitments not initially recognised	
- included in the fair value of the Investment properties	99.6
- included in the fair value of the leases	33.4
- impact of vehicles	2.3
- other impacts	3.1
Effect of term and discounting rate	16.6
Total lease liabilities and contractual fees on investment properties as at 1 January 2019	**176.4**

2.5.8 Impacts of the clarification made to IAS 23 – Borrowing Costs in the consolidated income statement by segment as at 31 December 2018

	31/12/2018 Published			IAS 23 impacts			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	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total
OPERATING INCOME - RETAIL	**156.3**	**61.1**	**217.4**	**–**	**–**	**–**	**156.3**	**61.1**	**217.4**
Net property income	176.0	–	176.0	5.8	–	5.8	181.8	–	181.8
Net overhead expenses	(61.1)	(11.8)	(72.9)	–	–	–	(61.1)	(11.8)	(72.9)
Share of equity-method affiliates	12.8	19.1	31.9	(0.3)	0.1	(0.2)	12.6	19.1	31.7
Net allowances for depreciation and impairment	–	(4.1)	(4.1)	–	–	–	–	(4.1)	(4.1)
Transaction costs	–	(1.7)	(1.7)	–	–	–	–	(1.7)	(1.7)
OPERATING INCOME - RESIDENTIAL	**127.7**	**1.5**	**129.2**	**5.5**	**0.1**	**5.6**	**133.2**	**1.5**	**134.8**
Net property income	18.2	–	18.2	0.7	–	0.7	19.0	–	19.0
Net overhead expenses	0.4	(2.4)	(2.0)	–	–	–	0.4	(2.4)	(2.0)
Share of equity-method affiliates	78.2	(13.5)	64.7	(3.6)	0.7	(2.9)	74.6	(12.8)	61.8
Net allowances for depreciation and impairment	–	(1.4)	(1.4)	–	–	–	–	(1.4)	(1.4)
Transaction costs	–	–	–	–	(0.1)	(0.1)	–	(0.1)	(0.1)
OPERATING INCOME - BUSINESS PROPERTY	**96.9**	**(17.3)**	**79.6**	**(2.9)**	**0.7**	**(2.2)**	**94.0**	**(16.6)**	**77.4**
Others (Corporate)	(3.0)	(10.0)	(13.0)	–	–	–	(3.0)	(10.0)	(13.0)
OPERATING INCOME	**377.9**	**35.3**	**413.2**	**2.6**	**0.8**	**3.4**	**380.4**	**36.1**	**416.6**
Net borrowing costs	(41.0)	(9.6)	(50.5)	(6.6)	–	(6.6)	(47.5)	(9.6)	(57.1)
Net financial income/(expense) - Other	0.0	(38.5)	(38.4)	–	–	–	0.0	(38.5)	(38.4)
PROFIT BEFORE TAX	**336.9**	**(12.7)**	**324.2**	**(4.0)**	**0.8**	**(3.2)**	**333.0**	**(11.9)**	**321.0**
Corporate income tax	(8.4)	(28.0)	(36.4)	–	(0.0)	(0.0)	(8.4)	(28.0)	(36.4)
NET INCOME	**328.6**	**(40.7)**	**287.8**	**(4.0)**	**0.8**	**(3.2)**	**324.6**	**(40.0)**	**284.6**
Non-controlling interests	(52.4)	19.8	(32.6)	0.2	(0.0)	0.2	(52.2)	19.8	(32.4)
NET INCOME, GROUP SHARE	**276.2**	**(20.9)**	**255.3**	**(3.8)**	**0.8**	**(3.0)**	**272.4**	**(20.2)**	**252.3**
Diluted average number of shares	*15,992,352*	*15,992,352*	*15,992,352*	*15,992,352*	*15,992,352*	*15,992,352*	*15,992,352*	*15,992,352*	*15,992,352*
NET INCOME PER SHARE (€/SHARE) GROUP SHARE	**17.27**	**(1.31)**	**15.96**	**(0.24)**	**0.05**	**(0.19)**	**17.03**	**(1.26)**	**15.77**

NOTE 3 INFORMATION ON OPERATING SEGMENTS

3.1 Balance sheet items by operating segment

At 31 December 2019

In € millions	Retail	Residential	Business Property	Other	TOTAL
Operating assets and liabilities					
Intangible assets	18.0	281.6	21.5	10.3	**331.4**
Property, plant and equipment	1.7	13.5	4.4	1.3	**20.9**
Right-of-use on tangible and intangible fixed assets	5.9	16.4	–	1.1	**23.4**
Investment properties	4,441.1	0.0	31.1	–	**4,472.1**
Securities and receivables in equity affiliates and unconsolidated interests	85.1	204.2	276.4	0.0	**565.7**
Operational working capital requirement	23.6	787.6	(40.8)	(9.9)	**760.5**
Total operating assets and liabilities	**4,575.3**	**1,303.3**	**292.6**	**2.8**	**6,174.0**

As of 31 December 2018 - restated

In € millions	Retail	Residential	Business Property	Other	TOTAL
Operating assets and liabilities					
Intangible assets	17.3	262.7	21.5	12.3	**313.7**
Property, plant and equipment	1.7	12.6	4.7	1.7	**20.6**
Right-of-use on tangible and intangible fixed assets	–	–	–	–	**–**
Investment properties	4,488.6	–	37.6	–	**4,526.2**
Securities and receivables in equity affiliates and unconsolidated interests	115.3	171.9	100.2	–	**387.4**
Operational working capital requirement	23.7	742.0	(3.1)	(11.6)	**751.0**
Total operating assets and liabilities	**4,646.6**	**1,189.1**	**160.9**	**2.3**	**5,999.0**

3.2 Consolidated income statement by operating segment

See consolidated income statement by segment in the financial statements.

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

3.3.1 Statement of comprehensive income with the same breakdown as the income statement by segment

In € millions	31/12/2019 Funds from operations (FFO)	31/12/2019 Changes in value, estimated expenses and transaction costs	31/12/2019 Total	31/12/2018 restated Funds from operations (FFO)	31/12/2018 restated Change in value, estimated expenses and transaction costs	31/12/2018 restated Total
Rental income	208.4	–	208.4	188.9	–	188.9
Property expenses	(2.5)	–	(2.5)	(5.4)	–	(5.4)
Unrecoverable rental expenses	(10.1)	–	(10.1)	(11.1)	–	(11.1)
Expenses re-invoiced to tenants	*60.3*	–	*60.3*	–	–	–
Rental expenses	*(70.4)*	–	*(70.4)*	–	–	–
Other expenses	(0.1)	–	(0.1)	(2.5)	–	(2.5)
Net charge to provisions for current assets	(5.0)	–	(5.0)	(2.8)	–	(2.8)
Net rental income	**190.8**	**–**	**190.8**	**167.1**	**–**	**167.1**
Revenue	2,860.2	–	2,860.2	2,164.9	–	2,164.9
Cost of sales	(2,479.0)	0.0	(2,479.0)	(1,842.3)	0.0	(1,842.3)
Other income	(132.1)	(0.0)	(132.1)	(111.7)	–	(111.7)
Net charge to provisions for current assets	(29.7)	0.0	(29.7)	(9.3)	(0.1)	(9.4)
Amortisation of customer relationships	–	(0.6)	(0.6)	–	–	–
Net property income	**219.4**	**(0.6)**	**218.8**	**201.6**	**(0.0)**	**201.5**
External services	41.2	–	41.2	51.8	–	51.8
Own work capitalised and production held in inventory	189.0	–	189.0	160.6	–	160.6
Personnel costs	(218.0)	(19.3)	(237.4)	(192.7)	(21.0)	(213.8)
Other overhead expenses	(87.7)	0.4	(87.2)	(96.1)	(0.6)	(96.7)
Depreciation expenses on operating assets	–	(23.9)	(23.9)	–	(9.6)	(9.6)
Net overhead expenses	**(75.5)**	**(42.8)**	**(118.2)**	**(76.4)**	**(31.2)**	**(107.6)**
Other income and expenses	(0.8)	0.5	(0.4)	(10.6)	–	(10.6)
Depreciation expenses	–	(5.4)	(5.4)	–	(1.7)	(1.7)
Transaction costs	–	(2.9)	(2.9)	–	(8.9)	(8.9)
Other	**(0.8)**	**(7.8)**	**(8.6)**	**(10.6)**	**(10.6)**	**(21.2)**
Proceeds from disposal of investment assets	–	172.7	172.7	–	46.5	46.5
Carrying amount of assets sold	–	(173.1)	(173.1)	–	(42.1)	(42.1)
Net charge to provisions for risks and contingencies	–	0.8	0.8	–	–	–
Net gain/(loss) on disposal of investment assets	**–**	**0.3**	**0.3**	**–**	**4.4**	**4.4**
Change in value of investment properties	–	86.1	86.1	–	(89.7)	(89.7)
Net impairment losses on investment properties measured at cost	–	(13.6)	(13.6)	–	(9.7)	(9.7)
Net impairment losses on other non-current assets	–	(0.5)	(0.5)	–	(0.6)	(0.6)
Net charge to provisions for risks and contingencies	–	(1.9)	(1.9)	–	(0.2)	(0.2)
OPERATING INCOME BEFORE THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES	**334.0**	**19.2**	**353.2**	**281.6**	**(137.6)**	**144.0**
Share in earnings of equity-method affiliates	81.7	(22.5)	59.2	78.7	(22.8)	55.9
OPERATING INCOME AFTER THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES	**415.7**	**(3.3)**	**412.4**	**360.3**	**(160.5)**	**199.9**
Net borrowing costs	(57.2)	(21.3)	(78.5)	(47.5)	(9.6)	(57.1)
Financial expenses	*(68.2)*	*(21.3)*	*(89.5)*	*(63.7)*	*(9.6)*	*(73.3)*
Financial income	*11.0*	–	*11.0*	*16.2*	*0.0*	*16.2*
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)
Proceeds from the disposal of investments[(a)]	2.7	(1.6)	1.1	20.1	194.4	214.5
Dividends	0.6	–	0.6	0.0	–	0.0
Profit before tax	**361.8**	**(89.3)**	**272.4**	**333.0**	**(11.9)**	**321.0**
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**
o/w Net income attributable to Altarea SCA shareholders	**298.8**	**(65.1)**	**233.7**	**272.4**	**(20.2)**	**252.3**
o/w Net income attributable to minority interests in subsidiaries	(55.9)	54.1	(1.8)	(52.2)	19.8	(32.4)
Average number of non-diluted shares	16,203,050	16,203,050	16,203,050	15,791,325	15,791,325	15,791,325
Net income per share attributable to shareholders of Altarea SCA (€)	**18.44**	**(4.02)**	**14.42**	**17.25**	**(1.28)**	**15.97**
Diluted average number of shares	16,393,265	16,393,265	16,393,265	15,992,352	15,992,352	15,992,352
Diluted net income per share attributable to shareholders of Altarea SCA (€)	**18.23**	**(3.97)**	**14.26**	**17.03**	**(1.26)**	**15.77**

(a) Gains or losses on disposals of equity interests have been reallocated to each of the activities concerned by the gains or losses when it relates to an investment previously fully consolidated or a share of the equity-method affiliates when the equity disposed of was previously in an equity-method company.

