MAZARS

300, avenue du Prado
13008 Marseille

DELOITTE & ASSOCIES
Immeuble Castel Office
7, boulevard Jacques Saadé
13235 Marseille

AEROPORTS DE LA COTE D'AZUR

Société Anonyme

Rue Costes et Bellonte
06206 Nice

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2019

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Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2019

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the annual general meeting of AEROPORTS DE LA COTE D'AZUR,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of AEROPORTS DE LA COTE D'AZUR for the year ended December 31, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "*Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

- *Accounting principles and methods* :

  Notes 3.4, 3.5 and 3.17 to the consolidated financial statements present the accounting policies and methods for goodwill, intangible assets, property, plant and equipment and deferred tax.
  As part of our assessment of the accounting policies and methods adopted by your Company, we assessed the appropriateness of the accounting policies listed above and the disclosures provided in the notes to the consolidated financial statements, and we ensured they were correctly applied.

- *Management's Estimates* :

  Your Company recognizes employment benefits provisions, notably for retirement termination payments and to cover specific commitments granted in the context of the provision of personnel, based on the methods and assumptions described in Notes 3.16 and 16 to the consolidated financial statements.
  Based on the information provided to us, our procedures consisted in assessing the reasonableness of the assumptions and data underlying these provisions, verifying the Company's calculations and examining the approval procedures for these Management estimates.

Specific Verifications

We have also performed in accordance with professional standards applicable in France the specific verifications required by law and regulations of the information pertaining to the Group presented in the management report of the Board of Directors ("Directoire").

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Marseille, March 11, 2020

The Statutory Auditors'

French original signed by

MAZARS	DELOITTE & ASSOCIES
Jérôme MILESI	Hugues DESGRANGES

CONSOLIDATED FINANCIAL STATEMENTS

AEROPORTS DE LA COTE D'AZUR GROUP

Financial year ending 31 December 2019

CONTENTS

BALANCE SHEET

Stated in €k

Assets	Notes	31/12/2019	31/12/2018
Goodwill	7	14,337	14,337
Intangible assets	8	4,111	5,053
Property, plant and equipment	9	491,767	471,503
Long-term Investments	10	3,091	3,143
Fixed assets		**513,306**	**494,036**
Inventories	11	1,457	1,315
Trade and other receivables	12	30,024	31,995
Deferred tax asset	21	-	57
Other receivables and adjustment accounts	12	24,687	13,861
Cash and cash equivalents	13	27,650	31,722
Current assets		**83,818**	**78,950**
Total assets		**597,124**	**572,986**

Liabilities and equity	Notes	31/12/2019	31/12/2018
Share Capital	14	148	148
Share premiums		-	-
Consolidated reserves		154,987	147,254
Consolidated earnings		37,637	51,943
Investment grants		2,244	1,479
Equity		**195,016**	**200,824**
Non-controlling interests		**-**	**-**
Other equity	**15**	**100,307**	**85,656**
Provisions	**16**	**9,497**	**8,100**
Loans and various debt	17	180,544	179,399
Deferred tax liability	21	6,537	8,245
Trade and other payables	18	19,783	16,609
Other payables and accruals	18	85,439	74,153
Payables		**292,303**	**278,406**
Total liabilities		**597,124**	**572,986**

INCOME STATEMENT

Stated in €k

	Notes	31/12/2019	31/12/2018
Sales		289,260	298,299
Cost of purchasing goods sold		(7,873)	(7,765)
Cost of purchasing raw materials		(616)	(760)
Other external consumables		(98,730)	(92,450)
Employee expenses	22	(45,300)	(47,789)
Taxes and duties		(6,568)	(7,081)
Net depreciation and amortisation		(58,777)	(55,216)
Other operating income and expenditure		(10,048)	(9,083)
Operating profit		**61,348**	**78,155**
Financial profit/loss	**19**	**(3,844)**	**(3,820)**
Income from consolidated companies		**57,504**	**74,335**
Extraordinary profit	**20**	**(2)**	**4,082**
Income tax	21	(19,865)	(26,474)
Net income from consolidated companies		**37,637**	**51,943**
Provisions for amortisation of goodwill		-	-
Consolidated net income		**37,637**	**51,943**
Profit/loss from non-controlling interests		-	-
Net profit/loss (Group Share)		**37,637**	**51,943**
Number of shares before dilution		148,000	148,000
Net earnings per share (in euros)		254.30	350.96
Diluted net earnings per share (in euros)		254.30	350.96
EBITDA		**120,125**	**133,371**

EBITDA corresponds to operating profit adjusted for net depreciation and amortisation.

