ALTAREA

CONSOLIDATED
FINANCIAL STATEMENTS
2020

CONTENTS

1.1 Financial statements

Consolidated balance sheet

(€ millions)	Note	31/12/2020	31/12/2019 restated
Non-current assets		**5,132.2**	**5 455.4**
Intangible assets	7.2	330.4	331.4
o/w Goodwill		*209.4*	*209.4*
o/w Brands		*105.4*	*105.4*
o/w Client relations		*–*	*0.6*
o/w Other intangible assets		*15.7*	*16.1*
Property plant and equipment		26.1	20.9
Right-of-use on tangible and intangible fixed assets	7.3	140.3	23.4
Investment properties	7.1	4,024.6	4,472.1
o/w Investment properties in operation at fair value		*3,649.0*	*3,826.2*
o/w Investment properties under development and under construction at cost		*211.1*	*509.3*
o/w Right-of use on Investment properties		*164.6*	*136.7*
Securities and investments in equity affiliates	4.5	579.6	532.1
Non-current financial assets	4.6	12.6	44.3
Deferred taxes assets	5.3	18.5	31.2
Current assets		**3,817.8**	**3,632.4**
Net inventories and work in progress	7.4	859.3	1,064.5
Contract assets	7.4	741.2	564.9
Trade and other receivables	7.4	828.0	799.9
Income credit		11.4	9.4
Current assets	4.6	22.0	27.3
Derivative financial instruments	8	1.1	1.2
Cash and cash equivalents	6.2	1,277.5	830.2
Assets held for sale	7.1	77.4	335.0
TOTAL ASSETS		**8,950.0**	**9,087.9**
Equity		**2,716.7**	**3,335.5**
Equity attributable to Altarea SCA shareholders		**1,758.5**	**2,144.4**
Capital	6.1	264.0	255.2
Other paid-in capital		233.8	311.8
Reserves		1,568.5	1,343.8
Income associated with Altarea SCA shareholders		(307.7)	233.7
Equity attributable to minority shareholders of subsidiaries		**958.2**	**1,191.1**
Reserves associated with minority shareholders of subsidiaries		979.1	994.2
Other equity components, Subordinated Perpetual Notes		195.1	195.1
Income associated with minority shareholders of subsidiaries		(216.0)	1.8
Non-current liabilities		**2,630.5**	**2,823.7**
Non-current borrowings and financial liabilities	6.2	2,500.2	2,708.5
o/w Participating loans and advances from associates		*71.3*	*77.9*
o/w Bond issues		*1,720.4*	*1,613.5*
o/w Borrowings from lending establishments		*379.4*	*837.5*
o/w Negotiable European Medium Term Note		*25.0*	*30.0*
o/w Lease liabilities		*149.4*	*11.1*
o/w Contractual fees on investment properties		*154.8*	*138.5*
Long-term provisions	6.3	24.0	25.1
Deposits and security interests received		36.6	36.7
Deferred tax liability	5.3	69.7	53.4
Current liabilities		**3,602.8**	**2,928.6**
Current borrowings and financial liabilities	6.2	1,569.8	1,016.0
o/w Bond issues		*254.6*	*16.9*
o/w Borrowings from lending establishments		*458.9*	*95.4*
o/w Negotiable European Commercial Paper		*628.0*	*709.5*
o/w Bank overdrafts		*3.9*	*2.7*
o/w Advances from Group shareholders and partners		*199.4*	*174.4*
o/w Lease liabilities		*1.1*	*12.1*
o/w Contractual fees on investment properties		*24.0*	*4.9*
Derivative financial instruments	8	36.3	98.2
Contract liabilities	7.4	177.3	168.8
Trade and other payables	7.4	1,798.4	1,639.6
Tax due		21.0	6.1
TOTAL LIABILITIES		**8,950.0**	**9,087.9**

Restatements of 2019 figures are explained in note 2.5 to the consolidated financial statements.

Statement of consolidated comprehensive income

(€ millions)	Note	31/12/2020	31/12/2019 restated
Rental income		184.9	208.4
Property expenses		(1.9)	(2.5)
Unrecoverable rental expenses		(8.7)	(10.1)
Expenses re-invoiced to tenants		*53.4*	*60.3*
Rental expenses		*(62.2)*	*(70.4)*
Other expenses		1.2	(0.1)
Net charge to provisions for current assets		(16.1)	(5.0)
Net rental income	5.1	**159.3**	**190.8**
Revenue		2,837.0	2,860.2
Cost of sales		(2,496.4)	(2,479.0)
Other income		(107.0)	(132.1)
Net charge to provisions for current assets		(9.2)	(29.7)
Amortisation of customer relationships		(0.6)	(0.6)
Net property income	5.1	**223.8**	**218.8**
External services		34.3	41.2
Own work capitalised and production held in inventory		182.5	189.0
Personnel costs		(225.3)	(237.4)
Other overhead expenses		(71.5)	(87.2)
Depreciation expenses on operating assets		(31.8)	(23.9)
Net overhead expenses		**(111.9)**	**(118.2)**
Other income and expenses		0.4	(0.4)
Depreciation expenses		(1.9)	(5.4)
Transaction costs		(2.3)	(2.9)
Others		**(3.8)**	**(8.6)**
Proceeds from disposal of investment assets		380.3	172.7
Carrying amount of assets sold		(385.0)	(173.1)
Net charge to provisions for risks and contingencies		–	0.8
Net gain/(loss) on disposal of investment assets		**(4.7)**	**0.3**
Change in value of investment properties	7.1	(580.7)	86.1
Net impairment losses on investment properties measured at cost		(59.8)	(13.6)
Net impairment losses on other non-current assets		(0.1)	(0.5)
Net charge to provisions for risks and contingencies		1.6	(1.9)
Goodwill impairment		(1.0)	–
OPERATING INCOME BEFORE THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES		**(377.4)**	**353.2**
Share in earnings of equity-method affiliates	4.5	50.2	59.2
OPERATING INCOME AFTER THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES		**(327.2)**	**412.4**
Net borrowing costs	5.2	(68.8)	(61.7)
Financial expenses		*(75.8)*	*(71.9)*
Financial income		*7.0*	*10.2*
Other financial results	5.2	(17.1)	(16.2)
Change in value and income from disposal of financial	5.2	(56.5)	(65.2)
Discounting of debt and receivables		–	2.1
Net gain/(loss) on disposal of investments		0.8	1.1
Profit before tax		**(468.8)**	**272.4**
Income tax	5.3	(54.9)	(36.9)
NET INCOME		**(523.8)**	**235.5**
o/w attributable to shareholders of Altarea SCA		**(307.7)**	**233.7**
o/w attributable to minority interests in subsidiaries		(216.0)	1.8
Average number of non-diluted shares		16,850,855	16,203,050
Basic net income per share of Altarea SCA shareholders (€)	5.4	**(18.26)**	**14.42**
Diluted average number of shares		17,081,054	16,393,265
Diluted net income per share of Altarea SCA shareholders (€)	5.4	**(18.02)**	**14.26**

Restatements explained in note 2.5 to the consolidated financial statements.

Other comprehensive income

(€ millions)	31/12/2020	31/12/2019
NET INCOME	**(523.8)**	**235.5**
Actuarial differences on defined-benefit pension plans	0.3	(0.7)
o/w Taxes	*(0.2)*	*0.2*
Subtotal of comprehensive income items that may not be reclassified to profit or loss	**0.3**	**(0.7)**
OTHER COMPREHENSIVE INCOME	**0.3**	**(0.7)**
CONSOLIDATED COMPREHENSIVE INCOME	**(523.5)**	**234.8**
o/w Net comprehensive income attributable to Altarea SCA shareholders	(307.4)	233.0
o/w Net comprehensive income attributable to minority interests in subsidiaries	(216.0)	1.8

Consolidated cash flows statement

(€ millions)	Note	31/12/2020	31/12/2019 restated
Cash flow from operating activities			
Net income		**(523.8)**	**235.5**
Elimination of income tax expense (income)	5.3	54.9	36.9
Elimination of net interest expense (income) and dividends	5.2	85.5	77.5
Net income before tax and before net interest expense (income)		**(383.3)**	**350.0**
Elimination of share in earnings of equity-method subsidiaries	4.5	(50.2)	(59.2)
Elimination of depreciation and impairment		34.9	32.6
Elimination of value adjustments	7.1/5.2	697.0	(7.9)
Elimination of net gains/(losses) on disposals[a]		3.7	(0.9)
Estimated income and expenses associated with share-based payments	6.1	12.5	14.7
Net cash flow		**314.6**	**329.3**
Tax paid		(13.7)	(1.3)
Impact of change in operational working capital requirement (WCR)	7.4	144.0	10.3
CASH FLOW FROM OPERATIONS		**444.9**	**338.3**
Cash flow from investment activities			
Net acquisitions of assets and capitalised expenditures	7.1	(125.7)	(192.0)
Gross investments in equity affiliates	4.5	(79.9)	(212.1)
Acquisitions of consolidated companies, net of cash acquired		(6.0)	(62.9)
Other changes in Group structure		2.0	7.1
Increase in loans and advances		(146.8)	(12.2)
Sale of non-current assets and reimbursement of advances and down payments[a]		340.1	217.3
Disposals of equity affiliates	4.5	47.3	26.5
Disposals of consolidated companies, net of cash transferred		4.8	8.3
Reduction in loans and other financial investments		28.4	34.4
Net change in investments and derivative financial instruments	5.2	(72.8)	(35.8)
Dividends received		34.2	44.5
Interest income		7.5	22.0
CASH FLOW FROM INVESTMENT ACTIVITIES		**33.2**	**(154.8)**
Cash flow from financing activities			
Capital increase		7.6	5.7
Dividends paid to Altarea SCA shareholders	6.1	(90.0)	(111.8)
Dividends paid to minority shareholders of subsidiaries		(10.9)	(48.0)
Issuance of debt and other financial liabilities	6.2	1,827.0	1,891.3
Repayment of borrowings and other financial liabilities	6.2	(1,667.5)	(1,662.0)
Repayment of lease liabilities	6.2	(6.3)	(22.7)
Net sales (purchases) of treasury shares	6.1	(5.9)	0.4
Net change in security deposits and guarantees received		(0.2)	3,8
Interest paid		(86.0)	(87.8)
CASH FLOW FROM FINANCING ACTIVITIES		**(32.0)**	**(31.0)**
CHANGE IN CASH BALANCE		**446.1**	**152.4**

Restated on 31 December 2019 to take into account changes to the presentation of borrowing costs.

Cash balance at the beginning of the year	**6.2**	**827.5**	**675.0**
Cash and cash equivalents		830.2	678.5
Bank overdrafts		(2.7)	(3.5)
Cash balance at period-end	**6.2**	**1,273.6**	**827.5**
Cash and cash equivalents		1,277.5	830.2
Bank overdrafts		(3.9)	(2.7)

(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

(€ 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	**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***	*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	–	–	–	–	**–**	(0.0)	**(0.0)**
Others	–	–	–	0.1	**0.1**	(0,1)	**(0.0)**
As of 31 December 2019	**255.2**	**311.8**	**(33.1)**	**1,610.6**	**2,144.4**	**1,191.1**	**3,335.5**
Net Income	*–*	*–*	*–*	*(307.7)*	***(307.7)***	*(216.0)*	***(523.8)***
Actuarial difference relating to pension obligations	*–*	*–*	*–*	*0.3*	***0.3***	*(0.0)*	***0.3***
Comprehensive income	–	–	–	(307.4)	**(307.4)**	(216.0)	**(523.5)**
Dividend distribution	*–*	*(138.1)*	*–*	*(13.2)*	***(151.4)***	*(19.5)*	***(170.9)***
Capital increase	*8.8*	*60.2*	*–*	*(0.0)*	***68.9*** *(a)*	*0.0*	***69.0***
Measurement of share-based payments	*–*	*–*	*–*	*9.1*	***9.1***	*0.0*	***9.1***
Elimination of treasury shares	*–*	*–*	*9.2*	*(10.9)*	***(1.8)***	*–*	***(1.8)***
Transactions with shareholders	8.8	(78.0)	9.2	(15.1)	**(75.1)**	(19.5)	**(94.6)**
Changes in ownership interests without taking or losing control of subsidiaries	–	–	–	(3.6)	**(3.6)**	2.6	**(0.9)**
Changes in ownership interests associated with taking or losing control of subsidiaries	–	–	–	–	**–**	–	**–**
Others	–	–	–	0.2	**0.2**	(0,0)	**0.2**
As of 31 December 2020	**264.0**	**233.8**	**(23.9)**	**1,284.7**	**1,758.5**	**958.2**	**2,716.7**

(a) Capital increase at Altarea SCA by partial conversion into shares of the dividend distributed in 2019 (option on 50% of the maximum dividend).