3.3.2 Reconciliation of operating income between the two income statements

At 31 December 2019

In € millions	Retail	Residential	Business Property	Others (Corporate)	TOTAL
Net rental income	190.8	–	–	–	**190.8**
Net property income	0.0	207.5	11.9	(0.6)	**218.8**
Net overhead expenses	(23.4)	(80.9)	(4.9)	(8.9)	**(118.1)**
Others	(5.2)	(2.2)	(1.1)	(0.2)	**(8.7)**
Net gain/(loss) on disposal of investment assets	0.3	–	–	–	**0.3**
Value adjustments	71.1	(0.5)	1.3	–	**72.0**
Net charge to provisions for risks and contingencies	(0.5)	(0.4)	(0.1)	(0.9)	**(1.9)**
Share in earnings of equity-method affiliates	(0.3)	12.7	46.9	–	**59.2**
OPERATING INCOME (Consolidated statement of comprehensive income)	**232.8**	**136.3**	**54.0**	**(10.7)**	**412.4**
Reclassification of net gain/(loss) on disposal of investments	0.3	–	2.7	–	**3.1**
OPERATING INCOME (Consolidated income statement by segment)	**233.2**	**136.3**	**56.7**	**(10.7)**	**415.5**

As of 31 December 2018 - restated

In € millions	Retail	Residential	Business Property	Others (Corporate)	TOTAL
Net rental income	167.1	–	–	–	**167.1**
Net property income	0.8	181.8	19.0	–	**201.5**
Net overhead expenses	(25.6)	(72.3)	1.1	(10.8)	**(107.6)**
Others	(8.2)	(6.5)	(4.4)	(2.1)	**(21.2)**
Net gain/(loss) on disposal of investment assets	4.4	–	–	–	**4.4**
Value adjustments	(99.4)	(0.5)	–	–	**(99.9)**
Net charge to provisions for risks and contingencies	(0.8)	0.7	(0.1)	–	**(0.2)**
Share in earnings of equity-method affiliates	3.1	11.1	41.7		**55.9**
OPERATING INCOME (Consolidated statement of comprehensive income)	**41.4**	**114.2**	**57.3**	**(13.0)**	**199.9**
Reclassification of net gain/(loss) on disposal of investments	175.9	20.6	20.1	–	**216.7**
OPERATING INCOME (Consolidated income statement by segment)	**217.4**	**134.8**	**77.4**	**(13.0)**	**416.6**

3.4 Revenue by geographical region and operating segment

By geographical region

	31/12/2019					31/12/2018				
In € millions	France	Italy	Spain	Other	Total	France	Italy	Spain	Other	Total
Rental income	178.1	19.9	10.4	–	208.4	164.1	14.9	9,9	–	188.9
External services	18.5	0.3	0.3	–	19.0	19.3	0.3	0.3	–	19.9
Revenue from net property income	–	–	–	–	–	3.1	–	–	–	3.1
Retail	**196.6**	**20.2**	**10.6**	**–**	**227.5**	**186.4**	**15.3**	**10.2**	**–**	**211.9**
Revenue	2,283.1	–	–	–	2,283.1	1,844.1	–	–	–	1,844.1
External services	11.2	–	–	–	11.2	4.1	–	–	–	4.1
Residential	**2,294.4**	**–**	**–**	**–**	**2,294.4**	**1,848.2**	**–**	**–**	**–**	**1,848.2**
Revenue	577.0	–	–	–	577.0	317.7	–	–	–	317.7
External services	10.4	–	–	0.5	10.9	26.9	–	–	0.6	27.5
Business Property	**587.4**	**–**	**–**	**0.5**	**587.9**	**344.6**	**–**	**–**	**0.6**	**345.2**
Others (Corporate)	0.1	–	–	–	0.1	0.2	–	–	–	0.2
TOTAL	**3,078.5**	**20.2**	**10.6**	**0.5**	**3,109.8**	**2,379.5**	**15.3**	**10.2**	**0.6**	**2,405.6**

In 2019, no single client accounted for more than 10% of the Group's revenue.
The application of IAS 23 on 1 January 2018 had no impact on the revenue by geographical region.
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NOTE 4 MAJOR EVENTS AND CHANGES IN THE SCOPE OF CONSOLIDATION

4.1 Major events

2018 dividend: equity bolstered by €93.8 million

The General Meeting held on 23 May voted for the distribution of a dividend of €12.75 per share for the 2018 financial year (+2%) and gave the shareholders a choice between a 100% cash payment or a payment 50% in cash and 50% in shares.

At the end of the option period which runs from 31 May to 26 June 2019 inclusive, 92.6% of shareholders had opted for the partial payment of the scrip dividend, thereby showing their trust in the Group's development strategy and growth prospects.

Payment of the dividend in cash as well as the delivery and listing on Euronext Paris of the new shares created took place on 4 July 2019.

Successful €500 million rated bond issue maturing in 2028

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

Following this confirmation, Altarea successfully placed, in October, a €500 million rated bond with a maturity of 8 years and 3 months, offering a coupon of 1.875%. The proceeds from the issue was used to refinance secured debt and for general financing needs. The transaction fits in with the Group’s broader disintermediation policy; it reinforces the structure of its financing and extends the maturity of its debt.

Acquisitions and investments

Since 4 January 2019, 85% of the capital of the residential property developer Severini has been under the control of the Group therefore increasing its presence in the New Aquitaine region.

In July, the Group also acquired 50% of the capital of Woodeum, leader in low-carbon property development in France. This strategic partnership is aimed at accelerating the production of low-carbon housing, with a target of between 2,500 and 3,000 units in Cross Laminated Timber (CLT) per year as soon as 2023. This transaction reinforces the Group's strategy in relation to environmental and social responsibility and completes the Group's skills and development platform.

Large Mixed-use projects

As the pioneer in France in terms of large Mixed-use projects, the Group confirmed its position in 2019 by winning the competition to deliver a mixed-use project of 56,000 m² in the Les Simonettes neighbourhood of Champigny-sur-Marne (Department 94). Located next to future line 15 of the Grand Paris Express metro, this development will include 28,000 m² of housing, 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 an artisanal centre of the "Compagnons du Tour de France".

In June, the Group began work at Issy-Cœur de Ville, the largest mixed-use development in the Grand Paris metropolitan. This eco-district covering 100,000 m² is a success, with a global marketing rate of 76% in late 2019, more than two years before the delivery of the programme. All local retail space has been sold, just as the 3 office blocks. Carried out in a single phase, the works should be completed in 2022.

Residential: €3.3 billion in new orders (+12%)

In 2019, the Group recorded very strong sales results and continued to gain market share in a slightly decreasing market over the year.

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

In terms of development, the Residential pipeline (offering and land portfolio) amounted to €12.8 billion (an increase of 14% compared to end-2018).

Business Property: major deliveries and sourcing of new investments projects

Altarea is currently the number one business property developer in France[1]. As both a developer and an investor, the Group's strategy is based on three key areas:

• the completion of new office projects and high environmental quality complex redevelopment operations integrating modularity and multiple uses;

• the development of a wide range of products (multiple occupancy office space, head offices, logistics hubs, hotels, hospitals, etc.);

• a presence in the main business districts in Paris and the major regional gateway cities.

In 2019, Altarea completed one of the largest transactions of the year by signing a double transaction with CDC Investissement Immobilier (acting on behalf of CDC): the off-plan sale contract with CNP Assurances for the three office buildings of the Issy-Cœur de Ville eco-district and the acquisition of CNP Assurances’ current headquarters, located above the Paris-Montparnasse railway station, for redevelopment.

[1]Every year, the Developer Rankings published by Innovapresse analyse and compare business volumes, the number of housing 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

Moreover, during the financial year, Altarea has in notably:

• delivered six operations, including two Delegated Project Management operations for redeveloped properties located on rue Bergère and at 16 avenue Matignon (on behalf of Axa IM and Norges Bank), a hotel situated within the Massy Place du Grand Ouest Large Mixed-Use project, and three logistics hubs;

• reinforced its pipeline with 15 operations covering a total surface area of 240,000 m²;

Within these operations, the Group has made a direct investment in two projects in Paris: the redevelopment of CNP Assurances' head office in Montparnasse and rue de Saussure in the 17th district of Paris. In terms of third-party development projects, key projects include the creation of a 700-room hotel complex in the Paris region and, outside of Paris, the EM Lyon Business School project.

Retail: excellent performance

Altarea's long-term strategy consists of developing the volume of retail space under management (currently €5.2 billion) which 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 returns 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.

The Group is at the same time continuing the development of its assets with :

• the 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;

• reinforcement in the travel retail sector with the acquisition (under concession agreements) of five Italian railway stations and ongoing work on the 2nd phase of shops in the Paris-Montparnasse station;

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

Over the course of the year, the Group sold several assets, including the Okabé traditional mall (Kremlin-Bicêtre) and the 14ème avenue retail park in Herblay. These sales were on average completed at above the appraisal values.

In addition, in late December 2019, the Group entered into a 25-75% partnership with Crédit Agricole Assurances, relating to three local assets: Le Parks (Paris), Reflets Compans (Toulouse), Jas de Bouffan (Aix-en-Provence). As a result of this partnership, Crédit Agricole Assurances therefore holds 75% of the fund structure and Altarea - the remaining share[2].

[2] *The assets held by these funds are now accounted for using the equity method proportionate to the level of their holding.*

4.2 Consolidation scope

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

			31/12/2019			31/12/2018		
COMPANIES	SIREN		Method	Interest	Consolidation	Method	Interest	Consolidation
ALTAREA SCA	335480877	parent company	FC	100.0%	100.0%	FC	100.0%	100.0%
Retail France								
ALTAREA FRANCE	324814219		FC	100.0%	100.0%	FC	100.0%	100.0%
FONDS PROXIMITE SNC	348024050	affiliate	EM	25.0%	25.0%	NI	0.0%	0.0%
NR 21	335480877		FC	84.4%	100.0%	NI	0.0%	0.0%
COMPANS SNC	348024050	affiliate	EM	25.0%	25.0%	NI	0.0%	0.0%
ALDETA SAS	311765762		FC	33.3%	100.0%	FC	33.3%	100.0%
ALTA BLUE SAS	522193796		FC	33.3%	100.0%	FC	33.3%	100.0%
ALTAREA PROMOTION COMMERCE SNC	420490948		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA CRP AUBERGENVILLE SNC	451226328		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA AUSTERLITZ SNC	812196616		FC	100.0%	100.0%	FC	100.0%	100.0%
BERCY VILLAGE SCI	384987517		FC	51.0%	100.0%	FC	51.0%	100.0%
ALTA CARRÉ DE SOIE SCI	449231463	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%
FONCIÈRE ALTAREA SAS	353900699		FC	100.0%	100.0%	FC	100.0%	100.0%
Société d'Amenagement de la GARE de L'EST SNC	481104420		FC	51.0%	100.0%	FC	51.0%	100.0%
ALTA CRP GENNEVILLIERS SNC	488541228		FC	51.0%	100.0%	FC	51.0%	100.0%
ALTA GRAMONT SAS	795254952		FC	51.0%	100.0%	FC	51.0%	100.0%
ALTA CRP GUIPAVAS SNC	451282628		FC	100.0%	100.0%	FC	100.0%	100.0%
CENTRE COMMERCIAL DU KB SNC	485045876		FC	65.0%	100.0%	FC	65.0%	100.0%
LIMOGES INVEST SCI	488237546		FC	100.0%	100.0%	FC	100.0%	100.0%
SCI MACDONALD COMMERCES	524049244	affiliate	EM	25.0%	25.0%	EM	50.0%	50.0%
ALTAREA MANAGEMENT	509105375		FC	100.0%	100.0%	FC	100.0%	100.0%
SOCIÉTÉ DU CENTRE COMMERCIAL MASSY SNC	950063040		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA-MONTPARNASSE SNC	524049244		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC RETAIL PARK LES VIGNOLES	512086117		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA ORGEVAL SNC	795338441		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA QWARTZ	433806726		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA CRP RUAUDIN SNC	451248892		FC	100.0%	100.0%	FC	100.0%	100.0%
CENTRE COMMERCIAL DE THIAIS SNC	479873234		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA CRP LA VALETTE SNC	494539687		FC	51.0%	100.0%	FC	51.0%	100.0%
Retail Italy								
ALTABASILIO SRL	NA		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTACERRO SRL	NA		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTACSRETAILIT SRL	NA		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTAREA ITALIA SRL	NA		FC	100.0%	100.0%	FC	100.0%	100.0%
Retail Spain								
ALTAREA ESPANA S.L	NA		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTAREA PATRIMAE S.L	NA		FC	100.0%	100.0%	FC	100.0%	100.0%
Residential								
ALTAREIT SCA	552091050		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM RESIDENCES SERVICES SNC	394648455	joint venture	EM	64.9%	65.0%	EM	64.9%	65.0%
Altarea Cogedim IDF Grande Métropole	810928135		FC	99.9%	100.0%	FC	99.9%	100.0%
Altarea Cogedim Grands Projets	810926519		FC	99.9%	100.0%	FC	99.9%	100.0%
Altarea Cogedim Régions	810847905		FC	99.9%	100.0%	FC	99.9%	100.0%
SEVERINI	499459204		FC	84.9%	100.0%	NI	0.0%	0.0%
MARSEILLE MICHELET SNC	792774382		FC	99.9%	100.0%	FC	99.9%	100.0%
COEUR MOUGINS SNC	453830663		FC	99.9%	100.0%	FC	99.9%	100.0%
ISSY COEUR DE VILLE SNC	830181079		FC	99.9%	100.0%	FC	99.9%	100.0%
ISSY COEUR DE VILLE COMMERCES SNC	828184028		FC	99.9%	100.0%	FC	100.0%	100.0%
ALTA FAUBOURG SAS	444560874		FC	99.9%	100.0%	FC	99.9%	100.0%
HP SAS IG	480309731		FC	99.9%	100.0%	FC	99.9%	100.0%
HP ALBATROS IG	803307354		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC HORIZONS IG	825208093		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC MERIMEE IG	849367016		FC	99.9%	100.0%	NI	0.0%	0.0%
Altarea Cogedim ZAC VLS (SNC)	811910447		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC VITROLLES LION1	811038454		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC VITROLLES LION3	811038363		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC VITROLLES SALIN1	811038389		FC	99.9%	100.0%	FC	99.9%	100.0%
PITCH PROMOTION SAS (ex Alta Favart SAS)	450042338		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV SEVRAN FREINVILLE	801560079		FC	59.9%	100.0%	FC	59.9%	100.0%
SCCV ARGENTEUIL SARRAZIN	822894432		FC	50.9%	100.0%	FC	50.9%	100.0%
SCCV MAGNANVILLE MARE PASLOUE	823919287		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV ANDRESY CHÂTEAUBRIANT	838432094		FC	74.9%	100.0%	FC	74.9%	100.0%
SCCV BEZONS COEUR DE VILLE A1 & A2- LOGEMENTS	819929845		FC	99.9%	100.0%	FC	92.4%	100.0%
SCCV GIF MOULON A4	830886115		FC	25.0%	100.0%	FC	25.0%	100.0%
SNC TOULOUSE TMA PLACE CENTRALE	821922564		FC	99.9%	100.0%	FC	99.9%	100.0%
WOODEUM RESIDENTIEL SAS (IS)	807674775	joint venture	EM	49.9%	50.0%	NI	0.0%	0.0%
PITCH PROMOTION SNC	422989715		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC VALOR 2015	811425222		FC	99.9%	100.0%	FC	99.9%	100.0%

