5 Consolidated financial statements

5.1 Consolidated statement of financial position

Assets

(in €'000)	Note	**12/31/2019**	12/31/2018
Non-current assets		**19,244,737**	**18,669,492**
Investment properties	5.5.5.1	17,662,308	16,604,020
Buildings under reconstruction	5.5.5.1	1,055,147	1,508,051
Operating properties	5.5.5.1	85,977	66,866
Other tangible fixed assets	5.5.5.1	14,629	16,188
Goodwill	5.5.5.1.4	196,127	207,688
Intangible assets	5.5.5.1	7,017	6,632
Financial receivables on finance leases	5.5.5.1	121,643	175,141
Financial fixed assets	5.5.5.2	25,788	27,236
Equity-accounted investments	5.5.5.3	51,441	48,361
Non-current financial instruments	5.5.5.12.2	22,760	7,409
Deferred tax assets	5.5.5.4	1,900	1,900
Current assets		**1,210,068**	**1,039,475**
Properties for sale	5.5.5.5	928,751	649,846
Inventories	5.5.5.6	35,683	49,101
Trade receivables	5.5.5.7	77,385	110,723
Miscellaneous other receivables	5.5.5.8	111,205	175,000
Prepaid expenses	5.5.5.9	19,198	23,115
Current financial instruments	5.5.5.12.2	0	0
Cash and cash equivalents	5.5.5.10	37,846	31,690
Total assets		**20,454,805**	**19,708,967**

Equity and liabilities

(in €'000)	Note	**12/31/2019**	12/31/2018
Shareholders' equity	**5.5.5.11**	**12,726,570**	**11,751,245**
Capital		573,077	572,001
Additional paid-in capital		3,281,893	3,273,306
Consolidated reserves attributable to owners of the parent company		7,328,961	6,871,522
Consolidated net income attributable to owners of the parent company		1,515,287	1,004,985
Shareholders' equity attributable to owners of the parent company		**12,699,218**	**11,721,814**
Non-controlling interests		27,352	29,431
Non-current liabilities		**5,487,705**	**5,425,371**
Non-current financial debt	5.5.5.12.1	5,398,632	5,382,661
Non-current lease obligations		50,480	0
Non-current financial instruments	5.5.5.12.2	1,268	3,835
Deferred tax liabilities	5.5.5.4	1,654	5,784
Non-current provisions	5.5.5.13	35,671	33,091
Current liabilities		**2,240,530**	**2,532,351**
Current financial debt	5.5.5.12.1	1,884,852	2,103,918
Current financial instruments	5.5.5.12.2	555	709
Security deposits		80,545	80,988
Trade payables	5.5.5.15	153,006	207,284
Current tax and social security liabilities	5.5.5.16	48,983	72,650
Other current liabilities	5.5.5.17	72,589	66,802
Total liabilities and equity		**20,454,805**	**19,708,967**

5.2 Consolidated statement of comprehensive income

(in €'000)	Note	**12/31/2019**	12/31/2018
Gross rental income	5.5.6.1	**673,487**	**661,716**
Expenses not billed to tenants	5.5.6.2	(54,719)	(54,781)
Net rental income		**618,768**	**606,935**
Current operating income on finance lease transactions	5.5.6.3	**5,411**	**9,242**
Current operating income on the hotel activity	5.5.6.3	**4,190**	**3,410**
Services and other income net	5.5.6.4	34,584	62,454
Overheads	5.5.6.5	(92,968)	(86,916)
EBITDA		**569,984**	**595,125**
Real estate margin	5.5.6.6	388	(9,477)
Gain or losses on disposals	5.5.6.7	102,289	(11,459)
Change in value of properties	5.5.6.8	1,004,271	565,781
Depreciation and amortization	5.5.5.1	(13,399)	(13,577)
Net impairments and provisions	5.5.5.13	(3,129)	(5,300)
Impacts of the business combination	5.5.6.9	0	(696)
Operating income		**1,660,404**	**1,120,397**
Financial expenses		*(102,098)*	*(99,317)*
Financial income		*82*	*5,615*
Net financial expenses	5.5.6.10	(102,016)	(93,702)
Financial impairment and depreciation and amortization		0	21
Change in value of derivatives and borrowings	5.5.6.11	(26,071)	(14,590)
Premium and bond redemption costs		(15,933)	0
Net income from equity-accounted investments	5.5.5.3	4,647	529
Consolidated net income, before tax		**1,521,031**	**1,012,656**
Taxes	5.5.6.12	(4,141)	(5,691)
Consolidated net income		**1,516,890**	**1,006,965**
Of which consolidated net income attributable to non-controlling interests		1,603	1,980
Of which consolidated net income linked to owners of the parent company		**1,515,287**	**1,004,985**
Consolidated net earnings per share	5.5.6.13	20.58 €	€13.63
Consolidated diluted net earnings per share	5.5.6.13	20.52 €	€13.59

(in €'000)	**12/31/2019**	12/31/2018
Consolidated net income	**1,516,890**	**1,006,965**
Items not to be recycled in the net income	**(3,281)**	**(1,387)**
Actuarial gains (losses) on post-employment benefit obligations	(2,508)	(1,387)
Gains (losses) on non-consolidated interests	(773)	0
Items to be recycled in the net income	**40**	**(7)**
Gains (losses) from translation differentials	40	(7)
Comprehensive income	**1,513,649**	**1,005,571**
Of which comprehensive income attributable to non-controlling interests	1,603	1,980
Of which comprehensive income linked to owners of the parent company	**1,512,046**	**1,003,591**

5.3 Statement of changes in consolidated equity

At year-end 2019, the capital was composed of 76,410,260 shares with a par value of €7.50 each.

In €'000 (except for number of shares)	Number of shares	Share capital	Additional paid-in capital and consolidated reserves	**Shareholders' equity attributable to owners of the parent company**	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance at December 31, 2017	**75,363,444**	**565,226**	**10,420,746**	**10,985,972**	**28,438**	**11,014,410**
Dividend paid in 2018			(388,079)	(388,079)	(1,545)	(389,624)
Effect of treasury shares (1)			1,052	1,052	0	1,052
Effect of share-based payments (2)			2,781	2,781	0	2,781
Actuarial gains (losses) on post-employment benefit obligations			(1,387)	(1,387)	0	(1,387)
Gains (losses) from translation differentials			(7)	(7)	0	(7)
Group capital increase (3)	903,306	6,775	106,452	113,227	0	113,227
Change in scope			3,270	3,270	558	3,828
Net income at December 31, 2018			**1,004,985**	**1,004,985**	**1,980**	**1,006,965**
Balance at December 31, 2018	**76,266,750**	**572,001**	**11,149,813**	**11,721,814**	**29,431**	**11,751,245**
Dividend paid in 2019			(405,703)	(405,703)	(3,548)	(409,251)
Effect of treasury shares (1)			(107,798)	(107,798)	0	(107,798)
Effect of share-based payments (2)			2,773	2,773	0	2,773
Actuarial gains (losses) on post-employment benefit obligations			(2,508)	(2,508)	0	(2,508)
Gains (losses) from translation differentials			40	40	0	40
First application of IFRS 16			(32,568)	(32,568)	0	(32,568)
Group capital increase (3)	143,510	1,076	8,268	9,345	0	9,345
Change in scope			(1,462)	(1,462)	(134)	(1,597)
Net income at December 31, 2019			**1,515,287**	**1,515,287**	**1,603**	**1,516,890**
Balance at December 31, 2019	**76,410,260**	**573,077**	**12,126,141**	**12,699,218**	**27,352**	**12,726,570**

(1) Treasury shares:

	As of 12/31/2019		As of 12/31/2018	
In €'000 (except for number of shares)	Number of shares	Net amount	Number of shares	Net amount
Shares recorded as a deduction from shareholders' equity	2,959,038	348,647	2,140,426	241,233
Treasury stock in %		3.87%		2.81%

(2) Impact of benefits related to share award plans (IFRS 2).

(3) Creation of shares linked to the definitive vesting of shares as a result of the performance share award plan of April 21, 2016 (creation of 48,709 shares out of 48,709 initially allocated) and of July 21, 2016 (creation of 3,000 shares out of 3,000 initially allocated), to the capital increase reserved for Group employees (61,942 shares), to the exercise of share subscription (29,258 shares), and in respect of liquidity commitments for the benefit of holders of Eurosic performance shares (601 shares). For the 2018 financial year, creation of shares linked to the capital increase reserved for Group employees (33,557 shares), to the exercise of share subscription options reserved for employees (16,850 shares), and to the definitive vesting of shares as a result of the performance share award plan of February 19, 2015 (creation of 53,114 shares out of 58,120 initially allocated) in respect of liquidity commitments for the benefit of holders of Eurosic performance shares (328 shares) and for the payment of the dividend in shares in July 2018 (799,457 shares).

5.4 Consolidated statement of cash flows

(in €'000)	Note	**12/31/2019**	12/31/2018
Consolidated net income (including non-controlling interests)		**1,516,890**	**1,006,965**
Net income from equity-accounted investments		(4,647)	(529)
Net depreciation, amortization, impairments and provisions		16,528	18,877
Changes in fair value, premiums and repurchase costs on bonds	5.5.7.1	(962,267)	(551,191)
Calculated charges and income from performance shares		2,773	2,781
Tax expenses (including deferred tax)	5.5.6.12	4,141	5,691
Capital gains and losses on disposals	5.5.5.6, 5.5.6.7	(102,677)	20,936
Other calculated income and expenses		(26,069)	12,048
Net financial expenses	5.5.6.10	102,016	93,702
Net cash flow before cost of net debt and tax		**546,688**	**609,282**
Tax paid		(7,478)	(6,584)
Change in operating working capital requirement	5.5.7.2	81,136	(21,008)
Net cash flow from operating activities (A)		**620,346**	**581,690**
Acquisitions of tangible and intangible fixed assets and capitalized expenses	5.5.5.1.2	(550,917)	(405,913)
Disposals of tangible and intangible fixed assets	5.5.7.3	876,114	1,308,678
Acquisition of financial assets (non-consolidated securities)		(3,733)	0
Dividends received (equity-accounted affiliates, non-consolidated securities)		1,513	740
Changes in loans and agreed credit lines		46,159	20,491
Other cash flows from investing activities		(7,252)	(3,973)
Change in working capital requirement relating to investing activities	5.5.7.4	(78,716)	(124,413)
Net cash flow from investing activities (B)		**283,167**	**795,610**
Proceeds from capital increase received from shareholders		6,949	4,010
Amounts received on the exercise of stock options		2,395	1,372
Purchases and sales of treasury shares		(107,798)	1,052
Dividends paid to owners of the parent company	5.5.7.5	(405,716)	(280,234)
Dividends paid to non-controlling interests		(3,548)	(1,545)
New loans	5.5.7.6	4,448,919	3,822,992
Repayments of loans	5.5.7.6	(4,651,706)	(4,889,092)
Net interests paid		(128,014)	(109,365)
Other cash flows from financing activities		(58,834)	(16,830)
Net cash flow from financing activities (C)		**(897,353)**	**(1,467,641)**
Net change in cash and cash equivalents (A+B+C)		**6,156**	**(90,341)**
Opening cash and cash equivalents	5.5.7.7	31,690	122,031
Closing cash and cash equivalents	5.5.7.7	**37,846**	**31,690**

5.5 Notes to the consolidated financial statements

5.5.1 Highlights

2019 financial year

On February 19, 2019, in connection with the implementation of its share buyback program, as decided by the Board of Directors, Gecina appointed an independent investment service provider to buy back Gecina shares on its behalf, depending on market conditions, for up to a maximum of 150 million euros from February 20, 2019 to June 30, 2019. The shares purchased have been allocated for tenders or exchanges of shares on potential external growth operations. This operation is in line with the authorizations given by the Combined General Meeting on April 18, 2018, which authorized a share buyback program for up to 10% of the capital and a maximum price per share of €180. On June 30, 2019, 818,612 shares were acquired at an average price of €131.2 per share, i.e. a total amount excluding cost of €107.4 million.

On March 21, Gecina indicated that the Edenred group, the global leader in workplace payment solutions, signed a lease for offices for its future international headquarters in the building Be Issy in Issy-les Moulineaux. This new lease came into effect from December 1, 2019.

On May 22, 2019, Gecina successfully placed a 500 million euro bond issue with a 15-year maturity (maturing in May 2034) and a coupon of 1.625%. Alongside this, Gecina launched a tender offer on three of its outstanding series of notes. On June 4, 2019, Gecina finalized this bond tender offer, redeeming a nominal total of 151.5 million euros (average residual maturity of 4.6 years and average coupon of 2.0%).

On June 18, 2019, Gecina announced that a new lease was signed for the Be Issy building with the consulting firm Leyton. Covering a nine-year period, this new lease with nearly 3,700 sq.m of office space became effective from September 15, 2019. It follows the arrivals of Séqens and Edenred, taking this asset's letting rate up to almost 80%.

On June 24, 2019, Gecina signed a unilateral preliminary purchase agreement with Angelo Gordon, under which Angelo Gordon made a commitment to acquire Gecina's hotel portfolio for a valuation excluding duties of 181 million euros. This portfolio, comprising the premises and business of five hotels located in Paris, Boulogne, Bougival and Roissy, was from the Eurosic portfolio. This transaction was finalized on October 31, 2019.

On July 15, 2019, following a call for tenders issued by the CRPN (Caisse de Retraite du Personnel Navigant Professionnel de l'Aéronautique Civile), France's flight crew pension fund, Gecina entered into exclusive negotiations to acquire 100% of office units held by the CRPN in the "Carreau de Neuilly" real estate complex on Avenue Charles de Gaulle in Neuilly-sur-Seine. This transaction, which was finalized on November 7, 2019, took the form of an exchange of assets. Consequently, Gecina signed an asset exchange contract with the Caisse de Retraite du Personnel Navigant (CRPN) allowing it to acquire the "Carreau de Neuilly" property for the sum of €306 million excluding duties. This office property, 90% occupied, contains a floor surface area of around 34,000 sq.m. In return, Gecina transferred two mature office buildings, fully leased, in Neuilly and Paris, for a total amount of €238 million excluding duties. The price difference gave rise to a balancing payment due. Gecina thus proceeded to dispose of a building of 17,500 sq.m located at 12-16 boulevard du General Leclerc in Neuilly-sur-Seine and a building located at 22, rue du General Foy in the 8th arrondissement of Paris, with a surface area of close to 3,200 sq.m.

On September 11, 2019 and for the second consecutive year, Gecina received the overall rating of 92/100 in the GRESB (Global Real Estate Sustainability Benchmark) classification, which evaluates the performance and CSR policy of companies in the real estate sector every year. This rating took into account for the first time the office buildings from the property portfolio of Eurosic, a company acquired by Gecina in August 2017.

On September 12, 2019, Gecina indicated the finalization of three new responsible credit contracts with BNP Paribas, Natixis and Société Générale for an amount of €660 million, taking the form of either new banking lines of credit or conversion of traditional banking lines of credit into responsible lines of credit. Combined with the lines set up in 2018 with ING France and Crédit Agricole Corporate & Investment Bank, the volume of Responsible Credit Contracts now amounts to €910 million, i.e. more than 20% of the Group's portfolio of banking lines of credit. The financial terms of these credit agreements will be indexed to the Group's performance in terms of corporate social responsibility (CSR), illustrating once again its strong convictions with regard CSR by putting its social and environmental concerns on an equal footing with its financial objectives. CSR performance is assessed on the basis of changes in the key indicators used by Gecina, which attests to their relevance to financial players and to the quality of its approach.

On October 16, 2019, Gecina finalized the sale of the Pointe Metro 2 building at Gennevilliers to a joint venture held by PGGM and Foncière Atland, Paris Office Partnership for a sum of €58.2 million excluding duties. This building of nearly 15,000 sq.m, of which 13,000 sq.m is office surface area, is mainly occupied by a subsidiary of the PSA Peugeot Citroën Group.