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

1.3 Notes – Consolidated income statement by segment

(€ millions)	31/12/2020 Financial resources Funds from operations (FFO)	31/12/2020 Changes in value, estimated expenses and transaction costs (chg. val.)	31/12/2020 Total	31/12/2019 restated Financial resources Funds from operations (FFO)	31/12/2019 restated Changes in value, estimated expenses and transaction costs	31/12/2019 restated Total
Rental income	184.9	–	184.9	208.4	–	208.4
Other expenses	(25.6)	–	(25.6)	(17.6)	–	(17.6)
Net rental income	**159.3**	**–**	**159.3**	**190.8**	**–**	**190.8**
External services	17.9	–	17.9	19.0	–	19.0
Own work capitalised and production held in inventory	5.6	–	5.6	6.5	–	6.5
Operating expenses	(38.0)	(5.1)	(43.1)	(42.6)	(3.2)	(45.8)
Net overhead expenses	**(14.5)**	**(5.1)**	**(19.6)**	**(17.1)**	**(3.2)**	**(20.3)**
Share of equity-method affiliates	**3.4**	**(15.8)**	**(12.4)**	**6**	**(6.4)**	**(0.3)**
Net allowances for depreciation and impairment	**–**	**(4.0)**	**(4.0)**	**–**	**(7.7)**	**(7.7)**
Income/loss on sale of assets	**0.1**	**(4.6)**	**(4.6)**	**–**	**0.7**	**0.7**
Income/loss in the value of investment property	**–**	**(642.1)**	**(642.1)**	**–**	**71.1**	**71.1**
Transaction costs	**–**	**(1.6)**	**(1.6)**	**–**	**(1.2)**	**(1.2)**
OPERATING INCOME - RETAIL	**148.2**	**(673.3)**	**(525.1)**	**179.8**	**53.4**	**233.2**
Revenue	2,406.9	–	2,406.9	2,283.1	–	2,283.1
Cost of sales and other expenses	(2,204.5)	(0.6)	(2,205.1)	(2075.0)	(0.6)	(2,075.6)
Net property income	**202.3**	**(0.6)**	**201.7**	**208.1**	**(0.6)**	**207.5**
External services	10.1	–	10.1	11.2	–	11.2
Production held in inventory	163.0	–	163.0	157.8	–	157.8
Operating expenses	(209.1)	(12.6)	(221.7)	(220.0)	(16.3)	(236.4)
Net overhead expenses	**(36.1)**	**(12.6)**	**(48.6)**	**(51.0)**	**(16.3)**	**(67.4)**
Share of equity-method affiliates[1]	**10.8**	**(2.5)**	**8.3**	**12.6**	**0.1**	**12.7**
Net allowances for depreciation and impairment	**–**	**(19.0)**	**(19.0)**	**–**	**(15.1)**	**(15.1)**
Transaction costs	**–**	**(0.0)**	**(0.0)**	**–**	**(1.5)**	**(1.5)**
OPERATING INCOME - RESIDENTIAL	**177.0**	**(34.7)**	**142.3**	**169.7**	**(33.4)**	**136.3**
Revenue	416.5	–	416.5	577.0	–	577.0
Cost of sales and other expenses	(394.5)	–	(394.5)	(565.1)	–	(565,1)
Net property income	**22.0**	**–**	**22.0**	**11.9**	**–**	**11.9**
External services	6,2	–	6.2	10.9	–	10,9
Production held in inventory	13.9	–	13.9	24.7	–	24.7
Operating expenses	(29.4)	(3.0)	(32.4)	(35.1)	(3.7)	(38.8)
Net overhead expenses	**(9.3)**	**(3.0)**	**(12.3)**	**0.6**	**(3.7)**	**(3.1)**
Share of equity-method affiliates	**37.6**	**17.0**	**54.6**	**60.2**	**(10.6)**	**49.6**
Net allowances for depreciation and impairment	**–**	**(1.4)**	**(1.4)**	**–**	**(3.0)**	**(3.0)**
Income/loss in the value of investment property	**–**	**1.7**	**1.7**	**–**	**1.3**	**1.3**
Transaction costs	**–**	**–**	**–**	**–**	**–**	**–**
OPERATING INCOME - BUSINESS PROPERTY	**50.3**	**14.3**	**64.6**	**72.6**	**(15.9)**	**56.7**
Others (Corporate)	**(4.0)**	**(4.3)**	**(8.3)**	**(9.4)**	**(1.3)**	**(10.7)**
OPERATING INCOME	**371.6**	**(698.0)**	**(326.4)**	**412.7**	**2.7**	**415.5**
Net borrowing costs	**(50.6)**	**(18.2)**	**(68.8)**	**(46.9)**	**(14.8)**	**(61.7)**
Other financial results	**(7.7)**	**(9.5)**	**(17.1)**	**(9.7)**	**(6.5)**	**(16.2)**
Discounting of debt and receivables	**–**	**–**	**–**	**–**	**2.1**	**2.1**
Change in value and income from disposal of financial instruments	**–**	**(56.5)**	**(56.5)**	**–**	**(65.2)**	**(65.2)**
Net gain/(loss) on disposal of investments	**–**	**(0.0)**	**(0.0)**	**–**	**(1.9)**	**(1.9)**
PROFIT BEFORE TAX	**313.3**	**(782.2)**	**(468.8)**	**356.1**	**(83.7)**	**272.4**
Corporate income tax	**(26.6)**	**(28.4)**	**(54.9)**	**(7.1)**	**(29.8)**	**(36.9)**
NET INCOME	**286.8**	**(810.5)**	**(523.8)**	**349.0**	**(113.5)**	**235.5**
Non-controlling interests	**(56.5)**	**272.5**	**216.0**	**(55.9)**	**54.1**	**(1.8)**
NET INCOME, GROUP SHARE	**230.3**	**(538.1)**	**(307.7)**	**293.1**	**(59.4)**	**233.7**
Diluted average number of shares	*17,081,054*	*17,081,054*	*17,081,054*	*16,393,265*	*16,393,265*	*16,393,265*
NET INCOME PER SHARE (€/SHARE) GROUP SHARE	**13.48**	**(31.50)**	**(18.02)**	**17.88**	**(3.63)**	**14.26**

Restatements explained in note 2.5 to the consolidated financial statements.,
And concerning the share of the equity method affiliates, the impact of the IFRS 16 restatement is presented in full as a change in value, notably for the Cogedim Résidences Services business.

1.3 Other information attached to the consolidated financial statements

Detailed summary of the notes to the consolidated financial statements

NOTE 1 **COMPANY INFORMATION**

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). The registered office is located at 87 rue de Richelieu in Paris (France).

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 presents its financial statements and accompanying notes in millions of euros, to one decimal point.

The consolidated financial statements for the year ended 31 December 2020 were approved by the Management on 25 February 2021 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 used for the preparation of the annual consolidated financial statements comply with the IFRS standards and interpretations of the IASB as adopted by the European Union on 31 December 2020 and available on the website:

http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

The accounting principles adopted on 31 December 2020 are the same as those used for the consolidated financial statements at 31 December 2019, with the exception of changes to the standards and interpretations adopted by the European Union applicable at 1 January 2020.

The information relating to the financial year ended 31 December 2019, presented in the universal registration document filed with the AMF on 23 March 2020 under number D.20-0158 is incorporated by reference.

Accounting standards, interpretations and amendments applicable as from the financial year beginning on 1 January 2020:

- Temporary amendment to IFRS 16 - rent offsetting related to COVID
- Amendment to IFRS 3 – New definition of an activity
- Amendments to IAS 1 and IAS 8 – Definition of materiality in financial statements
- Amendments to IFRS 9, IAS 39 and IFRS 7: Reform of reference interest rates (IBOR) - Phase 1
- Amendments to references within the IFRS conceptual framework
- Decision of the IFRIC on IFRS 16 – Leases, on the lease term and the useful life of leasehold improvements.

Accounting standards and interpretations adopted as early as at 31 December 2020, whose application is mandatory for financial years starting on 1 January 2020 or later:

None.

Accounting standards and interpretations in effect at 1 January 2020 and mandatory after 31 December 2020:

None.

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

- IFRS 17 – Insurance Contracts
- Amendments to IFRS 9, IAS 39 and IFRS 7: Reform of reference interest rates (IBOR) - Phase 2
- Amendment to IAS 1 – Classification of current/non-current liabilities
- Annual Improvements to IFRSs - Cycle 2018-2020 (IFRS 1, IFRS 9, IAS 41, IFRS 16)
- Amendment to IFRS 3 – Updated references to the conceptual framework
- Amendment to IAS 16 – Recognition of revenue generated before commissioning
- Amendment to IAS 37 – Costs to be taken into account to recognise a provision for onerous contracts.

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 accounting estimates for the financial statements at 31 December 2020 were made in the context of the COVID-19 economic and health crisis. The Group has taken into account reliable information available to it at the date of preparation of the consolidated financial statements regarding the impact of this crisis.

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").

The methodologies used by appraisers are identical to those used for the financial year 2019 with the inclusion of the following clauses on the current context:

Jones Lang LaSalle:

"The coronavirus (COVID-19) epidemic, declared a "Global pandemic" by the World Health Organization on 11 March 2020, has inevitably affected various aspects of daily life as well as the global economy. Property markets are experiencing significantly low levels of trading and liquidity. However, in France, at the valuation date, we consider that there is a sufficient amount of relevant market information on which to base value assessments for the assets in your portfolio.

Given the uncertain future impact that COVID-19 could have on the property market with many business practices and behaviours needing to change temporarily or permanently, we recommend that you keep the assessments contained in this report under frequent review."

Cushman & Wakefield (C&W):

"The coronavirus (COVID-19) epidemic, declared a "global pandemic" by the World Health Organization on 11 March 2020, has had and continues to have an impact on many aspects of daily life and the global economy, and some property markets experienced a decline in their levels of trading and liquidity. Travel restrictions have been put in place by many countries and lockdowns have been applied to varying degrees of strictness. Although restrictions have been lifted in some cases, local lockdown measures may remain in force if necessary and further major outbreaks or a "third wave" are possible.

The pandemic and the measures taken to combat COVID-19 continue to affect economies and property markets around the world. However, at the valuation date, some property markets have reopened and transaction volumes and other relevant activities are returning to levels where there is a sufficiently market activity on which to base valuations. As a result, and for the avoidance of doubt, our valuation is not signalled as subject to a "material valuation uncertainty" as defined by VPS 3 and VPGA 10 of the RICS Valuation - Global Standards.

- Measurement of trade receivables (see notes 2.4.10 "Financial assets and liabilities" and 7.4.2 ("Trade and other operating receivables").
- Measurement of inventories (see Note 2.4.8 "Inventories").
- Measurement of deferred tax assets (see Notes 2.4.16 "Taxes" and 5.3 "Corporate Income Tax").
- Measurement of share-based payments (see Notes 2.4.12 "Share-based payments" and 6.1 "Equity").
- Measurement of rights of use, lease liabilities and contractual fees on investment property (see notes 2.4.18 "Leases", 7.3 "Right-of-use on tangible and intangible fixed assets" and 7.1 "Investment properties"),
- 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. Costs directly related to the acquisition are recorded as an expense for the period they were incurred.

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.

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 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 that meet the definition of intangible assets and were acquired separately or as a result of business combination are valued and their useful life estimated. Once they reach the end of this life they are amortised over its duration. If the useful life cannot be determined, they are tested for impairment where 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.

  Other customer relationships (customer relationships on regular contracts, contractual relationships) can also be identified during business combinations and their value and estimated life are analysed on a case-by-case basis.

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.

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 (in France, Italy and Spain) and Jones Lang Lasalle (in France).

All sites are visited by the appraisers first when assets enter the portfolio and subsequently every few years in rotation or when a specific event affecting an asset requires it.

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.

The valuation of investment properties at fair value is in line with the COB/AMF "Barthès de Ruyter working group" and complies fully with the instructions of the Appraisal Charter of Real Estate Valuation (Charte de l'Expertise en Évaluation Immobilière) updated in 2017. In addition, appraisers 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 2020, 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; and
- 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 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 (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 the investment properties recorded at cost, an impairment test is carried out at least once a year or as soon as there are signs 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 or "secured" (a project is completely secured when the property is under contract), or 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 income statement under "Impairment losses on investment properties measured at cost" and in the consolidated income statement by segment under "Income/loss on 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, depreciable property, plant and equipment and amortisable intangible assets are tested for impairment whenever an internal or external indication of impairment is detected.

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

Goodwill is tested for impairment at the level of cash generating units (CGUs) or groups of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Tests are carried out by comparing the book value of assets directly related or attributable to CGUs or groups of CGUs, including intangible assets and goodwill, 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.

The value in use of the CGU or of the grouping of several CGUs is determined using a multi-criteria method based mainly on the discounted cash flow (DCF) method supported by stock-market comparison and transaction multiple methods.

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.

An impairment loss is recognised, if applicable, if the net value of the assets directly related tor attributable to the CGUs or groups of CGUs 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).

Brands are tested individually. Their recoverable amount is determined using the relief-from-royalty method. An impairment loss is recognised, if applicable, if the net book value of the brand is greater than its recoverable amount (reversible).

Sensitivity tables are created for all impairment tests carried out.

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 (in 2019) 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. These inventories are in a position to be sold quickly and therefore no time is necessary for its development; the stored asset is therefore in saleable condition. Allocated interest expenses are recognized directly as expenses.