STATEMENT OF CHANGES IN EQUITY

Stated in €k

	Number of Shares	Capital	Consolidated reserves	Profit/loss for financial year	Investment grants	Total group share	Non-controlling interests	TOTAL EQUITY
Situation as of 31 December 2017	**148,000**	**148**	**184,942**	**42,832**	**1,924**	**229,846**	**-**	**229,846**
Allocation of dividends	-	-	(80,513)	-	-	**(80,513)**		**(80,513)**
Distribution of profit	-	-	42,832	(42,832)	-	**-**	-	**-**
Profit/loss for financial year	-	-	-	51,943	-	**51,943**	-	**51,943**
Other variations	-	-	(6)	-	(445)	**(451)**	-	**(451)**
Situation as of 31 December 2018	**148,000**	**148**	**147,254**	**51,943**	**1,479**	**200,824**	**-**	**200,824**
Allocation of dividends	-	-	(44,104)	-	-	**(44,104)**	-	**(44,104)**
Distribution of profit	-	-	51,943	(51,943)	-	**-**	-	**-**
Profit/loss for financial year	-	-	-	37,637	-	**37,637**	-	**37,637**
Other variations	-	-	(105)	-	766	**660**	-	**660**
Situation as of 31 December 2019	**148,000**	**148**	**154,987**	**37,637**	**2,244**	**195,016**	**-**	**195,016**

CASH FLOWS STATEMENT

Stated in €k

		31/12/2019	31/12/2018
Consolidated net income		37,637	51,943
Amortisation/depreciation		58,866	54,988
Variation in deferred taxes	21	(1,651)	(1,437)
Capital gains or losses from sale of assets		205	(630)
Self-financing gross margin for consolidated companies		**95,057**	**104,864**
Change in stock	11	(142)	(92)
Change in trade receivables	12	1,971	(4,482)
Change in other receivables	12	(10,826)	(9)
Change in trade payables	18	3,174	(2,923)
Change in other payables	18	(1,761)	11,777
Effect of change in working capital requirement linked to activity		**(7,584)**	**4,272**
Net cash flow generated by activity		**87,473**	**109,136**
Acquisition of intangible assets	8	(1,348)	(2,076)
Acquisition of property, plant and equipment	9	(66,667)	(66,010)
Acquisition of long-term investments (excluding consolidated securities)	10	(183)	(703)
Debts on acquisition of property, plant and equipment	18	1,019	4,309
Disposal of fixed assets (excluding consolidated securities)	8, 9, 10	253	2,157
Net cash flows linked to investment transactions		**(66,926)**	**(62,323)**
Dividends paid to parent company shareholders		(32,041)	(80,513)
Bank loans	17	19,385	33,156
Investment grants received		6,422	(331)
Bank borrowing refunds	17	(18,259)	(17,669)
Net cash flows linked to financing transactions		**(24,493)**	**(65,357)**
Effect of changes in GAAP		(145)	-
Change in cash flow		**(4,091)**	**(18,544)**
Cash on opening	13	31,722	50,266
Cash on closing	13	27,631	31,722
Change in cash flow by balances		**(4,091)**	**(18,544)**

Capital gains or losses from the sale of assets include changes in lump-sum advance payments.

Note 1. General information

Aéroport Nice Côte d'Azur ("ACA") is a French public company (*société anonyme par actions*) created on 28 December 2006 with headquarters at rue Costes et Bellonte, BP 3331, 06206 NICE CEDEX 3 (France).

The main activity of the Company and its subsidiaries ("the Group") is airport infrastructure management.

ACA manages the Nice Côte d'Azur and Cannes airports after signing a concession contract with the State, which will end on 31 December 2044.

On 9 November 2016, the State and the Alpes Maritimes Departmental Council sold respectively 60% and 4% of their shares in the company ACA to the company Azzurra Aeroporti, owned by Atlantia S.p.A., Aeroporti Di Roma and EDF through its division EDF Invest. In 2017, the Principality of Monaco purchased 12.5% of the company Azzurra Aeroporti. Therefore the company's current shareholding structure is as follows: Atlantia S.p.A. 52.51%, Principality of Monaco 12.5%, Aeroporti di Roma 10% and EDF Invest 24.99%.

Since the 2016 financial year, the ACA group has been consolidated within the financial statements of the group Atlantia S.p.A. - 20 rue Antonio Nibby - 00161 Rome in accordance with international financial reporting standards (IFRS).

The ACA group voluntarily decided to produce consolidated financial statements in accordance with French GAAP for the 2019 financial year.
The Group's consolidated financial statements were approved by the Executive Board on 14 February 2020.

Note 2. Basis of preparation of financial statements

The Group establishes consolidated financial statements in accordance with French legal and regulatory provisions (CRC regulation no. 99-02 and no. 2005-10 of the Accounting Regulations Committee (CRC)).

Generally accepted accounting principles were applied in accordance with the precautionary principle and basic assumptions: going concern, consistency of accounting methods from one financial year to the next, and the independence of financial years in accordance with general rules for preparing and presenting financial statements.

The method chosen to assess the elements included in the financial statements is the historical cost method.

Unless otherwise indicated, figures are stated in thousands of euros.

The consolidating company's year-end is 31 December. The same applies to all other companies within the consolidation scope.