On November 25, 2019, Gecina entered into a transactional agreement with CaixaBank (subrogated in the rights of Banco de Valencia) as part of the discussion regarding the realization of a collateral pledge for a credit transaction on Gecina shares, the validity of which was disputed by Gecina. Under the terms of this agreement, Gecina received an amount of €30 million. This transactional agreement is part of the recovery actions carried out by Gecina following the Judgment of March 11, 2015 by the Correctional Court (Tribunal correctionnel), which was confirmed by the Court of Appeal on December 5, 2018 and which acknowledged the damage done to Gecina through the unlawful actions of its former CEO, Joaquín Rivero.

On December 2, 2019, Gecina signed with La Française on behalf of the ERAFP and SCPI a reciprocal promise to sell the "Park Azur" property for €185 million excluding duties. This office asset, which covers nearly 24,000 sq.m, is fully leased to the Centre National pour la Recherche Nucléaire (EDF Group) with a lease of 8 years. The sale was finalized on December 18, 2019.

On December 10, 2019, Gecina launched the subsidiarization of its residential portfolio. This subsidiarization is an opportunity for Gecina to develop its rental housing units property portfolio in the most central areas of Grand Paris, as well as in the major French metropolises. In due course, it will allow the capital of this subsidiary, the control of which will be retained by Gecina, to be opened up, enabling future investors to benefit from the Group's experience. Through this proposed subsidiarization, the Group expects to be able to continue and strengthen the operational and financial performance momentum present for over two years in its residential portfolio, by positioning itself to be able to seize potential growth and value creation opportunities. Gecina intends to retain control of its subsidiary and maintain the distribution of the Group's property portfolio at around 80% office assets and 20% residential assets. Having consulted the Economic and Social Committe, the Group's Board of Directors has approved the implementation of this proposed subsidiarization, the actual implementation of which will remain subject to shareholder approval at the extraordinary general meeting to be held in April 2020.

5.5.2 General principles of consolidation

5.5.2.1 Reporting standards

The consolidated financial statements of Gecina and its subsidiaries ("the Group") are prepared in accordance with IFRS as adopted by the European Union on the balance sheet date.

Official standards and interpretations applicable since January 1, 2019, in particular IFRS 16 "Leases" have been applied to the financial statements (see Note 5.5.3.9).

The preparation of financial statements, in accordance with IFRS, requires the adoption of certain decisive accounting estimates. The Group is also required to exercise its judgment in the application of accounting principles. The areas with the most important issues in terms of judgment or complexity or those for which the assumptions and estimates are material in relation to the consolidated financial statements are presented in Note 5.5.3.17.

Gecina applies the Code of Ethics for Listed Real Estate Investment Companies (SIIC) as established by the Fédération des Sociétés Immobilières et Foncières.

5.5.2.2 Consolidation methods

All companies, in which the Group holds direct or indirect exclusive control and companies in which Gecina exercises a notable influence or joint control, are included in the scope of consolidation. The first group of companies are fully consolidated and the second group are consolidated using the equity method.

5.5.2.3 Scope of consolidation

At December 31, 2019, the scope of consolidation included the companies listed below:

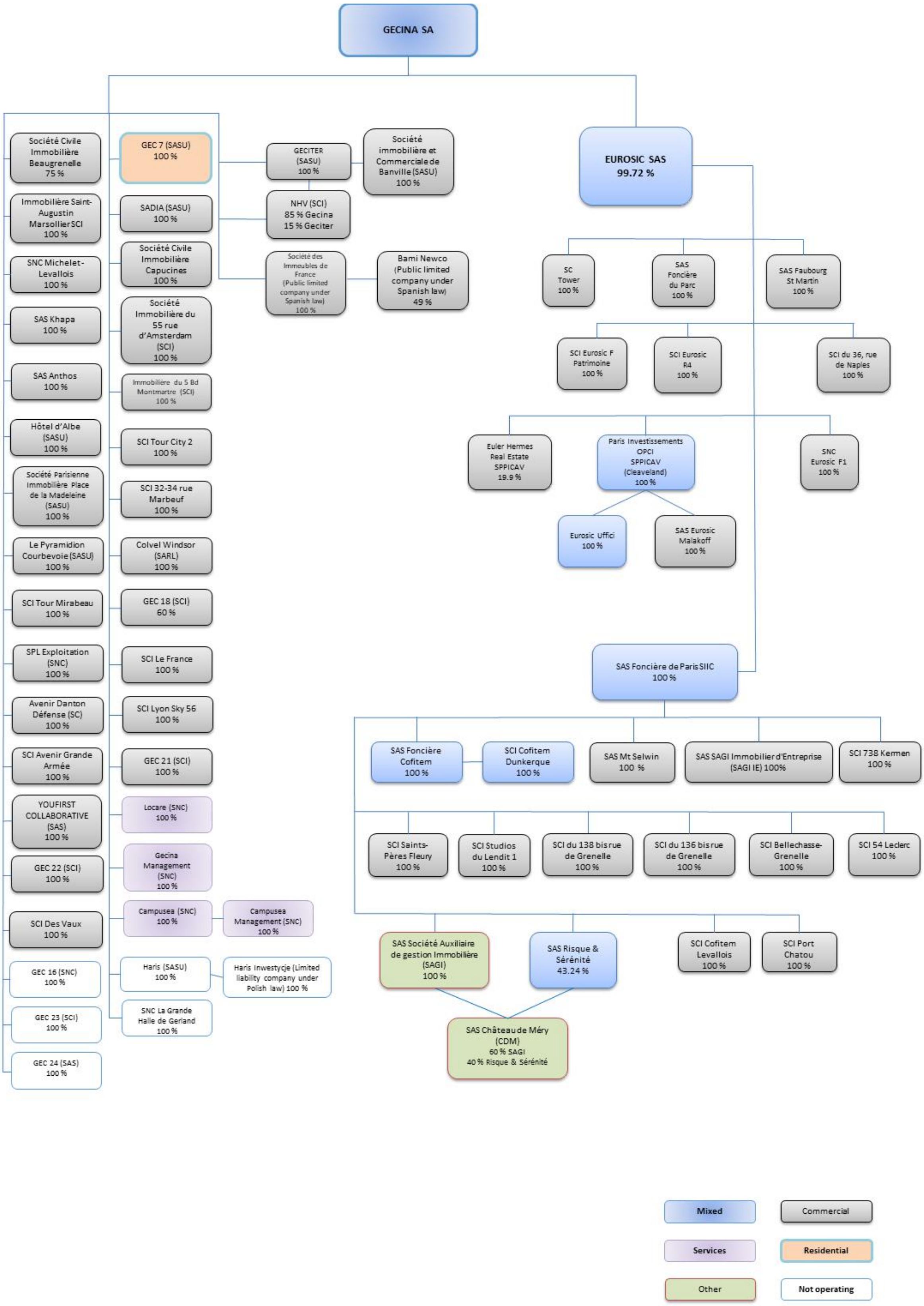
COMPANIES	SIREN	12/31/2019 % interest	Consolidation method	12/31/2018 % interest
Gecina	592 014 476	100.00%	Parent company	100.00%
5, rue Montmartre	380 045 773	100.00%	FC	100.00%
55, rue d'Amsterdam	382 482 065	100.00%	FC	100.00%
Anthos	444 465 298	100.00%	FC	100.00%
Beaugrenelle	307 961 490	75.00%	FC	75.00%
Campuséa	501 705 909	100.00%	FC	100.00%
Campuséa Management	808 685 291	100.00%	FC	100.00%
Capucines	332 867 001	100.00%	FC	100.00%
Colvel Windsor	477 893 366	100.00%	FC	100.00%
GEC 16	751 103 961	100.00%	FC	100.00%
GEC 18	799 089 982	60.00%	FC	60.00%
GEC 21	810 066 126	100.00%	FC	100.00%
GEC 22	812 746 188	100.00%	FC	100.00%
GEC 23	819 358 201	100.00%	FC	100.00%
GEC 7	423 101 674	100.00%	FC	100.00%
Gecina Management	432 028 868	100.00%	FC	100.00%
Geciter	399 311 331	100.00%	FC	100.00%
Grande Halle de Gerland	538 796 772	100.00%	FC	100.00%
Haris	428 583 611	100.00%	FC	100.00%
Haris Investycje (Poland)		100.00%	FC	100.00%
Khapa	444 465 017	100.00%	FC	100.00%
Le Pyramidion Courbevoie	479 765 874	100.00%	FC	100.00%
Locare	328 921 432	100.00%	FC	100.00%
Marbeuf	751 139 163	100.00%	FC	100.00%
Michelet-Levallois	419 355 854	100.00%	FC	100.00%
Sadia	572 085 736	100.00%	FC	100.00%
Saint Augustin Marsollier	382 515 211	100.00%	FC	100.00%
SCI Le France	792 846 123	100.00%	FC	100.00%
SCI Avenir Danton Défense	431 957 356	100.00%	FC	100.00%
SCI Avenir Grande Armée	751 037 631	100.00%	FC	100.00%
SCI Lyon Sky 56	809 671 035	100.00%	FC	100.00%
Société des Immeubles de France (Spain)		100.00%	FC	100.00%
Société Hôtel d'Albe	542 091 806	100.00%	FC	100.00%
Société Immobilière et Commerciale de Banville	572 055 796	100.00%	FC	100.00%
SPIPM	572 098 465	100.00%	FC	100.00%
SPL Exploitation	751 103 961	100.00%	FC	100.00%
Tour City 2	803 982 750	100.00%	FC	100.00%
Tour Mirabeau	751 102 773	100.00%	FC	100.00%
Youfirst Collaborative	823 741 939	100.00%	FC	100.00%
SCI Des Vaux	449 228 816	100.00%	FC	100.00%
SAS Eurosic	307 178 871	100.00%	FC	100.00%
SAS Eurosic Malakoff	453 385 601	100.00%	FC	100.00%
Faubourg Saint Martin	430 046 607	100.00%	FC	100.00%
Foncière du Parc	445 394 851	100.00%	FC	100.00%
Tower	433 566 932	100.00%	FC	100.00%
SCI du 36 rue de Naples	479 871 659	100.00%	FC	100.00%
SCI Eurosic F Patrimoine	811 932 714	100.00%	FC	100.00%
SCI Eurosic R4	505 215 251	100.00%	FC	100.00%
SNC Eurosic F1	810 028 506	100.00%	FC	100.00%
Euler Hermes Real Estate	538 610 825	19.90%	EM	19.90%
Paris investissements OPCI	793 904 640	100.00%	FC	100.00%
Foncière de Paris SIIC	331 250 472	100.00%	FC	100.00%
Foncière Cofitem	411 846 033	100.00%	FC	100.00%
MT Selwin	418 089 280	100.00%	FC	100.00%

Risque & Sérénité	419 403 449	43.24%	EM	43.24%
Société Auxiliaire de Gestion Immobilière	508 928 926	100.00%	FC	100.00%
SAGI Immobilière d'entreprise	528 047 129	100.00%	FC	100.00%
Château de Mery	479 916 298	77.20%	FC	77.20%
SCI Saints Pères Fleury	509 110 151	100.00%	FC	100.00%
SCI 54 Leclerc	381 619 535	100.00%	FC	100.00%
SCI 738 Kermen	349 816 116	100.00%	FC	100.00%
SCI du 136 bis rue de Grenelle	493 293 823	100.00%	FC	100.00%
SCI du 138 bis rue de Grenelle	493 293 633	100.00%	FC	100.00%
SCI Bellechasse-Grenelle	802 446 195	100.00%	FC	100.00%
SCI Cofitem Dunkerque	528 344 039	100.00%	FC	100.00%
SCI Cofitem Levallois	494 346 570	100.00%	FC	100.00%
SCI du Port Chatou	491 025 441	100.00%	FC	100.00%
SCI Studios du Lendit 1	508 475 662	100.00%	FC	100.00%
Eurosic UFFICI (Italy)		100.00%	FC	100.00%
JOINED CONSOLIDATION 2019				
GEC 24	851 756 502	100.00%	FC	
SCI Neuilly Hôtel de Ville	785 420 746	100.00%	FC	
LEFT CONSOLIDATION 2019				
Doret Antares	535 309 884	Merged	FC	100.00%
SCI Eurosic Cours Michelet	811 963 438	Merged	FC	100.00%
SNC Provence Logements	752 811 265	Merged	FC	100.00%
SCI Eurosic Développement 5	824 082 192	Merged	FC	100.00%
Hôtelière de Bellechasse-Grenelle	809 441 553	Merged	FC	100.00%
Société Civile Vendôme Casanova	389 486 093	Merged	FC	100.00%
GEC 10	529 783 649	Merged	FC	100.00%
Gecina Gestion	752 603 548	Merged	FC	100.00%
SAS Eurosic N2 Batignolles	820 809 945	Merged	FC	100.00%
SCI Breizh Champs Blancs	792 857 377	Merged	FC	60.00%
Hôtelière de la Villette	479 469 405	Sold	FC	100.00%
SNC N2 Promotion	821 147 519	Sold	EM	30.00%
Holding Saint Dominique	534 629 993	Sold	FC	100.00%
Amelot Roissy Hôtel	381 505 411	Sold	FC	100.00%
Hôtelière de Boulogne	505 104 190	Sold	FC	100.00%
Hôtelière de la rue Danton	511 122 590	Sold	FC	100.00%
Société d'exploitation de l'hôtel du Parc de Bougival	310 728 563	Sold	FC	100.00%
Groupement Européen de l'Immobilier	328 680 087	Sold	FC	100.00%
SCI Cofitem Boulogne	494 341 845	Sold	FC	100.00%
SCI du 4 rue Danton	488 449 190	Sold	FC	100.00%
LEFT CONSOLIDATION 2018				
SCI 19 Leblanc	384 760 385		FC	Merged
Saulnier Square	530 843 663		FC	Merged
SAS Eurosic Palmer	534 984 968		FC	Sold
SAS Eurosic R3	504 444 118		FC	Sold
SCI Eurosic R1	498 859 156		FC	Sold
SCI Eurosic R2	502 733 249		FC	Sold
SCI Eurosic R5	518 632 278		FC	Sold
SCI Eurosic R6	529 151 060		FC	Sold
Multimedia	438 023 095		FC	Sold
SCI du 62 rue Louis Delos	441 907 037		FC	Sold
Eurosic Toulouse Holding	814 115 861		FC	Sold
Eurosic Basso Cambo	814 255 915		FC	Sold
Eurosic Blagnac A1	814 256 079		FC	Sold
Eurosic Blagnac C1-C2	814 256 244		FC	Sold
Eurosic Sophia Holding	814 116 083		FC	Sold
Eurosic Sophia Millenium	814 256 954		FC	Sold

Eurosic Sophia Alba	814 257 200	FC	Sold
Eurosic Sophia Emerald	814 257 671	FC	Sold

FC: full consolidation.
EM: accounted for under the equity method.

5.5.2.3.1 Legal organization chart



5.5.2.4 Consolidation adjustments and eliminations

5.5.2.4.1 Restatements to homogenize individual financial statements

The rules and methods applied by companies in the scope of consolidation are restated to make them consistent with those of the Group.

All companies closed their accounts (or prepared a position of accounts) on December 31, 2019.

5.5.2.4.2 Intercompany transactions

Intercompany transactions and any profits on disposal resulting from transactions between consolidated companies are eliminated.

5.5.2.4.3 Business combinations (IFRS 3)

To determine if a transaction is a business combination placed under IFRS 3, the Group determines whether an integrated set of activities is acquired in addition to the real estate. The selected criteria may be the number of real estate assets held, the scope of the processes acquired or the autonomy of the target. In this case, acquisition cost corresponds to the fair value on the date of exchange of the contributed assets and liabilities and the equity instruments issued in exchange for the acquired entity. Goodwill is recognized as an asset in respect of the surplus of the acquisition cost over the buyer's share of the fair value of the assets and liabilities acquired net of deferred tax recognized if necessary while an amount for negative goodwill is posted to the income statement. Costs directly attributable to the acquisition process are recognized under expenses.