COMPANIES	SIREN		31/12/2019 Method	Interest	Consolidation	31/12/2018 Method	Interest	Consolidation
SNC MAISONS ALFORT 2011	530224419	affiliate	EM	49.9%	50.0%	EM	49.9%	50.0%
SCCV ISTRES TRIGANCE ILOT A2	812621324		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV SPASSAS	817499361	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
SCCV BAGNOLET ALLENDE	821889151	affiliate	EM	48.9%	49.0%	EM	48.9%	49.0%
SAS MB TRANSACTIONS	425039138		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM GESTION	380375097		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COVALENS	309021277		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM PARIS METROPOLE	319293916		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM GRAND LYON	300795358		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM MEDITERRANEE	312347784		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM PROVENCE	442739413		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM MIDI-PYRENEES	447553207		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM GRENOBLE	418868584		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM SAVOIES-LEMAN	348145541		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM AQUITAINE	388620015		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM ATLANTIQUE	501734669		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM LANGUEDOC ROUSSILLON	532818085		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC COGEDIM EST	419461546		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM SAS	54500814		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC SURESNES MALON	832708663	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
SAS BAGNEUX 116	839324175		FC	50.9%	100.0%	FC	50.9%	100.0%
SCCV RADOIRE ORDET	808870323		FC	79.9%	100.0%	FC	79.9%	100.0%
SCCV DOMAINE MONT DUPLANL	832046544		FC	69.9%	100.0%	FC	69.9%	100.0%
SCCV RESPIRE	807582267		FC	89.9%	100.0%	FC	89.9%	100.0%
SNC LYON LES MOTEURS	824866388		FC	99.9%	100.0%	NI	0.0%	0.0%
SCCV MENTON HAUT CAREI	829544303		FC	59.9%	100.0%	FC	59.9%	100.0%
SNC CALCADE DE MOUGINS	833132426		FC	50.9%	100.0%	FC	99.9%	100.0%
SCCV LE POULIGUEN LIBERATION	823860200		FC	64.9%	100.0%	FC	64.9%	100.0%
SNC PROVENCE L'ETOILE	501552947		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV MARSEILLE PARANQUES SUD	809939382		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV HYRES L'AUFRENE	834122335		FC	79.9%	100.0%	FC	79.9%	100.0%
SCCV PARIS CAMPAGNE PREMIERE	530706936		FC	50.9%	100.0%	FC	50.9%	100.0%
SCCV SEVRES FONTAINES	789457538		FC	79.9%	100.0%	FC	79.9%	100.0%
SCCV CARDINAL LEMOINE	812133080	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
SCCV BOBIGNY PARIS	812846525		FC	50.9%	100.0%	FC	50.9%	100.0%
SCCV JOINVILLE PARIS LIBERTE	814629655		FC	50.9%	100.0%	FC	50.9%	100.0%
SCCV RUEIL BONAPARTE MANET	817961196		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV CHAMPIGNY LA BOULONNERIE	819546185		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV BAGNEUX BOURG LA REINE	820201341		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV MALAKOFF ALEXIS MARTIN	820300440		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV BOULOGNE TILLEULS	820232700		FC	50.9%	100.0%	FC	50.9%	100.0%
SCCV JOINVILLE H.PINSON	821764107		FC	50.0%	100.0%	FC	50.0%	100.0%
SCCV LA GARENNE CHATEAU	822309753		FC	59.9%	100.0%	FC	59.9%	100.0%
SCCV CRETEIL BOBILLOT	823592944		FC	79.9%	100.0%	FC	79.9%	100.0%
SCCV PIERRE BEREGOVOY	829581651		FC	54.9%	100.0%	FC	54.9%	100.0%
SCCV CHAMPIGNY ALEXANDRE FOURNY	829377894		FC	50.0%	100.0%	FC	50.0%	100.0%
SCCV BOURGET LECLERC	831267943		FC	50.9%	100.0%	FC	50.9%	100.0%
SCCV HORLOGE GASTON ROUSSEL	832294664		FC	50.9%	100.0%	FC	50.9%	100.0%
SCCV COTO	814221453		FC	50.9%	100.0%	FC	50.9%	100.0%
SCCV STRASBOURG RUE DE COLMAR	822392262		FC	84.9%	100.0%	FC	84.9%	100.0%
Business Property								
ALTAREA COGEDIM ENTREPRISE PROMOTION SNC	535056378		FC	99.9%	100.0%	FC	99.9%	100.0%
ALTAREA COGEDIM ENTREPRISE ASSET MANAGEMENT SNC	534207386		FC	99.9%	100.0%	FC	99.9%	100.0%
AF INVESTCO ARAGO (SNC)	494382351	affiliate	EM	30.1%	30.1%	EM	30.1%	30.1%
AF INVESTCO 4 (Snc)	798601936	affiliate	EM	58.3%	58.4%	EM	58.3%	58.4%
SCCV B1	853715829	joint venture	EM	33.3%	33.3%	NI	0.0%	0.0%
SCCV B2 B3	852921899	joint venture	EM	50.0%	50.0%	NI	0.0%	0.0%
ALTA VAI HOLDCO A (ex Salle wagram, ex theatre de l'empire)	424007425		FC	99.9%	100.0%	FC	99.9%	100.0%
ISSY PONT SCI	804865996	joint venture	EM	25.0%	25.0%	EM	25.0%	25.0%
PASCALPROPCO (SAS)	437929813	affiliate	EM	15.0%	15.1%	EM	15.0%	15.1%
SCCV RUEIL LE LUMIERE	822728473	affiliate	EM	20.0%	20.0%	EM	20.0%	20.0%
SNC ISSY COEUR DE VILLE PROMOTION BUREAUX	829845536		FC	50.9%	100.0%	FC	50.9%	100.0%

4.3 Changes in consolidation scope

(in number of companies)	31/12/2018	Acquisition	Creation	Sale	Absorption, dissolution, deconsolidation	Change in consolidation method	31/12/2019
Fully consolidated subsidiaries	351	51	28	–	(9)	3	424
Joint ventures[(a)]	99	34	7	–	(4)	(2)	134
Affiliates[(a)]	85	–	7	(3)	(6)	(1)	82
Total	**535**	**85**	**42**	**(3)**	**(19)**	**–**	**640**

(a) Companies accounted for using the equity method

The variations over the course of the period are mainly a reflection of the acquisition of the Severini group, on a fully consolidated basis, as well as the investment in the Woodeum group as a joint venture.

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

In € millions	31/12/2019	31/12/2018
Investments in consolidated securities	(56.9)	(54.5)
Liabilities on acquisition of consolidated participating interests	(12.4)	1.4
Cash of acquired companies	6.4	7.6
Total	**(62.9)**	**(45.6)**

During the year,

- The Group acquired 85% of the capital of the residential property developer Severini and increased its presence in the New Aquitaine region,
- The Group acquired the operating rights for five Italian railway stations, thereby accelerating its development in travel retail,
- The Group acquired the company NR 21 which is listed on the Euronext Paris market (compartment C).

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

The Group did not complete any material company sales during the course of the financial year.

4.4 Business combinations

On 4 January 2019, via its subsidiary Alta Faubourg, the Group acquired a 85% interest in the share capital of the developer Severini. With effect as from this date, Severini as a whole has been fully consolidated and its sales performance has been integrated into the Residential Property business sector.

The acquisition price of the minority interest in this company is €10.3 million.

In accordance with IFRS 3 "Business combinations", the assets acquired and liabilities accepted by the Company were valued at their fair value. Once these amounts were recognised in the financial position as at the date of acquisition, intangible assets and goodwill of €19.4 million, were recorded.

The goodwill is definitive and was allocated to the Group's Residential business.

The purchase option granted to the minority interests was recorded at fair value as at 31 December 2019 under other financial indebtedness and will be re-assessed at each period end.

The consolidated Group made a contribution of €46.5 million to the Group's revenue as at 31 December 2019.

4.5 Securities and investments in equity affiliates and unconsolidated interests

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

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

In € millions	31/12/2019	31/12/2018 restated
Equity-accounting value of joint ventures	**90.3**	62.0
Equity-accounting value of affiliated companies	**120.5**	94.3
Value of stake in equity-method affiliates	**210.8**	**156.3**
Non-consolidated securities	**33.6**	**33.3**
Receivables from joint ventures	**200.2**	79.5
Receivables from affiliated companies	**121.1**	118.4
Receivables from equity-method subsidiaries and non-consolidated interests	**321.3**	**197.9**
Total securities and receivables in equity affiliates and unconsolidated interests	**565.7**	**387.4**

As at 31 December 2019, the increase in the value of the equity assets of the affiliated companies was in particular linked to the creation in late December 2019 of a partnership with Crédit Agricole Assurances (CAA), relating to three local assets. In the context of this partnership, CAA holds 75% of the holding structure of these assets and the Group 25%. In accordance with the agreements signed, the balance held by the Group gives it significant influence over the companies which hold the assets.

As at 31 December 2019, the increase in the value of the equity assets of the joint ventures was in particular linked to the acquisition by the Group of a 50% interest in the capital of Woodeum, as well as to significant business property projects.

Receivables from joint ventures and receivables from associated companies relating to Property operations come to €309.8 million.

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

In € millions	*Joint ventures*	*Affiliates*	31/12/2019	*Joint ventures*	*Affiliates*	31/12/2018 restated
Balance sheet items, Group share:						
Non-current assets	340.8	199.3	540.2	112.4	201.6	313.9
Current assets	453.7	375.5	829.2	229.7	266.7	496.5
Total Assets	**794.5**	**574.9**	**1,369.4**	**342.1**	**468.3**	**810.4**
Non-current liabilities	205.2	203.3	408.5	98.3	178.4	276.7
Current liabilities	499.1	251.1	750.2	181.8	195.7	377.4
Total Liabilities	**704.3**	**454.4**	**1,158.6**	**280.1**	**374.1**	**654.1**
Net assets (equity-accounting basis)	**90.3**	**120.5**	**210.8**	**62.0**	**94.3**	**156.3**
Share of income statement items, Group share:						
Operating income	**42.5**	**43.8**	**86.3**	**1.5**	**95.6**	**97.2**
Net borrowing costs	(5.3)	(6.1)	(11.4)	(2.3)	(12.1)	(14.4)
Change in value of hedging instruments	(0.6)	(1.2)	(1.8)	(0.3)	(1.0)	(1.3)
Proceeds from the disposal of investments	1.6	–	1.6	–	–	–
Dividends	–	–	–	–	–	–
Net income before tax	**38.2**	**36.5**	**74.7**	**(1.1)**	**82.6**	**81.5**
Corporate income tax	(9.7)	(5.8)	(15.5)	(2.1)	(23.5)	(25.6)
Net income after tax, Group share	**28.5**	**30.7**	**59.2**	**(3.2)**	**59.1**	**55.9**
Non-Group net income	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Net income, Group share	28.5	30.7	59.2	(3.2)	59.1	55.9

Group revenues from joint ventures amounted to €60.0 million for the year to 31 December 2019, compared with €7.8 million for 2018.

Group revenues from associates amounted to €12.2 million for the year to 31 December 2019, compared with €34.0 million for 2018.

4.5.3 Commitments given or received in connection with joint ventures (in Group share)

Commitments given

Cogedim Résidences Services undertook to pay rent in connection with the leasing of the Résidences Services Cogedim Club®. In the context of the application of IFRS 16, these contracts have been restated in the financial statements of the companies.

In exchange, Cogedim Résidences Services receives the lease payments of the sub-lessees, these continuing to be commitments.

Construction work completion guarantees and guarantees on forward payments for assets were given in connection with the property development business, for Group shares of €63.4 and €1.9 million respectively.

Commitments received

As of 31 December 2019, the main commitments received by the joint ventures relate to security deposits received from tenants in the amount €0.2 million.

