



Altarea is ready for the resumption of business, building on a sound pre-crisis operating and financial position

A sound pre-lockdown position

- Retail REIT: portfolio refocused following €515 million disposals in 2019¹
- Residential: strong sales momentum, especially on large mixed-use projects
- Business property: reloading the pipeline (in the Paris Region and other regions)
- Strong balance sheet: LTV of 33.2% at the end of 2019

Reflected in first-quarter 2020 operating indicators

- Retail rental income: +4.7% (+2.6% on a like-for-like basis)
- Residential new orders: €637 million (+2.0%)
- Consolidated revenue: €566.2 million in limited decline (-4.4%) despite 15 days of lockdown

The lockdown has impacted all of the Group's businesses

- Retail: activity limited to essential businesses
- Residential: halt of building sites and notarial deeds, relative continuity of commercial activity
- Business property: significant delays on all building sites

Exemplary team mobilisation to face the operational issues

- Retail: supporting tenants on a case-by-case basis
- Residential: sale of 3,500 housing units to CDC Habitat for €825 million excluding VAT²
- Operational activity maintained thanks to digital tools and efficient organisation

Shaping a way out of the crisis

- Retail: reopening of a large majority of centres after 11 May
- Residential: resumption of work on 95% of building sites mid-May

The Group's strong liquidity: a major asset for the recovery

- Liquidity available as of May 5, 2020: €2.67bn (€1.03bn in cash and €1.64bn in drawing rights)
- No RCF³ line of credit drawn before several months

Dividend⁴

- Dividend adjusted by 30% in a context of corporate exemplarity and corporate moderation, despite strong liquidity
- Dividend: €9.00 per share, with option to convert 50% into shares
- The main shareholders, representing more than 80% of the capital, indicate that they intend to opt for the partial payment in shares

Unaudited data as of 31 March 2020

¹ Including the sale of two Italian assets to the Alta Commerce Europe fund, of which Altarea holds 25% in partnership with Crédit Agricole Assurances, agreed to in 2019 and settled during the first quarter of 2020.

² And €1.0bn including VAT.

³ Revolving credit facilities (confirmed credit authorizations). Indicator at Group level.

⁴ Subject to approval by the Annual General Meeting to be held on June 30, 2020.

"The health crisis linked to Covid-19 is dramatic in many ways. First of all, by its human toll, which affects the most vulnerable people the hardest, but also by its impact on our lifestyles.

Altarea entered this crisis with a particularly healthy pre-lockdown situation, both operationally and financially: a refocused retail portfolio, a promising momentum in development, leadership in the huge urban transformation market, and a strong balance sheet. Our indicators for the first quarter of 2020 mirror this situation.

The health crisis has had a strong impact on our businesses, but Altarea's teams rose to the unprecedented challenge with exceptional commitment, and I would like to thank them warmly. Across our businesses, we were able to organise ourselves to address the needs triggered by the shutdown of the entire operational chain (development, notarized sales, building, operations).

Altarea is ready to move, to an extent rarely seen in its history, as the lockdown is eased and business resumes. Our teams are already working hard to reopen our shopping centres, resume work on our building sites, revive notarised sales and more generally, restore the momentum that was driving us before the crisis. Altarea will notably be able to rely on a solid financial position with €2.67 billion in available cash.

It is too early to assess the consequences of this crisis on our 2020 results, which will be significantly impacted by the confinement on the one hand and the probably slow recovery on the other. In Retail, we can expect not only rent deferrals, but also the necessary abandonments, particularly for smaller companies. In the property development sector, the halt then the gradual resumption of construction sites will result in a significant difference in revenue and therefore in results.

A strong recovery is nevertheless possible. It will probably require a new appreciation of the property values, which had already reached a too high pre-crisis level. It will also be essential that the State and local authorities mobilize to make up for the significant delay in the issuance of building permits and to further promote environmental transition.

The outlook in our markets remained bright, particularly in housing with heightened expectations in terms of urban mix, proximity, comfort of use, modularity, energy efficiency. Altarea, already a forerunner in these fields, is in a position thanks to the operational and financial measures taken, and as soon as health conditions allow it, to bounce back with efficiency and determination. »

Alain Taravella, Chairman and Founder of Altarea

I. Faced with the health crisis: mobilised teams, unfailing commitment

From the start of the lockdown, Altarea's teams were mobilised to serve their customers, their partners and public players.