Revised IFRS 3 specifies a period of 12 months starting from the acquisition date to finalize the accounting of the acquisition. Corrections and valuations made must be linked to events and circumstances existing at the date of acquisition. Goodwill is subject to an impairment test at least once a year or whenever there is an indication of loss of value.

For acquisitions that are not part of a business combination, IAS 40 applies (investment properties).

5.5.2.5 Foreign currency translation

The Group's operating currency is the euro. Transactions conducted by subsidiaries located outside the Eurozone are translated at the closing exchange rate for balance sheet items and at the average exchange rate over the period of the income statement. Exchange differentials recognized in the balance sheet at the beginning of the period and on earnings for the year are recorded on a separate line under shareholders' equity.

5.5.3 Accounting methods

5.5.3.1 Property portfolio

5.5.3.1.1 Investment properties (IAS 40)

Properties held for the long term and intended to be leased under operating leases, and/or held for capital appreciation, are considered investment properties.

On acquisition, investment properties are recorded on the balance sheet at acquisition cost, inclusive of duties and taxes.

The time spent by operational teams, directly attributable to disposals, rentals and development projects is monitored and priced, and then, as appropriate:

(i) reported under fixed assets for the portion spent on development projects, studies or marketing actions;

(ii) recognized under gains or losses on disposals if related to pre-sale activities.

The financial costs linked to construction operations as well as eviction allowances, paid in connection with property reconstructions, are capitalized.

Gecina has opted for the valuation of its investment properties at fair value as defined by IFRS 13 (*cf.* Note 5.5.3.1.2). The company has elected, by convention, to retain the block value of properties as the fair value of investment properties in the consolidated financial statements. This block value is understood as excluding transfer duties and is determined by independent experts (as at December 31, 2019: CBRE Valuation, Cushman & Wakefield, Crédit Foncier Expertise, BNPP Real Estate, Catella Valuation Advisors, Christie & Co and Euroflemming Expertise) who value the property portfolio of the Group from the point of view of a sustainable holding at June 30 and December 31 of each financial year and take into account the capitalized works. Valuations are conducted in accordance with industry practices using fair value valuation methods to establish market value for each asset, pursuant to the professional real estate valuation charter. All Gecina assets are now appraised by independent appraisers.

The change in fair value of investment properties is recorded on the income statement. These properties are not therefore subject to depreciation or impairment. The income statement records the change in fair value of each property over the year determined as follows:

> current market value – (prior year market value + cost of construction work and other changes capitalized in the current year).
>
> Investment properties in the course of renovation are recognized at fair value.

Properties under construction or acquired with the intention of redevelopment or which are in the process of being redeveloped are recognized at fair value where that value can be reliably measured. In cases where fair value cannot be reliably determined, the property is recognized at its last known value plus any costs capitalized during the period. At each balance sheet date, an impairment test is conducted to certify that the booked value does not require impairment. Impact is recognized at variation of fair value.

The fair value is determined by appraisers based on an evaluation of the exit price of the property less all direct and indirect future development costs.

The Group considers that a property in the process of construction can be reliably appraised at fair value when construction begins and when its marketing is at an advanced stage. Whatever the case, the fair value appraisal will be performed when the asset is protected from the rain.

Nevertheless, when the asset is already leased and the signature of works contracts has sufficiently progressed to allow a reliable estimate of the construction cost, the asset under development may then be recognized at fair value.

Valuation methodology

Each property asset is valued separately by an independent appraiser. However, the appraisers use the same valuation methods, described below. When appraising a property, real estate appraisers exclude transfer duties, taxes and fees. They thus comply with the position taken by Afrexim, the French professional body of property appraisers, and use the following rates:

1.8% of legal fees for properties in VAT;

6.9% to 7.5% of registration fees and expenses for other properties.

The property is assessed at fair value, which corresponds to the price at which it could be sold between informed consenting parties operating under normal market conditions without reference to the financing conditions as at the valuation date. The value used in the consolidated financial statements is the value excluding transfer duties.

a) Office properties

The fair value of each asset is based on the results of the following three methods: the comparison method, the capitalization of net income and the discounting of future flows (Discounted Cash Flow). The simple arithmetic mean of these three methods is used. In the event of a considerable difference between the results of the three methods, the appraiser has the option of determining the more relevant valuation.

Direct comparison method: this method consists of comparing the asset that is the object of the appraisal to transactions made on assets equivalent in type and location, on dates close to the date of appraisal.

Net income capitalization method: this method consists of capitalizing recorded or potential income on the basis of a yield expected by an investor for a similar type of asset. The income base is generally constituted either of net annual rent excluding taxes and rental expenses or the market rental value. For occupied premises, the appraiser conducts an analysis of the legal and financial conditions of each lease and of the rental market. For vacant premises, the market rent value is used as a reference, taking account of re-letting delays, renovation work and other miscellaneous expenditure.

Discounted Cash Flow method: the value of the asset is equal to the discounted sum of the financial flows expected by the investor, including the assumed resale at the end of a 10-year holding period. The sale price at the end of the period is determined on the basis of the net cash flow in year 11 capitalized at yield. Discounted cash flow is determined on the basis of a risk-free interest rate (10-year government bond equivalent) plus an appropriate risk premium for the property determined in comparison with standard discounted rates on cash flow generated by similar assets.

b) Residential property

The block fair value of each asset is based on the results of the following two methods: direct comparison and income capitalization. The simple arithmetic mean is used for the comparison and income capitalization methods. In the event of a considerable difference between the results of the two methods, the appraiser has the option of determining the more relevant valuation.

Direct comparison method: identical to the method used for office property.

Net income capitalization method: identical to the method used for office property applied to gross income, pursuant to the recommendations of Afrexim[1].

c) Unit valuation for residential and mixed buildings

Unit valuation is used for buildings on sale by apartments (see Note 5.5.3.1.3).

The unit value is determined from unit prices per square meter recorded on the market for vacant premises. The appraisal includes discounts to reflect marketing periods, costs and the margin earned on the sale of all the units. These discounts are differentiated according to the size of the property and number of units included. The various lots of offices, as well as the commercial premises located on the ground floor of the buildings are then added together for their estimated values on the basis of two methods: direct comparison and income capitalization.

For properties where the unit-by-unit sale process has been started, the valuation follows the same method, adjusting the allowances applied to the property’s actual marketing situation.

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[1] Association française des sociétés d’expertise immobilière

5.5.3.1.2 Determination of fair value (IFRS 13)

The Group applies IFRS 13, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard establishes a fair value hierarchy that categorizes into three levels the data used for measurements:

level 1: price (not adjusted) on an active market for identical assets/liabilities available on the valuation date;

level 2: valuation model using inputs directly or indirectly observable in an active market;

level 3: valuation model using inputs not observable in an active market.

The fair value hierarchy is therefore established by reference to the levels of inputs to valuation techniques. When using a valuation technique based on inputs of several levels, the fair value level is then constrained by the lowest level.

Investment properties

The fair value measurement must consider the highest and best use of the asset. Gecina has not identified any highest and best use different from the current use.

The fair value measurement of investment properties implies using different valuation methods based on unobservable or observable inputs that have been subject to certain adjustments. Accordingly, the Group's property portfolio is considered, in its entirety, as categorized in level 3 with respect to the fair value hierarchy established by IFRS 13, notwithstanding the recognition of certain level 2 observable inputs.

Financial instruments

IFRS 13 requires the recognition of counterparty credit risk (*i.e.* the risk that a counterparty may breach any of its obligations) in measuring the fair value of financial assets and liabilities.

IFRS 13 retains the disclosure obligations on the 3-level fair value hierarchy of IFRS 7, which requires an entity to establish a difference between the fair values of financial assets and financial liabilities as a function of the observable nature of the inputs used to measure fair value.

As at December 31, 2019, IFRS 13 application by the Group does not challenge the fair value hierarchy of financial instruments, until then categorized as level 2 according to IFRS 7 (valuation model based on observable market inputs) to the extent that the adjustment for credit risk is considered as an observable input.

5.5.3.1.3 Assets held for sale (IFRS 5)

IFRS 5, "Non-current assets held for sale and discontinued operations", states that a non-current asset should be classified as held for sale as long as it is a major line of activity and if its book value will be recovered principally through a sales transaction rather than through continuing use. In such cases, the sale should be highly probable.

The sale of an asset is thus highly probable if the following three conditions are met:

a plan to sell the asset has been initiated by an appropriate level of management;

the asset is being actively marketed at a reasonable price in relation to its current fair value;

it is probable that the sale will be concluded within one year, barring special circumstances.

When the sale pertains to an asset or group of assets only, the assets for sale are reported separately in the balance sheet under "Properties for sale" and measured at the lower of their book value and their fair value, less selling costs and outstanding receivables from the straight-line recognition of commercial benefits under IFRS 16.

Buildings recorded in this category are valued as follows:

properties in block sales: sale value recorded in the preliminary sales agreement or the purchase offer, subject to the deduction of selling expenses/fees and outstanding receivables from the straight-line recognition of commercial benefits under IFRS 16;

properties sold unit-by-unit: appraisal value in units (see Note 5.5.3.1.1). If more than 60% (in value) of the property is sold, the asset is recognized at the fair value of the last recorded transactions for unsold units, after taking account of allowances linked to the achievement of all lots and at the sale value recorded in the preliminary agreement subject to the deduction of expenses and fees for units covered by a preliminary agreement.

When a sale concerns a complete business line, the consolidated assets and liabilities, booked as appropriate under subsidiaries held for sale, are presented separately on the asset side of the balance sheet (Assets held for sale) and on the liabilities side of the balance sheet (Liabilities held for sale). The corresponding net gain or loss is isolated in the income statement on the line "Net gain or loss from discontinued operations".

5.5.3.1.4 Operating properties and other tangible fixed assets (IAS 16)

The head office property at 16, rue des Capucines, Paris is valued at cost. It has been depreciated according to the component method, each component being depreciated on a straight-line basis over its useful life (10 to 60 years).

Hotel operating properties are valued at historical cost less accumulated depreciation and any impairment losses. They are amortized using a component approach; each component being amortized using the straight-line method over its useful life (9 to 90 years).

For each type of asset, the gross values of the buildings have been divided by component, determined on the basis of technical data at the time of the acquisition, using the current estimated cost of new reconstruction.

In addition to the land, six components have been identified:

TYPE OF ASSETS	Depreciation period
Land	Not depreciable
Framework structure	30 to 90 years depending on the type of building
Walls and roofing	15 to 45 years depending on the type of building
Technical installations	15 to 25 years depending on the type of building
Parking works	20 years
Restoration	15 years
Fixtures and fittings	9 to 10 years

The depreciation period of each component is calculated based on the date of start of service of the building in the property portfolio, except in the case of the replacement of a component (at the time of renovation, for example); in which case the date of the last replacement of the component is applied. No residual value was retained for any of the components identified.

Other tangible fixed assets are recorded at acquisition cost and depreciated under the straight-line method for periods of three to ten years. They are primarily composed of computer hardware and furniture.

In the event of a sign of impairment, the book value of an asset is immediately written down to its recoverable value, which is determined by an independent appraisal conducted under the methods described in 5.5.3.1.1.

5.5.3.1.5 Intangible assets (IAS 38)

The costs to purchase software licenses are recorded as an asset based on the costs incurred in acquiring and commissioning the software concerned. These costs are amortized over the estimated useful life of the software (three to five years).

5.5.3.2 Equity interests

5.5.3.2.1 Equity-accounted investments

Equity interests in companies in which the Group exercises joint control or significant influence are recorded on the balance sheet at the Group share of their net assets restated at the reporting date using the Group's accounting principles. Adjustments are related to the harmonization of methods.

In the event that the Group's share in the negative equity of a company accounted for under the equity method were to exceed the book value of its investment, the Group considers its share to be nil and it ceases to recognize its share in upcoming losses, unless the Group is obliged or intends to financially support such investment.

5.5.3.2.2 Non-consolidated interests

Non-consolidated interests are valued at fair value pursuant to IAS 39. The changes in fair value are stated as equity until the date of disposal. For long-term impairment, underlying capital losses recognized in shareholders' equity are recorded as expenses.

5.5.3.2.3 Other financial fixed assets

Loans, receivables and other financial instruments are booked according to the amortized cost method on the basis of the effective interest rate. When there is non-recoverability or default risk, this is recognized in the profit and loss statement.

5.5.3.3 Inventories

Buildings relating to real estate development operations or acquired under the tax system governing properties held for rapid resale by real estate traders, legally designated as marchands de biens, are booked under inventories at their acquisition cost. An impairment test is carried out as soon as any indication of impairment is detected. In the event of such an indication and when the estimated recoverable amount is lower than the carrying amount, an impairment loss is recognized based on the difference between those two amounts.

5.5.3.4 Operating receivables

Receivables are recorded for the initial amount of the invoice, after deduction for impairment valued on the basis of the risk of non-recoverability. The cost of non-recoverability risk is posted under property expenses.

These receivables are valued using the amortized cost method.

Impairment is valued using the optional simplified approach under IFRS 9. Expected credit losses are calculated over their lifetime, based on the Group's historical loss data.

Rent receivables are systematically written down according to the age of the receivables and situation of the tenants.

An impairment rate is applied to the amount excluding tax of the receivable minus the security deposit:

- tenant has left the property: 100%;

- tenant in the property:
  - receivable between 3 and 6 months: 25%,
  - receivable between 6 and 9 months: 50%,
  - receivable between 9 and 12 months: 75%,
  - over 12 months: 100%.

Impairment thus determined is adjusted to take account of particular situations.

Residual receivables relating to the deferral of commercial benefits in accordance with IFRS 16 (see Note 5.5.3.14), and recognized by the difference between the economic rent and the paid rent, result in a specific analysis covering the ability of the tenant to go effectively to the end of the signed lease, in order to validate their basis at each reporting date.

5.5.3.5 Cash and cash equivalents

Cash and money-market UCITS are recorded on the balance sheet at fair value.

5.5.3.6 Treasury shares (IAS 32)

Treasury shares held by the Group are deducted from consolidated shareholders' equity at acquisition cost.

5.5.3.7 Share-based payments (IFRS 2)

Gecina has instituted an equity-based remuneration plan (stock options and performance shares). The impact of services rendered by employees in exchange for the award of options or the allocation of performance shares is expensed against shareholders' equity. The total amount expensed over the rights vesting period is determined by reference to the fair value of equity instruments granted, the discounted value of future dividends paid over the vesting period and the staff turnover rate.

At each balance sheet date, the number of options or shares that may be exercised or attributed is reviewed. Where applicable, the impact of revising estimates is posted to the income statement with a corresponding adjustment in shareholders' equity. Amounts received when options are exercised are credited to shareholders' equity, net of directly attributable transaction costs.

5.5.3.8 Financial instruments (IFRS 9)

IFRS 9 defines the principles for the classification and measurement of financial instruments, impairment of credit risk, and hedge accounting other than macro-hedging.

Classification and measurement of financial assets

Financial assets are initially recognized at amortized cost, at fair value through equity, or at fair value through profit or loss, depending on the type of financial instrument (debt or equity), the contractual cash flow characteristics, and the way in which the instruments are managed (based on the management model).

The classification and measurement criteria depend on the nature of the financial asset, i.e. whether it is categorized as a debt instrument (loan, advance, credit, bond, etc.) or as an equity instrument (shares).

With regard to debt instruments (loans and fixed-yield or determinable-income securities), for the classification and measurement of financial assets, IFRS 9 is based on the management model and on the analysis of contractual cash flow characteristics. As for equity instruments, they are generally measured at fair value through profit or loss, except for those which the entity has irrevocably elected to measure at fair value through non-transferable equity (provided these instruments are not held for trading).