NOTE 5 INCOME

5.1 Operating income

5.1.1 Net rental income

Net rental income includes all the expenses relative to the assets (lessor's contributions to marketing costs and the cost of non-capitalised works not reinvoiced to tenants).

Net rental income was €190.8 million as at 31 Decemer 2019, as against €167.1 million as at 31 December 2018, i.e. an increase of 14%.

5.1.2 Net property income

The Group's net property income amounted to €218.8 million for the year to 31 December 2019, compared with €201.5 for the year to 31 December 2018, i.e. an increase of €17.3 million 8.6%). The restated 2018 consolidated income statement is set out in section 2.5 "Change in method".

The Residential backlog of fully consolidated companies amounts to €3,520 million for the year to 31 December 2019.

The Property Development (Business property) backlog of fully consolidated companies amounts to €595 million for the year to 31 December 2019.

5.2 Cost of net financial debt and other financial items

5.2.1 Cost of net financial debt

In € millions	31/12/2019	31/12/2018 restated
Bond and bank interest expenses	(53.9)	(55.2)
Interest on partners' advances	(0.7)	(0.8)
Interest rate on hedging instruments	(8.2)	(9.8)
Non-use fees	(4.6)	(3.4)
Other financial expenses	(1.1)	(0.4)
Interest on lease liabilities	(1.1)	–
Interest on contractual fees on investment property	(4.4)	–
Capitalised interest expenses	5.8	5.8
FFO financial expenses	**(68.2)**	**(63.8)**
Interest on partners' advances	4.7	12.2
Other interest income	0.9	0.8
Interest rate on hedging instruments	5.4	3.2
FFO financial income	**11.0**	**16.2**
FFO NET BORROWING COSTS	**(57.2)**	**(47.5)**
Interest on contractual fees on investment property	(6.5)	–
Spreading of bond issue costs and other estimated expenses[a]	(14.8)	(9.6)
Estimated financial expenses	**(21.3)**	**(9.6)**
NET BORROWING COSTS	**(78.5)**	**(57.1)**

(a) Relates mainly to the deferral in accordance with the amortised cost method of the issue costs of borrowings and bond issue premiums in accordance with IFRS 9 for -€14.5 million.

Capitalised interest expenses relate only to companies carrying an asset under development or construction (traditional malls) and are deducted from interest paid to credit institutions. The clarification made to IAS 23 - Borrowing Costs (please see section 2.5 "Changes in Method") leads to the non-capitalisation of interest expenses relating to property development programmes (stocks).

The capitalisation rate used to determine the amounts of borrowing costs that may be included in the carrying amount of assets is the interest rate on financing assigned specifically to asset development or, if there is no specific financing, to the average cost of debt borne by the Company and not assigned specifically to another purpose.

Further to the application of IFRS 16 - Leases, for leases within the scope of application, rent is replaced by an amortisation charge/variations in value of the right-of-use asset and an interest fee (on lease liabilities or fees for investment property) recorded in the accounts as financial expenses.

The Group's average cost of financing (excluding the impact of IFRS 16) was 2.21% as at 31 December 2019, including margin, compared with 1.94% as at 31 December 2018.

5.2.2 Other financial results

Other financial results relate to the favourable resolution of a dispute regarding financial instruments in 2018.

5.2.3 Impact of result of financial instruments

Changes in value of financial instruments and gains and losses on their disposal resulted in a net expense of -€65.2 million compared with an expense of -€38.2 million for 2018.

This corresponds to the changes in value of interest rate hedging instruments.

5.3 Income tax

Analysis of tax expense

Tax expense is analysed as follows:

In € millions	31/12/2019	31/12/2018 restated
Tax due	**(7.1)**	**(8.4)**
Tax loss carry forwards and/or use of deferred losses	(6.9)	(19.6)
Valuation differences	0.2	0.0
Fair value of investment properties	(15.1)	5.0
Fair value of hedging instruments	0.0	(0.0)
Net property income on a percentage-of-completion basis	(7.1)	(4.7)
Other timing differences	(0.9)	(8.7)
Deferred tax	**(29.8)**	**(28.0)**
Total tax income (expense)	**(36.9)**	**(36.4)**

Effective tax rate

In € millions	31/12/2019	31/12/2018 restated
Pre-tax profit of consolidated companies	**213.2**	**265.2**
Group tax savings (expense)	**(36.9)**	**(36.4)**
Effective tax rate	**(17.32)%**	**(13.72)%**
Tax rate in France	32.02%	34.43%
Theoretical tax charge	**(68.3)**	**(91.3)**
Difference between theoretical and effective tax charge	**31.4**	**54.9**
Differences related to entities' SIIC status	13.1	(9.7)
Differences related to treatment of losses	11.2	(3.9)
Other permanent differences and rate differences	7.1	68.5

Deferred tax assets and liabilities

In € millions	31/12/2019	31/12/2018 restated
Tax loss carry forwards	129.5	135.7
Valuation differences	(35.5)	(26.0)
Fair value of investment properties	(43.0)	(27.2)
Fair value of financial instruments	(0.0)	(0.0)
Net property income on a percentage-of-completion basis	(68.1)	(60.2)
Other timing differences	(5.2)	(6.2)
Net deferred tax on the balance sheet	**(22.2)**	**16.0**

As at 31 December 2019, the Group had unrecognised tax loss carry-forwards of €398.5 million (basis), as compared with €480.7 million for the year ending 31 December 2018.

Deferred taxes relating to valuation differences correspond primarily to the brands held by the Group.

Deferred taxes relating to the recognition of tax losses are primarily for losses recognised in the Altareit tax group, and for losses part-recognised in the taxable sector of Altarea SCA and Foncière Altarea.

Deferred taxes are calculated (for French companies which are part of the Group's main consolidation scope) at the rate of 28.92%, the rate set by the Finance Act for 2020, and not at the rate of 32.02% applicable in 2019.

The Finance Act provides for a gradual decrease in the rate of corporate income tax, which would be set at 28.92% in 2020, 27.37% in 2021 and 25.83% from 1 January 2022.

To anticipate the effect of these future reductions after 2020, a discount was applied to the tax calculated based on the items the Group does not expect to be cleared before this date.

Proposed corrections:

Alta Développement Italie, a subsidiary of Altarea SCA, underwent an inspection covering the financial years ended 31 December 2014 and 2015, further to a notice of amendment. Further to the departmental meeting held on 15 April 2019, the authorities notified the company that the tax adjustment was abandoned. This dispute is therefore now closed.

The Group no longer has any material pending tax dispute as of 31 December 2019.

5.4 Earnings per share

Net income per share (basic earnings per share) is the net income (Group share) compared to the weighted average number of shares in issue during the period, less the weighted average number of treasury shares.

To calculate the diluted net income per share, the weighted average number of shares in issue is adjusted to take into account the potentially dilutive effect of all equity instruments issued by the Company.

In 2018 as in 2018, the dilution arose only from the granting of rights to free shares in Altarea SCA to Group employees or corporate officers.

In € millions	31/12/2019	31/12/2018 restated
Numerator		
Net income, Group share	233.7	252.3
Denominator		
Weighted average number of shares before dilution	16,203,050	15,791,325
Effect of potentially dilutive shares		
Stock options	*0*	*0*
Rights to free share grants	*190,215*	*201,027*
Total potential dilutive effect	190,215	201,027
Weighted diluted average number of shares	16,393,265	15,992,352
NET INCOME PER SHARE ATTRIBUTABLE TO GROUP SHAREHOLDERS (IN €)	**14.42**	**15.97**
DILUTED NET INCOME PER SHARE ATTRIBUTABLE TO GROUP SHAREHOLDERS (IN €)	**14.26**	**15.77**

NOTE 6 LIABILITIES

6.1 Equity

6.1.1 Capital, share-based payments and treasury shares

CAPITAL

Altarea SCA share capital (in €)

In number of shares and in €	Number of shares	Nominal	Share capital
Number of shares outstanding at 31 December 2017	**16,051,842**	**15.28**	**245,280,324**
Capital increase reserved on acquisition of the company SND	9,487	15.28	144,961
Number of shares outstanding at 31 December 2018	**16,061,329**	**15.28**	**245,425,285**
Capital increase via the conversion of dividends into shares	599,267	15.28	9,156,800
Share capital increase reserved for Mutual Funds	40,166	15.28	613,736
Number of shares outstanding at 31 December 2019	**16,700,762**	**15.28**	**255,195,822**

Capital management

The aim of the Group's capital management is to ensure liquidity and optimise its capital structure.

The Company's policy is to maintain its LTV (Loan to Value) ratio at around 40%, excluding temporarily exceeding that level or exceptional transactions. The corporate loan agreement clauses specifically stipulate that the Group must maintain an LTV ratio below 60%.

SHARE-BASED PAYMENTS

The gross expense recorded on the income statement for share-based payments was €14.9 million in 2019 compared to €20.0 million in 2018.

No stock option plan was under way at 31 December 2019.

Free share grants

On existing plans as of 31 December 2018, in 2019:

- 110,001 free shares were awarded;
- 109,887 shares were delivered;
- 18,984 rights were cancelled or altered.

Award date	Number of rights awarded	Vesting date	Rights in circulation as at 31/12/2018	Awarded	Deliveries	Amendments to rights (a)	Rights in circulation as at 31/12/2019
Stock grant plans on Altarea shares							
10 November 2016	12,450 (b)	11 April 2019	8,450		(5,915)	(2,535)	
14 December 2016	33,365 (b)	10 April 2019	29,407		(21,824)	(7,583)	
22 March 2017	1,500 (b)	10 April 2019	1,000		(751)	(249)	
6 April 2017	11,500 (b)	30 April 2019	11,500		(8,050)	(3,450)	
15 February 2018	28,820	15 February 2019	27,310		(26,740)	(570)	
19 February 2018	32,480	19 February 2019	31,575		(31,283)	(292)	
21 February 2018	12,424	21 February 2020	12,139		(53)	(382)	11,704
2 March 2018	33,129 (b)	2 March 2020	31,754			(2,159)	29,595
6 March 2018	3,430	6 March 2019	3,340		(3,340)		
28 March 2018	1,410	28 March 2019	1,410		(1,410)		
29 March 2018	8,453	29 March 2019	8,453		(8,453)		
30 March 2018	4,327	30 March 2020	4,327			(150)	4,177
1 June 2018	2,000	1 June 2019	2,000		(2,000)		
20 July 2018	41,500 (b)	31 March 2021	41,500				41,500
7 September 2018	14,800 (b)	31 March 2021	14,800				14,800
25 September 2018	1,000	31 March 2020	1,000				1,000
3 December 2018	5,000 (b)	31 March 2021	5,000				5,000
19 December 2018	1,850 (b)	31 March 2020		1,850		–	1,850
19 December 2018	2,000 (b)	31 March 2021		2,000		–	2,000
15 March 2019	28,804	15 March 2020		28,804	(34)	(213)	28,557
18 March 2019	9,461	18 March 2021		9,461	(34)	(90)	9,337
19 March 2019	41,531	19 March 2022		41,531		(1,312)	40,219
6 June 2019	1,355	20 March 2022		1,355		–	1,355
18 October 2019	2,000	30 March 2021		2,000		–	2,000
21 October 2019	20,000 (b)	30 March 2022		20,000		–	20,000
18 December 2019	3,000 (b)	31 March 2021		3,000			3,000
Total	**357,589**		**234,964**	**110,001**	**(109,887)**	**(18,984)**	**216,094**

(a) Rights cancelled for reasons of departure, transfer, lack of certainty that performance criteria have been met or changes in plan terms
(b) Plans subject to performance criteria

Valuation parameters for new free share grants

	31/12/2019
Dividend rate	6.0%
Expected volatility[(a)]	17.41% for Altarea share price and 9.96% for IEIF Immobilier France index
Risk-free interest rate	0.0%
Model used	Binomial Cox-Ross-Rubinstein model/Monte Carlo method[(a)]

[(a)] Only for plans subject to performance criteria

TREASURY SHARES

The acquisition cost of treasury shares was €33.1 million at 31 December 2019 for 166,408 shares (including 165,675 shares intended for allotment to employees under free share grant or stock option plans and 733 shares allocated to a liquidity contract), compared with €54.6 million at 31 December 2018 for 278,602 shares (including 275,562 shares intended for allotment to employees under free share grant or stock option plans and 3,040 shares allocated to a liquidity contract). Treasury shares are eliminated and offset directly in equity.

In addition, a net loss on disposal and/or free share grants of treasury shares to Company employees was recognised directly in equity in the amount of €21.0 million before tax at 31 December 2019 (€15.0 million after tax) compared with €18.0 million at 31 December 2018 (€12.2 million before tax).

The negative impact on cash flow from purchases and disposals over the period came to €0.4 million at 31 December 2019 compared to €18.6 million at 31 December 2018.

