



Altarea posts good operating performance across all business lines and adjusts its residential property development policy

Altarea, leader in urban transformation

Comprehensive real estate offer serving the city and its users
€20.2bn pipeline¹, all products combined (representing 4.3 million m² and 830 projects)
Delivery of Issy Cœur de Ville, the largest mixed-use urban project in the Paris Region

Good operating performance across all business lines

Increase in Residential new orders (+6% in value) driven by individuals
Strong growth in rental income from Retail (+11.6%), with +4.9% growth on a like-for-like basis
Multiple value-creating transactions in Business Property

Adjustment of residential development policy

Action plan to stimulate demand
More project selectivity allowed by increased pipeline

Financial performance

Consolidated 9-month 2022 revenue: €2,043m (-0.8% vs. 9-month 2021)
Stable net debt² at €1.7bn, secured long-term cost of debt, strong ratios
Strong liquidity: €2.8bn

Outlook

Altarea forecasts 2022 FFO growth provided the macro-economic, geopolitical or sanitary situation does not deteriorate further

Presentation of a new roadmap taking into account the new environment, the decarbonation and product innovation strategy on the occasion of 2022 annual results release

Unaudited data at 30 September 2022

“Altarea delivered a strong performance this quarter, considering worsening conditions throughout the year. Our teams managed to meet the various challenges and Altarea is in a position to maintain its FFO growth path for 2022, provided there is no significant downturn by the end of the year.

Our strengths are clear: a leading position in the huge urban transformation market, skilled and experienced staff, a strong financial position and, above all, a mindset combining flexibility, caution and pugnacity.

While we remain especially careful and committed in the short term, Altarea is also working on a medium-term plan and will describe its roadmap taking into account the new environment, the decarbonation and product innovation strategy on the occasion of 2022 annual results.”

Alain Taravella, Chairman and Founder

¹ Potential value at end-June 2022. Potential value = market value at delivery date. Retail: potential market value including transfer duties of projects on delivery (net rental income capitalised at a market rate) at 100%, and revenue excl. tax for development projects. Residential: offer for sale + portfolio incl. VAT. Business property: potential market value excl. transfer duties on the date of disposal for investment projects (at 100%), amount excl. VAT of off-plan sales/PDCs for the other development programmes (at 100%, or Group share for jointly owned projects), and capitalised DPM fees, near stable year-on-year.

² Bond and bank debt, net of cash and cash equivalents.

I. ALTAREA, LEADER IN URBAN TRANSFORMATION

With 830 secured projects under management at the end of June 2022, Altarea is developing the largest portfolio of real estate projects in France representing potential value³ of nearly €20.2 billion in all categories of products. More specifically, Altarea is the French leader in large mixed-use projects with 15 large projects under management (representing €4.0 billion in value, 935,000 m² and 10,500 residential units).

Delivery of Issy Cœur de Ville

After delivering Bezons Cœur de Ville⁴, a 67,000 m² eco-neighbourhood, and launching Bobigny Cœur de Ville⁵, a 105,000 m² mixed-use pedestrian district, on 19 October Altarea inaugurated Issy Cœur de Ville, the largest private building project in the Paris Region over the past three years. This project is a wonderful illustration of the Group's know-how in urban transformation, with:

- an exemplary urban redevelopment of an old 3-hectare industrial wasteland into a wholly pedestrianised mixed-use district opening onto the city and connected to public transport;
- a mixed-use neighbourhood comprising 12 real estate properties⁶ spanning 105,000 m²;
- a new hub that will ultimately welcome 1,500 residents, 3,000 employees and over 3 million visitors each year;
- a low-carbon neighbourhood with 73% of its energy needs supplied by renewable energies (heating and cooling of buildings using geothermal energy and rooftop solar panels) and 13,000 m² of green spaces, including a 7,000 m² urban forest, helping to tackle heat islands in the city;
- a neighbourhood certified to the highest standards (Biodiversity, HQE, BREEAM) and a pilot project for WELL Community Standard certification in France.