Impairment

The impairment model requires the measurement of expected credit losses (ECL) on loans and debt instruments measured at amortized cost or at fair value through transferable equity, on loan commitments and financial guarantee contracts not measured at fair value, on receivables from leases and on trade receivables. This new approach aims to measure expected credit losses as early as possible, while under the IAS 39 provision-based model, such losses were contingent upon objective evidence that an impairment loss has been incurred.

Hedge accounting

For hedge accounting (excluding fair value macro-hedging), IFRS 9 provides for limited changes compared with IAS 39. The provisions of the standard apply only to micro-hedging transactions and cash-flow macro-hedging transactions.

IFRS 9 does not modify the conditions under which a financial instrument can be classified as a hedge, with two types of interest-rate hedges:

hedging of balance sheet items whose fair value fluctuates with interest rates (fair value hedge);

hedging of the risk of future cash flow changes (cash flow hedge), which consists of setting the future cash flows of a variable-rate financial instrument.

Some derivative instruments attached to specific financing are classified as future cash flow hedges pursuant to accounting regulations. Only the change in fair value of the effective portion of these derivatives, measured by prospective and retrospective effectiveness tests, is taken to shareholders' equity. The change in fair value of the ineffective portion of the hedge is posted to the income statement if material.

To a large extent, Gecina's interest rate hedging is covered by a portfolio of derivatives that are not specifically assigned and do not meet hedge accounting eligibility criteria. Furthermore, some derivatives cannot be classified as hedging instruments for accounting purposes. These derivative instruments can therefore be recorded at fair value on the balance sheet with recognition of changes in fair value on the income statement. The change in the value of derivatives is recognized for the recurring portion and when this is applicable (amortization of options premiums or periodic premiums) within financial expenses in the same capacity as the interest paid or received for these instruments, and for the non-recurring portion (fair value excluding amortization of premiums or periodic premiums) in the changes in value of the financial instruments. Where applicable, terminations of derivative instruments are considered as non-recurring, such that the gain or loss on disposal or termination is recognized in the income statement within changes in value of financial instruments.

Fair value is determined in accordance with IFRS 13 (see Note 5.5.3.1.2) by an external financial organization using valuation techniques based on the discounted forward cash flow method, as well as the Black & Scholes model for optional products integrating the counterparty risks mentioned by IFRS 13. Estimates of probability of default are obtained by using bond spreads on the secondary market. Valuations are also confirmed by banking counterparties and in-house valuations.

Marketable securities are recorded under this heading as assets at fair value and changes in value are posted to the income statement.

5.5.3.9 Leases (IFRS 16)

Since January 1, 2019, the Group has applied IFRS 16, applying a modified retrospective method. Leases covered by the standard primarily relate to construction leases, long leases and, to a lesser extent, leases on vehicles and reprographic equipment. Leases for less than 12 months or with a low unit value are not covered by this standard.

On this basis, the Group recognizes in its balance sheet:

- under liabilities, a debt for lease obligations in relation to rents for the balance of the lease term, discounted at the same rate as the cost of the debt that the Group would have incurred over the same term as the rental contracts;
- under assets and within investment properties, where applicable, usage rights amortized in a linear fashion from the implementation of the contracts. As of January 1, 2019, the effect of the retrospective depreciation is recognized under equity.

In the income statement, rents and fees paid are replaced by:

- depreciation of rights of use recorded as a change in the valuation of investment properties where applicable;
- a financial expense, amounting to the interest included in rents paid in addition to the capital repaid to reduce the debt.

5.5.3.10 Financial liabilities (IAS 32, IFRS 9 and IFRS 16)

Financial liabilities consist primarily of bonds, bank borrowings, credit lines, commercial papers, and security deposits.

Medium and long-term credit lines can be used by variable-term drawings. Successive drawings are recognized in the financial statements at face value, with the unused portion of the borrowing facility representing an off-balance sheet commitment received.

Long-term bonds under the EMTN (Euro Medium Term Notes) program are presented at amortized cost (net of the transaction cost) using the effective interest rate method.

Security deposits are considered as short-term liabilities and are not subject to any discounting.

5.5.3.11 Long term non-financial provisions and liabilities

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognized when the Group has a present obligation (legal or constructive) to a third party as a result of past events, and when it is probable or certain that this obligation will give rise to an outflow of resources to that third party, without at least the equivalent expected in exchange from that third party.

5.5.3.12 Employee benefit commitments

IAS 19 specifies the accounting rules for employee benefits. This accounting occurs during the rights vesting period. It excludes from its scope share-based payments, which come under IFRS 2.

Short-term benefits

Short-term benefits (i.e. salaries, paid leave, social security contributions, incentives, etc.), which fall due within twelve months of the end of the year during which members of staff provided corresponding services, are recognized as "accrued expenses" under the heading "Current tax and social security liabilities" under balance sheet liabilities.

Long-term benefits

Long-term benefits correspond to benefits payable during the employee's working life (anniversary premiums). They are recognized as non-recurring provisions.

Post-employment benefits

Post-employment benefits, also recognized as non-recurring provisions, correspond to end-of-career payments and supplementary retirement commitments to some employees. The valuation of these retirement commitments assumes the employee's voluntary departure.

These commitments that are related to the defined-benefit plans for supplementary pensions are paid to external organizations.

No post-employment benefits were granted to executives.

The net commitment resulting from the difference between amounts paid and the probable value of the benefits granted, recognized under salaries and benefits, is calculated by an actuary using the method known as "projected unit credit method", the cost of the provision being calculated on the basis of services rendered at the valuation date.

Actuarial variances are booked in equity.

5.5.3.13 Taxes

5.5.3.13.1 IFRIC 21 taxes levied by the public authorities

IFRIC 21 (Levies) details the timing for the recognition of a liability as a tax or levy imposed by a government. These rules cover both the levies recognized in accordance with IAS 37 Provisions, contingent liabilities and contingent assets and those for which the timing and amount are certain.

The levies and taxes in question are defined as net outflows of resources (thus excluding VAT collected on behalf of the Government) levied by governments (as defined by IAS 20 and IAS 24) in application of legal and/or regulatory provisions other than fines or penalties linked to non-compliance with laws or regulations. These include taxes entering into the scope of application of IAS 37 on provisions (excluding those falling under the scope of IAS 12, such as income tax liabilities) as well as taxes with a certain amount and payment date (*i.e.* liabilities that do not fall within the scope of application of IAS 37).

Pursuant to the IFRIC 21 interpretation, the following taxes are recognized (and their potential reinvoicing at the same time) on a single occasion on the 1st day of the current year:

property tax;

tax on offices, commercial premises, storage facilities and parking areas;

annual tax on parking areas.

5.5.3.13.2 Standard regime

For companies not eligible under the SIIC system, deferred taxes resulting from timing differences on taxation or deductions are calculated under the liability method on all timing differences existing in the individual accounts or deriving from consolidation adjustments or eliminations of internal profits and losses. This happens when the book value of an asset or liability is different from its tax value. A net deferred tax asset is only recognized on loss carryforwards provided that it is likely that it can be charged against future taxable income. Deferred tax is determined using the principles and tax rates of the finance laws in effect at the balance sheet date that are likely to be applied when the various taxes involved crystallize. The same rule applies for assets held abroad.

5.5.3.13.3 Deferred tax assets and liabilities

Deferred tax arises from temporary differences between the tax valuation of assets or liabilities and their book values. They particularly result from the fair value revaluation of investment buildings held by companies who did not opt for the SIIC regime or from the cost related to the adoption of this regime. Deferred tax assets are recognized in respect of tax loss carry-forwards if their future realization is likely.

5.5.3.13.4 SIIC regime

Opting for the SIIC regime means that an exit tax immediately falls due at the reduced rate of 19% on unrealized capital gains related to properties and investments in entities not subject to income tax.

Profits subject to the SIIC regime tax treatment (tax transparency regime) are free of corporate income tax subject to certain distribution conditions. However, for newly acquired non-SIIC companies, a deferred tax liability is calculated at a rate of 19% corresponding to the amount of exit tax that these companies have to pay when opting for the SIIC regime, this option being included in the acquisition strategy.

The discounting of the exit tax liability due to opting for the SIIC regime is only recognized when considered material.

5.5.3.14 Recognition of rental income (IFRS 16)

Rent is recorded in the income statement when invoiced. Under IFRS 16, incentives given to service sector tenants (mainly rent-free periods and stepped rents) are spread in a straight line over the probable fixed term of the lease. Straight-line allocation of incentives given to tenants is offset by the recognition of a receivable up to December 31, 2017. From January 1, 2018, and for all leases with remaining rent-free periods and stepped rents, rent is now booked against the fair value adjustment of investment properties.

Consequently, rents shown in the income statement differ from rents paid.

Works carried out on behalf of tenants are capitalized and are not deferred over the probable term of the lease in accordance with IFRS 16.

5.5.3.15 Lessee loan contracts (IAS 40)

Finance leases are rental financing contracts recognized on the asset side of the balance sheet (in accordance with IAS 40 Investment properties). Corresponding borrowings are recognized as liabilities under financial debts. Accordingly, the fees are eliminated and the interest expense for financing, and the fair value of the asset, are recognized in accordance with the Group accounting principles, as if the Group were the owner.

In the case of the acquisition of a finance lease, if the discrepancy between the fair value of the related debt and its nominal value represents a liability because of more favorable market conditions on the date of the acquisition, it is recorded in the balance sheet as a financial liability. This financial liability is recognized in income over the term of the lease and fully cleared through gain or loss on disposal if the lease is sold.

5.5.3.16 Finance leases

In a financial lease, the lessor transfers all of the risks and benefits of the asset to the lessee. It is treated as financing granted to the lessee for the purchase of a property.

The current value of payments due under the lease, increased, as necessary, by the residual value, is entered under "Financial receivables on finance leases." The net income of the transaction for the lessor or the lessee corresponds to the amount of interest on the loan. It is recognized in the income statement under "Current operating income on finance lease transactions". The rents received are divided over the duration of the financing lease by recognizing them in capital amortization and interest such that the net income represents a constant rate of return over the residual outstanding. The rate of interest used is the implicit rate of interest in the lease.

5.5.3.17 Key accounting estimates and judgments

To establish the consolidated financial statements, the Group uses estimates and formulates judgments which are regularly updated and are based on historic data and other factors, especially forecasts of future events considered reasonable in the circumstances.

The significant estimates made by the Group mainly concern:

the measurement of the fair value of investment properties;

the measurement of the fair value of financial instruments;

the measurement of equity interests;

the measurement of provisions;

the measurement of employee benefit commitments (pensions and share plans).

Due to the uncertainties inherent in any measurement process, the Group adjusts its estimates using regularly updated information. Estimates that carry a major risk of leading to a material adjustment in the net book value of assets and liabilities during the following period are analyzed below:

the fair value of the property portfolio, whether it is held for the long term or for sale, is specifically determined based on the valuation of the portfolio by independent experts according to the methods described in sections 5.5.3.1.1 and 5.5.3.1.2. However, given the estimated nature inherent in these valuations, it is possible that the actual sales value of some properties will differ significantly from the valuation, even in the event of disposal within a few months following the balance sheet date;

the fair value of the financial instruments that are not traded on an organized market (such as over the counter derivatives) is determined using valuation techniques. The Group uses methods and assumptions that it believes are the most appropriate, based on market conditions at the balance sheet date. The realizable value of these instruments may turn out to be significantly different from the fair value used for the accounting statement;

the value in use and the fair value of equity investment securities are determined on the basis of estimates based on various data available to the Group as at the balance sheet date. New information obtained subsequent to the balance sheet date may have a material influence on this valuation.

The procedures for determining fair value according to IFRS 13 are detailed in section 5.5.3.1.2.

In addition to the use of estimates, the Group's management formulates judgments to define the appropriate accounting treatment for certain activities and transactions where the IFRS standards in force do not specifically deal with the issues concerned. This is especially the case for the analysis of leases, whether operating leases or financial leases.

5.5.4 Management of financial and operational risks

5.5.4.1 Real estate market risk

Holding property assets for rent exposes the Group to the risk of fluctuation of the value of property assets and rents as well as to the risk of vacancy.

However, this exposure is limited given that:

the assets are essentially held with a long-term perspective and valued in the accounts at fair value, even though fair value is based on estimates described in sections 5.5.3.1.1 to 5.5.3.1.3 above;

invoiced rents come from rental commitments, the term and spread of which are liable to moderate the impact of fluctuations in the rental market.

With respect to development projects, the search for tenants begins once the investment decision is taken and results in the signing of pre-construction leases (Baux en l'État Futur d'Achèvement – BEFA). These leases contain clauses on the definition of completion, the completion time and late penalties.

Certain aspects of this risk are quantified in Note 5.5.6.8.

5.5.4.2 Financial market risk

Holding financial instruments for the long term or for sale exposes the Group to the risk of fluctuation in the value of these assets. The analysis and quantification of the risk on hedging financial instruments are stated under Note 5.5.6.11.

In particular, the Group's exposure to equity risk in case of falling stock market indices gives rise to a problem of valuing hedging assets against pension liabilities. This risk is very limited with respect to the amounts of the hedging assets subject to equity risk.

Furthermore, Gecina may be subject to changes in share prices for its financial investments and for its treasury shares. Gecina has set up a share buyback program and therefore holds a certain number of its own shares. A fall in the price of the Gecina share has no impact on the consolidated financial statements, only on the individual company financial statements.

5.5.4.3 Counterparty risk

With a portfolio of clients of around 800 corporate tenants, from a wide variety of sectors, and around 8,400 individual tenants, the Group is not exposed to significant concentration risks. In the course of its development, the Group aims to acquire assets for which the rental portfolio is closely based on tenant selection criteria and the security provided by them. When a property is rented out, a detailed application is submitted by the tenant and an analysis of the tenant financial soundness is conducted. Tenant selection and rent collection procedures help to maintain a satisfactory rate of losses on receivables.

Financial transactions, especially hedging the interest rate risk, are carried out with a broad selection of leading financial institutions. Competitive tenders are conducted for all major financial transactions and the maintenance of a satisfactory diversification of sources of funds and counterparties is one of the selection criteria. Gecina has no material exposure to a single bank counterparty on its portfolio of derivatives. Counterparty risk is now an integral part of fair value as determined under IFRS 13 (see Note 5.5.3.1.2). The Group's maximum exposure on all its loans (used and unused) to a single counterparty is 5%.

5.5.4.4 Liquidity risk

Liquidity risk is managed by constantly monitoring the maturity of financing facilities, maintaining available credit lines and diversifying finance sources. Liquidity is managed in the medium and long term as part of multi-annual financing plans and, in the short term, by using confirmed undrawn credit lines and asset disposal programs. Details of debt maturity dates are provided in Note 5.5.5.12.1 as well as a description of the various limits that might affect interest conditions or early repayment, as stipulated in the credit agreements.

5.5.4.5 Interest rate risk

Gecina's interest rate risk management policy, which includes the use of hedging instruments, is aimed at limiting the impact of a change in interest rates on the Group's earnings, where a significant portion of the Group's loans is at a floating rate. With respect to the foregoing, a management framework was presented and validated by the company's Audit and Risk Committee. This management framework defines in particular the management horizons, a percentage of coverage required on the time horizons, new hedging targets and the instruments enabling such management (mostly caps, floors and swaps). The interest rate risk is analyzed and quantified in Notes 5.5.5.12.2 and 5.5.6.11, together with an analysis of interest rate sensitivity. Gecina's interest rate hedging policy is primarily implemented on a comprehensive basis for all its loans (i.e. not specifically assigned to certain loans). As a result, it does not meet the accounting qualification of hedging instruments and the fair value change therefore appears in the income statement, according to the procedures described in Note 5.5.3.8.

5.5.4.6 Foreign exchange risk

The Group conducts the majority of its business in the Eurozone and almost all its revenues, operating expenses, investments, assets and liabilities are denominated in euros.