6.1.2 Dividends proposed and paid

Dividends paid

In € millions	31/12/2019	31/12/2018
Paid in current year in respect of previous year:		
Dividend per share (in euros)	*12.75*	*12.50*
Payment to shareholders of the Altarea Group	202.6	197.8
Proportional payment to the general partner (1.5%)	3.0	3.0
Total	**205.6**	**200.8**
Offer to convert dividends into shares:		
Subscription price (in euros)	*156.55*	*-*
Total amount of conversion into shares	**93.8**	**-**
Rate of conversion of dividends into shares on the 50% option	*92.6%*	

Proposed payment in respect of 2019

The General Shareholders' Meeting of 20 May 2020 will be asked to approve the payment of a dividend of €13,00 per share in respect of 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.

6.2 Net financial debt and guarantees

Current and non-current borrowings and financial liabilities, and net cash

In € millions	31/12/2018	Cash flow	"Non-cash" change					31/12/2019
			Spreading of issue costs	Change in scope of consolidation	Present value adjustment	Change in method	Reclassification	
Bonds (excluding accrued interest)	1,267.2	337.3	1.1	7.8	–	–	–	1,613.5
Negotiable European Commercial Paper and Negociable European Medium Term Note	381.0	358.5	–	–	–	–	–	739.5
Bank borrowings, excluding accrued interest and overdrafts	1,457.6	(538.7)	13.4	32.4	–	(33.7)	–	931.0
Net bond and bank debt, excluding accrued interest and overdrafts	**3,105.9**	**157.2**	**14.5**	**40.2**	**–**	**(33.7)**	**–**	**3,284.0**
Accrued interest on bond and bank borrowings	18.5	(1.2)	–	1.5	–	–	–	18.8
Bond and bank debt, excluding overdrafts	**3,124.3**	**156.0**	**14.5**	**41.7**	**–**	**(33.7)**	**–**	**3,302.8**
Cash and cash equivalents	(678.5)	(151.6)	–	–	–	–	–	(830.2)
Bank overdrafts	3.5	(0.8)	–	–	–	–	–	2.7
Net cash	**(675.0)**	**(152.4)**	**–**	**–**	**–**	**–**	**–**	**(827.5)**
Net bond and bank debt	**2,449.3**	**3.5**	**14.5**	**41.7**	**–**	**(33.7)**	**–**	**2,475.3**
Equity loans and Group and partners' advances (*)	169.1	54.6	–	22.9	–	–	0.0	246.6
Accrued interest on shareholders' advances	5.6	0.2	–	–	–	–	(0.0)	5.7
Lease liabilities	–	(23.7)	–	0.4	–	43.4	3.1	23.2
Contractual fees on investment properties	–	1.0	–	–	–	133.0	9.4	143.4
Net financial debt	**2,624.0**	**35.6**	**14.5**	**65.0**	**–**	**142.7**	**12.5**	**2,894.3**

(*) o/w allocation of earnings to shareholder current accounts for €17.5 million

6.2.1 Net financial bond and bank debt

Group net financial bond and bank debt amounted to €2,475.3 million at 31 December 2019.

Further to the application of IFRS 16 - Leases, bank borrowings excluding accrued interest and bank overdrafts fall by €33.7 million: lease financing debt has been re-stated as "Contractual fees for investment property".

During the financial year, the Group notably:

- successfully placed a rated bond issue, for €500 million with a maturity of 8 years and 3 months and a fixed coupon of 1.875%,
- proceeded with a €530 million repayment of mortgage loans,
- proceeded with the repayment of a matured private bond issuance for 150 million,
- proceeded with the repayment of fixed-term loans totalling €34 million,
- put in place term loans or comleted drawings on revolving credit facilities totalling €125 million,
- increased its issues of Negotiable European Commercial Paper (plus €359 million during the financial year). The Group continued to make use of short- and medium-term resources via NEU-CP (issues up to one year) and NEU-MTN (issues in excess of one year) programmes.

All financing was not fully drawn at 31 December 2019

The changes in the consolidation scope are mainly related to the acquisition of the developer Severini and to movements in the Property Development business, notably the acquisition of the company which holds the Reflets Compans traditional mall in the first half-year.

Borrowing costs are analysed in the note on earnings.

Net cash

Marketable securities classified as cash equivalents (of a non-material amount on a Group level) are recognised at fair value at each reporting date (see section 2.4.10 of Accounting principles and methods).

Breakdown of bank and bond debt by maturity

In € millions	31/12/2019	31/12/2018
< 3 months	429.6	323.0
3 to 6 months	192.2	50.2
6 to 9 months	127.8	87.2
9 to 12 months	75.3	183.5
Less than 1 year	**825.0**	**643.8**
2 years	653.7	145.8
3 years	79.2	586.4
4 years	98.2	67.9
5 years	570.3	98.2
1 to 5 years	**1,401.4**	**898.3**
More than 5 years	**1,096.8**	**1,609.1**
Issuance cost to be amortised	(17.7)	(23.4)
Total gross bond and bank debt	**3,305.5**	**3,127.8**

The increase in the portion of bond and bank debt due in less than one year is attributable to the increase in Negotiable European Commercial Paper and their maturity schedule. The increase in the portion due at 2 years is in particular linked to the expiry of the Cap 3000 mortgage debt and the maturity of the bonds issued by Altarea in 2014. The portion due at 5 years has been reduced via the repayment by the Group of mortgage loans in particular.

Breakdown of bank and bond debt by guarantee

In € millions	31/12/2019	31/12/2018
Mortgages	506.0	1,031.8
Mortgage commitments	184.3	213.6
Moneylender lien	13.7	24.6
Pledging of receivables	–	5.6
Altarea SCA security deposit	150.0	109.0
Not Guaranteed	2,466.6	1,766.7
Total	**3,320.6**	**3,151.2**
Issuance cost to be amortised	(15.1)	(23.4)
Total gross bond and bank debt	**3,305.5**	**3,127.8**

Mortgages are given as guarantees for financing or refinancing of shopping centres. Mortgage commitments and the lender's lien mainly concern Property Development activities.

Breakdown of bank and bond debt by interest rate

	Gross bond and bank debt		
In € millions	Variable rate	Fixed rate	Total
At 31 December 2019	1,606.3	1,699.2	3,305.5
At 31 December 2018	1,600.6	1,527.2	3,127.8

The market value of fixed rate debt stood at €1,783.5 million at 31 December 2019 compared to €1,552.9 million at 31 December 2018.

Schedule of future interest expenses

In € millions	31/12/2019	31/12/2018
< 3 months	4.2	2.4
3 to 6 months	10.5	8.0
6 to 9 months	17.3	16.1
9 to 12 months	8.8	(6.1)
Less than 1 year	**40.8**	**20.4**
2 years	68.5	55.6
3 years	57.6	61.8
4 years	54.7	37.7
5 years	49.5	40.4
1 to 5 years	**230.4**	**195.4**

These future interest expenses concern borrowings and financial instruments, and are presented exclusive of accrued interest not payable.

6.2.2 Lease liabilities

Lease liabilities are debts mainly relating to real estate leases and vehicle leases (respectively for the premises occupied and the vehicles used by Group employees).
The value of these obligations amounts to €23.2 million for the year to 31 December 2019, with regard to the rights to use relating to property, plant and equipment and intangible assets.

6.2.3 Contractual fees on Investment properties

Contractual fees on investment properties concern debts relating to temporary occupation authorisations and construction leases on retail assets (mainly railway stations). The value of these fees (fees which are different from lease liabilities) amounts to €143.4 million for the year to 31 December 2019, with regard to the rights to use relating to investment properties (income-generating assets).

6.2.4 Breakdown by due date for lease liabilities and contractual fees on investment properties

In € millions	31/12/2019	31/12/2018
< 3 months	10.0	–
3 to 6 months	2.5	–
6 to 9 months	2.1	–
9 to 12 months	2.4	–
Less than 1 year	**17.1**	**–**
2 years	15.1	–
3 years	4.9	–
4 years	3.4	–
5 years	3.1	–
1 to 5 years	**26.5**	**–**
More than 5 years	**123.1**	**–**
Total Lease liabilities and Contractual fees on investment properties	**166.6**	**–**

6.2.5 Elements of net debt set out in the cash flow table

In € millions	Cash flow
Issuance of debt and other financial liabilities	1,891.3
Repayment of borrowings and other financial liabilities	(1,662.0)
Change in borrowing and other financial liabilities	**229.3**
Repayment of lease liabilities	(22.7)
Change in cash balance	152.4
Total change in net financial debt (TFT)	**359.0**
Net bond and bank debt, excluding accrued interest and overdrafts	157.2
Net cash	152.4
Equity loans and Group and partners' advances	54.6
Lease liabilities	(23.7)
Contractual fees on investment properties	1.0
Allocation of income to shareholder current accounts	17.5
Total change in net financial debt	**359.0**

6.3 Provisions

In € millions	31/12/2019	31/12/2018
Provision for benefits payable at retirement	14.5	11.8
Other provisions	10.6	9.8
TOTAL PROVISIONS	**25.1**	**21.6**

Provision for benefits payable at retirement was measured, as in previous financial years, by an external actuary. The valuation and accounting principles are detailed in the Company's accounting principles and methods, note 2.4.14 "Employee benefits" in the appendix to the consolidated financial statements as at 31 December 2019. The main assumptions used when evaluating this commitment are turnover, the discount rate and the rate of salary increase: a change of +/-0.25% in the last two criteria would not have any significant impact.

Other provisions primarily cover:

- the risk of disputes arising from construction operations,
- the risk of the failure of certain partners,
- as well as estimates of residual risks involving completed programmes (litigation, ten-year guarantee, definitive general statement, etc.).

NOTE 7 ASSETS AND IMPAIRMENT TESTS

7.1 Investment properties

In € millions	Investment properties measured at fair value	Investment properties measured at cost	Investment properties right-of-use	Assets held for sale	Total Investment properties
At 31 December 2018	**3,931.3**	**594.9**	**–**	**–**	**4,526.2**
Subsequent investments and expenditures	18.1	215.8	–	–	233.9
Change in spread of incentives to buyers	5.8	–	–	–	5.8
Disposals/repayment of down payments made	(172.9)	(7.9)	–	–	(180.7)
Net impairment/project discontinuation	–	(13.6)	–	–	(13.6)
Transfers to assets held for sale or to or from other categories	(62.9)	(272.1)	–	335.0	–
New right-of-use asset	–	–	9.4	–	9.4
Change in fair value	61.4	–	(6.7)	–	54.7
Change in method	(26.6)	(7.8)	134.0	–	99.6
Change in scope of consolidation	71.9	–	–	–	71.9
At 31 December 2019	**3,826.2**	**509.3**	**136.7**	**335.0**	**4,807.2**

At 31 December 2019, interest expenses amounting to €5.8 million were capitalised in respect of projects under development and construction.

Investment properties at fair value

The primary movements concern:

- transfers to fair value of most of the extension to Cap 3000, excluding the Corso mall, as well as the second phase of the Paris-Montparnasse train station project,
- the acquisition of five railway stations in Italy (Milan, Turin, Padua, Rome and Naples),
- the sale of the Okabé shopping centre in Kremlin-Bicêtre and of the Herblay retail park,
- the creation of a partnership with Crédit Agricole Assurances relating to three local assets: Le Parks (Paris), Reflets Compans (Toulouse), and Jas Bouffan (Aix-en-Provence). Under this partnership, the Group now holds 25% of the holding structure of these assets,
- the transfer to assets held for sale of the Italian shopping centres Le Due Torri and Le Corte Lombarda; and of the French shopping centres Flins, Ollioules and Les Essarts;
- changes in fair value of shopping centres in operation.

Investment properties valued at cost

Assets in development or under construction carried at cost mainly concern projects for the extension of the Cap 3000 centre in Saint- Laurent-du-Var, the development projects for the Paris railway stations and the redevelopment of shopping centres in France.

Rights of use on Investment properties

The right-of-use asset relating to the Investment properties correspond to the valuation in accordance with IFRS 16:

- temporary occupation authorisation contracts for Investment properties, and
- previous leasing agreements recorded in the accounts under IAS 17 as investment property at fair value and at cost.

The impact of the launch of this standard is set out in section 2.5 "Change in method".

The item New right-of-use asset includes all lease agreements signed during the period, as well as the indexation of existing agreements.

Value Measurement – IFRS 13

In accordance with IFRS 13 – “Fair Value Measurement” and the EPRA’s recommendation on IFRS 13, “EPRA Position Paper on IFRS 13 – Fair Value Measurement and Illustrative Disclosures, February 2013”, the Group chose to present additional parameters used to determine the fair value of its property portfolio.