Speaking at the Issy Cœur de Ville inauguration ceremony, Olivier Klein, Minister Delegate for Urban Affairs and Housing, highlighted the fact that *"this neighbourhood revolves around proximity, mixed-use facilities and living spaces. Proof that we can build something that combines sustainability and beauty for all."*

André Santini, former French Minister, vice-President of the Grand Paris City Council (Métropole du Grand Paris) and mayor of Issy-les-Moulineaux, said: *"This project is a performance in itself: we are creating a dense real estate complex that has resisted all appeals due to the consultation process. Public surveys were very useful in this sense and the residents of Issy-les-Moulineaux understood that we wanted to meet their needs by creating open areas, green and breathing spaces. We were seeking to improve and upgrade our living environment and we always try to embrace the concept of "a city at walking distance!"*

Altarea confirms its "Green Star 5" status in the GRESB 2022

Altarea confirmed for 7-years in a row its Green Star 5* ranking in the GRESB (Global Real Estate Sustainability Benchmark), an international body that evaluates environmental, social and governance (ESG) performance in the real estate sector. With a score of 90/100, Altarea confirms its place among the European leaders in sustainable development by ranking 3rd in the GRESB 2022 at the European level.

³ Potential value = market value at delivery date. Retail: potential market value including transfer duties of projects on delivery (net rental income capitalised at a market rate) at 100%, and revenue excl. tax for development projects. Residential: offer for sale + portfolio incl. VAT. Business property: potential market value excl. transfer duties on the date of disposal for investment projects (at 100%), amount excl. VAT of off-plan sales/PDCs for the other development programmes (at 100%, or Group share for jointly owned projects), and capitalised DPM fees, near stable year-on-year.

⁴ 730 residential units, 10,000 m² of office space and 46 retail outlets and restaurants, delivered at the end of 2021.

⁵ 1,100 residential units, 10,000 m² of office space, 30 retail outlets and public facilities (nursery, car park, green spaces) to be delivered by the end of 2023.

⁶ 607 residential units including 156 intended for low-cost housing and 83 apartments as senior residences for Cogedim Club, 3 office buildings including the future headquarters of CNP Assurances, 17,000 m² of retail outlets and services (30 shops and restaurants, 1 UGC cinema, 1 school with 10 classrooms, 1 nursery equipped with 60 cots, 1 multi-purpose hall) and an innovative third place known as NIDA ("Nid d'idées d'avenir" meaning "nest of ideas for the future"), offering spaces and a programme of creative and cultural activities and other events, designed for individuals and companies and open to all.

Residential: Altarea adjusts its commercial and commitment policies following a good nine-month performance

Improvement in nine-month operating and sales performances

Over the first nine months of 2022, Altarea succeeded in providing an appropriate offering in a market where real estate continue to play its role as a safe haven, particularly for individuals seeking to protect their savings from the effects of inflation. At the end of September 2022, all operational and commercial indicators were up:

- Offering now rebuilt to nearly €2.2 billion (+24% year-on-year);

	30/09/2022	30/09/2021	Chge
Offer for sale (€m)	2,166	1,875	+24%
Residential supply (units)	16,522	14,003	+18%
(€m)	4,744	3,555	+33%
Building permits filed (units)	11,176	9,389	+19%
Building permits granted (units)	12,068	8,277	+46%
Commercial launches (units)	6,311	5,278	+20%

- New orders up +6% in value at nearly €2.0 billion;

New orders	30/09/2022	30/09/2021	Chge
New orders⁷ (€m)	1,993	1,874	+6%
(units)	7,279	7,042	+3%
<i>o/w Individuals (€m)</i>	<i>1,361</i>	<i>1,193</i>	<i>+14%</i>
(units)	4,491	4,089	+10%

- Notarised sales also up (+11%), driven mainly by individuals, who have obtained financing and are seeking to rapidly complete their real estate projects;

	30/09/2022	30/09/2021	Chge
Notarised sales (€m)	1,745	1,573	+11%
<i>o/w Individuals</i>	<i>1,147</i>	<i>955</i>	<i>+20%</i>

- Revenue and backlog remain high.