The financial statements of the consolidating company and consolidated entities correspond to the 2019 calendar year.

The consolidated financial statements are prepared in accordance with French GAAP, which is based on the assumptions and estimates determined by Management, affecting the total assets and liabilities on the balance sheet closing date and the financial year's income and expenditure.

Note 3. Accounting principles and methods

3.1. Consolidation methods

Companies are consolidated if they are controlled by the Group. Subsidiaries are fully consolidated from the date when effective control is transferred to the Group, regardless of the operation's legal arrangements. They are deconsolidated on the date when this control ends.

Associates companies are accounted for using the equity method.

The equity method involves replacing the carrying amount of securities held with the share in equity, including the profit or loss from the financial year determined based on consolidation rules.

The Group's share in the associate's profit or loss is recorded in the income statement under "Income from equity associates".

3.2. Internal operations

All significant reciprocal operations between consolidated companies are eliminated.

Allowances and write-off of provisions for the impairment of securities and receivables for consolidated companies are eliminated from the profit or loss, as they duplicate the profit or loss of the companies in question.

The profit or loss from the sale of assets between Group companies is eliminated from the profit or loss. Depreciation on depreciable assets subject to intra-group sale is removed.

3.3. Foreign currency translation

All Group entities establish their financial statements in euros, which is also their operating currency.

3.4. Goodwill

Goodwill is the difference between the cost of purchasing securities and the total value of assets and liabilities identified on the acquisition date. The cost of acquisition of securities is equivalent to the payment made to the seller, plus costs directly attributable to the acquisition (net of tax) and potential price adjustments measured reliably and which are likely to be paid.

Goodwill can result in a restatement within one year following the acquisition date.

From 1 January 2016, goodwill was defined as having an undefined duration of use. Therefore it is no longer amortised.

The determined net value can result in additional impairment when recoverable values fall below the net carrying amount.

3.5. Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are valued at their cost of acquisition (purchase price and incidentals, excluding acquisition fees) or at their production cost. Borrowing costs linked to investment are recorded under expenditure.

- **Specific information relating to concession assets**

This asset category covers companies subject to a concession scheme.
It includes:

  - fixed assets granted as a concession by the licensor:

Fixed assets include land and airports and various existing buildings when granting the concession or granted as a concession by the licensor during the concession period.
The granting of a concession for these fixed assets creates a "licensor's right" (with a total equivalent to the fixed assets in question) recorded under the balance sheet's liabilities.

These fixed assets and the licensor's right are subject to impairment each year with no effect on the income statement, calculated on a straight-line basis for all "depreciable" assets depending on the planned period of use (ignoring the concession end date). Currently all depreciable assets granted as a concession by the licensor are fully depreciated.

- fixed assets granted as a concession by the concession holder:

These fixed assets, excluding assets financed by the airport tax, receive different accounting treatment depending on whether they are renewable and whether their renewal takes place before the end of the concession:

- ➢ Non-renewable assets before the end of the concession

These are non-renewable assets due to their nature (e.g. land) or whose period of use exceeds the remaining concession period.

These assets are subject to:

- Financial depreciation in the income statement which allows the concession holder to recover the finance granted. This depreciation is calculated for the concession's remaining period;
- Impairment corresponding to technical depreciation with no effect on the income statement, but used to determine the net value of the asset in the balance sheet's assets and whose consideration is the licensor's right.

- ➢ Renewable assets before the end of the concession

These are non-renewable assets by nature (land for example) or whose duration of use exceeds the residual duration of the concession.

These assets are subject to:

- Technical depreciation for based on the period of use of these assets;
- Financial depreciation "on the first asset" with an effect on the income statement, calculated for the remaining concession period and intended to anticipate the obsolescence expense during the last asset renewal before the end of the concession.

This financial depreciation for renewable assets with a commissioning date on or after 01/01/2007 applies to:

- buildings, networks, infrastructure;
- special equipment, complex facilities with a duration exceeding 10 years;

Assets financed by the airport tax are only subject to technical depreciation over the asset's period of use.

- **Amortisation/depreciation period for group assets (under concession or not under concession)**

Type of assets	Duration
Intangible assets : IT software/studies	1 to 3 years
Buildings and construction	
- Structural work	40 to 50 years
- Roofing	20 to 30 years
- Sub-trades	10 to 20 years
- Technical work	7 to 15 years
Runways, paths and aircraft parking areas	
- Foundation	40 to 50 years
- Top layer, surfacing, signs	10 to 15 years
Roads and Car parks	
- Multi-storey and underground car parks	40 to 50 years
- Covered, open-air car parks and roads and utilities	15 to 20 years
- Organisation	10 years
Technical facilities, equipment and industrial tools	5 to 10 years
Other property, plant and equipment	5 to 10 years

3.6. Loss of value of property, plant and equipment and intangible assets

An impairment test is performed if there are indications of a loss of value. This involves comparing the carrying amount of an asset or group of assets to their recoverable value.