The Altarea Cogedim Group considered that classifying its assets in level 3 was most appropriate. This treatment reflects the primarily unobservable nature of the data used in the assessments, such as rents from rental statements, capitalisation rates and average annual growth rate of rents. The tables below thus present a number of quantitative parameters used to determine the fair value of the property portfolio. These parameters apply only to shopping centres controlled exclusively by the Group (and therefore do not include assets accounted for under the equity method) and which are measured at fair value by the expert appraisers.

		Initial capitalisation rate	Rental in € per m²	Discount rate	Capitalisation rate at exit	Average annual growth rate of net rental income
		a	b	c	d	e
France	Maximum	6.7%	803	7.5%	6.5%	7.6%
	Minimum	3.7%	41	5.0%	3.4%	1.5%
	Weighted average	**4.6%**	**392**	**6.0%**	**4.6%**	**3.1%**
International	Maximum	8.1%	271	7.8%	7.0%	2.9%
	Minimum	5.2%	184	7.1%	5.2%	2.2%
	Weighted average	**6.5%**	**244**	**7.4%**	**6.5%**	**2.5%**

a - The initial capitalisation rate is the net rental income relative to the appraisal value excluding transfer duties.
b - Annual average rent (minimum guaranteed rent plus variable rent) per asset and m².
c - Rate used to discount the future cash flows.
d - Rate used to capitalise the revenue in the exit year in order to calculate the asset's exit value.
e - Average Annual Growth Rate of net rental income.

Based on a Group weighted average capitalisation rate, a +0.25% increase in capitalisation rates would lead to a reduction of -€192.0 million in the value of investment properties (-5.2%), while a 0.25% decrease in capitalisation rates would increase the value of investment properties by €215.0 million (+5.8%)

Breakdown of the portfolio measured at fair value by asset type

In € millions	31/12/2019	31/12/2018
Regional shopping centres	2,611.4	2,471.7
Travel retail	449.3	254.0
Retail parks	673.4	730.3
Others	92.0	475.4
TOTAL	**3,826.2**	**3,931.3**

Investment working capital requirement

In € millions	Receivables on fixed assets	Amounts due on non-current assets	Investment WCR
At 31 December 2018	**4.8**	**(103.7)**	**(98.9)**
Change	0.9	(41.3)	(40.4)
Present value adjustment	–	(0.1)	(0.1)
Transfers	(0.1)	–	(0.1)
Change in scope of consolidation	–	0.0	0.0
At 31 December 2019	**5.6**	**(145.1)**	**(139.6)**
Change in WCR at 31 December 2019	**0.9**	**(41.3)**	**(40.4)**

Net acquisitions of assets and capitalised expenditures

In € millions	31/12/2019	31/12/2018
Type of non-current assets acquired:		
Intangible assets	(1.1)	(11.2)
Property plant and equipment	(4.9)	(7.2)
Investment properties	(185.9)	(195.9)
Total	**(192.0)**	**(214.3)**

7.2 Goodwill and other intangible assets

In € millions	Gross values	Amortisation and/or impairment	31/12/2019	31/12/2018
Goodwill	**449.0**	**(239.6)**	**209.4**	**194.3**
Brands	**105.4**	**–**	**105.4**	**100.7**
Customer relationships	**192.9**	**(192.3)**	**0.6**	**–**
Software applications, patents and similar rights	47.1	(31.3)	15.7	18.4
Leasehold Right	2.5	(2.2)	0.3	0.3
Others	0.1	(0.0)	0.0	0.0
Other intangible assets	**49.6**	**(33.5)**	**16.1**	**18.8**
TOTAL	**796.8**	**(465.4)**	**331.4**	**313.7**

In € millions	31/12/2019	31/12/2018
Net values at beginning of the period	**313.7**	**258.5**
Acquisitions of intangible assets	1.1	11.2
Disposals and write-offs	(0.0)	(0.1)
Changes in scope of consolidation and other	21.1	49.8
Net allowances for depreciation	(4.5)	(5.7)
Net values at the end of the period	**331.4**	**313.7**

Goodwill generated by the Property development business

Goodwill is mainly acquisitions of Cogedim, Pitch Promotion and Histoire & Patrimoine.

The monitoring of business indicators for the Residential and Business Property segments did not reveal any evidence of impairment for these activities.

The main assumptions used to calculate the enterprise value are as follows:

- the discounting rate is 9.0%,
- the unrestricted cash flow within the horizon of the business plan is based on hypotheses relating to the volume of business and operating margin which includes the financial and market assumptions known as of the date of compilation;
- the discounting rate to infinity is 1.5.%.

At 31 December 2019, on the basis of these assumptions, the fair value of the economic assets in the Residential and Business Property segments are greater than their net book value as of the same date irrespective of the EBITA rate used. No impairment needs to be recorded in the financial statements.

Sensitivity of + or –1% on the discounting rate and of + or – 0.5% on the discounting rate to infinity, would lead to valuations of the economic assets (taking average WCR for the period into account) for the Residential segment on the one hand and the Business Property segment on the other hand which remain greater than their book value as at 31 December 2019.

Brands

The Group owns the following brands: Cogedim, Pitch Promotion, Histoire & Patrimoine and, since early 2019, Severini. These brands, of a total value of €105.4 million, have an indefinite useful life and are thus not amortised

The brands were tested and no impairment was recognized as of December 31,2019.

7.3 Right-of-use on tangible and intangible fixed assets

In € millions	Land and Constructions	Vehicles	Other	Gross rights to use	Amort. Land and Construct-ions	Amort. Vehicles	Amort. Other	Total amortisations	Net rights to use
At 31 December 2018	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Change in method	45.4	2.9	4.0	52.4	(7.2)	(0.7)	(1.0)	(8.8)	43.6
New contracts / Increases	1.9	1.1	0.0	3.1	(18.2)	(1.3)	(1.2)	(20.7)	(17.6)
Contract terminations/Reversals	(4.4)	(0.3)	(0.1)	(4.8)	1.4	0.2	0.1	1.8	(3.1)
Change in scope of consolidation	0.5	–	–	0.5	(0.0)	–	–	(0.0)	0.4
At 31 December 2019	**43.4**	**3.7**	**3.9**	**51.1**	**(24.0)**	**(1.7)**	**(2.0)**	**(27.8)**	**23.4**

Those Group companies having signed rental contracts within the scope of IFRS 16 – Leases, record as assets on the balance sheet, in the form of the right-of-use asset, all leases (mainly leases for premises used by Group employees, vehicle leasing) in exchange for a lease liabilities.

The term used corresponds to the fixed period of the commitment as well as to any optional periods for which there is a reasonable expectation of these being exercised.

7.4 Operational working capital requirement

Summary of components of operational working capital requirement

In € millions	31/12/2019	31/12/2018 restated	Flows		
			Created by the business	Changes in consolidation scope and transfer	Change in consolidation method
Net inventories and work in progress	**1,064.5**	**986.6**	**61.4**	**16.5**	**0.0**
Contract assets	**564.9**	**444.4**	**141.2**	**(20.6)**	**–**
Net trade receivables	296.8	128.8	136.0	32.0	–
Other operating receivables net	497.5	433.0	101.2	(36.6)	(0.2)
Trade and other operating receivables net	**794.3**	**561.8**	**237.2**	**(4.6)**	**(0.2)**
Contract liabilities	**(168.8)**	**(105.7)**	**(63.1)**	**–**	**–**
Trade payables	(1,019.6)	(730.8)	(274.8)	(14.1)	–
Other operating payables	(474.8)	(405.3)	(112.2)	42.4	0.3
Trade payables and other operating liabilities	**(1,494.5)**	**(1,136.1)**	**(387.0)**	**28.3**	**0.3**
Operational WCR	**760.5**	**751.0**	**(10.3)**	**19.6**	**0.2**

The Group's operational working capital requirement (excluding receivables and payables on the sale or acquisition of fixed assets) is essentially linked to the Property Development sector.

The changes in the consolidation scope are mainly related to the movements within the Property Development business and the acquisition of Severini.

7.4.1 Net inventories and work in progress

In € millions	Gross inventories	Impairment	Net inventories
As of 1 January 2018	**1,296.5**	**(7.7)**	**1,288.8**
Change in method	(503.0)	–	(503.0)
Change	153.3	(0.0)	153.3
Increases	–	(2.3)	(2.3)
Reversals	–	2.1	2.1
Transfers to or from other categories	0.1	0.0	0.1
Change in scope of consolidation	48.5	(0.9)	47.6
As of 31 December 2018 - restated	**995.4**	**(8.9)**	**986.6**
Change	74.9	(0.0)	74.9
Increases	–	(17.2)	(17.2)
Reversals	–	3.8	3.8
Transfers to or from other categories	1.1	0.2	1.3
Change in scope of consolidation	17.9	(2.6)	15.3
At 31 December 2019	**1,089.2**	**(24.7)**	**1,064.5**

The change in inventories is mainly due to changes in the Group's Property Development business.

The changes in the consolidation scope are mainly related to the movements within the Property Development business and the acquisition of Severini.
In 2018, the change in method is linked to the application of IFRS 15 and the impact of the clarification of IAS 23.

7.4.2 Trade and other receivables

In € millions	31/12/2019	31/12/2018
Gross trade receivables	**320.3**	**149.4**
Opening impairment	**(20.6)**	**(20.4)**
Increases	(7.2)	(6.6)
Change in scope of consolidation	(0.1)	0.1
Reversals	4.3	6.3
Closing impairment	**(23.5)**	**(20.6)**
Net trade receivables	**296.8**	**128.8**
Advances and down payments paid	50.8	41.4
VAT receivables	339.2	291.2
Sundry debtors	30.5	26.7
Prepaid expenses	53.8	43.1
Principal accounts in debit	26.1	31.0
Total other operating receivables gross	**500.4**	**433.3**
Opening impairment	**(0.3)**	**(2.5)**
Increases	(2.6)	(0.2)
Change in scope of consolidation	(0.1)	(0.0)
Reversals	0.2	2.4
Closing impairment	**(2.9)**	**(0.3)**
Net operating receivables	**497.5**	**433.0**
Trade receivables and other operating receivables	**794.3**	**561.8**
Receivables on sale of assets	5.6	4.8
Trade receivables and other receivables	**799.9**	**566.7**

Trade receivables

Receivables on off-plan sales (VEFA) are recorded inclusive of all taxes and represent revenues on a percentage-of-completion basis less receipts received from customers.

Detail of trade receivables due:

In € millions	31/12/2019
Total gross trade receivables	**320.3**
Impairment of trade receivables	(23.5)
Total net trade receivables	**296.8**
Trade accounts to be invoiced	(36.7)
Receivables lagging completion	(38.5)
Trade accounts receivable due	**221.7**

Receivables lagging completion according to the percentage-of-completion method are affected by the application of IFRS 15: revenue and therefore trade receivables according to the percentage-of-completion method are taken more rapidly.

In € millions	Total	On time	30 days	60 days	90 days	More than 90 days
Trade accounts receivable due	**221.7**	154.5	3.1	21.0	3.1	39.9

Advances and down payments paid

Advances and down payments correspond primarily to compensation for loss of use paid by Cogedim to the sellers of land when preliminary sales agreements are signed (for those not covered by guarantees) as part of its property development business. They are offset against the price to be paid on completion of the purchase.

Principal accounts in debit

As part of its property management business and real estate transactions, the Group presents the cash balance it manages for third parties on its balance sheet.

7.4.3 Trade and other payables

In € millions	31/12/2019	31/12/2018
Trade payables and related accounts	**1,019.6**	**730.8**
Advances and down payments received from clients	7.1	8.7
VAT collected	275.3	229.3
Other tax and social security payables	57.1	53.8
Prepaid income	8.1	4.3
Other payables	101.1	78.2
Principal accounts in credit	26.1	31.0
Other operating payables	**474.8**	**405.3**
Amounts due on non-current assets	145.1	103.7
Trade and other payables	**1,639.6**	**1,239.8**

Payables on acquisition of assets

Payables on acquisition of assets correspond mainly to debts to suppliers for shopping centres just completed or under development.

NOTE 8 **FINANCIAL RISK MANAGEMENT**

The Group is exposed to the following risks as part of its operational and financing activities: interest rate risk, liquidity risk, counterparty risk and currency risk.