5.5.4.7 Operating risks

Until 2009, when Mr. Joaquín Rivero was a corporate officer of Gecina or one of its subsidiaries, Gecina carried out a number of transactions, including the acquisition by SIF Espagne of a 49% equity investment in Bami Newco in 2009, and also undertook certain commitments, notably the granting of certain guarantees in relation to said transactions, as mentioned in Notes 5.5.5.13 and 5.5.9.3. When said commitments and transactions were revealed, impairment and provisions were recorded against some of them pursuant to applicable regulations. Some of the guarantees were also granted outside Gecina's internal control framework, despite the specific procedures implemented.

Gecina cannot totally rule out that non-compliance with internal control and risk management procedures, the deterioration in the economic environment in Spain or fraud attempts will not result in further financial, legal or regulatory risks which have not been identified to date. Occurrence of such risks may impact the Group's results or financial situation.

5.5.5 Notes to the consolidated statement of financial position

5.5.5.1 Property portfolio

5.5.5.1.1 Statement of changes in property holdings

Gross value

In €'000	12/31/2018	Acquisitions	Asset disposal or exercise of options	Change in fair value	Change in scope	Transfers between items	12/31/2019
Investment properties	16,604,020	403,717	0	882,904	74,017	(302,351)	17,662,308
Buildings under reconstruction	1,508,051	131,777	0	100,328	11,822	(696,830)	1,055,147
Operating properties	83,962	2,824	(3,672)	0	6,103	17,661	106,879
Financial receivables on finance leases	328,011	0	(77,477)	0	(3,655)	0	246,879
Intangible assets	13,358	2,493	(1,102)	0	0	0	14,749
Other tangible fixed assets	27,885	3,028	(1,459)	0	312	0	29,766
Properties for sale	707,787	5,915	(788,818)	21,039	1,616	981,212	928,751
Inventories	50,330	1,161	(13,733)	0	45	0	37,804
Gross value	**19,323,405**	**550,917**	**(886,261)**	**1,004,271**	**90,260**	**(309)**	**20,082,284**

Depreciation and impairment

In €'000	12/31/2018	Allocations	Disposals/ Write backs	Change in fair value	Change in scope	Transfers between items	12/31/2019
Operating properties	17,096	4,630	(3,672)	0	1,260	1,587	20,901
Financial receivables on finance leases	152,870	11,899	(39,531)	0	0	0	125,237
Intangible assets	6,726	2,417	(1,102)	0	0	(309)	7,732
Other tangible fixed assets	11,697	4,604	(1,189)	0	24	0	15,137
Properties for sale	57,941	3,714	(60,068)	0	0	(1,587)	0
Inventories	1,229	2,148	(1,257)	0	0	0	2,121
Depreciation and impairment	**247,561**	**29,413**	**(106,819)**	**0**	**1,284**	**(309)**	**171,129**
Net fixed assets	**19,075,844**	**521,504**	**(779,442)**	**1,004,271**	**88,976**	**0**	**19,911,154**

Pursuant to the accounting principles defined in Note 5.3.1.1, 7 assets under restructuring are recognized at their historical cost for a total amount of €26 million.

The other changes concern:

- the effect of sales representatives' benefits (64.3 million), marketing costs (2.6 million), internal costs (5.1 million) and eviction allowances (2.5 million euros) on the valuation of buildings;

- loan repayments associated with the exercise of financial lease options (-€3.7 million);

- the recognition of rights of use amounting to €18.2 million net for first-time adoption of IFRS 16 (see Note 5.5.3.9).

5.5.5.1.2 Analysis of acquisitions (including duties and costs)

Acquisitions concern the following:

In €'000	12/31/2019
Carreau de Neuilly – 92200 Neuilly-sur-Seine	327,370
Tour Gamma (unit) – 75012 Paris	4,469
Property acquisitions	**331,839**
Construction and redevelopment work	119,791
Renovation work	82,188
Works	**201,979**
Operating properties	2,824
Capitalized financial expenses	7,591
Total property acquisitions	**544,234**
Tangible fixed assets	3,028
Intangible assets	2,493
Inventories	1,161
Total acquisitions	**550,917**

5.5.5.1.3 Detail of income from disposals

Disposals are detailed in Note 5.5.6.7.

5.5.5.1.4 Goodwill

The goodwill results from the acquisition of Eurosic in August 2017 and is allocated to the cash-generating unit (CGU) Offices. It changes from €208 million on December 31, 2018 to €196 million on December 31, 2019 as a result of disposals of office assets during the financial year.

According to IAS 36, an impairment test is performed when there is an indication that the goodwill may be impaired and at least once a year.

The valuation of the CGU was performed at December 31, 2019 incrementally using the fair value of the assets, as accounted for in the Group's financial statements, plus the valuation of the cash flows not taken into account in the financial statements.

No indication of an impairment loss has been raised at the end of the year.

5.5.5.2 Financial fixed assets

In €'000	12/31/2019	12/31/2018
Non-consolidated investments	131,950	132,634
Advances on property acquisitions	65,519	66,028
Deposits and guarantees	1,177	1,517
Other financial investments	2,046	1,964
Total gross	**200,693**	**202,143**
Impairment	(174,905)	(174,907)
Total net	**25,788**	**27,236**

Impairment in the amount of €174.9 million is mainly related to the 49% equity interest in the Spanish company Bami Newco, which has been fully written down (€109.3 million) and the advance on property acquisitions granted to the Spanish company Bamolo, written down for €65 million (in order to reduce it to the land's latest appraisal value given as a guarantee of €0.5 million).

5.5.5.3 Equity-accounted investments

This item reflects the share held by the Group in the companies in which the Group exercises significant influence.

The elements of the financial situation of the main companies with investments that do not afford control are presented below:

In €'000	Euler Hermes SPPICAV	Risque et sérénité	N2 Promotion SNC [1]	**Total**
Property holdings	271,000	0	0	271,000
Other assets	10,070	5,172	0	15,242
Total assets	**281,070**	**5,172**	**0**	**286,242**
Shareholders' equity	247,285	5,161	0	252,446
External loans and debts with partners	32,107	0	0	32,107
Other liabilities	1,678	11	0	1,689
Total liabilities	**281,070**	**5,172**	**0**	**286,242**
Rental income	8,996	0	0	8,996
Net income	**23,268**	**42**	**(6)**	**23,304**
% held	19,90%	43,24%	30,00%	
Share of net income	**4,630**	**18**	**(2)**	**4,647**
Shareholders' equity	247,285	5,161	0	252,446
Securities of companies accounted for under the equity method	**49,210**	**2,232**	**0**	**51,441**

[1] *Sold on the period*

5.5.5.4 Deferred tax assets and liabilities

At 31 December 2019, net deferred taxes represented an asset of €0.2 million. They mainly include the effect of capital gains on assets in the taxable sector and the activation of tax loss carryforwards.

In €'000	12/31/2018	Change in profit/loss	**12/31/2019**
Activation of tax losses	1,900	0	1,900
Total deferred tax assets	**1,900**	**0**	**1,900**
Gains on financial leases and inventory	(5,109)	3,792	(1,317)
Change in scope	(675)	338	(337)
Total deferred tax liabilities	**(5,784)**	**4,130**	**(1,654)**
Total net deferred taxes	**(3,884)**	**4,130**	**247**

5.5.5.5 Properties for sale

Movements on properties for sale are included in the statement of changes in property holdings (see Note 5.5.5.1.1).

Properties held for sale breaks down as follows:

In €'000	**12/31/2019**	12/31/2018
Properties for sale (block basis)	609,691	290,686
Properties for sale (unit basis)	319,060	359,160
Total	**928,751**	**649,846**

5.5.5.6 Inventories

These are office assets located in the Paris region and acquired under the real estate trader regime. These assets are entered at their cost price (acquisition cost, expenses and works).

5.5.5.7 Trade receivables

The breakdown of net receivables by sector is indicated in Note 5.5.8.

In €'000	12/31/2019	12/31/2018
Billed clients	39,491	46,283
Unbilled expenses payable	11,289	7,926
Balance of rent-free periods and stepped rents	44,252	73,565
Trade receivables (gross)	**95,032**	**127,774**
Impairment of receivables	(17,647)	(17,051)
Trade receivables (net)	**77,385**	**110,723**

5.5.5.8 Other receivables

In €'000	12/31/2019	12/31/2018
Value added tax	52,677	73,901
Corporate income tax	1,553	5,806
Bami Newco cash advances and guaranties (fully impaired)	32,763	32,763
Receivables on asset disposal	692	3,603
Other(1)	59,669	95,077
Gross amounts	**147,355**	**211,150**
Impairment	(36,150)	(36,150)
Net values	**111,205**	**175,000**

(1) Includes project advances for € 32 million as at December 31, 2019 and indemnities on litigation for €59 million at December 31, 2018 (see Note 5.5.6.4).

5.5.5.9 Prepaid expenses

In €'000	12/31/2019	12/31/2018
Loan application costs (1)	11,591	11,063
10-year warranty insurance	3,143	2,565
Other	4,464	9,487
Net values	**19,198**	**23,115**

(1) Primarily including arrangement fees and mortgage costs.

5.5.5.10 Cash and cash equivalents

In €'000	12/31/2019	12/31/2018
Money-market UCITS	1	1
Current bank accounts	37,845	31,689
Cash and cash equivalents (gross)	**37,846**	**31,690**
Bank overdrafts	0	0
Cash and cash equivalents (net)	**37,846**	**31,690**

5.5.5.11 Consolidated shareholders' equity

See the accounting statement preceding this note in section 5.3 "Statement of changes in consolidated equity".

5.5.5.12 Borrowings, financial debt and financial instruments

5.5.5.12.1 Borrowings and financial debt

Outstanding debt

In €'000	**Outstanding 12/31/2019**	Repayments < 1 year	**Outstanding 12/31/2020**	Repayments 1 to 5 years	**Outstanding 12/31/2024**	Repayments more than 5 years
Fixed-rate debt	**5,021,398**	**(121,352)**	**4,900,046**	**(1,095,346)**	**3,804,700**	**(3,804,700)**
Fixed-rate bonds	4,857,747	(50,000)	4,807,747	(1,062,668)	3,745,079	(3,745,079)
Fixed-rate borrowings	49,748	(2,161)	47,587	(9,068)	38,518	(38,518)
Other fixed-rate liabilities	55,633	(10,921)	44,712	(23,609)	21,103	(21,103)
Accrued interest provisioned	58,270	(58,270)	0	0	0	0
Floating rate debt	**2,262,086**	**(1,763,500)**	**498,586**	**(498,586)**	**0**	**0**
Commercial paper	1,663,500	(1,663,500)	0	0	0	0
Floating-rate bonds	498,586	0	498,586	(498,586)	0	0
Floating-rate short-term bonds	100,000	(100,000)	0	0	0	0
Floating-rate borrowings	0	0	0	0	0	0
Gross debt	**7,283,484**	**(1,884,852)**	**5,398,632**	**(1,593,932)**	**3,804,700**	**(3,804,700)**
Cash (floating rate)						
Open-end investment funds (SICAV), investments and income receivable	1	(1)	0	0	0	0
Liquidities	37,845	(37,845)	0	0	0	0
Total cash	**37,846**	**(37,846)**	**0**	**0**	**0**	**0**
Net debt						
Fixed rate	5,021,398	(121,352)	4,900,046	(1,095,346)	3,804,700	(3,804,700)
Floating rate	2,224,240	(1,725,654)	498,586	(498,586)	0	0
Total net debt	**7,245,638**	**(1,847,006)**	**5,398,632**	**(1,593,932)**	**3,804,700**	**(3,804,700)**
Available credit lines	4,505,000	0	4,505,000	(2,325,000)	2,180,000	(2,180,000)
Future cash flows on debt	0	(98,335)	0	(335,468)	0	(273,024)

The interest that will be paid up to maturity of the entire debt, and which is estimated on the basis of the rate curve at December 31, 2019 amounts to €707 million.

The breakdown of the repayment of gross debt within less than one year is as follows:

	1st quarter 2020	**2nd quarter 2020**	**3rd quarter 2020**	**4th quarter 2020**	**Total**
In €'000	1,238,495	586,353	55,983	4,022	1,884,852

The fair value of the gross debt used in calculating the NAV was €7,564 million at December 31, 2019, of which €281 million corresponding to the fair value adjustment of fixed rate debt.

Details of bonds issued

BONDS	Issuer	Issue date	Issue amount (in € million)	Outstanding amount (in € million)	Issue price	Redemption price	Nominal rate	Maturity date
Bond 05/2023	Gecina	05/30/13	300	200.2	€98,646	€100,000	2.875%	05/30/23
Bond 07/2020	Gecina	07/13/14	50	50	€100,000	€100,000	2.99%	07/13/20
Bond 07/2021	Gecina	07/13/14	50	50	€100,000	€100,000	3.30%	07/13/21
Bond 07/2021	Gecina	07/30/14	500	166.6	€99,317	€100,000	1.75%	07/30/21
Bond 01/2023	Gecina	12/15/14	125	125	€100,000	€100,000	3.051%	01/16/23
Bond 01/2025	Gecina	01/20/15	500	500	€99,256	€100,000	1.50%	01/20/25
Bond 06/2024	Gecina	06/17/15	500	377.8	€97,800	€100,000	2.00%	06/17/24
Bond 11/2022	Gecina	11/06/15	50	50	€100,000	€100,000	2.75%	11/06/22
Bond 11/2023	Gecina	11/06/15	100	100	€100,000	€100,000	3.00%	11/06/23
Bond 06/2026	Gecina	12/01/15	100	100	€100,000	€100,000	3.00%	06/01/26
Bond 01/2029	Gecina	09/30/16	500	500	€99,105	€100,000	1.00%	01/30/29
Bond 06/2032	Gecina	06/30/17	500	500	€98,535	€100,000	2.00%	06/30/32
Bond 06/2022	Gecina	06/30/17	500	500	€100,000	€100,000	Euribor 3 months +0.38%	06/30/22
Bond 06/2027	Gecina	06/30/17	500	500	€99,067	€100,000	1.375%	06/30/27
Bond 01/2028	Gecina	09/26/17	700	700	€98,710	€100,000	1.375%	01/26/28
Bond 03/2030	Gecina	03/14/18	500	500	€97,325	€100,000	1.625%	03/14/30
Bond 05/2020	Gecina	05/04/18	100	100	€100,362	€100,000	Euribor 3 months 0.30%	05/04/20
Bond 05/2034	Gecina	05/29/19	500	500	€98,597	€100,000	1.625%	05/29/34

Covenants

The company's main credit facilities are accompanied by contractual clauses relating to compliance with certain financial ratios, determining interest rates charged and early repayment clauses, the most restrictive of which are summarized below:

	Benchmark standard	**Balance at 12/31/2019**	Balance at 12/31/2018
Net financial debt/revalued block value of property holding (excluding duties)	Maximum 55%/60%	36.0%	38.4%
EBITDA/net financial expenses	Minimum 2.0x	5,3x	5.7x
Outstanding secured debt/revalued block value of property holding (excluding duties)	Maximum 25%	0.2%	1.0%
Revalued block value of property holding (excluding duties) in €billion	Minimum 6.0/8.0	20.1	19.3

Change of control clauses

For bonds issued by Gecina, a change of control leading to the downgrading of its credit rating to "Non-Investment Grade" and not raised to "Investment Grade" within 120 days, could lead to the early repayment of the loan.

5.5.5.12.2 Financial instruments

The financial instruments (Level 2 instruments as defined by IFRS 7 and IFRS 13) held by the Group are hedging instruments. The financial instruments held by the Group are traded on the over-the-counter market and valued on the basis of valuation models using observable inputs.