An asset's carrying amount is impaired if it exceeds its recoverable value. The recoverable value is the higher of the asset (or group of assets)'s fair value net of disposal costs or its value in use.

The value in use is determined by adding the updated cash flow values expected from using the asset (or group of assets) and the terminal value. The provisional cash flows used are consistent with the provisional business plans established by Group management.

Where applicable, impairment is recorded under extraordinary expenses.

3.7. Non-consolidated holdings, other fixed investments

The gross value of non-consolidated holdings is recordered on the balance sheet at the cost of acquisition.

If their value in use, notably assessed based on future profit/loss perspectives or the reference value at year-end, is lower than the net carrying amount, a provision for impairment is created.

3.8. Financial lease contracts

Significant leasing and financial leasing contracts are restated. Assets financed through these contracts are recorded under assets, with borrowing corresponding to the liability.

Capitalised assets subject to financial leasing contracts are amortised over the period of use of the corresponding asset.

The Group does not have any contracts which require this type of restatement.

3.9. Inventories

Stocks of goods and supplies are valued at the average weighted cost including purchase incidental expenses.

A provision for impairment is created depending on item age and turnover.

3.10. Receivables and payables

Receivables and payables are recorded at their nominal value. Where appropriate, they are impaired to acknowledge the risk of non-recovery.

The "Other receivables" item mainly consists of social security and tax liabilities.

3.11. Cash and cash equivalents

The company considers securities maturing within 3 months and no significant interest rate risk as cash equivalents.

Transferable securities are entered into the balance sheet at their cost of acquisition.

Where applicable, they are subject to impairment calculated for each line of securities of the same type, in order to reduce their value to the average stock market price in the previous month, or their probable negotiation value for unlisted securities.

3.12. Investment grants

Investment grants are recorded under equity. They are reported as income for the period of use of the financed asset. The share of investment grants financing operating costs is directly entered into operating profit.

3.13. Other equity

Other equity includes the licensor's right. This right includes consideration:

- For assets donated by the licensor at no cost;
- For financial depreciation on non-renewable assets (see note 3.5);
- For provisions for financial depreciation on renewable assets (see note 3.5).

3.14. Financial liabilities

Borrowing costs are recorded under expenditure.

3.15. Derivatives

Hedging instruments were put in place to reduce the effect of interest rate variations.
These instruments are not recorded on closing.

As of 31 December 2019, the fair value of these derivatives totalled -€2,584 K (vs. -€2,376 K at the end of 2018).

3.16. Provisions for liabilities and charges

Provisions for liabilities and charges are recorded when there is a current obligation due to a past event, probably through an outflow of resources representing economic benefits and whose total can be estimated reliably.

- **Pension liabilities and other employee benefits**

The total liabilities in terms of pensions, retirement supplements, allowances and allocations due to employee retirement are subject to an actuarial calculation. These liabilities mainly cover retirement allowances.

The resulting provision is recorded in provisions.

These liabilities are calculated based on the retrospective method applied to all employees, considering the provisions outlined by collective agreements, valuation assumptions, turnover, inflation and updates.

The hedging assets were deducted from the provision amount, where applicable.

Actuarial gains and losses are directly recorded to profit/loss.

- **Other provisions for liabilities and charges**

The Group records a provision for litigation with third parties if damage caused before the year-end is identified, particularly in the event of an assignment. If a favourable judgement is issued, the provisions are retained until the initial appeal or final appeal period ends.

3.17. Taxes

- **Deferred taxation**

The "Income tax" heading in the income statement includes tax due and the deferred tax expense or income.

Deferred taxes are recorded using the variable carry-forward method for temporary differences at year-end between the tax base of the assets and liabilities and their carrying amount. No deferred tax liability is recorded in goodwill for business combinations.

A deferred tax asset is recorded for tax losses and unused tax credits if it is probable that the Group will have future taxable profits against which these tax losses and tax credits could be offset.

Deferred tax assets and liabilities are valued at the tax rate which is expected to be applied in the financial year during which the asset is realised or the liability settled, based on the tax rates which were adopted or essentially adopted on the closing date. The group's average rate in France is that of the company ACA (34.43%).

Following the adoption of law no. 2019-1479 of 28 December 2019 regarding finances for 2020, including a measure to underline the reduction of corporation tax, tax debt is calculated by applying the rates of 34.43% (for 2019), 32.02% (for 2020), 28.41% (for 2021) and 25.83% (from 2022). These tax rates include the impact of the additional 3.3% contribution which the Group must pay.

Deferred taxes are calculated on an entity by entity basis. They are offset when taxes are levied by the same tax authority and they relate to the same tax entity.

- **Tax consolidation**

From the 2016 financial year, the company Aéroports de la Côte d'Azur established a tax consolidation group as outlined by article 233 A of the French general taxation code, with subsidiaries in which it holds more than 95% capital.