Inventories are carried at cost price, less the portion of the cost price recognised 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 VRD),
- 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". 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.
- Financial assets (current or non-current) mainly concern non-consolidated securities, current account advances to minority shareholders of consolidated companies or deconsolidated companies.
- Equity instruments mainly comprise equity securities of non-consolidated companies. They are recognised as at fair value through profit or loss if they are held for trading; otherwise, they are recognised at fair value by non-recyclable OCI (changes in fair value are registered in a separate equity line item under "other comprehensive income"). For unlisted securities, if the fair value cannot be reliably determined at each closing, they remain in the balance sheet at their initial fair value, i.e. at purchase price increased by transaction costs, adjusted by any gains or losses of value determined by an analysis of the proportionate share of the equity held.
  At each acquisition of equity securities, a similar analysis will be carried out to determine the Group's management intention. For the shares of listed companies, this fair value is determined on the basis of estimation including, where necessary, the market indicators on the closing date.
- 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.
- 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 the securities of the issuing company: stock options, free share allocation rights and company savings plans (PEE).

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 0.40%;
- Mortality table: Women's Table (TF) and Men's Table (TH) 2000-2002;
- Reason for departure: depending on local laws and for France, voluntary retirement on the date of eligibility for full pension benefits;
- Turnover: annual average turnover observed over the last 3 years, standing at between 4% and 11% 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

For landlords, IFRS 16 maintains the existing distinction between finance and operating leases. Accordingly, in the consolidated financial statements where the Group acts as lessor:

- 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, are presented as a specific item in the income statement.

This rental income is 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

Under IFRS 16, lessees will no longer distinguish between finance lease contracts and operating lease contracts.

For all leases defined as “lease agreements”, this standard requires to recognise a right-of-use asset in the balance sheet statement of the tenants (as non-current assets) and a corresponding lease liability (as financial liabilities).

Leases entered into by the Group lying within the field of application of the standard mainly concern two types of leases which are financially fundamentally different:

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

Temporary Occupation Authorisations are covered by IFRS 16. The Group is the occupying party and, therefore, the agreement grants the Group certain rights regarding the work, constructions and real estate facilities. Under IFRS 16, fixed fees are restated over the term of the contracts.

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

- terms correspond to the fixed period of the commitment, taking into account any optional periods for which there is a reasonable expectation of these being exercised;
- discount rates applied when a contract comes into effect are based on the incremental debt ratio of each company carrying a contract. These rates are determined on the effective date of a new contract.

The presentation in the Group’s financial statements is as follows:

- 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 for investment property (in relation in particular to Temporary Occupation Authorisations) in exchange on the contractual fees on investment properties;
- In the income statement, rents from office and vehicle leases (previously recorded under operating expenses) are replaced by charges for depreciation of the right-of-use assets and by interest charges; land charges (AOT, BAC royalties), are replaced by changes in the value of investment properties and interest charges. 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 31, are not restated);
- on the cash flow statement, cash flows related to financing activities are impacted by the repayment of lease obligations and contractual fees on investment properties (within a single item "Repayment of lease liabilities") and interest expenses.

The change in amounts reflects new contracts or the end of contracts during the period. 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.

2.4.19 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 "Change 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. Interest expenses continue to be allocated to buildings under development and construction over the construction period of the asset if they meet the definition of a "qualifying assets".

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.

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

Other financial results include expenses related to rental obligations and contractual fees on investment properties.

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 on the one hand and its operational managers on the other. 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 "Others (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.

[1] *Funds from operations*

As part of the Group's current operations:

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,
  - Residential and Business property: net property income;
- Net overhead expenses, which bring together all services that absorb part of the overheads and operating costs, including personnel costs, other operating expenses, other income and other expenses of the sector and expenses covered by reversals of provisions used (including the restatement of fixed rents following application of IFRS 16 - Leases).
- 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 (shown in changes in value, estimated expenses and transaction fees).

Other financial results mainly correspond to expenses related to rental obligations and contractual fees on investment properties.

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

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 of presentation in 2020

2.5.1 Borrowing costs

In order to present its borrowing costs with greater clarity, the Group has decided to report “Other financial results” on a separate line, including expenses related to rental obligations and contractual fees on investment properties.

(€ millions)	31/12/2019 published	Impact	31/12/2019 restated
OPERATING INCOME AFTER THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES	**412.4**	**–**	**412.4**
Net borrowing costs	(78,5)	16.8	(61.7)
Financial expenses	*(89,5)*	*17.6*	*(71.9)*
Financial income	*11.0*	*(0.9)*	*10.2*
Other financial results	–	(16.2)	(16.2)
Change in value and income from disposal of financial	(65,2)	–	(65.2)
Discounting of debt and receivables	2.1	–	2.1
Net gain/(loss) on disposal of investments	1.1	–	1.1
Dividends	0.6	(0.6)	–
Profit before tax	**272.4**	**–**	**272.4**
Income tax	(36.9)	–	(36.9)
NET INCOME	**235.5**	**–**	**235.5**
o/w attributable to shareholders of Altarea SCA	**233.7**	**–**	**233.7**
o/w attributable to minority interests in subsidiaries	1.8		1.8

2.5.2 Non-current and current financial assets

The Group has chosen to present its securities and receivables from equity-method affiliates on a separate line as from 1 January 2020. The financial statements on 31 December 2019 have been restated accordingly.

As such, at 31 December 2019, non-consolidated securities were reclassified to “Non-current financial assets” for an amount of €33.6 million.

The lines renamed "Non-current financial assets" and "Current financial assets" include the historical lines "Loans and receivables (non-current)" and "Loans and receivables (current)".

NOTE 3 INFORMATION ON OPERATING SEGMENTS

3.1 Balance sheet items by operating segment

As of 31 December 2020

(€ millions)	Retail	Residential	Business Property	Others	TOTAL
Operating assets and liabilities					
Intangible assets	18.2	281.8	21.5	8.9	**330.4**
Property plant and equipment	1.5	23.3	–	1.3	**26.1**
Right-of-use on tangible and intangible fixed assets	0.4	139.3	0.0	0.6	**140.3**
Investment properties	3,991.8	–	32.8	–	**4,024.6**
Securities and investments in equity affiliates	117.2	157.8	304.7	–	**579.6**
Operational working capital requirement	46.8	534.3	61.8	(12.5)	**630.4**
TOTAL OPERATING ASSETS AND LIABILITIES	**4,176.0**	**1,136.5**	**420.7**	**(1.6)**	**5,731.5**

As of 31 December 2019 – restated

(€ millions)	Retail	Residential	Business Property	Others	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	–	31.1	–	**4,472.1**
Securities and investments in equity affiliates	85.0	170.7	276.4	–	**532.1**
Operational working capital requirement	23.6	787.6	(40.8)	(9.9)	**760.5**
TOTAL OPERATING ASSETS AND LIABILITIES	**4,575.3**	**1,269.7**	**292.6**	**2.8**	**6,140.4**

3.2 Consolidated income statement by operating segment

See consolidated income statement by segment in the notes to 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

(€ millions)	31/12/2020 Funds from operations (FFO)	31/12/2020 Changes in value, estimated expenses and transaction costs (chg. val.)	31/12/2020 Total	31/12/2019 restated Funds from operations (FFO)	31/12/2019 restated Changes in value, estimated expenses and transaction costs (chg.val.)	31/12/2019 restated Total
Rental income	184,9	–	184,9	208,4	–	208,4
Property expenses	(1.9)	–	(1.9)	(2.5)	–	(2.5)
Unrecoverable rental expenses	(8.7)	–	(8.7)	(10.1)	–	(10.1)
Expenses re-invoiced to tenants	*53.4*	–	*53.4*	*60.3*	–	*60.3*
Rental expenses	*(62.2)*	–	*(62.2)*	*(70.4)*	–	*(70.4)*
Other expenses	1.2	–	1.2	(0.1)	–	(0.1)
Net charge to provisions for current assets	(16.1)	–	(16.1)	(5.0)	–	(5.0)
Net rental income	**159.3**	**–**	**159.3**	**190.8**	**–**	**190.8**
Revenue	2,837.0	–	2,837.0	2,860.2	–	2,860.2
Cost of sales	(2,496.4)	0.0	(2,496.4)	(2,479.0)	0.0	(2,479.0)
Other income	(107.0)	–	(107.0)	(132.1)	(0.0)	(132.1)
Net charge to provisions for current assets	(9.3)	0.0	(9.2)	(29.7)	0.0	(29.7)
Amortisation of customer relationships	–	(0.6)	(0.6)	–	(0.6)	(0.6)
Net property income	**224.3**	**(0.6)**	**223.8**	**219.4**	**(0.6)**	**218.8**
External services	34,3	–	34.3	41,2	–	41.2
Own work capitalised and production held in inventory	182.5	–	182.5	189.0	–	189.0
Personnel costs	(210.9)	(14.5)	(225.3)	(218.0)	(19.3)	(237.4)
Other overhead expenses	(71.7)	0.2	(71.5)	(87.7)	0.4	(87.2)
Depreciation expenses on operating assets	–	(31.8)	(31.8)	–	(23.9)	(23.9)
Net overhead expenses	**(65.8)**	**(46.2)**	**(111.9)**	**(75.5)**	**(42.8)**	**(118.2)**
Other income and expenses	1.9	(1,5)	0.4	(0,8)	0.5	(0.4)
Depreciation expenses	–	(1.9)	(1.9)	–	(5.4)	(5.4)
Transaction costs	–	(2.3)	(2.3)	–	(2.9)	(2.9)
Others	**1.9**	**(5.8)**	**(3.8)**	**(0.8)**	**(7.8)**	**(8.6)**
Proceeds from disposal of investment assets	–	380.3	380.3	–	172.7	172.7
Carrying amount of assets sold	–	(385.0)	(385.0)	–	(173.1)	(173.1)
Net charge to provisions for risks and contingencies	–	–	–	–	0.8	0.8
Net gain/(loss) on disposal of investment assets	**–**	**(4.7)**	**(4.7)**	**–**	**0.3**	**0.3**
Change in value of investment properties	–	(580.7)	(580.7)	–	86.1	86.1
Net impairment losses on investment properties measured at cost	–	(59.8)	(59.8)	–	(13.6)	(13.6)
Net impairment losses on other non-current assets	–	(0.1)	(0.1)	–	(0.5)	(0.5)
Net charge to provisions for risks and contingencies	–	1.6	1.6	–	(1.9)	(1.9)
Goodwill impairment	–	(1.0)	(1.0)	–	–	–
OPERATING INCOME BEFORE THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES	**319.8**	**(697.2)**	**(377.4)**	**334.0**	**19.2**	**353.2**
Share in earnings of equity-method affiliates	51.6	(1.3)	50.2	76.0	(16.9)	59.2
OPERATING INCOME AFTER THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES	**371.4**	**(698.6)**	**(327.2)**	**410.0**	**2.4**	**412.4**
Net borrowing costs	(50,6)	(18,2)	(68.8)	(46,9)	(14,8)	(61,7)
Financial expenses	*(57.6)*	*(18.2)*	*(75.8)*	*(57.0)*	*(14.8)*	*(71.9)*
Financial income	*7.0*	–	*7.0*	*10.2*	–	*10.2*
Other financial results	(7.7)	(9.5)	(17.1)	(9.7)	(6.5)	(16.2)
Discounting of debt and receivables	–	–	–	–	2.1	2.1
Change in value and income from disposal of financial instruments	–	(56.5)	(56.5)	–	(65.2)	(65.2)
Proceeds from the disposal of investments[(a)]	0.2	0.6	0.8	2.7	(1.6)	1.1
Profit before tax	**313.3**	**(782.2)**	**(468.8)**	**356.1**	**(83.7)**	**272.4**
Income tax	(26.6)	(28.4)	(54.9)	(7.1)	(29.8)	(36.9)
NET INCOME	286.8	(810.5)	(523.8)	349.0	(113.5)	235.5
o/w Net income attributable to Altarea SCA shareholders	**230.3**	**(538.1)**	**(307.7)**	**293.1**	**(59.4)**	**233.7**
o/w Net income attributable to minority interests in subsidiaries	(56.5)	272.5	216.0	(55.9)	54.1	(1.8)
Average number of non-diluted shares	16,850,855	16,850,855	16,850,855	16,203,050	16,203,050	16,203,050
Basic net income per share of Altarea SCA shareholders (€)	**13.67**	**(31.93)**	**(18.26)**	**18.09**	**(3.67)**	**14.42**
Diluted average number of shares	17,081,054	17,081,054	17,081,054	16,393,265	16,393,265	16,393,265
Diluted net income per share of Altarea SCA shareholders (€)	**13.48**	**(31.50)**	**(18.02)**	**17.88**	**(3.63)**	**14.26**

Restatements explained in note 2.5 to the consolidated financial statements.
And concerning the share of the equity method, the impact of the IFRS 16 restatement is presented in full as a change in value, notably for the Cogedim Résidences Services business.