Portfolio of derivatives

In €'000	**Outstanding 12/31/2019**	Maturity or effective date < 1 year	**Outstanding 12/31/2020**	Maturity or effective date 1 to 5 years	**Outstanding 12/31/2024**	Maturity or effective date more than 5 years
Portfolio of outstanding derivatives at December 31, 2019						
Fixed-rate receiver swaps	59,000	0	59,000	(59,000)	0	0
Fixed-rate payer swaps	500,000	(400,000)	100,000	0	100,000	(100,000)
Selling of puts and calls on fixed rate payer swaps	0	0	0	0	0	0
Purchasing of puts and calls on fixed-rate receiver swaps	0	0	0	0	0	0
Cap purchases	1,200,000	(200,000)	1,000,000	(1,000,000)	0	0
Cap sales	0	0	0	0	0	0
Floors sales	0	0	0	0	0	0
Total	**1,759,000**	**(600,000)**	**1,159,000**	**(1,059,000)**	**100,000**	**(100,000)**
Portfolio of derivatives with deferred impact at December 31, 2019						
Fixed-rate receiver swaps	0	200,200	200,200	(200,200)	0	0
Fixed-rate payer swaps	0	300,000	300,000	0	300,000	(300,000)
Selling of puts and calls on fixed rate payer swaps	0	0	0	0	0	0
Purchasing of puts and calls on fixed-rate receiver swaps	0	0	0	0	0	0
Cap purchases	0	300,000	300,000	0	300,000	(300,000)
Cap sales	0	0	0	0	0	0
Floors sales	0	0	0	0	0	0
Total	**0**	**800,200**	**800,200**	**(200,200)**	**600,000**	**(600,000)**
Total portfolio of derivatives at December 31, 2019						
Fixed-rate receiver swaps	59,000	200,200	259,200	(259,200)	0	0
Fixed-rate payer swaps	500,000	(100,000)	400,000	0	400,000	(400,000)
Selling of puts and calls on fixed rate payer swaps	0	0	0	0	0	0
Purchasing of puts and calls on fixed-rate receiver swaps	0	0	0	0	0	0
Cap purchases	1,200,000	100,000	1,300,000	(1,000,000)	300,000	(300,000)
Cap sales	0	0	0	0	0	0
Floors sales	0	0	0	0	0	0
Total	**1,759,000**	**200,200**	**1,959,200**	**(1,259,200)**	**700,000**	**(700,000)**
Future interest cash flows on derivatives	0	2,238	0	6,106	0	10,326

Gross debt hedging

In €'000	**12/31/2019**
Gross fixed-rate debt	**5,021,398**
Fixed-rate debt converted to floating rate	(59,000)
Residual fixed-rate debt	**4,962,398**
Gross floating-rate debt	**2,262,086**
Fixed-rate debt converted to floating rate	59,000
Gross floating-rate debt after conversion of debt to floating rate	**2,321,086**
Fixed-rate payer swaps and activated caps/floors	(500,000)
Unhedged gross floating-rate debt	**1,821,086**
Caps purchases	(1,200,000)
Caps sales	0
Floating rate debt	**621,086**

The fair value of hedging instruments, as recorded on the balance sheet, breaks down as follows:

In €'000	12/31/2018	Acquisitions /sales	Transfer between items	Change in value	**12/31/2019**
Non-current assets	7,409	17,101	0	(1,750)	22,760
Current assets	0	0	0	0	0
Non-current liabilities	(3,835)	27,042	1,285	(25,760)	(1,268)
Current liabilities	(709)	0	(1,285)	1,439	(555)
Total	**2,865**	**44,143**	**0**	**(26,071)**	**20,937**

The fair value of the financial instruments has increase by €18 million. This increase is explained by the effect of payments, change in interest rates during 2019 and the time effect.

5.5.5.13 Provisions

In €'000	12/31/2018	Change in scope	Allocations	Write backs	Utilizations	**12/31/2019**
Tax reassessments	7,002	0	0	0	0	7,002
Employee benefit commitments	14,095	0	1,348	(157)	0	15,286
Other disputes	11,994	45	1,792	(199)	(249)	13,383
Total	**33,091**	**45**	**3,140**	**(356)**	**(249)**	**35,671**

Some companies within the consolidation have been the subject of tax audits leading to notifications of tax reassessments, the majority of which are contested. At December 31, 2019, the total amount accrued as a provision for the fiscal risk is €7 million, based on the assessments of the company and its advisers.

Furthermore, the company has several ongoing litigations with the French tax administration, which, at present could result in the reimbursement of a maximum amount of nearly €10 million. This amount is related to the corporate income tax paid in 2003 when several Group companies opted for the SIIC tax regime. These amounts, which could be recovered at various dates in light of the ongoing proceedings, were expensed at the time of payment and therefore no longer appear on the company's balance sheet.

The Group has also, directly or indirectly, been the subject of liability actions and court proceedings instigated by third parties. Based on the assessments of the company and its advisers, all risks that would be likely to significantly impact the company's earnings or financial situation have been provisioned.

Employee benefit commitments (€15.3 million) concern supplementary pensions, lump-sum retirement benefits, and anniversary premiums. They are valued by independent experts.

Commitments provisioned in Spain (€4.8 million) primarily concern guarantees granted by SIF Espagne, then represented by Mr. Joaquín Rivero, on November 13, 2009, concerning Bami Newco's repayment of credit facilities granted to it until November 13, 2019 by Banco Popular for amounts of €3.3 million and €1.5 million in principal, respectively. As at December 31, 2019, provisions had been fully accrued for the full amount of these guarantees, i.e. €4.8 million.

The resulting contingent receivable was reported under the bankruptcy proceedings of Bami Newco. In June 2014, Banco Popular called in one of its two guarantees and claimed the payment of €3 million from SIF Espagne. In June 2016, MHB Bank claimed the payment of this guarantee in its capacity as the assignee of the guarantee. The company studied and analyzed this claim and believes that it is not required as of this date to make the payment.

Bami Newco was the subject of insolvency proceedings commenced in June 2013. Gecina and SIF Espagne reported their receivables in the context of these bankruptcy proceedings.

The liquidation plan sent to the parties in November 2015 is still in execution by the court-ordered liquidator. This plan shows a liability significantly higher than the remaining assets of Bami Newco, thereby confirming that it is unlikely for Gecina and SIF Espagne to recover their receivables, considered as subordinated debt. On January 22, 2016, Gecina and SIF Espagne filed pleadings seeking a classification of fraudulent bankruptcy and liability of the de facto and de jure directors of Bami Newco and they continue to assert their rights and defend their interests in this proceeding.

On July 16, 2012, the company was informed by Banco de Valencia of the existence of four promissory notes issued in 2007 and 2009 in the total amount of €140 million. Three of them were issued in the name of "Gecina SA Succursal en España" and one in the name of Gecina SA, in favor of Arlette Dome SL, a Spanish company. Arlette Dome SL has transferred the above-mentioned promissory notes to Banco de Valencia to guarantee loans granted by that bank.

After verification, the company realized that it had no information about these alleged promissory notes or about any business relationship with Arlette Dome SL which could have justified their issue. After also observing the existence of evidence pointing to the fraudulent nature of their issuance if the issue were to be confirmed, the company has filed a criminal complaint in this respect with the competent Spanish authorities. Following a series of decisions and appeals, Gecina was recognized as party to the proceedings on April 19, 2016 before the National Court. In a judgment dated January 20, 2020, the National Court confirmed, inter alia, the fraudulent nature of the promissory notes and the non-existence of business relations with the company Arlette Dome SL. No provision was recognized for this purpose.

Spanish bank Abanca, after seeking the payment by Gecina of €63 million (of which €48.7 million in principal) pursuant to the guarantee letters of engagement allegedly signed in 2008 and 2009 by Mr. Joaquin Rivero, former Gecina officer, summoned Gecina to appear before the Court of First Instance of Madrid in order to obtain the payment of the claimed amounts.

Gecina is challenging Abanca's claims, asserting its rights and defending its interests in these proceedings. On June 10, 2016, the Court of First Instance of Madrid declared that it had no jurisdiction to hear the dispute. On July 14, 2016, Abanca appealed this decision. On July 4, 2017, the Appeal Court of Madrid declared that the Spanish Courts do have jurisdiction. In its ruling of May 21, 2019, the Madrid Court of First Instance ordered Gecina to pay €48.7 million, plus late payment interest, to Abanca. Gecina considers this ruling to be without grounds since the Court omitted to consider both the fraud committed by Abanca and the mandatory application of French law which was applicable to it on a decisive point in the case, and has therefore decided to appeal. The judgment of May 21, 2019 is provisionally enforceable. Based on an assessment of the risk by the company and its counsels, no provision has been recognized.

Gecina filed a criminal complaint in France against Mr. Rivero and any other party involved, for misuse of authority under letters of endorsement raised by Abanca. Insofar as Mr. Joaquín Rivero was not the only person involved in this complaint, this procedure is still ongoing.

5.5.5.14 Pensions and other employee benefits

The amounts reported in the balance sheet as at December 31, 2019 are as follows:

In €'000	**12/31/2019**	12/31/2018
Present value of the liability	18,232	17,079
Fair value of hedging assets	(2,946)	(2,984)
Net present value of the liability	**15,286**	**14,095**
Non-recognized profits (losses)	0	0
Non-recognized costs of past services	0	0
Net liability on the balance sheet	**15,286**	**14,095**

The net commitment recorded as non-recurring provisions amounted to €15.3 million after taking into account hedging assets estimated at €2,9 million at December 31, 2019.

The actuarial difference for the period amounted to €2.5 million for the most part recorded in shareholders' equity.

Change in bond

In €'000	**12/31/2019**	12/31/2018
Net present value of the liability at beginning of period	**14,095**	**15,155**
Cost of services rendered during the year	967	880
Net interest	199	197
Actuarial losses and gains	25	147
Expense recognized under payroll expense	**1,192**	**1,224**
Effects of any change or liquidation of the plan	0	(308)
Benefits paid (net)	(794)	(632)
Contributions paid	(1,714)	(2,731)
Actuarial losses and gains not written to profit or loss	2,508	1,387
Net present value of the liability at end of period	**15,286**	**14,095**

The main actuarial assumptions used to calculate Group commitments are as follows:

	12/31/2019	12/31/2018
Expected yield rate of hedging assets	3.00%	3.00%
Wage increase rate (net of inflation)	0.25%	0.25%
Discount rate	0,00% - 1,00%	0.00% - 1.50%
Inflation rate	1.75%	1.75%

5.5.5.15 Trade payables

In €'000	**12/31/2019**	12/31/2018
Trade payables on goods and services	47,600	49,605
Fixed asset trade payables	105,406	157,679
Trade payables	**153,006**	**207,284**

5.5.5.16 Tax and social security liabilities

In €'000	**12/31/2019**	12/31/2018
Social security liabilities	29,383	32,072
Value added tax	18,000	37,117
Other tax liabilities	1,600	3,461
Tax and social security liabilities	**48,983**	**72,650**
of which non-current liabilities	0	0
of which current liabilities	48,983	72,650

5.5.5.17 Other current liabilities

In €'000	**12/31/2019**	12/31/2018
Customer credit balance	54,373	55,155
Other payables	11,069	8,506
Deferred income	7,147	3,141
Other current liabilities	**72,589**	**66,802**

5.5.5.18 Off balance sheet commitments

In €'000	**12/31/2019**	12/31/2018
Off balance sheet commitments given - Operating activities		
Asset-backed liabilities	49,758	189,424
Works amount to be invested (including off-plan property sales)	416,034	315,293
Preliminary property sale agreements	309,716	131,369
Other(1)	34,403	41,452
Total commitments given	**809,909**	**677,538**
Off balance sheet commitments received - Financing		
Unused lines of credit	4,505,000	4,255,000
Off balance sheet commitments received - Operating activities		
Preliminary property sale agreements	304,000	120,390
Mortgage-backed receivables	480	480
Financial guarantees for management and transaction activities	660	1,025
Other(2)	1,279,033	1,258,921
Total commitments received	**6,089,173**	**5,635,816**

(1) Of which €33 million in liability guarantees granted as part of the sale of shares (€16 million for Gecimed, €14 million for previous Eurosic subsidiaries and €3 million for Hôtelière de la Villette).

(2) Of which a €1,240 million guarantee received as part of the acquisition of Avenir Danton Défense and Avenir Grande Armée equities.

During the course of its normal business operations, Gecina made certain commitments to be fulfilled within a maximum of 10 years, and which do not appear in the table of commitments given because their cost is not yet known. Based on the assessments of the Group and its advisers, there are currently no commitments likely to be called and which would materially impact Gecina's earnings or financial position.

The outstanding amounts for future development costs (including off-plan property sales) correspond to reciprocal guarantees with the developer who undertakes to complete the works.

5.5.5.19 Recognition of financial assets and liabilities

In €'000	Assets/liabilities valued at fair value through the income statement	Assets/ liabilities held to maturity (1)	Loans and receivables	Liabilities at amortized cost	Historic cost (1)	Fair value through shareholders' equity	Total	Fair value
Financial fixed assets	0	3,344	480	0	0	21,964	25,788	25,788
Equity-accounted investments	0	0	0	0	51,441	0	51,441	51,441
Cash and cash equivalents	37,846	0	0	0	0	0	37,846	37,846
Financial instruments(2)	22,760	0	0	0	0	0	22,760	22,760
Other assets	0	0	0	0	188,590	0	188,590	188,590
Total financial assets	**60,606**	**3,344**	**480**	**0**	**240,031**	**21,964**	**326,425**	**326,425**
Financial debt(3)	0	1,927,151	0	5,356,333	0	0	7,283,484	7,564,184
Financial instruments(2)	1,823	0	0	0	0	0	1,823	1,823
Other liabilities	0	0	0	0	347,978	0	347,978	347,978
Total financial liabilities	**1,823**	**1,927,151**	**0**	**5,356,333**	**347,978**	**0**	**7,633,285**	**7,913,985**

(1) Due to the short-term nature of these receivables and debts, the book value represents a good estimate of fair value, as the discount effect is immaterial.
(2) According to IFRS 7 and IFRS 13, the fair value of the financial instruments is level 2, which means that the valuation is based on observable market data.
(3) See Note 5.5.5.12.1

5.5.6 Notes to the consolidated statement of comprehensive income

5.5.6.1 Gross rental income

The revenue analysis by segment is detailed in Note 5.5.8.

Minimum future rents receivable until the next possible termination date under the operating leases of commercial properties are as follows:

In €'000	**12/31/2019**	12/31/2018
Less than 1 year	480,041	424,578
1 to 5 years	1,138,639	1,094,892
Over 5 years	434,070	518,374
Total	**2,052,749**	**2,037,844**

5.5.6.2 Direct operating expenses

These are composed of:

- rental expenses that are payable by the owner, expenses related to construction work, costs of disputes, if any, and property management fees;
- the portion of rechargeable rental expenses by nature, which remain the Group's expense, mainly on vacant premises;
- the rental risk consisting of net impairments plus the amount of losses and profits on unrecoverable debts for the period.

The cost of rental risk is €0.8 million, for the period ended December 31, 2019 (compared with €0.4 million at December 31, 2018).

Recharges to tenants consist of rental income from recharging tenants for costs payable by them. For 2019, they include fees for rental and technical management invoiced, i.e. €6.8 million (compared with €5.2 million at December 31, 2018).

In €'000	**12/31/2019**	12/31/2018
Other external expenses	(106,121)	(108,100)
Taxes and other payables	(72,942)	(78,861)
Payroll costs	(4,747)	(5,000)
Other expenses	(905)	(1,098)
Property expenses	**(184,714)**	**(193,059)**
Rental expenses to be regularized	7,967	5,183
Vacant premises' expenses	(10,546)	(5,838)
Miscellaneous recovery	50,144	54,735
Provisions on costs	82,430	84,198
Recharges to tenants	**129,995**	**138,278**
Net direct operating expenses	**(54,719)**	**(54,781)**

5.5.6.3 Operating income from finance leases and hotel activities

In €'000	**12/31/2019**	12/31/2018
Financial fees and other income on finance lease transactions	61,963	41,835
Operating expenses	(56,552)	(32,593)
Current operating income on finance lease transactions	**5,411**	**9,242**
Hotel operating income	36,416	47,478
Hotel operating expenses	(27,909)	(38,085)
Depreciation of the hotel activity	(4,318)	(5,982)
Current operating income on the hotel activity	**4,190**	**3,410**

5.5.6.4 Services and other income (net)

These largely comprise the following items:

In €'000	**12/31/2019**	12/31/2018
Income from service activities	463	823
Reversals of investment subsidies	228	223
Other income	33,892	61,408
Services and other income (net)	**34,584**	**62,454**

As at December 31, 2019, the other income includes damages related to the dispute with Gecina's former CEO, Joaquín Rivero, and arising from the agreement concluded with CaixaBank for an amount of €30 million. As at December 31, 2018, the other income included €59 million for damages and interest to be received related to the dispute with Joaquín Rivero.