Following the transfer of assets of the company ACA C1 taking effect retroactively from 1 January 2019, this company is no longer part of the tax consolidation scope as of the 2019 financial year.

Moreover, from the 2019 financial year, the company AGST owned 99% by ACA is part of the tax consolidation scope.

As a result, in 2019 the tax consolidation group included the companies ACA, SKY VALET France, AGST and ACA HOLDING.

3.18. Extraordinary items

Extraordinary income and expenditure include significant elements which, due to their nature, unusual character and non-recurrence, cannot be considered inherent to the Group's operational activity.

This notably includes capital gains or losses from disposals, restructuring expenses, extraordinary amortisation/depreciation, asset impairment and debt write-offs.

3.19. Earnings per share

The net earnings per share before dilution is calculated by dividing net earnings by the average weighted number of shares in circulation.

The net earnings per share after dilution is calculated by dividing the net earnings by the average weighted number of shares in circulation, considering the number of shares which would result from exercising warrants.

On closing, the group had not issued any warrants.

3.20. Industry information

The Group mainly operates in two industries: managing airport infrastructure and general aviation ground handling services. As the latter is not significant to date, it is not relevant to present industry information.
Moreover, there is no monitoring by geographic location as nearly all clients and assets and liabilities are located in France.

Note 4. Scope of consolidation

The list of consolidated companies as of 31 December 2019 is as follows:

Companies	Headquarters	SIRET	% holding		Consolidation Method	
			2,019	2,018	2,019	2,018
Aéroports de la Côte d'Azur (ACA)	Rue Costes et Bellonte BP 3331 06206 NICE CEDEX 3 France	49347948900020	Parent Company	Parent Company	FC	FC
Aéroport Golfe de Saint-Tropez (AGST)	31 route du Canadel 83310 La Mole France	59718047000010	99.94%	99.94%	FC	FC
SCI La Ratonnière	BP 3331 06206 NICE CEDEX 3 France	47903280700030	100%	100%	FC	FC
ACA C1	BP 3331 06206 NICE CEDEX 3 France	79933134300019	ToA	100%	N/A	FC
ACA Holding	BP 3331 06206 NICE CEDEX 3 France	81030098800013	100%	100%	FC	FC
Sky Valet France	3 rue de Londres 93440 Dugny France	80972293700012	100%	100%	FC	FC
Sky Valet Spain	C/Alfonso XII, 8 – bajo dcha ., 28014 Madrid SPAIN	N/A	100%	100%	FC	FC
Sky Valet Portugal	Aerodromo Municipal de Cascais, 2785-632 Sao Domingos de Rans	N/A	100%	100%	FC	FC
Airport One	69 boulevard Malesherbes 75008 Paris	83960659700012	49%	49%	EM	EM
Airport Hotel	69 boulevard Malesherbes 75008 Paris	83960643100014	49%	49%	EM	EM

FC: Full consolidation
N/A: Not applicable
EM: Equity method

AGST was considered owned 100%.

Note 5. Significant events

On 3 April 2019, the Autorité de Supervision Indépendante (Independent Supervisory Authority - ASI), which approves airport tariffs, decided to reduce airport charges for the company ACA by 33% from 15 May 2019. All information relating to this decision was outlined in press releases available on the ACA website.

On 30 January 2019, ACA decided to dissolve the company SAS ACA C1 early, for which it is the sole shareholder. This decision resulted in the transfer of assets from SAS to the sole shareholder. For tax purposes, the dissolution took effect on 01/01/2019.

Note 6. Subsequent events

Following application of the price reduction imposed by the Autorité de Supervision Indépendante (ASI) from 15 May 2019 and in the absence of any new approval of prices since then, ACA has extended the prices applied from 15 May 2019 to the winter season.

Maintaining these prices led to a complaint filed by the Syndicat des Compagnies Aériennes Autonomes (Independent Airlines Union - SCARA) with the Autorité de Régulation des Transports (Transport Regulatory Authority - ART) on 30 January 2020. SCARA asked ACA to adjust the passenger fee downwards for the 2019-2020 winter season.

ACA believes that this request is not admissible as it does not comply with the French civil aviation code, and it is currently preparing a case to justify its position. At this stage of the case, the company believes there is no reason to add a liability to the financial statements for the 2019 financial year.

Note 7. Goodwill

	31/12/2019	31/12/2018
Gross values on opening	**15,114**	**15,114**
Acquisitions	-	-
Disposals	-	-
Changes in scope	-	-
Gross values on closing	**15,114**	**15,114**
Total amortizations & depreciations on opening	**(777)**	**(777)**
Amortizations & depreciations	-	
Disposals	-	-
Total amortizations & depreciations on closing	**(777)**	**(777)**
Net values on opening	**14,337**	**14,337**
Net values on closing	**14,337**	**14,337**

Goodwill corresponds to the acquisition of the following companies in 2013, 2015 and 2016:

Entities	Gross	Amortisation/depreciation and impairment	Net 31/12/2019	Net 31/12/2018
SA Aéroport Golfe de Saint-Tropez (AGST)	2,854	357	2,497	2,497
SCI La Ratonnière	356	45	311	311
Sky Valet France	2,035	76	1,959	1,959
Sky Valet Spain	8,979	299	8,680	8,680
Sky Valet Portugal	890	-	890	890
TOTAL	**15,114**	**777**	**14,337**	**14,337**

Goodwill is no longer amortised from 1 January 2016.