8.1 Carrying amount of financial instruments by category

At 31 December 2019

			Financial assets and liabilities carried at amortised			Financial assets and liabilities carried at fair value			
In € millions	Total carrying amount	Non-financial assets	Loans Receivables	Liabilities at amortised cost	Equity instruments	Assets and liabilities at fair value through	*Level 1 (a)*	*Level 2 (b)*	*Level 3 (c)*
NON-CURRENT ASSETS	**576.4**	**210.8**	**332.0**	**–**	**33.6**	**–**	**–**	**–**	**33.6**
Securities and investments in equity affiliates and unconsolidated interests	565.7	210.8	321.3	–	33.6	–	–	–	33.6
Loans and receivables (non-current)	10.6	–	10.6	–	–	–	–	–	–
CURRENT ASSETS	**1,658.5**	**–**	**1,655.4**	**–**	**–**	**3.1**	**1.9**	**1.2**	**–**
Trade and other receivables	799.9	–	799.9	–	–	–	–	–	–
Loans and receivables (current)	27.3	–	27.3	–	–	–	–	–	–
Derivative financial instruments	1.2	–	–	–	–	1.2	–	1.2	–
Cash and cash equivalents	830.2	–	828.2	–	–	1.9	1.9	–	–
NON-CURRENT LIABILITIES	**2,745.2**	**–**	**–**	**2,745.2**	**–**	**–**	**–**	**–**	**–**
Borrowings and financial liabilities	2,708.5	–	–	2,708.5	–	–	–	–	–
Deposits and security interests received	36.7	–	–	36.7	–	–	–	–	–
CURRENT LIABILITIES	**2,753.8**	**–**	**–**	**2,655.6**	**–**	**98.2**	**–**	**98.2**	**–**
Borrowings and financial liabilities	1,016.0	–	–	1,016.0	–	–	–	–	–
Derivative financial instruments	98.2	–	–	–	–	98.2	–	98.2	–
Trade and other payables	1,639.6	–	–	1,639.6	–	–	–	–	–

(a) Financial instruments listed on an active market
(b) Financial instruments whose fair value is determined using valuation techniques based on observable market inputs
(c) Financial instruments whose fair value (in whole or in part) is based on non-observable inputs

Equity instruments mainly comprise equity securities of non-consolidated companies. At each acquisition an analysis is carried out to determine the Group's management intention, and therefore its accounting method (by result or by OCI).
Cash and cash equivalents breakdown between cash presented under receivables and marketable securities presented as financial assets within Level 1 of the fair value hierarchy.

As of 31 December 2018 - restated

In € millions	Total carrying amount	Non-financial assets	Financial assets and liabilities carried at amortised		Financial assets and liabilities carried at fair value				
			Loans Receivables	Liabilities at amortised cost	Equity instruments	Assets and liabilities at fair value through	Level 1 (a)	Level 2 (b)	Level 3 (c)
NON-CURRENT ASSETS	**398.0**	**156.3**	**208.4**	**–**	**33.3**	**–**	**–**	**–**	**33.3**
Securities and investments in equity affiliates and unconsolidated interests	387.4	156.3	197.9	–	33.3	–	–	–	33.3
Loans and receivables (non-current)	10.6	–	10.6	–	–	–	–	–	–
CURRENT ASSETS	**1,284.8**	**–**	**1,275.3**	**–**	**–**	**9.5**	**7.3**	**2.2**	**–**
Trade and other receivables	566.7	–	566.7	–	–	–	–	–	–
Loans and receivables (current)	37.4	–	37.4	–	–	–	–	–	–
Derivative financial instruments	2.2	–	–	–	–	2.2	–	2.2	–
Cash and cash equivalents	678.5	–	671.2	–	–	7.3	7.3	–	–
NON-CURRENT LIABILITIES	**2,593.2**	**–**	**–**	**2,593.2**	**–**	**–**	**–**	**–**	**–**
Borrowings and financial liabilities	2,560.6	–	–	2,560.6	–	–	–	–	–
Deposits and security interests received	32.6	–	–	32.6	–	–	–	–	–
CURRENT LIABILITIES	**2,048.9**	**–**	**–**	**1,981.7**	**–**	**67.2**	**–**	**67.2**	**–**
Borrowings and financial liabilities	741.9	–	–	741.9	–	–	–	–	–
Derivative financial instruments	67.2	–	–	–	–	67.2	–	67.2	–
Trade and other payables	1,239.8	–	–	1,239.8	–	–	–	–	–

(a) Financial instruments listed on an active market
(b) Financial instruments whose fair value is determined using valuation techniques based on observable market inputs
(c) Financial instruments whose fair value (in whole or in part) is based on non-observable inputs

Equity instruments mainly comprise equity securities of non-consolidated companies. At each acquisition an analysis is carried out to determine the Group's management intention, and therefore its accounting method (by result or by OCI).
Cash and cash equivalents breakdown between cash presented under receivables and marketable securities presented as financial assets within Level 1 of the fair value hierarchy.

8.2 Interest rate risk

The Group holds a portfolio of swaps and caps designed to hedge against interest rate risk on its financial debts.

The Group has been financed either through the mortgage markets or the bank lending markets (revolving loans or term loans). The financings were concluded at variable rates and then hedged in the form of swaps or caps.
For a few years now, the Group has completely modified this financing structure, with recourse now being mainly to the lending markets. This modification to the financial methods used and the increasing recourse to fixed-rate bonds have changed the previous hedging strategy.

The Group has not opted for the hedge accounting available under IFRS 9. Derivatives are carried at fair value.

In compliance with IFRS 13, these instruments are measured by considering the credit valuation adjustment (CVA) when positive, and the debit valuation adjustment (DVA) when negative. This adjustment measures, by application on each cash flow date of the valuation of a probability of default, the counterparty risk defined as an obligation to replace a hedging operation at the market rate in force following the default by one of the counterparties. CVA, calculated for a given counterparty, considers the probability of default for this counterparty. DVA, based on the Company's credit risk, corresponds to the counterparty's exposure to loss in the event of the Company's default.

The resulting impact is a positive change in the fair value of derivative financial instruments of €2.2 million on net income for the period.

Position in derivative financial instruments

In € millions	31/12/2019	31/12/2018
Interest-rate swaps	(97.5)	(64.4)
Interest-rate caps	0.0	0.0
Accrued interest not yet due	0.4	(0.6)
Total	**(97.0)**	**(65.0)**

Derivatives were valued by discounting future cash flows estimated according to interest rate curves at 31 December 2019.

Maturity schedule of derivative financial instruments (notional amounts)

At 31 December 2019

In € millions	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024
ALTAREA – pay fixed – swap	1,009.3	833.4	582.5	581.6	580.7	579.9
ALTAREA – pay floating rate – swap	630.0	450.0	400.0	400.0	400.0	–
ALTAREA – pay fixed – collar	–	–	–	–	–	–
ALTAREA – pay fixed – cap	75.0	75.0	–	–	–	–
Total	**1,714.3**	**1,358.4**	**982.5**	**981.6**	**980.7**	**579.9**
Average hedge ratio	0.34%	0.67%	0.60%	0.60%	0.60%	0.56%

At 31 December 2018

In € millions	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
ALTAREA – pay fixed – swap	1,694.1	1,692.8	2,216.5	1,990.2	1,963.9	1,962.6
ALTAREA – pay floating rate – swap	630.0	630.0	630.0	400.0	400.0	400.0
ALTAREA – pay fixed – collar	–	–	–	–	–	–
ALTAREA – pay fixed – cap	181.5	75.0	75.0	–	–	–
Total	**2,505.6**	**2,397.8**	**2,921.5**	**2,390.2**	**2,363.9**	**2,362.6**
Average hedge ratio	0.47%	0.57%	0.93%	0.94%	0.94%	0.94%

Management position

At 31 December 2019

In € millions	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024
Fixed-rate bond and bank loans	(1,699.2)	(1,681.2)	(1,450.4)	(1,449.6)	(1,448.7)	(947.9)
Floating-rate bank loans	(1,606.3)	(799.8)	(376.8)	(298.5)	(201.1)	(131.6)
Cash and cash equivalents (assets)	830.2	–	–	–	–	–
Net position before hedging	**(2,475.3)**	**(2,481.0)**	**(1,827.2)**	**(1,748.1)**	**(1,649.9)**	**(1,079.5)**
Swap	1,639.3	1,283.4	982.5	981.6	980.7	579.9
Collar	–	–	–	–	–	–
Cap	75.0	75.0	–	–	–	–
Total derivative financial instruments	**1,714.3**	**1,358.4**	**982.5**	**981.6**	**980.7**	**579.9**
Net position after hedging	**(761.1)**	**(1,122.6)**	**(844.7)**	**(766.4)**	**(669.1)**	**(499.7)**

At 31 December 2018

In € millions	31/12/2018	31/12/2019	30/12/2020	30/12/2021	30/12/2022	30/12/2023
Fixed-rate bond and bank loans	(1,527.2)	(1,358.5)	(1,355.8)	(1,123.0)	(1,120.2)	(1,117.4)
Floating-rate bank loans	(1,600.6)	(1,125.5)	(982.4)	(628.9)	(563.7)	(468.3)
Cash and cash equivalents (assets)	678.5	–	–	–	–	–
Net position before hedging	**(2,449.3)**	**(2,484.0)**	**(2,338.2)**	**(1,751.8)**	**(1,683.9)**	**(1,585.7)**
Swap	2,324.1	2,322.8	2,846.5	2,390.2	2,363.9	2,362.6
Collar	–	–	–	–	–	–
Cap	181.5	75.0	75.0	–	–	–
Total derivative financial instruments	**2,505.6**	**2,397.8**	**2,921.5**	**2,390.2**	**2,363.9**	**2,362.6**
Net position after hedging	**56.3**	**(86.2)**	**583.3**	**638.3**	**680.0**	**776.9**

Analysis of interest-rate sensitivity:

The following table shows the interest-rate sensitivity (including the effect of hedging instruments) of the entire portfolio of floating-rate borrowings from credit institutions and derivative instruments.

	Increase/decrease in interest rates	Impact of the gain or loss on pre-tax profit	Impact on the value of the portfolio of the financial instruments
31/12/2019	+50 bps -50 bps	+€2.2 million -€2.1 million	+€32.8 million -€34.0 million
31/12/2018	+50 bps -50 bps	+€2.3 million -€2.2 million	+€48.6 million -€50.2 million

8.3 Liquidity risk

CASH

The Group had a positive cash position of €830.2 million at 31 December 2019, compared to €678.5 million at 31 December 2018. This represents its main tool for management of liquidity risk.

Part of this cash is classified as non-available to the Group, but is available to the subsidiaries that carry it: at 31 December 2019, the amount of this restricted cash was €511.4 million.

On this date, in addition to the available cash of €318.8 million, the Group also had €858.2 million of additional available cash and cash equivalents (in confirmed corporate credit lines that had not been used and were not assigned to projects) and €104.5 million of available cash and cash equivalents for projects.

COVENANTS

The covenants with which the Group must comply concern the listed corporate bond and banking loans, for €1,522.2 million.

The bond issue subscribed for by Altareit SCA (350 million) is subject to leverage covenants.

	Altarea Group covenants	31/12/2019	Consolidated Altareit covenants	31/12/2019
Loan To Value (LTV)				
Net bond and bank financial debt/re-assessed value of the Company's assets	< 60%	33.2%		
Interest Cover Ratio (ICR)				
Operating income (FFO column or cash flow from operations)/Company's net borrowing cost (FFO column)	> 2	7.3		
Leverage				
Gearing: Net financial debt/Equity			≤ 3.25	0.4
ICR: EBITDA/Net interest expenses			≥ 2	10.0

The covenants specific to mortgage loans to finance shopping centres in operation:

- DSCR = net rental income of the Company/cost of net financial debt plus principal repayment; normally 1.50 (or a lower ratio),
- LTV ratio in operation phase = Loan To Value = Company net debt/ Company net asset value is normally <70%,
- The covenants specific to mortgage loans for shopping centres under development or redevelopment may be more restrictive than to loans for centres in operation, within the limit of the following values: DSCR >2.0 and LTV <60%.

At 31 December 2019, the Company met all its covenants. In the highly likely event that certain mortgage debt may be required to be partially repaid at a subsequent date, the amount of these repayments is recognised under current liabilities until the maturity date.

COUNTERPARTY RISK

The use of derivatives to limit interest-rate risk exposes the Group to a possible default by a counterparty. The Group mitigates this risk by selecting only major financial institutions as counterparties in hedging transactions.

CURRENCY RISK

Because the Company operates exclusively in the euro zone, it has not entered into any currency hedges.

NOTE 9 RELATED PARTY TRANSACTIONS

Ownership structure of Altarea SCA

Ownership of the Company's shares and voting rights is as follows:

In percentage	31/12/2019 % share capital	31/12/2019 % voting rights	31/12/2018 % share capital	31/12/2018 % voting rights
Founding shareholders and the expanded concert party [(a)]	45.76	46.22	45.76	46.57
Crédit Agricole Assurances	24.68	24.93	24.67	25.11
ABP	8.25	8.33	8.24	8.39
Opus Investment BV [(b)]	1.33	1.34	1.32	1.35
Treasury shares	1.00	–	1.73	–
Public + employee investment mutual fund	18.98	19.17	18.27	18.59
Total	**100.00**	**100.00**	**100.00**	**100.00**

(a) The founding shareholders, Alain Taravella and his family and Jacques Nicolet, acting in concert.

(b) And related parties.

Related party transactions

The main related parties are the companies of one of the founding shareholders that own a stake in Altarea:

- AltaGroupe, AltaPatrimoine and Altager, controlled by Alain Taravella.