Tele-working was established, drawing on widespread use of digital tools (tablets, telephone, videoconferencing, remote access to systems and tools, use of digital signatures, etc.), with enhanced managerial coordination. This organisation was made possible thanks to the exceptional commitment of the Information Systems and Human Resources teams.

In agreement with its employee representative bodies, Altarea has given priority to taking time off during confinement. Employees therefore agreed to use their accumulated rostered days off and paid leave during April, at the rate of two days per week, thereby preserving the Group's ability to ensure maximum mobilisation immediately after confinement.

To date, the Group has not used temporary layoffs, in order to maintain its full capacity for collective mobilisation throughout the lockdown. However, Altarea leaves open the possibility of using it from May onwards, benefiting from the individualisation measures provided for by the government order of 22 April 2020.

In addition, Altarea implemented several measures to stabilise its workforce in April, end temporary work and reduce the use of external service providers as much as possible. A plan to reduce overheads has also been implemented, making it possible to save (or not to incur) a certain number of expenses provided in the 2020 budget.

The human, operational and financial resources in place should enable the Group to demonstrate the reactivity that has long been its hallmark.

II. First-quarter 2020 operating data and impacts of the health crisis on businesses

RETAIL

After the latest disposals in 2019 for a total of €515 million in Group share (including the sale of the two Italian shopping centres, signed at the end of 2019 and finalised in early March⁵), Altarea's portfolio has been refocused on four formats that are both the most resilient and the most promising for the future: regional shopping centres, travel retail in railway stations, large retail parks and "proximité" (convenience stores).

Assets under management amounted to €5.2 billion at the end of 2019, for an economic holding of €2.9 billion in Group share (33 assets). The Group's portfolio is characterised by particularly robust indicators:

- a moderate occupancy cost ratio (10.9%),
- a low financial vacancy rate (1.6%), and
- one of the lowest bad debt ratios in the sector (1.8%).

The first-quarter 2020 performance reflects this robustness.

In €m	Q1 2020	Change	CNCC
Retailer sales ⁶	+2.8%		+0.3%
Footfall ⁷	+2.8%		+0.5%
Rental income	€51.4m	+4.7%	
Like-for-like change in revenue	+2.6%		

⁵ Altarea finalised in early March the sale of the two Italian shopping centres for €245 million to the Alta Commerce Europe fund, 75%-owned by Crédit Agricole Assurances and 25% by the Group. The sale was signed at the end of 2019.

⁶ Rolling 12-month revenue for tenants at the end of February 2020, constant scope.

⁷ Footfall at the end of February 2020, 12 rolling months.

Operating status of shopping centres since mid-March

The centres managed by Altarea have undergone the lockdown measures since mid-March while remaining mostly open to allow essential businesses⁸ to keep operating. Public reception capacities have been resized to limit operating costs while maintaining the safety of the facilities and the pleasure of the customer experience.

Support for retailers

Faced with the large number of requests for reductions in rents from retailers, Altarea, as a long-term partner, has implemented the support measures recommended by the key lessors' federations: cancellation of 3-months' rent for the smallest retailers⁹ and cancellation of 1.5 month rent for shops in railway stations. These cancellations concern slightly more than 500 tenants (out of a total of approximately 1,250) and a total amount of €10.0 million (€7.3 million in Group share).

For other retailers, second-quarter rents will be payable on a monthly basis, and payments for April and May have been postponed to the second half of 2020.

As part of a long-term partnership with its tenant customers, Altarea has undertaken on a case-by-case basis to support tenants experiencing financial difficulties and for which existing government aid (extended temporary layoff schemes, state-guaranteed loans, etc.) will not be sufficient.

Altarea approaches the federations' discussions with the mediator appointed by the Government and future direct negotiations with tenants in a constructive spirit combining:

- respect and protection of the commercial lease and business model,
- sense of solidarity towards VSEs,
- case-by-case pragmatism aimed at helping cash-strapped SMEs in order to avoid additional vacancies in shopping centres,
- creativity in the conduct of negotiations in general.

Lockdown exit

On 28 April 2020, the government announced a differentiated treatment of reopening based on the size of the shopping centres:

- Prefects may decide to keep shopping centres with more than 40,000 m² of GLA temporarily closed if they consider that the retailers' catchment area extends beyond the local area. In such cases, only the food and essential stores located inside the centre will remain open,
- All other centres are expected to reopen on 11 May (except for restaurants and cinemas).