	30/09/2022	30/09/2021	Chge
Revenue⁸ (€m)	1,641	1,668	-1.6%
Backlog ⁹ (€m)	3,646	3,708	-1.7%

At the end of September, the trend shift announced by many players is not observable in Altarea's operating indicators; the Group nevertheless adapted its policy in order to cope with a potentially deteriorated environment.

Altarea adjusts commercial and commitment policies

Over the recent period, Altarea successfully managed the various issues that emerged one after the other:

- the end of lockdown, where sales to institutional investors contributed to the increase in business, revenue and earnings in 2020;
- the absorption of the increase in construction costs by refocusing the offering on individuals, enabling margins to be maintained in 2021 and 2022;
- rebuilding the offering thanks to an investment policy focusing on development and new territories.

⁷ New orders net of withdrawals, in euros, including VAT when expressed in value. New orders at 100% except projects under joint control (including Woodeum) at Group share.

⁸ Revenue by % of completion and services.

⁹ The backlog is a leading indicator of potential revenue, which includes notarised revenue not recognised (sold units pending notarisation to be booked in revenue according to technical progress) and units sold subject to completion (revenues reserved not notarised).

These operational successes are linked to a relevant market analysis and the agility of Altarea's teams, who rolled out an appropriate action plan in response to each phase of the cycle.

The new housing market remains structurally undersupplied compared to the demand in large cities. More than ever during inflationary periods, real estate is a safe way to protect capital from monetary erosion and real interest rates are negative in high proportions.

Despite this, many adverse factors are currently at work at both macro-economic and geopolitical levels: increase in interest rates, borrowing rates, monthly debt payment ratio limited at 35% of revenue, inflation and purchasing power, war in Ukraine and energy shortages. The financing access conditions are expected to worsen, as well as the desire and capability to purchase real estate. All customers are affected: first-time buyers, buy-to-let individual investor and institutional buyers, even if certain types of demand for new residential real estate could continue to remain as seen in the third quarter of 2022.

For this reason, Altarea is putting in place a system that will enable to satisfy the demand of clients seeking an indexed yield to protect the value of their wealth against inflation, and to reduce its risks by being more selective in its projects, due to increased pipeline. Altarea will therefore give priority to the most profitable projects with the fastest take-up rates. As a result, the Group may not commit to all the projects initially planned. Altarea is in a good position to seize the opportunities if demand remains, while limiting its risks and commitments if demand weakens.

This adjustment of the commercial and commitment policies coincides with a relative halt in the rise of construction costs which enables the Group to restore a balance between sales prices and margin preservation.

Retail: Altarea's assets bolstered by favourable environment characterised by "back to normal" activity and increased attractiveness

In Retail, Altarea is pursuing an asset management strategy aimed at increasing the volume of assets under management (around €5.4 billion¹⁰) while limiting its capital exposure in group share (around €2.4 billion¹⁰). The performances recorded from all indicators for the first nine months reflect both the continued "back to normal" activity since the beginning of the year and the appropriate market position of the portfolio with increased attractiveness for retailers and customers:

- total nine-month tenants' revenue was up +22% on a like-for-like basis compared to 2021 and up +4% versus 2019 (+5% excluding leisure and catering);
- total footfall over the first nine months was up +24% year-on-year, driven in particular by the performances of CAP3000 and retail parks. It now stands at 91% of the level recorded at the end of September 2019;
- leasing activity is dynamic, with 280 new leases in France and Spain, representing guaranteed minimum rental income of €24.2 million, confirming the appeal of the centres under management, regardless of the retail format;
- at 97.2%, the financial occupancy rate returned to what is considered a normal level at the end of 2021, up +1.7 points vs the lowest end reached at the end of March 2021;
- the recovery rate¹¹ also stabilised at 94% for the period ended 30 September 2022, out of which 95% for the first half and 92% for the third quarter to date.

¹⁰ Amounts including transfer duties, figures at 30 June 2022.

¹¹ Rents and charges collected as a percentage of rents and charges invoiced at November 3, 2022.