(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

(€ millions)	31/12/2020 Retail	31/12/2020 Residential	31/12/2020 Business Property	31/12/2020 Others (Corporate)	31/12/2020 TOTAL	31/12/2019 restated Retail	31/12/2019 restated Residential	31/12/2019 restated Business Property	31/12/2019 restated Others (Corporate)	31/12/2019 restated TOTAL
Net rental income	159.3	–	–	–	**159.3**	190.8	–	–	–	**190.8**
Net property income	0.1	201.7	22.0	(0.1)	**223.8**	0.0	207.5	11.9	(0.6)	**218.8**
Net overhead expenses	(21.6)	(63.8)	(18.6)	(7.9)	**(111.9)**	(23.4)	(80.9)	(4.9)	(8.9)	**(118.1)**
Others	(3.8)	(4.2)	4.7	(0.6)	**(3.8)**	(5.2)	(2.2)	(1.1)	(0.2)	**(8.7)**
Net gain/(loss) on disposal of investment assets	(4.7)	–	–	–	**(4.7)**	0.3	–	–	–	**0.3**
Value adjustments	(642.1)	(0.2)	1.7	–	**(640.7)**	71.1	(0.5)	1.3	–	**72.0**
Net charge to provisions for risks and contingencies	0.5	0.6	0.2	0.3	**1.6**	(0.5)	(0.4)	(0.1)	(0.9)	**(1.9)**
Share in earnings of equity-method affiliates	(12.4)	8.3	54.3	–	**50.2**	(0.3)	12.7	46.9	–	**59.2**
OPERATING INCOME (consolidated statement of comprehensive income)	**(525.7)**	**142.3**	**64.4**	**(8.3)**	**(327.2)**	**232.8**	**136.3**	**54.0**	**(10.7)**	**412.4**
Reclassification of net gain/(loss) on disposal of investments	0.6		0.2		**0.8**	0.3		2.7		**3.1**
OPERATING INCOME (Consolidated income statement by segment)	**(525.1)**	**142.3**	**64.6**	**(8.3)**	**(326.4)**	**233.2**	**136.3**	**56.7**	**(10.7)**	**415.5**

3.4 Revenue by geographical region and operating segment

By geographical region

	31/12/2020					31/12/2019				
(€ millions)	France	Italy	Spain	Others	Total	France	Italy	Spain	Others	Total
Rental income	166.7	7.9	10.3	–	184.9	178.1	19.9	10.4	–	208.4
External services	16.7	1.0	0.3	–	17.9	18.5	0.3	0.3	–	19.0
Revenue	–	13.6	–	–	13.6	–	–	–	–	–
Retail	**183.5**	**22.5**	**10.5**	**–**	**216.4**	**196.6**	**20.2**	**10.6**	**–**	**227.5**
Revenue	2,406.9	–	–	–	2,406.9	2,283.1	–	–	–	2,283.1
External services	10.1	–	–	–	10.1	11.2	–	–	–	11.2
Residential	**2,416.9**	**–**	**–**	**–**	**2,416.9**	**2,294.4**	**–**	**–**	**–**	**2,294.4**
Revenue	416.5	–	–	–	416.5	577.0	–	–	–	577.0
External services	5.7	–	–	0.5	6.2	10.4	–	–	0.5	10.9
Business Property	**422.2**	**–**	**–**	**0.5**	**422.7**	**587.4**	**–**	**–**	**0.5**	**587.9**
Others (Corporate)	0.1	–	–	–	0.1	0.1	–	–	–	0.1
TOTAL	**3,022.7**	**22.5**	**10.5**	**0.5**	**3,056.2**	**3,078.5**	**20.2**	**10.6**	**0.5**	**3,109.8**

The Altarea Group operates mainly in France, Italy and Spain in 2020, as in 2019.

In 2020, one client accounted for more than 10% of the Group’s revenue, i.e., €548 million in the Residential sector.

NOTE 4 SIGNIFICANT EVENTS AND CHANGES IN THE SCOPE OF CONSOLIDATION

4.1 Major events

Capital increase

The General Shareholders' Meeting of 30 June 2020, held behind closed doors, approved the payment of a dividend of €9.00/share and offered shareholders the choice between payment fully in cash, or half in shares and half in cash.

With a subscription rate of 82.28%, the success of the option for the partial payment of the script dividend has enabled the Group to increase its equity by €61.4 million.

In addition, in July, the Group's FCPE (employee investment mutual fund) subscribed to a reserved capital increase of €7.6 million[2], testifying to the commitment of Altarea employees (69.09% of employees have subscribed).

€300 million Bond issue maturing in 2030

In December 2020, Altarea placed a €300 million issue of 9-year bonds (maturing 16 January 2030), with an annual coupon of 1.75% and a zero new issue premium.

Retail

Timing of the pandemic's impact on the centres' businesses

The activity of shopping centre brands was badly disrupted in 2020:

• total lockdown from mid-March to mid-May: the centres remained open to allow "essential" shops to continue to trade. The public reception facilities have been resized to limit operating costs, while maintaining the safety and the comfort of the customer's experience;

• gradual relaxation of restrictions with the reopening of "non-essential" shops (mid-May), then cafes and restaurants (June) and finally cinemas (end of June);

• near "normal" trading from 22 June to the end of October:

• new lockdowns in November and the introduction of curfews (8 p.m. and 6 p.m. depending on the region) repressed activity in the last quarter.

Since the beginning of January 2021, all sites have been subject to a 6 p.m curfew, and since 31 January "non-essential" shops in centres of more than 20,000 m² have had to shut for an indefinite period.

Government support measures

As part of the support measures put in place by the government, the Group offered all its eligible tenants support consisting of the waiver of all or part of the rent for November, in exchange for a tax credit proportional to the size of the brand concerned.

For the retailers hit hardest[3] by prolonged closures, public assistance schemes have been strengthened to help traders pay their main expenses.

Impact of the pandemic on centres' performance indicators

Footfall in the French portfolio was down by 26%, while revenue fell by 18%, the drop in footfall being partially offset by an increase in the average shopping basket and conversion rates.

The pandemic led to an overall slowdown in marketing, directly impacting financial vacancy.

The health crisis had a direct impact on the collection of rent invoicing, particularly for the second quarter.

Uncollected receivables are classified into four categories:

• bad debts provisioned as irrecoverable, generally corresponding to defaults;

• reductions granted without consideration (mainly for VSEs and shops in railway stations).) which were fully recognised as an expense for the period for an amount of €10.1 million;

• reductions granted in exchange for contractual modifications to the lease. These reductions, in accordance with IFRS, are spread over the residual term of the lease. In 2020, €2.9 million have already been expensed.

• uncollected receivables concerning creditworthy brands whose leases have not been modified and for which the corresponding amounts are legally due, will be subject to recovery measures.

Asset disposal

At the beginning of March 2020, Altarea completed the deal signed at the end of 2019 for the Alta Commerces Europe fund (sale of Due Torri to Stezzano and La Corte Lombarda to Bellinzago in Italy). This transaction led to the deconsolidation of the assets acquired by the fund.

Activity - projects

In 2020, the Group:

• delivered the final phase of the Cap3000 extension, already 70% let and due to open in 2021, and the last phase of the retail space renovation to Paris-Montparnasse station, and

• delivered the 5,000 m² San Cugat extension for Decathlon and Primark.

Residential

Impact of the pandemic on the centres' businesses

Altarea was very responsive to the first lockdown (17 March to 11 May 2020), which severely disrupted the entire Residential development cycle:

• while the sales offices were closed, limiting commercial contacts with individuals, the team's commitment maintained commercial activity at around 30% of normal by making full use of digital tools, particularly e-booking which allows teams to contract sales securely online.

2 Average subscription of €5,110 per employee subscribing.

3 *Notably restaurants and entertainment.*

• the Group scheduled a campaign of notarised completions and collections before the end of the lockdown. It took place at a time when clients and notary offices were barely out of lockdown, as the latter still had a reduced capacity to record transactions.

• at the beginning of May, the 300 projects under way restarted and returned to cruising speed by June, quickly making up the impact of the stoppage on technical completion rates.

The attack was kept up throughout the year, maintaining a high rate of sales during the 2nd lockdown (30 October to 15 December 2020) during which construction sites were not suspended and notarised sales were much more fluid.

Performance indicators

New orders[4]: €3.4 billion (+2%)

The Group conducted an active sales campaign throughout the year. Sale completions increased by +14%in value compared to 2019 and by +8% in volume (13,100 lots sold, with a good balance between types of investor).

In 2020, the Group delivered nearly 7,800 lots and more than 300 projects (27,000 lots) are under way at the start of 2021.

The Group focused on accelerating the sale of programmes already launched. Given the context, business recovered more strongly in the second part of the year, thanks in large part to digitisation of the launch of marketing programmes. A total of 110 new projects (5,300 lots) were launched this year, compared to 166 transactions in 2019 for 11,500 lots.

Business property

Impact of the pandemic on the centres' businesses

The first lockdown (17 March to 11 May 2020) disrupted activity with the shutdown of the majority of ongoing construction sites, except Richelieu, Altarea's head office, which was delivered in the 2nd quarter, and the Bridge in Issy-les-Moulineaux (future Orange head office), whose delivery had to be postponed until the beginning of 2021.

New orders

Over the full year 2020, the Group placed eight transactions for a total of €161 million, including:

• an off-plan project in the centre of Paris and the 9,700 m² of offices in the large mixed-use project Bobigny-La Place;

• and six off-plan sales in the regions, including Amazing Amazones in Nantes, Gravity in Lyon, le Pomone in Aix-en-Provence and Campus Adriana in Marseille.

Deliveries

Despite the constraints related to the pandemic, this year Altarea delivered several emblematic projects illustrating its product and geographic strategy:

• "Convergence", Danone's new global head office in Rueil-Malmaison;

• a 46,000 m² logistics platform for Lidl near Nantes;

• "Orange Lumière" in Lyon Part-Dieu, the new Orange campus bringing together its Lyon teams.

In the first half of the year, Altarea also delivered its head office at 87 rue de Richelieu in Paris, a project that has won numerous awards for its exemplary rehabilitation work (notably the SIMI Grand Prix 2020).

In early 2021, the Group will deliver "Bridge", Orange's future headquarters in Issy-les-Moulineaux, which has just been awarded the Wired Score "Platinum" label, the highest level of distinction in terms of digital connectivity, Eria La Défense, which will house the future Cybersecurity agency ordered by the French President, and Landscape, also in La Défense.

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[4] New orders net of withdrawals, in euros, including VAT when expressed in value. New orders at 100%, with the exception of projects under joint control which are reported proportionately (including Woodeum).

4.2 Consolidation scope

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

				31/12/2020			31/12/2019		
COMPANIES	LEGAL FORM	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	SCA	324814219		FC	100.0%	100.0%	FC	100.0%	100.0%
FONDS PROXIMITE	SNC	348024050	affiliate	EM	25.0%	25.0%	EM	25.0%	25.0%
ALDETA	SASU	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 CARRE DE SOIE	SCI	449231463	Joint venture	EM	50.0%	50,0%	EM	50.0%	50.0%
FONCIERE CEZANNE MATIGNON	SNC	348024050		FC	100.0%	100.0%	FC	100.0%	100.0%
FONCIERE ALTAREA	SASU	353900699		FC	100.0%	100.0%	FC	100.0%	100.0%
SOCIETE 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%
LIMOGES INVEST	SCI	488237546		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC MACDONALD COMMERCES	SNC	524049244	affiliate	EM	25,0%	25.0%	EM	25.0%	25.0%
ALTAREA MANAGEMENT	SNC	509105375		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA-MONTPARNASSE	SNC	524049244		FC	100.0%	100.0%	FC	100.0%	100.0%
LES VIGNOLES RETAIL PARK	SNC	512086117		FC	100.0%	100.0%	FC	100.0%	100.0%
OPCI ALTA COMMERCE EUROPE	SPPICAV	NA	Joint venture	EM	29.9%	29.9%	NI	0,0%	0,0%
ALTA ORGEVAL	SNC	795338441		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA QWARTZ	SNC	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%
THIAIS SHOPPING CENTER	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%
NR21	SCA	335480877		FC	84.4%	100.0%	FC	84.4%	100.0%
Retail Italy									
ALTAGARES	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	SRL	NA		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTAREA PATRIMAE	SRL	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 METROPOLE	SNC	810928135		FC	99.9%	100.0%	FC	99.9%	100.0%
ALTAREA COGEDIM GRANDS PROJETS	SNC	810926519		FC	99.9%	100.0%	FC	99.9%	100.0%
ALTAREA COGEDIM REGIONS	SNC	810847905		FC	99.9%	100.0%	FC	99.9%	100.0%
SEVERINI	SNC	848899977		FC	84.9%	100.0%	FC	84.9%	100.0%
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	99.9%	100.0%
ALTA FAUBOURG	SASU	444560874		FC	99.9%	100.0%	FC	99.9%	100.0%
ALTAREA SOLUTION FINANCEMENT	SNC	504638784		FC	99.9%	100.0%	NI	0.0%	0,0%
HP	SAS	480309731		FC	99.9%	100.0%	FC	99.9%	100.0%
HORIZONS	SNC	825208093		FC	99.9%	100.0%	FC	99.9%	100.0%
MERIMEE	SNC	849367016		FC	99.9%	100.0%	FC	99.9%	100.0%
HISTOIRE ET PATRIMOINE PARTENARIATS	SASU	452727985		FC	99.9%	100.0%	FC	99.9%	100.0%
ALTAREA COGEDIM ZAC VLS	SNC	811910447		FC	99.9%	100.0%	FC	99.9%	100.0%
VITROLLES LION 3	SNC	811038363		FC	99.9%	100.0%	FC	99.9%	100.0%
PITCH PROMOTION	SAS	450042338		FC	99.9%	100.0%	FC	99.9%	100.0%
SEVRAN FREINVILLE	SCCV	801560079		FC	59.9%	100.0%	FC	59.9%	100.0%
ARGENTEUIL SARRAZIN	SCCV	822894432		FC	50.9%	100.0%	FC	50.9%	100.0%
SAINT-CYR LA FAVORITE	SCCV	824331060		FC	79.9%	100.0%	FC	79.9%	100.0%
ANDRESY CHÂTEAUBRIANT	SCCV	838432094		FC	74.9%	100.0%	FC	74.9%	100.0%
BEZONS CŒUR DE VILLE A1 & A2- LOGEMENTS	SCCV	819929845		FC	99.9%	100.0%	FC	99.9%	100.0%
GIF MOULON A4	SCCV	830886115		FC	25.0%	100.0%	FC	25.0%	100.0%
BOBIGNY COEUR DE VILLE	SNC	838941011		FC	99.9%	100.0%	FC	99.9%	100.0%
TOULOUSE TMA PLACE CENTRALE	SNC	821922564		FC	99.9%	100.0%	FC	99.9%	100.0%
PITCH PROMOTION	SASU	422989715		FC	99.9%	100.0%	FC	99.9%	100.0%
CARRIERES-SOUS -POISSY P7	SCCV	824114607	affiliate	EM	74.9%	75.0%	EM	74.9%	75.0%
ARTCHIPEL	SCCV	841150071		FC	99.9%	100.0%	FC	99.9%	100.0%
RUEIL COLMAR	SCCV	851750968		FC	69.9%	100.0%	FC	69.9%	100.0%