Altarea recalls below the typology of its assets, classified according to the nature of the health measures to be considered:

At 31/12/2019	% of rent in Group share ¹⁰
Large centres > 40,000 m ² of GLA	40%
<i>o.w. open-air centres</i>	11%
Retail parks and other open-air centres	26%
Travel retail (railway stations)	19%
Other centres < 40,000 m ² of GLA (proximity, etc.)	15%
TOTAL	100%

Altarea owns six large centres with a GLA of above 40,000 m², out of which three are open-air. The analysis of the opening procedures in order to ensure the best reception conditions is under investigation.

⁸ Food stores, medical offices and pharmacies in particular.

⁹ Micro-businesses with fewer than 10 employees.

¹⁰ On a basis of €143 million, Group share.

Easing of lockdown measures

Altarea is preparing its centres for the end of the lockdown and implementing specific initiatives to welcome customers in a secured sanitary environment:

- all visitor flows to the centres are redeployed with clear and dynamic signage to guarantee social distancing in a secured customer pathway,
- barrier measures are recalled and encouraged and wearing masks is strongly recommended or even mandatory in some cases in accordance with the competent authorities,
- technical facilities are being adapted to guarantee the highest level of safety and cleanliness, with maximum ventilation in filtered fresh air and a rigorous cleaning process of all common areas.

Altarea will call on trusted third parties to validate the health measures implemented, based on the latest recommendations from the authorities.

In addition, the Group will offer a free click & collect online ordering platform to the retailers on its major sites and will share its digital tools with them. The centres' marketing plans have also been redefined in order to support the resumption of commercial activity.

Altarea's owned centres should thus gradually return to their growth momentum, interrupted by the lockdown, thanks to their fundamentals:

- regional shopping centres thanks to their broad offer and their digital services,
- shops in railway stations thanks to their natural footfall and accessibility,
- large retail parks thanks to their controlled rents, and
- urban proximity thanks to their essential services promoting short circuits.

Outlook

Openings of projects under construction will be deferred (Corso Mall at Cap3000, phase 3 of shops at the Paris-Montparnasse railway station). As for projects still in the development phase, such as the Paris-Austerlitz railway station, Altarea plans to resume developments whenever it controls the pace.

In addition, the establishment of the "Alta Proximité" fund, of which it holds 25% in partnership with Crédit Agricole Assurances, gave Altarea a new investment tool at the end of 2019. This fund, which purpose is to invest in urban proximity in France, has residual investment capacity of €380 million¹¹, which the Group can mobilise as opportunities arise.

A comprehensive player in cities in all of their real estate components, Altarea designs and builds new urban centres for communities, citizens and users, for which the retail component is more than ever essential. A leader in urban transformation, Altarea plans to accelerate its development in the field of property conversion, particularly on retail sites that will have difficulty restarting after the crisis, thereby generating real estate opportunities for the Group.

RESIDENTIAL

First-quarter 2020 commercial activity

Altarea started 2020 with buoyant commercial momentum following on from 2019, with strong demand from both individuals and institutional investors.

Despite the decline in commercial contacts (closure of sales offices and networks from 16 March) and the delays on block sales scheduled for late March, the first-quarter commercial performance reflects this momentum, with a revenue growth of +2% in value.

¹¹ With a total investment capacity of €650 million, of which €270 million already invested at the end of 2019.

New orders (incl. tax)	31/03/2020		31/03/2019		Change
Individuals - Residential buyers	€252m	40%	€217m	35%	+17%
Individuals - Investment	€241m	38%	€223m	35%	+8%
Block sales	€143m	22%	€187m	30%	-24%
Total in value	€637m		€627m		+2%
Individuals - Residential buyers	668 units	33%	632 units	24%	+6%
Individuals - Investment	873 units	43%	911 units	34%	-4%
Block sales	496 units	24%	1,108 units	42%	-55%
Total in units	2,037 units		2,651 units		-23%

Impact of lockdown on activity since mid-March

Commercial activity

Throughout the lockdown period, commercial activity continued at a relatively brisk pace given the context, with new orders running at roughly 30% of their normal level. The Group made full use of its digital tools, and notably e-booking, which enables online sales to be contracted under secure conditions.