Note 8. Intangible assets

The changes in intangible assets is analysed as follows:

	Development costs	Concessions, patents and similar rights	Total
Gross values on opening	**6,370**	**39,177**	**45,547**
Acquisitions	-	1,348	**1,348**
Disposals	-	(21)	**(21)**
Other variations	-	810	**810**
Gross values on closing	**6,369**	**41,314**	**47,683**
Total amortizations & depreciations on opening	**(6,002)**	**(34,493)**	**(40,495)**
Amortizations & depreciations	(150)	(2,948)	**(3,098)**
Disposals	-	21	**21**
Other variations	-	-	**-**
Total Total amortizations & depreciations on closing	**(6,152)**	**(37,420)**	**(43,572)**
Net values on opening	**368**	**4,684**	**5,053**
Net values on closing	**218**	**3,894**	**4,111**

Development expenses correspond to general studies conducted as part of the development of infrastructure or the development of platform zones.
Concessions, patents and similar rights mainly corresponds to software, particularly airport operation software.

Note 9. Property, plant and equipment

Property, plant and equipment are as follows:

	Land	Buildings	Technical facilities and industrial tools	Current property, plant and equipment	Other property, plant and equipment	Total
Gross values on opening	**82,087**	**956,318**	**78,071**	**44,268**	**35,838**	**1,196,582**
Acquisitions	499	11,082	2,148	50,112	2,828	**66,668**
Disposals	(673)	(6,278)	(223)	-	(340)	**(7,514)**
Other variations	267	36,168	1,172	(39,074)	493	**(974)**
Gross values on closing	**82,181**	**997,289**	**81,168**	**55,306**	**38,818**	**1,254,762**
Total amortizations & depreciations on opening	**-**	**(640,709)**	**(54,398)**	**-**	**(29,971)**	**(725,079)**
Amortizations & depreciations	-	(38,954)	(4,135)	0	(2,122)	**(45,211)**
Disposals	-	6,744	225	-	326	**7,294**
Total amortizations & depreciations on closing	**-**	**(672,918)**	**(58,308)**	**0**	**(31,766)**	**(762,995)**
Net values on opening	**82,087**	**315,609**	**23,674**	**44,268**	**5,867**	**471,503**
Net values on closing	**82,181**	**324,371**	**22,860**	**55,306**	**7,051**	**491,767**

The acquisitions during the year mainly correspond to starting the construction of a building in the North zone, the development of a boarding lounge in the existing Terminal 2 as well as the acquisition and renewal of various operating software, equipment and materials.

Other changes corresponds to commissioning mainly linked to new walkways and aircraft parking areas in Terminal 1.

The main disposals relate to roads and various utilities following the start-up of the tram service, as well as various equipment which was renewed.

Note 10. Investments

All investments are payable after more than one year.

	Non-consolidated holdings	Loans, deposits and guarantees	Total
Gross values on opening	**157**	**2,986**	**3,143**
Acquisitions	-	183	**183**
Disposals	(36)	(199)	**(235)**
Changes in scope	-	-	**-**
Other variations	(1)	1	**-**
Gross values on closing	**120**	**2,971**	**3,091**
Total amortizations & depreciations on opening	**-**	**-**	**-**
Amortizations & depreciations	-	-	**-**
Disposals	-	-	**-**
Changes in scope	-	-	**-**
Other variations		-	**-**
Total amortizations & depreciations on closing	**-**	**-**	**-**
Net values on opening	**157**	**2,986**	**3,143**
Net values on closing	**120**	**2,971**	**3,091**

Note 11. Inventories

	31/12/2019			31/12/2018
	Gross value	**Total impairment**	**Net value**	**Net value**
Stock of raw materials, supplies and other procurement	1,171	-	1,171	987
Stock of goods	286	-	286	328
Total	**1,457**	**-**	**1,457**	**1,315**

Note 12. Trade and other receivables

	31/12/2019	Impairment	Net value	31/12/2018	Total change	Change during the period	Reclass.
Trade and other receivables -	31,519	(1,495)	30,024	33,620	(2,101)	(2,101)	-
Impairment of trade receivables	(1,495)			(1,625)	131	131	
Trade and other receivables - Net	**30,024**	**-**	**30,024**	**31,995**	**(1,971)**	**(1,971)**	**-**
Other operating receivables	886	-	886	600	286	286	-
Tax and employment-related liabilit	16,975	-	16,975	8,624	8,351	8,351	-
Current accounts	5,599	-	5,599	2,275	3,324	3,324	-
Other miscellaneous receivables	315	-	315	1,352	(1,037)	(1,037)	-
Prepaid expenses	912	-	912	1,010	(98)	(98)	-
Total other receivables	**24,687**	**-**	**24,687**	**13,861**	**10,826**	**10,826**	**-**
Total	**54,711**	**(1,495)**	**54,711**	**45,856**	**8,855**	**8,855**	**-**

Prepaid expenses mainly correspond to commercial leasing contracts, IT maintenance and other operating expenses.