				31/12/2020			31/12/2019		
COMPANIES	**LEGAL FORM**	**Siren**		**Method**	**Interest**	**Consolidation**	**Method**	**Interest**	**Consolidation**
CLICHY ROGUET	SCCV	880090212		FC	50.9%	100.0%	NI	0.0%	0,0%
BAGNOLET ALLENDE	SCCV	821889151	affiliate	EM	48.9%	49.0%	EM	48.9%	49.0%
CLAMART LA LISIERE	SCCV	831010566	affiliate	EM	48.9%	49.0%	EM	48.9%	49.0%
MB TRANSACTIONS	SASU	425039138		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM GESTION	SNC	380375097		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM PARIS METROPOLE	SNC	319293916		FC	99.9%	100.0%	FC	99.9%	100.0%
ASNIERES AULAGNIER	SARL	487631996	Joint venture	EM	49.9%	50,0%	EM	49.9%	50.0%
COGEDIM GRAND LYON	SNC	300795358		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM MEDITERRANEAN	SNC	312347784		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM PROVENCE	SNC	442739413		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM MIDI-PYRENEES	SNC	447553207		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM GRENOBLE	SNC	418868584		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM SAVOIES-LEMAN	SNC	348145541		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM AQUITAINE	SNC	388620015		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM ATLANTIC	SNC	501734669		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM LANGUEDOC ROUSSILLON	SNC	532818085		FC	99.9%	100.0%	FC	99.9%	100.0%
COGEDIM	SASU	54500814		FC	99.9%	100.0%	FC	99.9%	100.0%
SNC SURESNES MALON	SNC	832708663	Joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
SAS BAGNEUX 116	SAS	839324175		FC	50.9%	100.0%	FC	50.9%	100.0%
RESPIRE	SCCV	807582267		FC	89.9%	100.0%	FC	89.9%	100.0%
LYON LES MOTEURS	SNC	824866388		FC	99.9%	100.0%	FC	99.9%	100.0%
COGIMO	SAS	962502068		FC	99.9%	100.0%	NI	0.0%	0,0%
SNC PROVENCE L'ÉTOILE	SNC	501552947		FC	99.9%	100.0%	FC	99.9%	100.0%
HYRES L'AUFRENE	SCCV	834122335		FC	99.9%	100.0%	FC	79.9%	100.0%
PARIS CAMPAGNE PREMIERE	SCCV	530706936		FC	50.9%	100.0%	FC	50.9%	100.0%
BOBIGNY PARIS	SCCV	812846525		FC	50.9%	100.0%	FC	50.9%	100.0%
RUEIL BONAPARTE MANET	SCCV	817961196		FC	99.9%	100.0%	FC	99.9%	100.0%
JOINVILLE H. PINSON	SCCV	821764107		FC	50.0%	100.0%	FC	50.0%	100.0%
CRETEIL BOBILLOT	SCCV	823592944		FC	79.9%	100.0%	FC	79.9%	100.0%
PIERRE BEREGOVOY	SCCV	829581651		FC	54.9%	100.0%	FC	54.9%	100.0%
CHAMPIGNY ALEXANDRE FOURNY	SCCV	829377894		FC	50.0%	100.0%	FC	50.0%	100.0%
COLOMBES BARBUSSE	SCCV	831268008		FC	50.9%	100.0%	FC	50.9%	100.0%
HORLOGE GASTON ROUSSEL	SCCV	832294664		FC	50.9%	100.0%	FC	50.9%	100.0%
SURESNES BMV	SCCV	834261497		FC	50.0%	100.0%	FC	50.0%	100.0%
LA GARENNE COLOMBES FOCH	SCCV	835014135		FC	50.0%	100.0%	FC	50.0%	100.0%
MONTREUIL D 'ALEMBERT	SCCV	841085210		FC	99.9%	100.0%	FC	89.9%	100.0%
WOODEUM RESIDENTIAL	SAS	807674775		EM	50.0%	50.0%	EM	50.0%	50.0%
ASNIERES 94 GRESILLONS	SCCV	849115258		FC	50.9%	100.0%	FC	50.9%	100.0%
CROIX DE DAURADE	SCCV	829774173		FC	50.9%	100.0%	FC	50.9%	100.0%
Business property									
ALTAREA COGEDIM ENTREPRISE PROMOTION	SNC	535056378		FC	99.9%	100.0%	FC	99.9%	100.0%
ALTAREA ENTREPRISE 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%
B1	SCCV	IN PROGRESS	joint venture	EM	33.3%	33.3%	EM	33.3%	33.3%
B2 B3	SCCV	IN PROGRESS	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%
ALTA VAI HOLDCO A	SAS	424007425		FC	99.9%	100.0%	FC	99.9%	100.0%
FONCIERE ALTAREA MONTPARNASSE	SNC	847726650		FC	100.0%	100.0%	FC	100.0%	100.0%
ISSY PONT	SCI	804865996	joint venture	EM	25.0%	25.0%	EM	25.0%	25.0%
PASCALPROPCO	SASU	437929813	affiliate	EM	15.0%	15.1%	EM	15.0%	15.1%
PRD MONTPARNASSE	SCI	844634758	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%
BALMA CAMPUS WALLIS	SCCV	840457881	joint venture	EM	50.0%	50.1%	EM	50.0%	50.1%
RUEIL LE LUMIERE	SCCV	822728473	affiliate	EM	20.0%	20,0%	EM	20.0%	20.0%
ISSY COEUR DE VILLE PROMOTION BUREAUX	SNC	829845536		FC	99.9%	100.0%	FC	50.9%	100.0%

4.3 Changes in consolidation scope

(in number of companies)	31/12/2019	Acquisition	Creation	Sale	Absorption, dissolution, deconsolidation	Change in consolidation method	31/12/2020
Fully consolidated subsidiaries	424	2	31	(2)	(20)	1	436
Joint ventures[a]	134	-	10	-	(5)	(1)	138
Affiliates[a]	82	1	3	(1)	(7)		78
Total	**640**	**3**	**44**	**(3)**	**(32)**	**-**	**652**

(a) Companies accounted for using the equity method.

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

(€ millions)	31/12/2020	31/12/2019
Investments in consolidated securities	(12.6)	(56.9)
Liabilities on acquisition of consolidated participating interests	3.6	(12.4)
Cash of acquired companies	2.9	6.4
Total	**(6.0)**	**(62.9)**

In 2019, the Group acquired an 85% stake in residential property developer Severini, the operation of five Italian railway stations, and NR 21, a company listed on Euronext Paris (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

The Group did not carry out any business combinations during the year.

4.5 Securities and investments in equity affiliates

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

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

(€ millions)	31/12/2020	31/12/2019
Equity-accounting value of joint ventures	**102.7**	90.3
Equity-accounting value of affiliated companies	**152.7**	120.5
Value of stake in equity-method affiliates	**255.4**	**210.8**
Receivables from joint ventures	**209.7**	200.2
Receivables from affiliated companies	**114.5**	121.1
Receivables from equity-method subsidiaries	**324.2**	**321.3**
Securities and investments in equity affiliates	**579.6**	**532.1**

As of 31 December 2020,

- the increase in value of equity-accounted affiliates mainly reflects the completion of works and delivery of the Group’s new head office,
- the increase in the equity-accounted value of joint ventures mainly reflects the Group’s subscription to the Alta Commerce Europe fund.

Receivables from joint ventures and receivables from associated companies relating to Property operations come to €290.0 million.

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

(€ millions)	*Joint venture*	*Affiliates*	31/12/2020	*Joint venture*	*Affiliates*	31/12/2019
Balance sheet items, Group share:						
Non-current assets	379.4	204.5	583.9	340.8	199.3	540.2
Current assets	500.7	310.7	811.4	453.7	375.5	829.2
Total Assets	**880.1**	**515.2**	**1,395.3**	**794.5**	**574.9**	**1.369.4**
Non-current liabilities	199.1	177.6	376.7	205.2	203.3	408.5
Current liabilities	578.3	184.9	763.2	499.1	251.1	750.2
Total Liabilities	**777.4**	**362.5**	**1,139.9**	**704.3**	**454.4**	**1,158.6**
Net assets (equity-accounting basis)	**102.7**	**152.7**	**255.4**	**90.3**	**120.5**	**210.8**
Share of income statement items, Group share:						
Operating income	**17.5**	**36.2**	**53.8**	**42.5**	**43.8**	**86.3**
Net borrowing costs	(3.9)	(3.2)	(7.0)	(2.9)	(6.0)	(8.8)
Other financial results	(2.7)	(2.5)	(5.2)	(2.4)	(0.2)	(2.6)
Change in value of hedging instruments	(0.1)	(0.2)	(0.3)	(0.6)	(1.2)	(1.8)
Proceeds from the disposal of investments	0.0	(18.4)	(18.4)	1.6	–	1.6
Net income before tax	**10.9**	**11.9**	**22.8**	**38.2**	**36.5**	**74.7**
Corporate income tax	(3.7)	31.1	27.4	(9.7)	(5.8)	(15.5)
Net income by equity method (after tax)	**7.2**	**43.0**	**50.2**	**28.5**	**30.7**	**59.2**
Non-Group net income	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Net income, Group share	7.2	43.0	50.2	28.5	30.7	59.2

Group revenues from joint ventures amounted to €16,3 million for the year to 31 December 2020, compared with €60,0 million for 2019.

Group revenues from associates amounted to €6.8 million for the year to 31 December 2020, compared with €12.2 million for 2019.

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 €223.7 and €2.0 million at 31 December 2020, compared to €63.4 and €1.9 million, respectively, in 2019.

Commitments received

As of 31 December 2020, the main commitments received by the joint ventures relate to security deposits received from tenants in the amount €0.2 million.

4.6 Current and non-current financial assets

At 31 December 2020, current and non-current financial assets amounted to €34.6 million and consist mainly of:

- deposits and guarantees paid on projects: €8.4 million,
- loans and receivables, recognised at amortised cost: €22.8 million.

NOTE 5 NET 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 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. COVID-related write-offs and write-downs of receivables affect this item.

Net rental income amounted to €159.3 million in 2020, compared to €190.8 million in 2019, i.e. a decrease of 16.5%.

5.1.2 Net property income

The Group's net property income stood at €223.8 million in 2020 compared to €218.8 million in 2019, i.e. an increase of 2.3%.

The Residential Backlog of the fully-consolidated companies was 3,638 million at 31 December 2020.

The Property Development Backlog of the fully-consolidated companies was €437 million at 31 December 2020.

5.2 Cost of net financial debt and other financial items

5.2.1 Cost of net financial debt

(€ millions)	31/12/2020	31/12/2019 restated
Bond and bank interest expenses	(55.0)	(53.9)
Interest on partners' advances	3.6	4.1
Interest rate on hedging instruments	(0.5)	(2.8)
Capitalised interest expenses	1.5	5.8
Other financial income and expenses	(0.1)	(0.1)
FFO financial income and expenses	**(50.6)**	**(46.9)**
Spreading of bond issue costs and other estimated expenses[(a)]	(18.2)	(14.8)
Cost of net debt	**(68.8)**	**(61.7)**

(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 -€10.6 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 capitalisation rate used to determine the amounts of borrowing costs that may be included in the carrying amount of assets is the interest rate on financing assigned specifically to asset development or, if there is no specific financing, to the average cost of debt borne by the Company and not assigned specifically to another purpose.