However, notarised sales ground pretty much to a total halt despite the decree allowing notaries to sign deeds remotely.

Work in progress

Except for around 15 operations, all building sites (approximately 300) were shut down between the end of March and the end of April.

The lockdown will thus have a significant impact on revenue by percentage of completion, as the shutdown of the construction sites and notarised sales has blocked both technical and commercial progress rates.

Resumption of commercial and operational activity since the end of March

CDC Habitat agreements

On 30 April 2020, Altarea signed an agreement with CDC Habitat, acting on behalf of its own funds as well as those of other residential investors. This major agreement concerns the sale of approximately 3,500 units representing a revenue of €825 million at 100% (excluding tax)¹², the majority of which relates to programmes for which the land has already been acquired. On top of that comes €43 million of sales by Woodeum, leader in carbon-free development in France and a 50%-owned subsidiary of the Group.

Proforma of this agreement, the Residential backlog amounted to €4.8 billion excluding tax as of 31 March 2020, the equivalent of 2.1 years of revenue in 2019.

In €m	31/03/2020	31/12/2019	Change
Backlog (excl. tax)	€4,821m	€3,778m	+28%
<i>proforma of the CDC agreements</i>			

Discussions are also underway with CDC Habitat on a significant additional portfolio (more than 2,000 lots) on operations in the process of being set up, as well as with other institutional investors.

Notarised signature campaign

Altarea's Residential operational teams are heavily mobilised to organise and plan notarised signature appointments for all the reservation contracts that can be regularised as soon as the confinement is over. The resumption of notarized activity (and therefore the progress of revenue) is thus expected to be very strong, both with individual and institutional investors (particularly for the regularisation of agreements with CDC Habitat) in order to make up for the backlog of signatures.

¹² And €1.0bn including VAT.

Resumption of work on building sites

Work has been gradually resuming on building sites since mid-April, in compliance with the rules laid down in the OPPBTP guidelines. To date, work has resumed on roughly 65% of projects (particularly in regional areas), with a target of 95% resumption by mid-May 2020. This recovery is nevertheless proceeding at a slower pace due to the health precautions taken on the construction sites (barrier gestures, wearing of masks, social distancing).

Altarea has also implemented specific measures to speed up the payment of invoices for the most vulnerable companies, enabling them to benefit from the Group's financial strength.

Overall, the impact of the lockdown should result in a significant deferral of revenue, partially offset by higher sales to institutional investors (CDC Habitat and others).

Outlook

In a particularly uncertain environment, residential is more than ever a safe haven for owners, a value in use for occupants, and an attractive asset class for individual and institutional investors.

Altarea expects to see increased demand for residential property, where the pre-existing shortage has grown during the lockdown period (halt of building sites, postponement of municipal elections and administrative authorisations).

Continued commercial activity during the lockdown period confirms interest for:

- new modular housing (additional areas and adaptable spaces, outdoor areas – terraces, shared gardens) for first-time home buyers, and
- property investment for individuals, given that interest rates on loans remain attractive despite a slight increase.

A comprehensive player in urban transformation, Altarea has fundamental confidence in the residential segment, and is still aiming to develop 18,000 housing units a year. The fundamentals of the new housing market are more promising than ever: strong demand from individuals and institutional investors, accelerated change in uses, higher expectations in terms of energy performance, against a structural shortage of suitable products.

BUSINESS PROPERTY

As a leading business property developer in France, Altarea is involved in major projects with measured risk:

- in partnership on capital-intensive investment projects,
- as a promoter (off-plan sales or PDA) on other projects.

Impact of the lockdown

The main impact of the lockdown was the shutdown of the majority of building sites, with the exception of Bridge in Issy-les-Moulineaux (future headquarters of Orange) and Altarea's future headquarters on rue de Richelieu, where work was slowed down but never stopped.

Since mid-April, work has been gradually resuming at a slower pace and in compliance with the rules set out in the OPPBTP guidelines, the main consequence being the postponement of delivery dates and the deferral of results, notably from 2020 to 2021.