Group receivables mature within one year.

Note 13. Cash and cash equivalents

Cash components	31/12/2019	31/12/2018
Short-term investments	-	450
Cash and cash equivalents	27,650	31,272
Cash in balance sheet assets	**27,650**	**31,722**
Bank overdrafts and equivalent	(20)	-
Net cash	**27,631**	**31,722**

The short-term investments correspond to treasury bills.

Note 14. Share capital

As of 31 December 2019, the share capital totalled €148,000. It is comprised of 148,000 ordinary shares with a par value of €1 each.

Note 15. Other equity

The company ACA manages airport activity granted as a concession by the French state. The concession contract notably includes the return of assets at the end of the concession for €0. This provision results in the recording of financial depreciation (see note 3.5 on concession assets) in the income statement, and whose consideration is recorded in the balance sheet liabilities under "licensor's right". Moreover, assets donated for free by the licensor at the start or during the concession are recorded under assets as consideration for the "licensor's right".

As of 31 December 2019, the "licensor's right" heading is detailed as follows:

	Total as of 31/12/2018	Increase in 2018	Decrease in 2018	Total as of 31/12/2019
Licensor's right excl. VAT	19,992	-	5	19,987
Amort. Licensor's right	(7,226)	-	-	(7,226)
Licensor right VAT	1,185	-	-	1,185
Share of amort. Financial dep. assets technique	(7,587)	(1,588)	-	(9,175)
Financial depreciation of non-renewable assets	35,130	2,916	-	38,046
Financial depreciation of renewable assets	44,162	8,043	169	52,036
Licensor's right BNR grant	-	5,454	-	5,454
TOTAL	**85,656**	**14,825**	**174**	**100,307**

Financial depreciation on non-renewable assets corresponds to the obsolescence, on the one hand, of the land provided by the concession holder and on the other hand, the structural work and earthmoving for infrastructure in recent years, whose period of technical depreciation exceeds the concession period.

Pursuant to the provisions applicable to concession assets, when a grant finances a non-renewable asset, it is recorded under liabilities as the licensor's right instead of being recorded under "investment grants".

Note 16. Provisions for liabilities and charges

- <u>Change</u>

	Provisions for liabilities and charges	Pension provisions and similar liabilities	Total
Values as of 31/12/2018	**460**	**7,639**	**8,100**
Allowances	334	1,277	**1,611**
Write-off used	-	-	**-**
Write-off not used	(214)	-	**(214)**
Values as of 31/12/2019	**580**	**8,916**	**9,497**

- <u>Provision for liabilities and charges</u>

In August 2019, the Direction Générale des Impôts (French tax authority) informed the company that it was going to conduct a tax inspection for the Business Land Contribution from 2016 to 2019 and Land Tax for 2019. At year-end, we are unable to estimate the impact of this inspection due to progress made and discussions with the tax authority. As a result, no provision for a liability was created in the financial statements as of 31 December 2019.

- **Valuation assumptions of the provision for pension liabilities**

Pension liabilities are subject to a provision in each of the group entities when they have an obligation covered by the accounting criteria of this liability (see note 3.16). Only the assumptions for the company ACA are presented below, as the provision represents nearly all the group's liabilities.

	31/12/2019	31/12/2018
Update rate (Iboxx rate)	0.77%	1.57%
Retirement age EXECUTIVES and CLERICAL, TECHNICAL AND SUPERVISORY STAFF	64 years	64 years
Retirement age EMPLOYEES	62 years	62 years
Wage progression rate	2.40%	2.40%
Mortality table	INSEE F 2011-2013	INSEE F 2011-2013

The annual update rate corresponds to the IBOXX AA+ 10 year rate.
Turnover is assessed by age group and socioprofessional category based on statistics from the past five years.

Note 17. Financial liabilities

	Bank loans	Bank overdrafts and equivalent	Other financial liabilities	Total
Values as of 31/12/2018	**175,144**	**0**	**4,255**	**179,399**
Increase	18,000	-	1,385	**19,385**
Decrease	(17,313)	-	(946)	**(18,259)**
Net change	-	20	-	**20**
Values as of 31/12/2019	**175,831**	**20**	**4,694**	**180,544**

The increase in outstanding debt as of 31/12/2019 is due to new borrowing totalling €18 million.

Other financial liabilities mainly include collateral deposits received and interest accrued but not paid on borrowings.