In total, the Group's IFRS rental income amounted to €153.2 million for the first nine months of the year, up +11.6% compared to September 2021 and up +9.4% excluding the scope effect linked to the deliveries of Corso and the last phase of retail outlets at Gare Montparnasse. The change on a like-for-like basis (excluding the normative effect) amounted to a +4.9% rise.

France and International	€m	Chge
Rental income (at 30/09/2021)	137.3	
Change in scope of consolidation	3.0	+2.2%
Normalisation of operations	6.1	+4.4%
Like-for-like change	6.7	+4.9%
<i>Of which indexation</i>	3.4	+2.4%
Rental income (at 30/09/2022)	153.2	+11.6%

While the level of rental income is comparable to that of 2019, the type and quality of assets under management have changed over the period with more efficient and attractive shopping centres for retailers, the most recent of which are still in the ramp-up phase.

Successful commercial programming of Issy Cœur de Ville retail outlets

Fully leased at opening, the Issy Cœur de Ville retail outlets developed by Altarea provide an unprecedented offering comprising 30 local and national retailers focusing on three areas: fashion and beauty, culture and leisure, catering and food outlets. The neighbourhood intends to attract local residents and clientele from the surrounding area, with an estimated annual footfall of 3 million visitors.

Building permit definitely obtained for retail outlets at Paris-Austerlitz station

Altarea duly noted the French Council of State's rejection of the appeal in cassation against the building permit for the project to redevelop the neighbourhood surrounding Austerlitz railway station. No further appeals can be made against the building permit.

Business property: two major transactions signed in the third quarter

With a pipeline of almost €4.8 billion at the end of September 2022, Altarea is the leading business property developer in France in terms of volume, depth and diversity of offering: office spaces (head offices, multi-tenant buildings, high-rise buildings in Grand Paris and the surrounding regions), hotels (all budgets), schools and campuses, business premises, XXL logistics and urban logistics.

Sale of Campus Cyber in Paris-la Défense to La Française REM

In July, Altarea sold to La Française Real Estate Managers (REM) the Campus Cyber, a 26,500 m² office building designed by Christian de Portzamparc and located in the heart of La Défense. In an inflationary environment, this transaction is proof that a building tailored to new professional purposes and developed to the highest environmental standards (NF HQE Exceptional, Effinergie+, WiredScore Platinum, BREEAM "Excellent", WELL Silver) is able to attract large institutional investors due to a secured and indexed yield (ten-year lease signed with a consortium of public authorities and major private groups specialising in cybersecurity).

Delivery of CNP's new head office in Issy-les-Moulineaux

Altarea Entreprise has delivered to CNP Assurances the three office buildings of Issy Coeur de Ville that are BEPOS-certified (energy-plus building). In early 2023, CNP will set up its future head office in the neighbourhood after vacating its long-standing headquarters above Montparnasse station. These premises were acquired by Altarea and Caisse des Dépôts and will be fully restructured over the coming years.

II. FINANCIAL OVERVIEW

Consolidated 9-month 2022 revenue stable: €2,043 million (-0.8%)

€m	Q1 2022	Q2 2022	Q3 2022	9M 2022	Q1 2021	Q2 2021	Q3 2021	9M 2021	Chg. vs. 2021
Rental income	50.3	51.1	51.8	153.2	47.5	36.5	53.3	137.3	+11.6%
External services	4.6	4.6	16.4	25.5	4.7	4.6	7.6	16.9	+51.2%
Property development	-	-	-	-	1.6	1.9	1.7	5.2	N/A
Retail	54.8	55.7	68.2	178.7	53.8	43.0	62.6	159.4	+12.1%
Revenue (% of completion)	549.9	590.4	490.3	1,630.6	535.5	668.0	456.1	1,659.6	-1.7%
External services	3.2	3.9	3.6	10.6	2.4	2.9	3.3	8.6	+23.5%
Residential	553.0	594.3	493.9	1,641.2	537.8	670.9	459.4	1,668.2	-1.6%
Revenue (% of completion)	51.9	107.8	55.1	214.8	59.5	52.4	113.7	225.7	-4.8%
External services	1.5	3.4	3.5	8.3	3.9	2.5	0.8	7.2	+15.3%
Business Property	53.4	111.2	58.6	223.1	63.5	54.9	114.5	232.9	-4.2%
Revenue	661.2	761.1	620.6	2,043.1	655.1	768.9	636.5	2,060.5	-0.8%