The Company is managed by Alain Taravella personally and by two companies, Altafi 2 and Atlas, which he controls. Alain Taravella is also the Chairman of Altafi 2 and Atlas.

Transactions with these related parties mainly relate to services rendered by the aforementioned Managers and to a lesser extent services and rebillings by the Company to AltaGroupe and its subsidiaries.

Coordinating services provided to the Company

In order to formalise the services habitually provided to Altarea by Altagroupe, the coordinating holding Company, and to spell out the services provided by the latter, a coordination agreement was signed in 2017. The previous conditions remain unchanged.

Assistance services and rebilling by the Company and its subsidiaries

Assistance services and rebilling of rents and other items are recognised as a deduction from other company overhead costs in the amount of €0.1 million. Services invoiced to related parties by the Altarea Group are invoiced on an arm's length basis.

Assets and liabilities toward related parties

	Altafi 2 SAS	
In € millions	31/12/2019	31/12/2018
Trade and other receivables	0.0	0.0
TOTAL ASSETS	**0.0**	**0.0**
Trade and other payables[(a)]	1.2	3.8
TOTAL LIABILITIES	**1.2**	**3.8**

(a) Corresponds mainly to Management's variable compensation.

Compensations of the Management Committee

Mr Alain Taravella does not personally receive any compensation from Altarea or its subsidiaries for his co-management position. In fact, it is entirely paid to the company Altafi 2. Alain Taravella receives compensation from a holding company which has a stake in Altarea.

No share-based compensation or other short-term or long-term or other forms of compensation were paid by Altarea or its subsidiaries to the Management.

Management remuneration for the year 2019 was decided by the General Shareholders Meeting of 23 May 2019 (5th resolution), previously in accordance with the 5th resolution of the General Shareholders' Meeting of 15 April 2016. As such, the following expense has been recorded, and should be voted on at the General Meeting to be held in May 2020:

	Altafi 2 SAS	
In € millions	31/12/2019	31/12/2018
Fixed Management compensation for Altarea and Altareit	2.0	2.7
Variable Management compensation [(a)]	1.7	3.4
TOTAL	**3.7**	**6.1**

(a) The variable Management compensation is calculated in proportion to net income (FFO), Group share, and with the Company's GRESG rating.

Compensations of the Chairman of the Supervisory Board

Mr Christian de Gournay, in his capacity as Chairman of Altarea SCA's Supervisory Board received gross compensation directly from Altarea SCA up until 30 September 2019, which is included in the compensation paid to the Group's main Managers stated hereafter.

Compensation of the Group's main senior executives

In € millions	31/12/2019	31/12/2018
Gross salaries[a]	3.8	4.0
Social security contributions	1.5	1.7
Share-based payments[b]	4.1	3.1
Number of shares delivered during the period	*20,009*	*19,155*
Post-employment benefits[c]	0.0	0.0
Other short- or long-term benefits and compensation[d]	0.0	0.0
Termination indemnities[e]	–	0.1
20% employer contribution for free share grants	1.1	0.7
Loans	–	–
Post-employment benefit commitment	0.4	0.4

(a) Fixed and variable compensation.

(b) Charge calculated in accordance with IFRS 2.

(c) Pension service cost according to IAS 19, life insurance and medical care.

(d) Benefits in kind, directors' fees and other compensation vested but payable in the future (short- or long-term).

Post-employment benefits, including social security costs.

In number of rights on equity in circulation	31/12/2019	31/12/2018
Rights to Altarea SCA's free share grants	72,489	54,846
Altarea share subscription warrants	–	–
Stock options on Altarea shares	–	–

The information set out refers to compensation and benefits granted to (i) corporate officers in respect of offices held in subsidiaries, (ii) the Chairman of the Supervisory Board and (iii) the main salaried executives in the Group.

Jacques Ehrmann joined the Group as Group CEO responsible in particular for the management and implementation of the Group's strategy with effect from 1 July 2019. He is co-manager of Altarea Management, the Altarea Group's resources company, and receives compensation determined in consideration of his duties and responsibilities.

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES

10.1 Off-balance sheet commitments

The main commitments given by the Group are mortgages and mortgage commitments made to secure loans or lines of credit from credit institutions.

Pledges of securities, assignments of receivables (intra-group loans, interest rate hedges, VAT, insurance policies, etc.) and undertakings not to sell or assign ownership units are also made by the Company to secure certain loans.

These commitments appear in Note 6.2 "Net financial debt and guarantees".

In addition, the Company has received commitments from banks for unused credit lines, which are described in Note 8.3 "Liquidity risk".

All other material commitments are set out below:

In € millions	31/12/2018	31/12/2019	Less than 1 year	1-5 years	At more than 5 years
Commitments received					
Commitments received relating to financing (excl. borrowings)	**–**	**–**	**–**	**–**	**–**
Commitments received relating to company acquisitions	**18.6**	**8.5**	**–**	**1.0**	**7.5**
Commitments received relating to operating activities	**128.9**	**170.5**	**132.7**	**17.0**	**20.8**
Security deposits received in the context of the Hoguet Act (France)	59.1	89.4	89.4	–	–
Security deposits received from tenants	19.5	25.6	0.5	5.8	19.3
Payment guarantees received from customers	44.2	44.6	42.7	0.4	1.5
Unilateral land sale undertakings received and other commitments	0.3	0.3	–	0.3	–
Other commitments received relating to operating activities	5.8	10.7	0.2	10.5	–
Total	**147.5**	**179.0**	**132.7**	**18.0**	**28.3**
Commitments given					
Commitments given relating to financing (excl. borrowings)	**11.0**	**11.0**	**5.0**	**–**	**6.0**
Commitments given relating to company acquisitions	**173.9**	**80.7**	**–**	**45.7**	**35.0**
Commitments given relating to operating activities	**1,565.0**	**2,206.2**	**695.3**	**1,470.3**	**40.6**
Construction work completion guarantees (given)	1,431.2	1,932.3	584.6	1,343.8	3.9
Guarantees given on forward payments for assets	18.3	193.7	77.7	114.2	1.8
Guarantees for loss of use	52.4	40.3	30.0	9.0	1.4
Other sureties and guarantees granted	63.1	39.9	3.0	3.4	33.6
Total	**1,749.9**	**2,297.9**	**700.3**	**1,516.0**	**81.6**

Commitments received

COMMITMENTS RECEIVED RELATING TO ACQUISITIONS/DISPOSALS

As part of its acquisition of the developer Severini, the Group also received a commitment from the sellers that it shall be entitled for compensation in the amount of up to €2 million until 31 December 2025 inclusive, for any damage or loss originating from the business activities incurred by the Group with a cause or origin predating 31 March 2018.

The Group and Woodeum Holding have set up liquidity agreement covering their shares, including the possibility for the Group to acquire, should it see fit, the remaining shares it doesn't hold. The Group has moreover received representations and warranties in the context of this investment.

COMMITMENTS RECEIVED RELATING TO OPERATING ACTIVITIES

- **Security deposits**

Under France's "Hoguet Act", the Group holds security deposits received specialist bodies in an amount of €89.4 million as a guarantee covering its real estate management and trading activities.

The Group also receives security deposits from its tenants to guarantee that they will pay their rent.

- **Payment guarantees received from customers**

The Group receives customer payment guarantees issued by financial institutions to guarantee sums payable by the customer. They mainly relate to Retail and Office property development projects.

- **Unilateral land sale undertakings received and other commitments**

Other guarantees received consist mainly of commitments received from property sellers.

- **Other commitments received**

In its Property Development business, the Group receives deposits on construction contracts from contractors to cover holdbacks (up to 5% of the amount of the contract – non-costed commitment).

Commitments given

COMMITMENTS GIVEN RELATING TO FINANCING ACTIVITIES

Altarea provided guarantees of €11 million to cover overdraft facilities granted to its subsidiaries.

COMMITMENTS GIVEN RELATING TO ACQUISITIONS

The Group makes representations and warranties or contingent consideration when disposing of shares in subsidiaries and affiliates. When the Group considers that it is probable that there will be a cash outlay under the terms of these guarantees, it sets aside allowances to provisions and their amount is re-assessed at each closing date.

The main commitments concern:

- undertaking to subscribe for the capital of companies comprising the AltaFund investment fund in the amount of €40.9 million (firm commitment for identified projects);
- liability guarantees of €35 million given following the disposal of miscellaneous assets.

The shares of Altablue, Aldeta, Alta Crp Gennevilliers, Alta Crp La Valette, Alta Gramont, Toulouse Gramont, Bercy Village and Société d'Aménagement de la Gare de l'Est as well as assets held by these companies, are for a limited period subject to conditions for sale contingent on the agreement of each of the partners of these companies.

As part of the Crédit Agricole Assurances agreements, the Group has signed a certain number of legal undertakings that restrict the liquidity of its shareholding under certain conditions.

COMMITMENTS GIVEN RELATING TO OPERATING ACTIVITIES

- **Construction work completion guarantees**

Completion guarantees are given to customers as part of off-plan sales and are provided on behalf of Group companies by financial institutions, mutual guarantee organisations or insurance companies. They are reported in the amount of risk borne by the financial institution that issued the guarantee.

In return, Group companies give financial institutions a promise of mortgage security and an undertaking not to sell ownership units.

- **Guarantees on forward payments for assets**

These guarantees mainly cover purchases of land or buildings for the Property Development business.

- **Guarantees for loss of use**

As part of its Property Development activities, the Group signs preliminary sales agreements with landowners, the execution of which is subject to conditions precedent, including conditions relating to obtaining administrative authorisations. In return for their undertakings, landowners receive compensation for loss of use, which takes the form of an advance (carried on the asset side of the balance sheet) or a surety (an off-balance sheet liability). The Group undertakes to pay the compensation for loss of use if it decides not to buy the land when the conditions precedent are met.

- **Other sureties and guarantees granted**

The other sureties and guarantees granted relate primarily to the Group's involvement in AltaFund, the office property investment fund, the sureties granted in connection with its property development activity, as well as the REIT business in Italy for guarantees granted by companies to the Italian government regarding their VAT position.

Reciprocal commitments

Notably in the ordinary course of its Property Development activities, the Group enters into reciprocal commitments to ensure the REIT control of future projects. The Group signs bilateral sales agreements with landowners: owners undertake to sell their land and the Group commits to buy it if the (administrative and/or marketing) conditions precedent are met.

Other commitments

In the conduct of its proprietary shopping centre development business, Altarea has made commitments to invest in projects initiated and controlled by the Company.

Moreover, in the conduct of its Residential property development, the Group signs reservation contracts (or preliminary sales agreements) with its customers, the execution of which depends on whether the customers meet the conditions precedent, particularly with respect to their ability to secure financing.

As part of its Property Development business, the Group has a future offering consisting of unilateral preliminary sales agreements.

The amount of these commitments is shown in the business review.

Minimum future rents to be received

The total of minimum future rents to be received under non-cancellable rental agreements over the period amounted to:

In € millions	31/12/2019	31/12/2018
Less than 1 year	187.3	163.7
Between 1 and 5 years	416.9	304.0
More than 5 years	185.0	150.5
Guaranteed minimum rent	**789.2**	**618.2**

Rents receivable relate mainly to shopping centres owned by the Group.

10.2 Contingent liabilities

No new litigation or governmental, legal, or arbitration proceedings that are likely to have significant effects on the Company's financial position or profitability arose in the period, other than those for which a provision has been recognised (see Note 6.3 "Provisions") or that have been effectively challenged or are being challenged by the Company (see Note 5.3 "Income tax" or 6.3 "Provisions").

NOTE 11 POST-CLOSING EVENTS

No major events occurred subsequent to the closing date and prior to the preparation of the financial statements.

NOTE 12 AUDITORS' FEES

In € millions	E&Y				Grant Thornton				Other				Total			
	Amount		%		Amount		%		Amount		%		Amount		%	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Statutory audit, certification, examination of individual and consolidated financial statements																
- Altarea SCA	0.3	0.3	20%	17%	0.3	0.3	34%	37%	–	–	0%	0%	0.6	0.6	24%	21%
- Fully consolidated subsidiaries	1.1	1.2	74%	76%	0.5	0.4	60%	59%	0.1	0.3	100%	100%	1.7	2.0	71%	74%
Services other than the certification of the financial statements																
- Altarea SCA	0.0	–	1%	0%	0.0	–	3%	0%	–	–	0%	0%	0.0	–	2%	0%
- Fully consolidated subsidiaries	0.1	0.1	5%	7%	0.0	0.0	2%	3%	0.0	0.0	0%	0%	0.1	0.1	4%	5%
Total	**1.5**	**1.6**	**100%**	**100%**	**0.9**	**0.8**	**100%**	**100%**	**0.1**	**0.3**	**100%**	**100%**	**2.5**	**2.7**	**100%**	**100%**