5.5.6.5 Overheads

Overheads break down as follows:

In €'000	**12/31/2019**	12/31/2018
Payroll costs	(65,623)	(63,674)
Internal costs	6,245	6,479
Share-based payments (IFRS 2)	(2,773)	(2,781)
Net management costs	(30,817)	(26,940)
Total	**(92,968)**	**(86,916)**

Salaries and fringe benefits relate to the company's administrative staff, since the salaries of building staff are included in expenses not billed to tenants.

Depending on their nature, certain salaries and fringe benefits and management fees are reclassified in a total amount of €6.2 million as at December 31, 2019 ("Internal costs"). Expenses attributable to disposals are recorded under gains or losses on disposal. Those attributable to projects under development and marketing actions are recognized as fixed assets. Lastly, fees attributable to ongoing studies are booked as prepaid expenses.

Share-based payments concern stock options for new or existing shares and performance shares (see Note 5.5.9.5) and are booked in accordance with IFRS 2 (see Note 5.5.3.7).

Management costs primarily include fees paid by the company and head office operating costs (computer maintenance, insurance, advertising, etc.).

5.5.6.6 Real estate margin

In €'000	**12/31/2019**	12/31/2018
Transfer of inventories	15,100	98,015
Net book value of inventories	(13,733)	(106,534)
Transfer cost of inventories	(980)	(958)
Real estate margin	**388**	**(9,477)**

Two assets held as real-estate traders were sold during the financial year.

5.5.6.7 Gains or losses on disposals

Disposals represented:

In €'000	**12/31/2019**	12/31/2018
Block sales	816,483	1,148,439
Unit sales	61,244	83,922
Proceeds from disposals	877,727	1,232,361
Block sales	(679,277)	(1,155,465)
Unit sales	(49,797)	(67,614)
Net book value	(729,074)	(1,223,079)
Block sales	(31,265)	(16,999)
Unit sales	(3,537)	(3,742)
Cost of sales	(34,802)	(20,740)
Related goodwill	(11,561)	0
Net gains or losses on disposals	**102,289**	**(11,459)**

Salaries and fringe benefits and net management costs reclassified as a result of disposal to internal costs are €2.7 million in 2019, compared to €2.2 million in 2018.

5.5.6.8 Change in value of properties

Changes in the fair value of property holdings break down as follows:

In €'000	**12/31/2018**	**12/31/2019**	**Change**
Investment properties	16,604,020	17,662,308	
Change in scope	(1,297,112)	(1,301,100)	
Investment properties on a like for like basis	**15,306,908**	**16,361,208**	**1,054,300**
Capitalized works on investment properties			(76,357)
Capitalized salaries and fringe benefits on investment properties			(2,338)
First application of IFRS 16 on investment properties			(13,161)
Linearization of rent incentives			(53,849)
Other costs capitalized on investment properties			(4,178)
Change in value of investment properties on a like for like basis			**904,418**
Change in value of buildings under redevelopment or acquired			78,815
Change in value of properties for sale			21,040
Change in value of properties recorded in income statement			**1,004,271**

Pursuant to IFRS 13 (see Note 5.5.3.1.2), the tables below break down, by activity sector, the ranges of the main unobservable inputs (level 3) used by property appraisers:

Commercial sector	Yield rate	DCF discount rate	VLM (market rental value) *in €/sq.m²*
Paris CBD	2.30% - 3.90%	3.25% - 5.00%	360 - 820 €/sq.m²
Paris non-CBD	2.60% - 8.00%	3.00% - 6.00%	150 - 880 €/sq.m²
Paris	**2.30% - 8.00%**	**3.00% - 6.00%**	**150 - 880 €/sq.m²**
Inner Rim	3.40% - 6.35%	4.00% - 6.75%	90 - 570 €/sq.m²
Outer Rim	6.40% - 8.30%	6.25% - 10.15%	100 - 160 €/sq.m²
Paris region	**3.40% - 8.30%**	**4.00% - 10.15%**	**90 - 570 €/sq.m²**
Rest of France	3.60% - 7.25%	3.75% - 7.00%	50 - 290 €/sq.m²
Commercial	**2.30% - 8.30%**	**3.00% - 10.15%**	**50 - 880 €/sq.m²**

Residential	Yield rate	Unit sale price in €/sq.m
Paris	2.60% - 3.35%	7,130 - 13,330 €/ sq.m²
Inner Rim	3.25% - 4.10%	4,960 - 7,550 €/ sq.m²
Residential	**2.60% - 4.10%**	**4,960 - 13,330 €/sq.m²**

An unfavorable situation on the real estate market could have a negative impact on the valuation of Gecina's property portfolio and its operating income. For example, a downturn in the real estate market, resulting in an increase of 50 basis points (0.5%) in capitalization rates, could result in a decrease of approximately 9.8% in the appraised value of Gecina's property portfolio (on the assumption that such a downturn would affect all the different segments of Gecina's real estate business) representing around €1,947 million based on the block valuation of the assets at December 31, 2019, and would also have an unfavorable impact on Gecina's consolidated earnings.

Sensitivity to changes in the capitalization rate

	Change in capitalization rate	Valuation of assets *(in € million)*	Change in assets *(in %)*	Impact on consolidated income *(in € million)*
All sectors [1]	**0.50%**	**17,984**	**(9.8%)**	**(1,947)**
Offices	0.50%	14,932	(9.4%)	(1,555)
Residential	0.50%	3,039	(11.4%)	(391)
Hotels	0.50%	12	(11.7%)	(2)

[1] *Except financial leases*

5.5.6.9 Impacts of business combinations

This account exclusively represents the residual costs of the acquisition of Eurosic in the 2018 financial year, i.e. €0.7 million.

5.5.6.10 Net financial expenses

Net financial expenses specifically include (i) interest, coupons or dividends, received or paid, to be received or to be paid, on financial assets and liabilities including hedge financial instruments; (ii) net gains and losses on assets held for trading (UCITS and other shares held for the short term) and (iii) periodic premiums on option; (iv) straight-line amortization of the cost of arranging these loans and credit lines.

In €'000	**12/31/2019**	12/31/2018
Interests and expenses on loans	(104,995)	(109,929)
Interests on finance leases	0	(35)
Interest expenses on hedge instruments	(3,136)	(7,408)
Other financial costs	(34)	(75)
Foreign exchange losses	(75)	0
Capitalized interests on projects under development	7,661	18,131
Interest on lease obligations	(1,518)	0
Financial expenses	**(102,098)**	**(99,317)**
Interest income on hedging instruments	0	5,124
Other financial income	82	394
Foreign exchange gains	0	97
Financial income	**82**	**5,615**
Net financial expenses	**(102,016)**	**(93,702)**

The average cost of the drawn debt amounted to 1.0% in 2019.

5.5.6.11 Change in value of financial instruments and debt

Based on the existing hedge portfolio and taking into account contractual conditions at December 31, 2019, and the anticipated debt in 2020, a 0.5% increase in the interest rate would generate an additional expense of €7 million in 2020. An interest rate decrease of 0.5% would lead to a drop in financial expenses in 2020 of €5 million.

Net financial instruments increased by €18 million over the financial year.

Based on the portfolio at December 31, 2019, the change in fair value of the derivatives portfolio, as a result of a 0.5% increase in the interest rate would be +€23 million recognized in income. A 0.5% interest rate cut would lead to a fair value decrease of -€19 million in net income.

The Group holds all financial instruments to hedge its debt. None of them is held for speculative purposes.

5.5.6.12 Taxes

In €'000	**12/31/2019**	12/31/2018
Additional contribution to corporate income tax	0	620
CVAE	(6,586)	(5,726)
Tax credits	0	111
Recurrent tax	**(6,586)**	**(4,996)**
Corporate income tax	(1,685)	(1,238)
Deferred taxes	4,130	543
Non-recurrent tax	**2,445**	**(695)**
Total	**(4,141)**	**(5,691)**

The business real estate tax (Cotisation Foncière des Entreprises – CFE), which mainly pertains to the corporate head office, is recognized under overheads.

The tax on wealth generated by businesses (Cotisation sur la Valeur Ajoutée des Entreprises – CVAE) is considered as income tax.

In €'000	**12/31/2019**	12/31/2018
Consolidated net income	1,516,890	1,006,965
Tax (incl. CVAE)	4,141	5,691
Consolidated net income, before tax	1,521,031	1,012,656
Theoretical tax in %	32.00%	34.43%
Theoretical tax in value	486,730	348,658
Impact of tax rate differences between France and other countries	(188)	(163)
Impact of permanent and timing differences	571	4,315
Companies accounted for under the equity method	(1,487)	(182)
Impact of the SIIC regime	(488,071)	(352,663)
CVAE	6,586	5,726
Total	**(482,589)**	**(342,966)**
Effective tax expense per income statement	4,141	5,691
Effective tax rate	**0.27%**	**0.56%**

The 2018 Finance Act, published in France's Official Journal on December 30, 2017, maintained the social contribution rate at 3.3%, but instituted a progressive reduction in income tax from 33.33% to 25% by 2022.

The theoretical tax rate of 32.0% thus corresponds to the ordinary tax rate of 31% (28% for profits up to €0.5 million) and to the corporate income tax social contribution of 3.3%.

The effective tax rate presented covers corporate income tax and the CVAE, excluding all other taxes, local taxes and royalties.

5.5.6.13 Earnings per share

Earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of ordinary shares in circulation during the year.

Diluted earnings per share are calculated by dividing net income for the year attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted for the impact of equity instruments to be issued when the issue conditions are met and the dilutive effect of the benefits granted to employees through the allocation of stock options and performance shares.

In accordance with IAS 33 "Earnings per share", the amounts per share for the previous financial period were restated retroactively, where applicable, to take the new shares created over the financial period into account.

	12/31/2019	12/31/2018
Earnings attributable to owners of the parent company (in €'000)	1,515,287	1,004,985
Weighted average number of shares before dilution	73,644,338	73,709,602
Undiluted earnings per share attributable to owners of the parent company (in €)	**20.58**	**13.63**
Earnings attributable to owners of the parent company, after the effect of dilutive securities (in €'000)	1,515,310	1,005,040
Weighted average number of shares after dilution	73,849,455	73,958,702
Diluted earnings per share attributable to owners of the parent company (in €)	**20.52**	**13.59**

	12/31/2019	12/31/2018
Earnings attributable to owners of the parent company before dilution (in €'000)	1,515,287	1,004,985
Impact of dilution on earnings	23	55
Diluted earnings attributable to owners of the parent company (in €'000)	**1,515,310**	**1,005,040**
Weighted average number of shares before dilution	73,644,338	73,709,602
Impact of dilution on average number of shares	205,117	249,100
Weighted average number of shares after dilution	**73,849,455**	**73,958,702**

5.5.7 Notes to the consolidated statement of cash flows

5.5.7.1 Change in value and bond redemption costs

In €'000	Note	**12/31/2019**	12/31/2018
Change in value of properties	5.5.6.8	(1,004,271)	(565,781)
Change in value of financial instruments	5.2	26,071	14,590
Premium and bond redemption costs	5.2	15,933	0
Change in value and bond redemption costs		**(962,267)**	**(551,191)**

5.5.7.2 Change in operating working capital requirements

In €'000	**12/31/2019**	12/31/2018
Clients change	(3,236)	(1,333)
Change in other receivables (1)	(87,596)	80,479
Change of prepaid expenses	(3,647)	858
Total balance sheet assets	**(94,480)**	**80,004**
Change in tenants' security deposits	(2,133)	(470)
Change in trade payables	2,988	16,131
Change in tax and social security liabilities	(18,981)	24,240
Change in other debts	777	22,030
Change of prepaid expenses	4,006	(2,935)
Total balance sheet liabilities	**(13,343)**	**58,995**
Total change in operating capital	**81,136**	**(21,008)**
(1) VAT	(21,121)	35,164
Taxes	(3,133)	(235)
Compensation receivable for disputes	(59,002)	59,002

5.5.7.3 Proceeds from disposals of tangible and intangible fixed assets

In €'000	**12/31/2019**	12/31/2018
Block sales	831,583	1,246,454
Unit sales	61,244	83,922
Proceeds from disposals	**892,827**	**1,330,376**
Block sales	(13,176)	(17,957)
Unit sales	(3,537)	(3,741)
Cost of sales	**(16,712)**	**(21,698)**
Cash in-flow linked to disposals (1)	**876,114**	**1,308,678**

(1) *Including disposals of properties held as the real-estate traders booked in the real estate margin.*

5.5.7.4 Change in working capital requirements from investing activities

In €'000	**12/31/2019**	12/31/2018
Change in other receivables (fixed asset buyers)	(29,743)	(2,601)
Change in fixed asset payables	(48,540)	(83,559)
Effects of the assets and liabilities of companies sold	(433)	(38,254)
Change in working capital from investing activities	**(78,716)**	**(124,413)**

5.5.7.5 Dividends paid to shareholders of the parent company

After paying an interim dividend of €2.75 per share on March 6, 2019, the General Meeting of April 17, 2019 approved the payment of a dividend of €5.50 per share for the 2018 financial year. The balance of €2.75 per share still owing was paid out on July 3, 2019.

For the 2017 financial year, the Group distributed a dividend per share of €5.30 for a total of €388 million, €280 million of which was paid in cash, the balance being paid in shares.

5.5.7.6 New loans and repayments of loans

In €'000	**12/31/2019**	12/31/2018
New loans [1]	4,448,919	3,822,992
Repayments of loans [1]	(4,651,706)	(4,889,092)
Change in loans	**(202,787)**	**(1,066,100)**

[1] Including commercial paper renewals throughout the year.

In €'000	**12/31/2019**	12/31/2018
Debts at year closing	7,283,484	7,486,579
Debts at year opening	(7,486,579)	(8,534,696)
Accrued interests at year closing	(58,270)	(70,721)
Accrued interests at year opening	70,721	60,338
Impact of bond issues	(11,836)	(7,600)
Other changes	(307)	0
Change in loans	**(202,787)**	**(1,066,100)**

5.5.7.7 Closing cash and cash equivalents

In €'000	**12/31/2019**	12/31/2018
Marketable securities	1	1
Current bank accounts	37,845	31,689
Closing cash and cash equivalents	**37,846**	**31,690**

5.5.8 Segment reporting

The Group operates in France (except for minimal operations in other European countries). It is structured into various business sectors, as follows:

Income statement for business sectors at December 31, 2019

In €'000	Commercial	Residential	Student residences	Other sectors [1]	**Segments total**
Operating income [2]					
Rent on commercial properties	531,413	9,395	0	11,232	552,040
Rent on residential properties	5,532	96,262	0	0	101,793
Rent on student residences	0	0	19,653	0	19,653
Revenue: rental income	**536,944**	**105,657**	**19,653**	**11,232**	**673,487**
Expenses not billed to tenants	(31,017)	(18,020)	(5,163)	(519)	(54,719)
Rental margin	**505,927**	**87,637**	**14,490**	**10,713**	**618,768**
Margin on rents	**94.2%**	**82.9%**	**73.7%**	**95.4%**	**91.9%**
Current operating income on finance lease transactions				5,411	**5,411**
Current operating income on the hotel activity				4,190	**4,190**
Services and other net income (2)	3,360	501	962	625	34,584
Payroll costs					(62,151)
Net management costs					(30,817)
EBITDA					**569,984**
Real estate margin	388				388
Gains or losses on disposals	50,226	(3,282)	0	55,345	102,289
Change in value of properties	868,966	139,856	8,554	(13,105)	1,004,271
Depreciation and amortization					(13,399)
Net impairments					(3,129)
Impacts of the business combination					0
Operating income					**1,660,404**
Net financial expenses					(102,016)
Financial depreciation and provisions					0
Change in value of financial instruments					(26,071)
Premium and bond redemption costs					(15,933)
Net income from equity-accounted investments					4,647
Consolidated net income, before tax					**1,521,031**
Taxes					(4,141)
Consolidated net income attributable to non-controlling interests					(1,603)
Consolidated net income attributable to owners of the parent company					**1,515,287**
Assets and liabilities by segment as at December 31, 2019					
Gross property holdings (except headquarters)	16,098,751	3,075,154	355,532	425,112	19,954,549
Of which acquisitions	331,839	0	0	0	331,839
Of which properties for sale	600,951	319,060	0	8,740	928,751
Amounts due from tenants	68,131	7,694	1,001	18,206	95,032
Provisions for tenant receivables	(4,785)	(6,346)	(592)	(5,924)	(17,647)
Security deposits received from tenants	65,947	9,558	2,710	2,329	80,545

(1) The other business segments include finance leasing and hotel company operations.