For the nine months ended 30 September 2022, Altarea delivered consolidated revenue of €2,043 million, down -0.8% from €2,060 million last year. Altareit, a property development subsidiary 99.85% owned by Altarea, recorded revenue of €1,822 million for the first nine months of the financial year (-4.1% year-on-year).

Financial structure: sound financial ratios, secured long-term cost of debt, strong liquidity

Altarea's credit ratios are especially strong with net debt¹² at €1,722 million at 30 September 2022 (up +€76 million vs 31/12/2021). Given the structure of its debt, particularly bonds, and its portfolio of financial instruments, Altarea expects to maintain the average cost of its debt at levels close to the current level (1.75% at 30 September 2022) over a period of around five years.

	30/09/2022	Financial ratios	30/06/2022
Net debt	€1,722m	LTV ¹⁵	24.2%
Debt maturity ¹³	4 years and 2 months	Net debt to EBITDA ratio ¹⁶	3.8x
Liquidity	€2,815m	ICR ¹⁷	12.6x
Cost of debt ¹⁴	1.75%		

Available cash at 30 September 2022 amounted to €2.8 billion, including €1.2 billion in cash and cash equivalents and €1.6 billion in unused lines of credit (including €1.4 billion in undrawn RCFs¹⁸).

Altareit net debt totalled €322.3 million at 30 September 2022 versus €267 million at 30 June 2022.

¹² Bond and bank debt, net of cash and cash equivalents.

¹³ Excluding NEU CP and Property Development debt.

¹⁴ Average total cost including related fees (commitment fees, non-use fees, etc.).

¹⁵ Loan-to-value (LTV): Loan-to-value ratio. Consolidated net bond and bank debt/Consolidated market value of Group assets.

¹⁶ FFO operating income over net bond and bank debt. At 30 June 2022 based on net debt of €1,682 million.

¹⁷ Interest cover ratio (ICR): Operating income/Net borrowing costs

¹⁸ Revolving credit facilities.

III. Outlook and strategy

Guidance

Despite the worsening situation since July, Altarea is forecasting FFO growth for 2022, provided the macro-economic, geopolitical or health situation does not deteriorate further.

Presentation of roadmap on the occasion of the 2022 annual results

The urban transformation market and its long-term prospects are stronger than ever, heightened in particular by decarbonation issues. Altarea, which already has the most extensive range on the market, is currently developing a new product offering with the following characteristics in common:

- being less capital-intensive and developed through organic growth or tactical acquisitions of know-how and specialised teams;
- requiring a limited annual investment budget enabling significant revenue and profit generation in the medium term.

On the occasion of its 2022 annual results presentation, Altarea will describe its roadmap, its decarbonation and product innovation strategy, taking into account the new environment.

2023 financial calendar

2022 annual results: 28 February 2023 (after close of trading) – Presentation meeting on 1 March at 8:30 a.m.

ABOUT ALTAREA – FR0000033219 – ALTA

Altarea is the leading property developer in France. As both a developer and an investor, the Group operates in the three main property markets (Retail, Residential and Business property), leading major mixed-use urban renewal projects in France. The Group has the required expertise in each sector to design, develop, market and manage made-to-measure property products. Listed in Compartment A of Euronext Paris.

CONTACTS FINANCE

Eric Dumas, Chief Financial Officer
edumas@altareacogedim.com, tél : + 33 1 44 95 51 42

Pierre Perrodin, Deputy CFO
pperrodin@altarea.com, tél : + 33 6 43 34 57 13

Agnès Villeret - KOMODO
agnes.villeret@agence-komodo.com, tél. : +33 6 83 28 04 15

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