The Group's average cost of financing (excluding the impact of IFRS 16) was 1.94% as at 31 December 2020, including margin, compared with 2.21% as at 31 December 2019.

5.2.2 Other financial results

Other financial results correspond in particular to interest expenses on rental obligations or royalties on investment properties (see 2.5 Change in presentation).

5.2.3 Impact of result of financial instruments

This item consists of a net charge of €(56.5) million, mainly related to the payment of balances on financial instruments for €(78.2) million (compared to €(35.9) million at 31 December 2019) and €67.3 million of changes in the value of interest rate hedging instruments (compared to €(29.3) million at 31 December 2019).

5.3 Income tax

Analysis of tax expense

Tax expense is analysed as follows:

(€ millions)	31/12/2020	31/12/2019
Tax due	**(26.6)**	**(7.1)**
Tax loss carry forwards and/or use of deferred losses	(50.6)	(6.9)
Valuation differences	0.2	0.2
Fair value of investment properties	22.9	(15.1)
Fair value of hedging instruments	(0.2)	0.0
Net property income on a percentage-of-completion basis	(5.2)	(7.1)
Other timing differences	4.6	(0.9)
Deferred tax	**(28.4)**	**(29.8)**
Total tax income (expense)	**(54.9)**	**(36.9)**

Effective tax rate

(€ millions)	31/12/2020	31/12/2019
Pre-tax profit of consolidated companies	**(519.1)**	**213.2**
Group tax savings (expense)	**(54.9)**	**(36.9)**
Effective tax rate	**10.58%**	**(17.32)%**
Tax rate in France	28.92%	32.02%
Theoretical tax charge	**150.1**	**(68.3)**
Difference between theoretical and effective tax charge	**(205.0)**	**31.4**
Differences related to entities' SIIC status	(192.0)	13.1
Differences related to treatment of losses	(5.8)	11.2
Other permanent differences and rate differences	(7.3)	7.1

Deferred tax assets and liabilities

(€ millions)	31/12/2020	31/12/2019
Tax loss carry forwards	78.9	129.5
Valuation differences	(35.3)	(35.5)
Fair value of investment properties	(19.9)	(43.0)
Fair value of financial instruments	(0.2)	(0.0)
Net property income on a percentage-of-completion basis	(74.0)	(68.1)
Other timing differences	(0.8)	(5.2)
Net deferred tax on the balance sheet	**(51.2)**	**(22.2)**

As at 31 December 2020, the Group had unrecognised tax loss carry-forwards of €425.5 million (basis), as compared with €398.5 million for the year ending 31 December 2019.

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 27.37%, the rate set by the Finance Act for 2021, and not at the rate of 28.92% applicable in 2020.

The Finance Act provides for a gradual decrease in the rate of corporate income tax, which will be set at 25.83% from 1 January 2022.

To anticipate the impact of this forthcoming decrease, a discount was applied to the tax calculated on items the Group does not expect to be cleared before this date..

5.4 Earnings per share

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

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

As in 2019, the dilution arose only from the granting of rights to free shares in Altarea SCA to Group employees.

(€ millions)	31/12/2020	31/12/2019
Numerator		
Net income, Group share	(307.7)	233.7
Denominator		
Weighted average number of shares before dilution	16,850,855	16,203,050
Effect of potentially dilutive shares		
Stock options	*0*	*0*
Rights to free share grants	*230,199*	*190,215*
Total potential dilutive effect	230,199	190,215
Weighted diluted average number of shares	17,081,054	16,393,265
NET INCOME, GROUP SHARE, UNDILUTED PER SHARE (in €)	**(18.26)**	**14.42**
NET INCOME, GROUP SHARE, DILUTED PER SHARE (in €)	**(18.02)**	**14.26**

NOTE 6 LIABILITIES

6.1 Equity

6.1.1 Capital, share-based payments and treasury shares

Capital

Altarea SCA share capital (in euros)

In number of shares and in €	Number of shares	Nominal	Share Capital
Number of shares outstanding at 31 December 2018	**16,061,329**	**15.28**	**245,425,285**
Share 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**
Share capital increase via the conversion of dividends into shares	508,199	15.28	7,765,281
Share capital increase reserved for Mutual Funds	66,878	15.28	1,021,896
Number of shares outstanding at 31 December 2020	**17,275,839**	**15.28**	**263,982,998**

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 €12.5 million in 2020 compared to €14.9 million in 2019. No stock option plan was under way at 31 December 2020.

Free share grants

Award date	Number of rights awarded	Vesting date	Rights in circulation as at 31/12/2019	Awarded	Deliveries	Amendments to rights(a)	Rights in circulation as at 31/12/2020
Share grant plans on Altarea shares							
21 February 2018	12,424	21 February 2020	11,704		(11,512)	(192)	–
2 March 2018	33,129 (b)	2 March 2020	29,595		(28,574)	(1,021)	–
30 March 2018	4,327	30 March 2020	4,177		(4,177)	–	–
20 July 2018	41,500 (b)	31 March 2021	41,500			(10,700)	30,800
7 September 2018	14.800 (b)	31 March 2021	14,800			(7,400)	7,400
25 September 2018	1,000	31 March 2020	1,000		(1,000)	–	–
3 December 2018	5,000 (b)	31 March 2021	5,000			(3,000)	2,000
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	28,557		(28,263)	(294)	–
18 March 2019	9,461	12 March 2021	9,337			(258)	9,079
19 March 2019	41,531	19 March 2022	40,219			(2,872)	37,347
6 June 2019	1,355	20 March 2022	1,355		(135)	–	1,220
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			(600)	2,400
10 January 2020	1,300	10 January 2021		1,300		–	1,300
20 April 2020	58,809	20 April 2021		58,809		(332)	58,477
21 April 2020	18,479	21 April 2022		18,479		(68)	18,411
22 April 2020	45,325	22 April 2023		45,325		(1,373)	43,952
23 April 2020	1,000	23 April 2021		1,000		–	1,000
24 April 2020	2,000	24 April 2022		2,000		–	2,000
30 April 2020	4,900	30 April 2021		4,900		(300)	4,600
1 October 2020	89	1 October 2021		89		–	89
Total	**354,083**		**216,094**	**131,902**	**(75,511)**	**(28,410)**	**244,075**

(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

	31/12/2020
Dividend rate	6.0%
Risk-free interest rate	0.0%

TREASURY SHARES

The acquisition cost of treasury shares was €23.9 million at 31 December 2020 for 139,322 shares (including 139,095 shares intended for allotment to employees under free share grant or stock option plans and 227 shares allocated to a liquidity contract), compared with €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). 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 €(15.0) million before tax at 31 December 2020 (€(10.9) million after tax) compared with €(21.0) million at 31 December 2019 (€(15.0) million after tax).

The negative impact on cash flow from purchases and disposals over the period came to €(5.9) million at 31 December 2020 compared to +€0.4 million at 31 December 2019.

6.1.2 Dividends proposed and paid

Dividends paid

(€ millions)	31/12/2020	31/12/2019
Paid in current year in respect of previous year:		
Dividend per share (in euros)	*9.00*	*12.75*
Payment to shareholders of the Altarea Group	149.1	202.6
Proportional payment to the general partner (1.5%)	2.3	3.0
Total	**151.4**	**205.6**
Offer to convert dividends into shares:		
Subscription price (in euros)	*120.79*	*156.55*
Total amount of conversion into shares	**61.4**	**93.8**
Rate of conversion of dividends into shares on the 50% option	*82.28%*	*92.63%*

Proposed payment in respect of 2020:

A dividend of €9.50/share will be proposed to the General Shareholders' Meeting of 30 June 2021, for the financial year 2020.

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

- a full payment in cash;
- a payment of 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

(€ millions)	31/12/2019	Cash flow	"Non-cash" change					31/12/2020
			Spreading of issue costs	Change in scope of consolidation	Update	Change in method	Reclassif ication	
Bonds (excluding accrued interest)	1,613.5	337.7	(0.8)	–	–	–	(0.0)	1,950.4
Short and medium term negotiable securities	739.5	(86.5)	–	–	–	–	–	653.0
Bank borrowings, excluding accrued interest and overdrafts	931.0	(102.7)	11.4	(3.3)	–	–	–	836.4
Net bond and bank debt, excluding accrued interest and overdrafts	**3,284.0**	**148.5**	**10.6**	**(3.3)**	**–**	**–**	**(0.0)**	**3,439.7**
Accrued interest on bond and bank borrowings	18.8	7.6	–	–	–	–	–	26.5
Bond and bank debt, excluding overdraft	**3,302.8**	**156.2**	**10.6**	**(3.3)**	**–**	**–**	**(0.0)**	**3,466.2**
Cash and cash equivalents	(830.2)	(447.3)	–	–	–	–	0.0	(1,277.5)
Bank overdrafts	2.7	1.2	–	–	–	–	–	3.9
Net cash	**(827.5)**	**(446.1)**	**–**	**–**	**–**	**–**	**0.0**	**(1,273.6)**
NET BOND AND BANK DEBT	**2,475.3**	**(290.0)**	**10.6**	**(3.3)**	**–**	**–**	**0.0**	**2,192.6**
Equity loans and Group and partners' advances	246.6	19.7	–	3.7	–	–	(0,0)	270.0
Accrued interest on shareholders' advances	5.7	(5.1)	–	–	–	–	–	0,7
Lease liabilities	23.2	(10,3)	–	–	–	–	137.5	150.4
Contractual fees on investment properties	143.4	4.1	–	–	–	–	31.4	178.8
Net financial debt	**2,894.3**	**(281.6)**	**10.6**	**0.4**	**–**	**–**	**168.9**	**2,792.5**

(*) o/w allocation of earnings to shareholder current accounts for €8.7 million.

6.2.1 Net financial bond and bank debt

Group net financial bond and bank debt amounted to €2,192.6 million at 31 December 2020 compared to €2,475.3 million at 31 December 2019

During the financial year, the Group has mainly:

- invested a €300 million Altarea bond in December, maturing in nine years (16 January 2030), with a fixed annual coupon of 1.75%;
- bought back through a public offer launched on 7 December 2020, €114.5 million of Altarea bonds maturing in July 2024 and with an annual coupon of 2.25%;
- invested €80 million and €70 million (in July and October, respectively) in bonds assimilated to the Altareit 2.875% 07/2025 issue, bringing the total nominal amount of this issue to €500 million;
- repaid early €211 million of mortgage loans;
- established or extended €120 million of term loans;
- established or extended up to €550 million of drawable revolving loans;
- reduced issues of medium- and short-term securities by €87 million. 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 2020.

The changes in scope are mainly related to movements within the Property Development business.

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

(€ millions)	31/12/2020	31/12/2019
< 3 months	271.9	429.5
3 to 6 months	894.2	192.1
6 to 9 months	91.7	127.7
9 to 12 months	88.0	75.2
Less than 1 year	**1,345.8**	**824.5**
2 years	153.0	653.7
3 years	124.2	79.2
4 years	451.6	98.2
5 years	540.0	570.3
1 to 5 years	**1,268.7**	**1,401.4**
More than 5 years	**869.8**	**1,094.6**
Issuance cost to be amortised	(14.2)	(15.1)
Total gross bond and bank debt	**3,470.1**	**3,305.5**

The increase in the portion of bond and bank debt due in less than one year is mainly explained by the increase in marketable securities and their maturity schedule, by the reduction in mortgage debt on Cap 3000 and by the maturing of bonds issued by Altarea in 2014.

Breakdown of bank and bond debt by guarantee

(€ millions)	31/12/2020	31/12/2019
Mortgages	400.0	506.0
Mortgage commitments	150.6	184.3
Moneylender lien	11.6	13.7
Pledging of receivables	–	–
Altarea SCA security deposit	200.0	150.0
Not Guaranteed	2,722.1	2,466.6
Total	**3,484.3**	**3,320.6**
Issuance cost to be amortised	(14.2)	(15.1)
Total gross bond and bank debt	**3,470.1**	**3,305.5**

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		
(€ millions)	Variable rate	Fixed rate	Total
As of 31 December 2020	1,495.2	1,974.9	3,470.1
As of 31 December 2019	1,606.3	1,699.2	3,305.5

The market value of fixed rate debt stood at €2,050.9 million at 31 December 2020 compared to €1,783.5 million at 31 December 2019.

Schedule of future interest expenses

(€ millions)	31/12/2020	31/12/2019
< 3 months	3.7	4.2
3 to 6 months	9.0	10.5
6 to 9 months	14.1	17.3
9 to 12 months	4.9	8.8
Less than 1 year	**31.7**	**40.8**
2 years	49.4	68.5
3 years	47.0	57.6
4 years	45.4	54.7
5 years	37.0	49.5
1 to 5 years	**178.7**	**230.4**

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).

These liabilities amounted to €150.4 million at 31 December 2020 compared to €23.2 million at 31 December 2019. The increase is mainly due to the effective date of the lease of the Group's new head office, rue de Richelieu in Paris. They seen in light of the right-of-use assets on tangible and intangible assets.