Outlook

New expectations are emerging, which the Group is anticipating with the help of the Altarea Entreprise Studio (internal R&D unit) and which are already being deployed on current projects:

- offices “where you'd be better off than at home”: flawless connections, cybersecurity, optimal acoustic comfort, fibre optics for each workstation and other advantages you cannot find at home;
- consideration of health factors: outside spaces added, high-performance ventilation systems combined with secure window openings;
- flexibility and modularity of spaces;
- organisation of buildings to allow extended working hours;
- opening towards the city with the development of urban proximity on the ground floor of office developments; etc.

Demand for new space is also expected to remain strong in the major gateway cities, where the Group is particularly well established.

A comprehensive player in urban transformation, Altarea has developed a wide range of products (multi-occupant offices, head offices, logistics platforms, hotels, “Grandes Ecoles”, hospitals, etc.) and will be able to support new user expectations while taking advantage of its cash position and the strength of its balance sheet to seize opportunities for asset transformation in a profoundly renewed environment.

III. Financial information

First-quarter 2020 revenue

Consolidated first-quarter 2020 revenue amounted to €566.2 million, with a decline limited to -4.4%.

In €m (excl. tax)	Q1 2020	Q1 2019	Change
Rental income	51.4	49.1	+4.7%
External services	4.2	6.6	
Revenue by % of completion	6.0	-	
Retail	61.6	55.7	+10.6%
Revenue by % of completion	384.2	433.0	
External services	2.7	1.8	
Residential	386.9	434.8	-11.0%
Revenue by % of completion	116.7	101.0	
External services	1.1	1.0	
Business property	117.8	102.0	+15.4%
Revenue	566.2	592.5	-4.4%

In Retail, rental income increased by +4.7%, with a growth of +2.6% on a like-for-like basis. The impact of 2019 deliveries (Cap 3000 and Phase 2 of the Paris-Montparnasse railways station) largely offset disposals made in 2019 and early 2020.

In Residential, revenue by percentage of completion was heavily impacted by the halt of building sites and notarised sales, which blocked both technical and commercial progress rates.

Business property revenue was boosted by the contribution of major operations early in the year.

High liquidity situation

Altarea entered the Covid-19 crisis in a particularly sound financial position:

- Low debt level: LTV of 33.2% at the end of 2019,
- No bond maturing before July 2024, except for €230 million due in May 2021.

As of 5 May 2020, available cash and cash equivalents amounted to €2,669 million (compared with €2,659 million as of 31 December 2019), breaking down as follows:

In €m, as of 5 May 2020	Cash	Unused credit facilities	TOTAL
Available at Group level	533	1,102	1,635
Available at project level	562	472	1,034
TOTAL	1,095	1,574	2,669

Of the €1,102 million in RCF¹³ lines available at Group level as of 5 May 2020, only €80 million are due to expire over the next 24 months and are already under discussion for their extension (amend & extend clause).

In terms of short-term financing, the outstanding commercial paper as of 5 May amounted to €834.5 million (average maturity of 5.8 months). Despite the crisis, Altarea continued to access the NEU CP market with €280 million issued in April (average maturity of 10.5 months and an average interest rate close to zero). The Group redeemed €197 million over the same period.

Given the Group's cash position and the maintenance of short-term market access, no RCFs are currently drawn at Group level, and Altarea has no plans to draw on them in the coming months. Altarea specifies that the Group is largely in compliance with all of its covenants to date.

Net debt

Net financial debt¹⁴ amounted to €2,626 million. It was stable over 12 months (€2,647 million as of 31 March 2019) and increased by €151 million since 31 December 2019 (€2,475 million).

This increase is mainly due to developments in retail for a total of €61 million in investments (mainly the final tranche of Cap3000 in Nice and Phase 3 of the Paris-Montparnasse railway station), as well as working capital requirements for the property development activity.

IV. General Shareholders' Meeting and dividend

Altarea's Management has decided to postpone the company's Annual General Shareholders' Meeting to 30 June 2020 (compared to 19 May initially).

A dividend of 9.00 euros per share will be proposed to the vote at the next General Meeting. Shareholders will have an option to convert 50% of this dividend into shares. Alain Taravella as well as the Group's main financial shareholders and senior executives, together representing directly or indirectly more than 80% of the capital, have already indicated that they will opt for the conversion of their dividend into shares.

¹³ Revolving credit facilities (confirmed credit authorizations).

¹⁴ Bank and bond debt, net of cash, cash equivalents and other similar items.

ABOUT ALTAREA – FR0000033219 - ALTA

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

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