(2) Rents are presented by type of lease agreement, while the segment analysis is based on the Group's internal management organization.
(3) Other income includes damages related to the dispute with Gecina's former CEO Joaquín Rivero for €30 million (outside business sectors).

Income statement for business sectors as at December 31, 2018

In €'000	Commercial	Residential	Student residences	Other sectors (1)	**Segments total**
Operating income (2)					
Rent on commercial properties	519,079	9,052	0	15,424	543,555
Rent on residential properties	4,833	96,484	0	0	101,316
Rent on student residences	0	0	16,844	0	16,844
Revenue: rental income	**523,912**	**105,536**	**16,844**	**15,424**	**661,716**
Expenses not billed to tenants	(30,135)	(19,127)	(4,211)	(1,309)	(54,781)
Rental margin	**493,777**	**86,409**	**12,633**	**14,115**	**606,935**
Margin on rents	**94.2%**	**81.9%**	**75.0%**	**91.5%**	**91.7%**
Current operating income on finance lease transactions				9,242	**9,242**
Current operating income on the hotel activity				3,410	**3,410**
Services and other net income (3)	2,014	1,326	42	71	62,454
Payroll costs					(59,976)
Net management costs					(26,940)
EBITDA					**595,125**
Real estate margin	(9,477)				(9,477)
Gains or losses on disposals	(17,617)	12,305	0	(6,147)	(11,459)
Change in value of properties	375,202	182,195	15,893	(7,509)	565,781
Depreciation and amortization					(13,577)
Net impairments					(5,300)
Impacts of the business combination					(696)
Operating income					**1,120,397**
Net financial expenses					(93,702)
Financial depreciation and provisions					21
Change in value of derivatives and borrowings					(14,590)
Net income from equity-accounted investments					529
Consolidated net income, before tax					**1,012,656**
Taxes					(5,691)
Consolidated net income attributable to non-controlling interests					(1,980)
Consolidated net income attributable to owners of the parent company					**1,004,985**
Assets and liabilities by segment as at December 31, 2018					
Gross property holdings (except headquarters)	15,107,915	2,991,444	330,590	768,250	19,198,199
Of which acquisitions	33,061	2,638	0	0	35,699
Of which properties for sale	85,310	339,618	0	282,859	707,787

Amounts due from tenants	102,350	8,561	1,199	15,665	127,775
Provisions for tenant receivables	(4,672)	(6,359)	(561)	(5,460)	(17,052)
Security deposits received from tenants	64,579	9,707	2,271	4,431	80,988

(1) The other business segments include finance leasing, merchants of property and hotel company operations.

(2) Rents are presented by type of lease agreement, while the segment analysis is based on the Group's internal management organization.

(3) Other income includes damages related to the dispute with Gecina's former CEO Joaquín Rivero for €59 million (outside business sectors).

5.5.9 Other information

5.5.9.1 Shareholding structure of the Group

Gecina's shareholding is structured as follows:

Breakdown of share capital and voting rights as at December 31, 2019

SHAREHOLDERS	Number of shares	% of share capital	% of theoretical voting rights (1)	% of exercisable voting rights (2)
Ivanhoé Cambridge	11,575,623	15.15%	15.15%	15.76%
Crédit Agricole Assurances – Predica	10,507,864	13.75%	13.75%	14.31%
Norges Bank	7,111,607	9.31%	9.31%	9.68%
Other resident shareholders	4,950,790	6.48%	6.48%	6.74%
Individual shareholders	2,842,943	3.72%	3.72%	3.87%
Non-resident shareholders	36,462,395	47.72%	47.72%	49.64%
Treasury shares	2,959,038	3.87%	3.87%	
Total	**76,410,260**	**100.00%**	**100.00%**	**100.00%**

(1) The calculation of percentages of voting rights takes into account all shares entitled to voting rights, including shares with restricted voting rights (treasury shares).

(2) The calculation of percentages does not include the treasury shares held by the company which have restricted voting rights.

Change in the breakdown of share capital over the last three years

	12/31/2019			12/31/2018			12/31/2017		
	% of share capital	% of theoretical voting rights (1)	% of exercisable voting rights (2)	% of share capital	% of theoretical voting rights (1)	% of exercisable voting rights (2)	% of share capital	% of theoretical voting rights (1)	% of exercisable voting rights(2)
Ivanhoé Cambridge	15.15%	15.15%	15.76%	15.18%	15.18%	15.62%	19.64%	19.64%	20.23%
Crédit Agricole Assurances – Predica	13.75%	13.75%	14.31%	13.29%	13.29%	13.67%	13.19%	13.19%	13.58%
Norges Bank	9.31%	9.31%	9.68%	9.12%	9.12%	9.39%	9.06%	9.06%	9.32%
Other resident shareholders	6.48%	6.48%	6.74%	6.17%	6.17%	6.35%	7.78%	7.78%	8.01%
Individual shareholders	3.72%	3.72%	3.87%	3.73%	3.73%	3.83%	3.84%	3.84%	3.96%
Non-resident shareholders	47.72%	47.72%	49.64%	49.70%	49.70%	51.14%	43.61%	43.61%	44.91%
Treasury shares	3.87%	3.87%		2.81%	2.81%		2.88%	2.88%	
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

(1) The calculation of percentages of voting rights takes into account all shares entitled to voting rights, including shares with restricted voting rights (treasury shares).

(2) The calculation of percentages does not include the treasury shares held by the company which have restricted voting rights.

At December 31, 2019, the percentages of share capital and voting rights held by the members of the administrative and governance bodies were 28.3% and 29.4% respectively.
At December 31, 2019, Group employees held 962,729 Gecina shares directly and 69,039 Gecina shares indirectly via the Gecina employee shareholding fund ("FCPE Gecina actionnariat"), representing a total of 1.4% of share capital.
During the 2019 financial year, Omaha Investments S.à.r.l., Juno Investments S.à.r.l and Utah Investments S.à.r.l, companies related to Ivanhoe Cambridge Inc., informed the AMF and Gecina of the pledge of their shares. Details below:

Companies related to Ivanhoé Cambridge Inc.	Number of shares	%
Omaha Investments S.à r.l	4,686,649	6.1
Juno Investments S.à r.l	4,223,919	5.5
Utah Investments S.à r.l	2,649,109	3.5
TOTAL	**11,559,677**	**15.1**

During the financial year 2019, Gecina also became aware of a notice from the company BlackRock Inc. that it had crossed the lower threshold; the threshold was crossed as a result of a sale of Gecina shares outside of and on the market and a return of Gecina shares held as collateral. BlackRock Inc. stated that it crossed below the threshold of 5% of capital and voting rights on September 6, 2019.

To the company's knowledge, no other shareholder owns more than 5% of the share capital or voting rights at December 31, 2019.

The company has no pledges on its treasury shares.

Company transactions on treasury shares

The General Meeting of shareholders of April 17, 2019 renewed the authorization given to the company to purchase treasury shares on the stock market for a period of 18 months. The maximum purchase price was set at €170. The number of shares purchased by the company during the duration of the buyback program cannot exceed, at any time whatsoever, 10% of the shares comprising the company's share capital, and 5% in the event of share buybacks aimed at external growth projects at the time of the transaction. The maximum number of shares that can be held, at any time whatsoever, is set at 10% of shares comprising the share capital. Given that the General Meeting of shareholders of April 17, 2019 granted authorization for a period of 18 months, a motion was submitted for its renewal, which will be submitted to the approval of the General Meeting convened to approve the financial statements for 2019.

During the 2019 financial year, Gecina used the authorization granted to the Board of Directors by the General Meeting of shareholders of April 18, 2018 and of April 17, 2019 to buy back its own shares. On February 19, 2019 as decided by the Board of Directors, Gecina appointed an independent investment service provider to buy back Gecina shares on its behalf, depending on market conditions, for up to a maximum of €150 million from February 20, 2019 to June 30, 2019. The 818,612 shares purchased were allocated for tenders or exchanges of shares on potential external growth operations for up to 5% of the share capital.

A total of 2,959,038 treasury shares were held as at December 31, 2019, i.e. 3.87% of the share capital. The treasury shares represent a total investment of €348.4 million, at an average price per share of €117.75.

Aggregate information 2019		% of share capital
Number of shares comprising the issuer's share capital at December 31, 2019	76,410,260	
Number of treasury shares at December 31, 2018	2,140,426	2.81%
Options exercised in the year	none	
Share buyback	818,612	1.07%
Average price of share buybacks including transaction fees	€131.69	
Liquidity contract	none	
Number of shares purchased		
Number of shares sold		
Average purchase price		
Average sale price		
Number of treasury shares at December 31, 2019	2,959,038	3.87%

5.5.9.2 Dividends distributed

Pursuant to the provisions concerning the regime of French listed real estate investment trusts (SIIC), the system selected by Gecina, a proposal was made at the General Meeting for the distribution, in 2020, of a dividend of €5.60 per share for the 2019 financial year.

Pursuant to Article 158 of the French General Tax Code and Article L. 221-31 of the French Monetary and Financial Code, the dividends distributed by listed real estate investment trusts (SIIC) to individual investors resident in France do not qualify for the 40% rebate. In addition, the 20% withholding tax was introduced under Article 208C-II *ter* of the French General Tax Code.

Consequently, a proposal will be put to the General Meeting to appropriate 2019 earnings for the year as follows, and to decide, after taking into account:

profit amounting to €619,596,175.29 for the financial year;

retained earnings of €146,209,436.22;

representing distributable earnings of €765,805,611.51;

to distribute a dividend per share of €5.60 under the SIIC tax regime, representing a maximum overall amount of €427,897,456.00;

to allocate €337,908,155.51 to retained earnings.

The total amount of the distribution above is calculated on the basis of the number of shares granting rights to a dividend as of December 31, 2019, i.e. 76,410,260 shares. This may change if the number of shares granting rights to a dividend changes between January 1st, 2020 and the ex-date of the dividend based, in particular, on the number of treasury shares, the final allocation of bonus shares and the exercise of options (if the beneficiary is entitled to a dividend in accordance with the provisions of the plans in question).

An interim payment of 50% will be paid out on March 6, 2020 and the balance will be paid on July 3, 2020.

The dividends distributed in the previous five financial years are set out below:

Dividends in the last five years

	2015	2016	2017	2018	2019
Distribution	€316,303,100	€329,860,128	€399,426,253	€419,467,125	€427,897,456
Number of shares	63,260,620	63,434,640	75,363,444	76,266,750	76,410,260
Dividend under the SIIC system	€5.00	€5.20	€5.30	€5.50	€5.60

(1) Proposal submitted for approval by the General Meeting called to approve the financial statements for 2019.

Dividends not claimed at the end of a period of five years are time-barred and paid to the French tax authorities.

5.5.9.3 Related parties

A co-exclusive sale mandate for a building located in Neuilly-sur-Seine (Hauts-de-Seine) was concluded in May 2011, between Locare, a subsidiary of Gecina, and Resico, a subsidiary of Predica, shareholder and Director of the company. Locare has not invoiced fees to Resico during 2019.

Bami Newco was the subject of insolvency proceedings commenced in June 2013. Gecina and SIF Espagne reported their receivables in the context of these bankruptcy proceedings.

Bami Newco is neither consolidated nor booked under the equity method by Gecina since the Group has no control or significant influence over this entity.

The liquidation plan sent to the parties in November 2015 is still in execution by the court-ordered liquidator. This plan shows a liability significantly higher than the remaining assets of Bami Newco, thereby confirming that it is unlikely for Gecina and SIF Espagne to recover their receivables, considered as subordinated debt, and which amount to a total of €38 million, fully impaired. On January 22, 2016, Gecina and SIF Espagne filed pleadings seeking a classification of fraudulent bankruptcy and liability of the de facto and de jure directors of Bami Newco and they continue to assert their rights and defend their interests in this proceeding.

5.5.9.4 Group employees

Average headcount [1]	12/31/2019	12/31/2018	12/31/2017
Managers	262	260	220
Employees and supervisors	183	177	167
Building staff	59	65	70
TOTAL	**504**	**502**	**457**

[1] Average headcount including fixed-term contracts

5.5.9.5 Stock options and performance shares

Stock options

Grant date	Start date of exercise of options	Number of options granted	Subscription or purchase price	Balance remaining to be exercised at 12/31/2018	Options exercised in 2019	Options canceled, expired or transferred in 2019	Balance remaining to be exercised at 12/31/2019	Residual term (in years)
04/16/2010	04/16/2012	252,123	€76.52	14,818	14,397		421	0.3
12/27/2010	12/27/2012	210,650	€81.88	34,391	14,861		19,530	1.0

Performance shares

Grant date	Vesting date	Number of shares granted	Stock price when granted	Balance at 12/31/2018	Shares acquired in 2019	Shares canceled in 2019	Balance at 12/31/2019
04/21/2016	04/23/2019	60,990	€125.00	49,409	48,709	700	-
07/21/2016	04/23/2019	3,000	€128.65	3,000	3,000		-
07/17/2017	07/20/2020	53,810	€136.08	45,877		3,623	42,254
02/21/2018	02/22/2021	57,920	€153.70	53,320		3,393	49,927
02/19/2019	02/20/2022	49,010	€127.60			3,736	45,274

The 138,440 Eurosic bonus shares (in acquisition or holding period) that could not or had not been contributed to the Offer were subject to a liquidity mechanism.

5.5.9.6 Compensation for administrative and governance bodies

Compensation for management bodies concerns Gecina’s corporate officers.

In €’000	31/12/2019	31/12/2018
Short-term benefits	1,915	1,636
Post-employment benefits	N.A	N.A
Long-term benefits	N.A	N.A
End-of-contract benefits (ceiling for 100% of criteria)	N.A	N.A
Share-based payment	N.A	921

5.5.9.7 Auditors' fees

The fees of the Independent Auditors recognized in the income statement for 2019 for the audit and certification of the individual and consolidated financial statements and for audit-related missions amounted to:

	PricewaterhouseCoopers Audit				Mazars				Total			
	Amount (net of tax)*		%		Amount (net of tax)*		%		Amount (net of tax)*		%	
In €'000	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Audit												
Statutory Auditor certification, review of individual and consolidated accounts	1,018	885	96%	89%	676	894	97%	96%	1,693	1,779	96%	93%
Services other than the certification of accounts	41	109	4%	11%	21	33	3%	4%	62	142	4%	7%
TOTAL	**1,059**	**994**	**100%**	**100%**	**697**	**927**	**100%**	**100%**	**1,757**	**1,921**	**100%**	**100%**

** Including share of non-refundable VAT.*

Services other than certification of accounts mainly comprise, for 2019, various certificates and work related to bonds.

Fees paid to other firms totaled €135 thousand in 2019 and are not included in the table above.

5.5.9.8 Post-balance sheet events

None.