6.2.3 Contractual fees on Investment properties

Contractual fees on investment properties, which are economically different in nature from rental obligations, concern debts relating to temporary occupancy authorisations and construction leases on retail assets (mainly stations).

They amounted to €178.8 million at 31 December 2020 compared to €143.4 million at 31 December 2019 and are to be seen in light of the right-of-use assets on investment properties (assets that generate income).

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

(€ millions)	31/12/2020	31/12/2019
< 3 months	2.5	4.6
3 to 6 months	1.7	4.3
6 to 9 months	19.9	3.9
9 to 12 months	0.9	4,2
Less than 1 year	**25.1**	**17.1**
2 years	17.7	30.0
3 years	16.1	4.9
4 years	15.8	3.4
5 years	16.2	3.1
1 to 5 years	**65.9**	**41.4**
More than 5 years	**238.4**	**108.1**
Total lease liabilities and contractual fees on investment properties	**329.3**	**166.6**

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

(€ millions)	Cash flow
Issuance of debt and other financial liabilities	1,827.0
Repayment of borrowings and other financial liabilities	(1,667.5)
Change in borrowing and other financial liabilities	**159.5**
Repayment of lease liabilities	(6.3)
Change in cash balance	446.1
Total change in net financial debt (TFT)	**599.4**
Net bond and bank debt, excluding accrued interest and overdrafts	148.5
Net cash	446.1
Equity loans and Group and partners' advances	19.7
Lease liabilities	(10.3)
Contractual fees on investment properties	4.1
Allocation of income to shareholder current accounts	(8.7)
Total change in net financial debt	**599.4**

6.3 Provisions

(€ millions)	31/12/2020	31/12/2019
Provision for benefits payable at retirement	14.9	14.5
Other provisions	9.1	10.6
Total provisions	**24.0**	**25.1**

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. The main assumptions used to assess the commitment are the staff turnover rate, the discount rate and the salary increase rate: a variation of +/- 0.25% of these last two criteria would not result in no 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

(€ millions)	Investment properties Measured at fair value	Measured at cost	right-of-use asset	Assets held for sale	Total Investment properties
As of 31 December 2019	**3,826.2**	**509,3**	**136,7**	**335,0**	**4,807.2**
Subsequent investments and expenditures capitalised	10.9	117.4	–	–	128.3
Change in spread of incentives to buyers	20.3	–	–	0.7	20.9
Disposals/repayment of down payments made	–	–	–	(226.9)	(226.9)
Net impairment/project discontinuation	–	(59.8)	–	–	(59.8)
Transfers to assets held for sale or to or from other categories	362.2	(355.8)	–	(24.3)	(18.0)
New right-of-use assets	–	–	31.4	–	31.4
Change in fair value	(570.5)	–	(3,5)	(7.2)	(581.1)
As of 31 December 2020	**3,649.0**	**211.1**	**164.6**	**77.4**	**4,102.0**

At 31 December 2020, interest expenses amounting to €1.5 million were capitalised in respect of projects under development and construction.

Investment properties at fair value

The primary movements concern:

- the sale of the Italian shopping centers Le Due Torri and Le Corte Lombarda;
- the transition to fair value of the extension of the Cap 3000 shopping center in Saint-Laurent-du-Var and the third phase of the Paris-Montparnasse station;
- changes in fair value of shopping centres in operation.

Investment properties valued at cost

The assets under development and under construction recognised at cost mainly concern the development and redevelopment projects of shopping centres in France.

All Cap3000 assets are now classified as Investment properties measured at fair value.

The Group reviewed all of its ongoing projects and recorded impairment charges where it deemed necessary in view of the current health crisis.

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 New right-of-use asset line comprises the third phase of Montparnasse and the indexation of existing contracts.

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 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	Rent in € per m²	Discount rate	Capitalisation rate at exit	AAGR of net rental income
		a	b	c	d	e
France	Maximum	7.9%	1,041	7.9%	6.9%	7.1%
	Minimum	3.8%	41	5.3%	3.7%	1.3%
	Weighted average	**5.0%**	**420**	**6.3%**	**5.0%**	**3.3%**

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 €(160.0) million in the value of investment properties (-4.8%), while a 0.25% decrease in capitalisation rates would increase the value of investment properties by €185.4 million (+5.62%).

Breakdown of the portfolio measured at fair value by asset type

(€ millions)	31/12/2020	31/12/2019
Regional shopping centres	2,489.0	2,611.4
Travel retail	442.6	449.3
Retail parks	625.0	673.4
Others	92.4	92.0
TOTAL	**3,649.0**	**3,826.2**

Investment working capital requirement

(€ millions)	Receivables on fixed assets	Amounts due on non-current assets	Investment WCR
As of 31 December 2019	**5.6**	**(145.1)**	**(139.6)**
Variations	(3.3)	(50.8)	(54.1)
Present value adjustment	–	–	–
Transfers	–	16.0	16.0
Change in scope of consolidation	–	–	–
As of 31 December 2020	**2.2**	**(179.9)**	**(177.6)**
Change in WCR at 31 December 2020	**(3.3)**	**(50.8)**	**(54.1)**

Net acquisitions of assets and capitalised expenditures

(€ millions)	31/12/2020	31/12/2019
Type of non-current assets acquired		
Intangible assets	(7.2)	(1.1)
Property plant and equipment	(17.0)	(4.9)
Investment properties	(101.5)	(185.9)
Total	**(125.7)**	**(192.0)**

7.2 Goodwill and other intangible assets

(€ millions)	Gross values	Amortisation and/or impairment	31/12/2020	31/12/2019
Goodwill	**449.9**	**(240.6)**	**209.4**	**209.4**
Brands	**105.4**	**–**	**105.4**	**105.4**
Customer relationships	**192.9**	**(192.9)**	**–**	**0.6**
Software applications, patents and similar rights	54.1	(38.8)	15.3	15.7
Leasehold Right	0.3	(0.0)	0.3	0.3
Others	0.1	(0.0)	0.1	0.0
Other intangible assets	**54.5**	**(38.8)**	**15.7**	**16.1**
TOTAL	**802.7**	**(472.3)**	**330.4**	**331.4**

(€ millions)	31/12/2020	31/12/2019
Net values at beginning of the period	**331.4**	**313.7**
Acquisitions of intangible assets	7.2	1.1
Disposals and write-offs	(2.2)	(0.0)
Changes in scope of consolidation and other	1.0	21.1
Net allowances for depreciation	(6.9)	(4.5)
Net values at the end of the period	**330.4**	**331.4**

Goodwill generated by the Property development business

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

Impairment tests were carried out on the basis of business assumptions in light of economic forecasts; these assumptions are based on the historical data on Property Development.

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 2020, 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. No impairment needs to be recorded in the financial statements.

Sensitivity of +/- 1% on the discounting rate and of +/- 0.5% on the discounting rate to infinity, would lead to valuations of the economic assets 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 2020.

Brands

The Group owns the following brands: Cogedim, Pitch Promotion, Histoire & Patrimoine and 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 recognised as of 31 December 2020.

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

(€ millions)	Land and Constructions	Vehicles	Others	Gross right-of-use	Depr./Amort. Land and Constructions	Depr./Amort. Vehicles	Depr./Amort. Others	Depr./Amort.	Net right-of-use
As of 31 December 2019	**43.4**	**3.7**	**3.9**	**51.1**	**(24.0)**	**(1.7)**	**(2.0)**	**(27.8)**	**23.4**
New contracts/Increases	139.8	1.7	0.0	141.5	(17.0)	(1.4)	(1.1)	(19.5)	122.0
Contract terminations/Reversals	(31.1)	(0.7)	(0.8)	(32.7)	26.2	0.6	0.8	27.6	(5.0)
As of 31 December 2020	**152.1**	**4.7**	**3.1**	**159.9**	**(14.8)**	**(2.5)**	**(2.3)**	**(19.6)**	**140.3**

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.

The increase over the year is mainly due to the entry into force of the lease of the Group's new head office, rue de Richelieu in Paris.

7.4 Operational working capital requirement

Summary of components of operational working capital requirement

(€ millions)	31/12/2020	31/12/2019	Flows		
			Created by the business	Changes in consolidation scope and transfer	Change in consolidation method
Net inventories and work in progress	**859.3**	**1,064.5**	**(234.3)**	**29.1**	**–**
Contract assets	**741.2**	**564.9**	**176.4**	**(0.1)**	**–**
Net trade receivables	334.7	296.8	38.1	(0.2)	–
Other operating receivables net	491.1	497.5	(6,0)	(0.4)	–
Trade and other operating receivables net	**825.8**	**794.3**	**32.1**	**(0.6)**	**–**
Contract liabilities	**(177.3)**	**(168.8)**	**(8.6)**	**–**	**–**
Trade payables	(1,094.4)	(1,019.6)	(58.5)	(16.3)	(0.0)
Other operating payables	(524.1)	(474.8)	(51.1)	1.8	–
Trade payables and other operating liabilities	**(1,618.5)**	**(1,494.5)**	**(109.6)**	**(14.4)**	**(0.0)**
Operational WCR	**630.4**	**760.5**	**(144.0)**	**13.9**	**(0.0)**

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 business.

The changes in scope are mainly related to scope movements within the Property Development business.

7.4.1 Inventories and pipeline products

(€ millions)	Gross inventories	Impairment	Net inventories
At 1 January 2019	**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
As of 31 December 2019	**1,089.2**	**(24.7)**	**1,064,5**
Change	(237.3)	0.0	(237.3)
Increases	–	(6,7)	(6.7)
Reversals	–	9.7	9.7
Transfers to or from other categories	20.0	(0,1)	19.9
Change in scope of consolidation	9,1	0.1	9.2
As of 31 December 2020	**881.0**	**(21.7)**	**859.3**

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

The changes in scope are mainly related to scope movements within the Property Development business.

7.4.2 Trade and other receivables

(€ millions)	31/12/2020	31/12/2019
Gross trade receivables	**371.5**	**320.3**
Opening impairment	**(23.5)**	**(20.6)**
Increases	(17.0)	(7.2)
Change in scope of consolidation	(0.2)	(0.1)
Reversals	3.7	4.3
Other changes	0.1	0.0
Closing impairment	**(36.8)**	**(23.5)**
Net trade receivables	**334.7**	**296.8**
Advances and down payments paid	41.4	50.8
VAT receivables	318.8	339.2
Sundry debtors	34.2	30.5
Prepaid expenses	65.1	53.8
Principal accounts in debit	32.8	26,1
Total other operating receivables gross	**492.2**	**500.4**
Opening impairment	**(2.9)**	**(0.3)**
Increases	(0.3)	(2.6)
Change in scope of consolidation	–	(0.1)
Reclassification	(0.0)	(0.0)
Reversals	2.0	0.2
Closing impairment	**(1.1)**	**(2.9)**
Net operating receivables	**491.1**	**497.5**
Trade receivables and other operating receivables	**825.8**	**794.3**
Receivables on sale of assets	2.2	5.6
Trade and other receivables	**828.0**	**799.9**

Detail of trade receivables due:

(€ millions)	31/12/2020
Total gross trade receivables	**371.5**
Impairment of trade receivables	(36.8)
Total net trade receivables	**334.7**
Trade accounts to be invoiced	(31.0)
Receivables lagging completion	(28.9)
Trade accounts receivable due	**274.8**

(€ millions)	Total	On time	At 30 days	At 60 days	At 90 days	More than 90 days
Trade accounts receivable due	**274.8**	99.5	2.9	74.3	9.7	88.4

Trade receivables

The Group carries out a case-by-case analysis to assess the credit risk of its tenants in centres in operation, and to write down, if necessary, the receivables of tenants where there is evidence that the Company will not be able to collect all amounts due.

In the context of the COVID-19 crisis, the Group has created a special monitoring process for trade receivables in the Retail business.

At 31 December 2020, impairment of trade receivables included a €17.0 million provision notably for COVID-19 impacts.

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.

Advances and down payments paid

Advances and down payments correspond primarily to compensation for loss of use paid by the Group 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

(€ millions)	31/12/2020	31/12/2019
Trade payables and related accounts	**1,094.4**	**1,019.6**
Advances and down payments received from clients	36.8	7.1
VAT collected	300.7	275.3
Other tax and social security payables	43.7	57.1
Prepaid income	7.2	8.1
Other payables	102.9	101.1
Principal accounts in credit	32.9	26.1
Other operating payables	**524.1**	**474.8**
Amounts due on non-current assets	179.9	145.1
Trade and other payables	**1,798.4**	**1,639.6**

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

As of 31 December 2020

			Financial assets and liabilities carried at amortised cost		Financial assets and liabilities carried at fair value				
(€ millions)	Total carrying amount	Non-financial assets	Loans Receivables	Liabilities at amortised cost	Equity instruments	Assets and liabilities at fair value through profit and loss	*Level 1 (a)*	*Level 2 (b)*	*Level 3 (c)*
NON-CURRENT ASSETS	**592.2**	**255.4**	**333.4**	**–**	**3.4**	**–**	**–**	**–**	**3.4**
Securities and investments in equity affiliates	579.6	255.4	324.2	–	–	–	–	–	–
Non-current financial assets	12.6	–	9.2	–	3.4				3.4
CURRENT ASSETS	**2,128.6**	**–**	**2,067.1**	**–**	**–**	**61.5**	**60.4**	**1.1**	**–**
Trade and other receivables	828.0	–	828.0	–	–	–	–	–	–
Current assets	22.0	–	22.0	–	–		–	–	–
Derivative financial instruments	1.1	–	–	–	–	1.1	–	1.1	–
Cash and cash equivalents	1,277.5	–	1,217.1	–	–	60.4	60,4	–	–
NON-CURRENT LIABILITIES	**2,536.8**	**–**	**–**	**2,536.8**	**–**	**–**	**–**	**–**	**–**
Borrowings and financial liabilities	2,500.2	–	–	2,500.2	–	–	–	–	–
Deposits and security interests received	36.6	–	–	36.6	–	–	–	–	–
CURRENT LIABILITIES	**3,404.5**	**–**	**–**	**3,368.2**	**–**	**36.3**	**–**	**36.3**	**–**
Borrowings and financial liabilities	1,569.8	–	–	1,569.8	–	–	–	–	–
Derivative financial instruments	36.3	–	–	–	–	36.3	–	36.3	–
Trade and other payables	1,798.4	–	–	1,798.4	–	–	–	–	–

(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 2019 – restated

(€ 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 profit and loss	*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	532.1	210.8	321.3	–	–	–	–	–	–
Non-current financial assets	44.3	–	10.6	–	33.6	–	–	–	33.6
CURRENT ASSETS	**1,658.5**	**–**	**1,655.4**	**–**	**–**	**3.1**	**1.9**	**1.2**	**–**
Trade and other receivables	799.9	–	799.9	–	–	–	–	–	–
Current assets	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.

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 €1.0 million on net income for the period.

Position in derivative financial instruments

(€ millions)	31/12/2020	31/12/2019
Interest-rate swaps	(30.2)	(97.5)
Interest-rate caps	–	0.0
Accrued interest not yet due	0.5	0.4
Premiums and balances outstanding	(5.5)	–
Total	**(35.2)**	**(97.0)**

Derivatives were valued by discounting future cash flows estimated according to interest rate curves at 31 December 2020.

Maturity schedule of derivative financial instruments (notional amounts)

As of 31 December 2020

(€ millions)	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
ALTAREA – pay fixed – swap	750.0	500.0	500.0	500.0	500.0	–
ALTAREA – pay floating rate – swap	400.0	400.0	400.0	400.0	–	–
ALTAREA – pay fixed – collar	–	–	–	–	–	–
ALTAREA – pay fixed – cap	75.0	–	–	–	–	–
Total	**1,225.0**	**900.0**	**900.0**	**900.0**	**500.0**	**–**
Average hedge ratio	0.35%	0.35%	0.35%	0.35%	0.31%	-

As of 31 December 2019

(€ 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%

Management position

As of 31 December 2020

(€ millions)	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Fixed-rate bond and bank loans	(1,974.9)	(1,720.3)	(1,720.2)	(1,720.1)	(1,334.5)	(834.4)
Floating-rate bank loans	(1,495.2)	(404.1)	(251.2)	(127.1)	(61.1)	(21.3)
Cash and cash equivalents (assets)	1,277.5	–	–	–	–	–
Net position before hedging	**(2,192.6)**	**(2,124.4)**	**(1,971.4)**	**(1,847.2)**	**(1,395.6)**	**(855.6)**
Swap	1,150.0	900.0	900.0	900.0	500.0	–
Collar	–	–	–	–	–	–
Cap	75.0	–	–	–	–	–
Total derivative financial instruments	**1,225.0**	**900.0**	**900.0**	**900.0**	**500.0**	**–**
Net position after hedging	**(967.6)**	**(1,224.4)**	**(1,071.4)**	**(947.2)**	**(895.6)**	**(855.6)**

As of 31 December 2019

(€ 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)**

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
31/12/2020	+50 bps -50 bps	+€1.3 million -€1.6 million	+€6.3 million -€6.5 million
31/12/2019	+50 bps -50 bps	+€2.2 million -€2.1 million	+€32.8 million -€34.0 million

8.3 Liquidity risk

CASH

The Group had a positive cash position of €1,277.5 million at 31 December 2020, compared to €830.2 million at 31 December 2019. This represents its main tool for management of liquidity risk.

Part of this cash is available for the subsidiaries that carry it: as of 31 December 2020, this cash amounted to €521.2 million.

At that date, €756.3 million in cash is available at Group level The Group also has an additional €1,165 million of available cash and cash equivalents (in the form of confirmed corporate credit lines unused and unallocated to projects).

COVENANTS

The covenants with which the Group must comply concern the listed corporate bond and banking loans, for €1,745 million.

The bond issue subscribed for by Altareit SCA (€500 million) is subject to leverage covenants.

	Altarea Group covenants	31/12/2020	Altarea Group covenants	31/12/2020
Loan To Value (LTV)				
Net bond and bank financial debt/re-assessed value of the Company's assets	<60%	33.0%		
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	0.0
ICR: EBITDA/Net interest expenses			≥ 2	10.1

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 < 60%,
- 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 2020, 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	31/12/2020 % share capital	31/12/2020 % voting rights	31/12/2019 % share capital	31/12/2019 % voting rights
Founding shareholders and the expanded concert party [(a)]	45.85	46.22	45.76	46.22
Crédit Agricole Assurances	24.74	24.94	24.68	24.93
ABP	8.27	8.34	8.25	8.33
Opus Investment BV[(b)]	1.49	1.50	1.33	1.34
Treasury shares	0.81	–	1.00	–
Public + employee investment mutual fund	18.84	19.00	18.98	19.17
Total	**100.00**	**100.00**	**100.00**	**100.00**

(a) The founding shareholders, Alain Taravella and his family, and Jacques Nicolet, and the Chief Executive Officer of Altafi 2, Jacques Ehrmann, 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 the companies Altafi 2 and Atlas which he controls. Alain Taravella is also Chairman of Altafi 2 and Atlas. Jacques Ehrmann is Chief Executive Officer of Altafi 2.

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 €0.2 million. Services invoiced to related parties by the Altarea Group are invoiced on an arm's length basis.

Assets and liabilities toward related parties

	Altafi 2 SAS	
(€ millions)	31/12/2020	31/12/2019
Trade and other receivables	0.0	0.0
TOTAL ASSETS	**0.0**	**0.0**
Trade and other payables[(a)]	0.0	1.2
TOTAL LIABILITIES	**0.0**	**1.2**

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

Compensations of the Management Committee

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.

The fixed remuneration of Management in respect of Altarea and Altareit is €2 million for the year.

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

It stood at €0. 5 million at 31 December 2020.

The Management decided, given the exceptional circumstances related to the Covid-19 pandemic, to waive part of his compensation in 2020 and 2021: 30% of variable compensation paid in 2020 in respect of 2019 FFO, and all variable compensation paid in 2021 in respect of 2020 FFO. These resolutions were approved by the Shareholders' Meeting of 30 June 2020.

Compensations of the Chairman of the Supervisory Board

Christian de Gournay, in his capacity as Chairman of Altarea's Supervisory Board, received gross compensation in 2019 which is included in the compensation paid to the Group's main Managers stated hereafter.

Compensation of the Group's senior executives

(€ millions)	**31/12/2020**	**31/12/2019**
Gross wages[(a)]	4.2	3.8
Social security contributions	1.6	1.5
Share-based payments	4.1	4.1
Number of shares delivered during the period	*6,963*	*20,009*
Post-employment benefits[(c)]	0.0	0.0
Other short- or long-term benefits and compensation[(d)]	0.0	0.0
Termination indemnities[(e)]	0.0	–
Employer contribution on bonus shares delivered	0.2	1.1
Post-employment benefit commitment	0.3	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).

(e) Post-employment benefits, including social security costs.

In number of rights on equity in circulation	**31/12/2020**	**31/12/2019**
Rights to Altarea SCA's bonus share grants	67,603	72,489

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 in 2019 and (iii) the main salaried executives in the Group.

NOTE 10 GROUP COMMITMENTS AND CONTINGENT LIABILITIES

10.1 Off-balance sheet commitments

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

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

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

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

All other material commitments are set out below:

(€ millions)	31/12/2019	31/12/2020	Less than one year	From one to five years	More than five years
Commitments received					
Commitments received relating to financing (excl. borrowings)	**–**	**–**	**–**	**–**	**–**
Commitments received relating to Company acquisitions	**8.5**	**9.6**	**–**	**4.1**	**5.5**
Commitments received relating to operating activities	**170.5**	**165.3**	**134.2**	**17.2**	**13.9**
Security deposits received in the context of the Hoguet Act (France)	89.4	87,9	87,9	–	–
Security deposits received from tenants	25.6	20.4	2.0	6.0	12.4
Payment guarantees received from customers	44.6	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	10.7	12.2	1.7	10.5	0.0
Total	**179.0**	**174.8**	**134.2**	**21.2**	**19.4**
Commitments given					
Commitments given relating to financing (excl. borrowings)	**11.0**	**11.0**	**5.0**	**–**	**6.0**
Commitments given relating to Company acquisitions	**80.7**	**73.4**	**1.5**	**72.0**	**–**
Commitments given relating to operating activities	**2,206.2**	**2,306.7**	**1,160.4**	**1,107.9**	**38.4**
Construction work completion guarantees (given)	1,932.3	1,965.7	1,046.8	913.8	5.0
Guarantees given on forward payments for assets	193.7	235.8	75.1	160.6	0.1
Guarantees for loss of use	40.3	51.0	31.4	17.4	2.1
Other sureties and guarantees granted	39.9	54.3	7.0	16.1	31.2
Total	**2,297.9**	**2,391.2**	**1,166.8**	**1,179.9**	**44.4**

Commitments received

COMMITMENTS RECEIVED RELATING TO ACQUISITIONS/DISPOSALS

As part of its acquisition of the developer Severini, the Group received a commitment from the sellers to guarantee it until 31 January 2025 against any damage or loss up to €2 million, incurred by the Group as a result of the business activities, with a cause or origin predating 31 March 2018.

The Group and Woodeum Holding arranged a potential liquidity of their securities and secured the Group’s ability to buy the balance of the shares not held, should it so wish. The Group has moreover received representations and warranties in the context of this investment.

COMMITMENTS RECEIVED RELATING TO OPERATING ACTIVITIES

- **Security deposits**

As required by France’s “Hoguet Act”, the Group is covers from specialist bodies in an amount of €87.9 million as a guarantee covering its property management and trading business.

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 €35.2 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 joint sales agreements with landowners: the owner undertakes to sell its land and the Group undertakes to purchase it if the conditions precedent (administrative and/or marketing conditions) are lifted.

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:

(€ millions)	31/12/2020	31/12/2019
Less than one year	124.0	187.3
Between 1 and 5 years	214.3	416.9
More than 5 years	169.1	185.0
Guaranteed minimum rent	**507.4**	**789.2**

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 EVENTS AFTER THE BALANCE SHEET DATE

On 8 February, Carrefour and Altarea announced the signing of a partnership on the transformation and redevelopment of property assets.

Sharing the same desire to be a player in the city of tomorrow, Carrefour and Altarea have decided to partner on the implementation of three urban development projects in Nantes, Sartrouville and Flins/Aubergenville. In total, around 25 hectares of spaces will become living spaces in addition to their initial commercial purpose, thanks to a complete overhaul.

As part of the measures to confront the COVID-19 pandemic, the Ministry of the Economy, Finance and Recovery decided on Friday, 29 January to close all shopping centres with a gross leasing area above 20,000 m² and to tighten access restrictions to one person per 10 m² for shops over 400 m².

After strict application of the decree of 30 January 2021, Altarea announced on 4 February that it would be able to keep open 21 of its 27 Retail sites in France, mainly open-air retail parks, shops in stations and commercial spaces on the ground floor of buildings. This means 68% of the Group share rental base on its French scope can continue to trade.

In any event, this situation does not call into question the going concern principle on which the Group’s consolidated financial statements are prepared, given the liquidity at its disposal at 31 December 2020.

NOTE 12 STATUTORY AUDITORS 'FEES

(€ millions)	E&Y				Grant Thornton				Others				Total			
	Amount		%		Amount		%		Amount		%		Amount		%	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Statutory audit, certification, examination of individual and consolidated financial statements																
- Altarea SCA	0.3	0.3	19%	20%	0.3	0.3	37%	34%	–	–	0%	0%	0.6	0.6	22%	24%
- Fully consolidated subsidiaries	1.1	1.1	74%	74%	0.5	0.5	59%	60%	0.3	0.1	100%	100%	1.9	1.7	73%	71%
Services other than the certification of the financial statements																
- Altarea SCA	0.0	0.0	0%	1%	0.0	0.0	0%	3%	–	–	0%	0%	0.0	0.0	0%	2%
- Fully consolidated subsidiaries	0.1	0.1	6%	5%	0.0	0.0	3%	2%	0.0	–	0%	0%	0.1	0.1	5%	4%
Total	**1.5**	**1.5**	**100%**	**100%**	**0.8**	**0.9**	**100%**	**100%**	**0.3**	**0.1**	**100%**	**100%**	**2.6**	**2.5**	**100%**	**100%**