- **Schedule**

-

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Bank loans	17,739	67,354	90,738	**175,831**
Other financial liabilities	485	4,209	-	**4,694**
Bank overdrafts and equivalent	20	-	-	**20**
Total	**18,244**	**71,562**	**90,738**	**180,544**

The borrowing below is hedged mainly as a swap to limit interest rate risk:

	Notional < 1 year	1 year < Not < 5 years	Notional > 5 years	Total
Fixed payer/Variable payee	3,449	13,876	12,322	29,647
Other	736	2,945	1,705	5,386
Total	**4,185**	**16,821**	**14,027**	**35,033**

Note 18. Non-financial liabilities

	31/12/2019	31/12/2018	Total change	Change during the period	Reclass.	Debt on fixed assets
Trade and other payables	**19,783**	**16,609**	**3,174**	**3,174**	**(0)**	**-**
Tax and employment-related liabilities	30,732	33,155	(2,423)	(2,388)	(35)	-
Debts on acquisition of fixed assets	28,677	27,658	1,019	-	-	1,019
Dividends payable	12,063	-	12,063	12,063	-	-
Other liabilities	13,433	12,790	643	643	-	-
Deferred income	534	550	(16)	(16)	-	-
Total other liabilities and accruals	**85,439**	**74,153**	**11,286**	**10,303**	**(35)**	**1,019**
Total non-financial liabilities	**105,222**	**90,762**	**14,460**	**13,477**	**(35)**	**1,019**

Note 19. Financial profit/loss

The group's financial profit/loss is analysed as follows:

	31/12/2019	31/12/2018
Income from holdings and transferable securities	33	53
Interest received and similar income	84	123
Interest paid and similar expenses	(3,958)	(3,993)
Net exchange rate profit/loss	(3)	(2)
Net provisions	-	(1)
Financial profit/loss	**(3,844)**	**(3,820)**

Note 20. Extraordinary profit

	31/12/2019	31/12/2018
Extraordinary income from management transactions	420	3,498
Extraordinary expenses from management transactions	(57)	(36)
Extraordinary income and expenses from capital transactions	(200)	625
Net provisions	(165)	(5)
Extraordinary profit	**(2)**	**4,082**

In 2018, extraordinary income included the income from the sale of assets and compensation received after signing protocols between the company ACA and the DGAC, authorising the exchange of land and buildings as part of the development project for the North Zone of Aéroport de Nice.

Note 21. Income tax

Income tax rates used to calculate tax due are as follows:

Tax rate	2019	2018
France	34.43%	34.43%
Portugal	21.00%	21.00%
Spain	25.00%	25.00%

- **Tax expenditure for the financial year**

	31/12/2019	31/12/2018
Tax payable	(21,516)	(27,911)
Deferred taxes	1,651	1,437
Total	**(19,865)**	**(26,474)**

- **Deferred taxes**

The deferred tax assets and liabilities are offset when they cover the same tax entity, which is notably the case for tax consolidation at ACA level.

	31/12/2019	31/12/2018
On securities acquisition costs	-	41
On tax loss carry-forwards	-	-
On temporary differences	-	16
Deferred tax asset	**-**	**57**
On securities acquisition costs	16	27
On tax loss carry-forwards	175	197
On obsolescence	(10,073)	(11,667)
On temporary differences	876	1,080
On social security liabilities and other provisions	2,468	2,119
Deferred tax liability	**(6,537)**	**(8,245)**

The deferred tax liability on obsolescence relates to financial depreciation as of 1 January 2008 recorded as equity and reintegrated for tax purposes in line with the technical depreciation of related assets (article 19 of the law of April 2005).

- **Rationalisation of tax expenditure**

	31/12/2019	31/12/2018
Net income from consolidated companies	37,637	51,943
Tax expenditure	(19,865)	(26,474)
Consolidated profit/loss before tax	**57,502**	**78,417**
Common law rate	34.43%	34.43%
Theoretical tax expenditure	**(19,798)**	**(26,999)**
Effect on permanent differences	122	(333)
CICE (tax credit for competitiveness and employment)	-	800
Rate difference	(248)	(14)
Tax credits	61	92
Other	(1)	(22)
Actual tax expenditure	**(19,865)**	**(26,474)**

Following the adoption of law no. 2019-1479 of 28 December 2019 regarding finances for 2020, including a measure to underline the reduction of corporation tax, tax debt is calculated by applying the rates of 34.43% (for 2019), 32.02% (for 2020), 28.41% (for 2021) and 25.83% (from 2022). These tax rates include the impact of the additional 3.3% contribution which the Group must pay.

- **Deferred tax assets from tax losses**

	Net total on opening	Capitalised tax losses	Tax losses used	Tax losses not used	Net total on closing
Sky Valet France	679	-	-	-	679
TOTAL	**679**	**-**	**-**	**-**	**679**
Corresponding deferred tax asset (current rate)	**235**	**-**	**-**	**-**	**235**
Corresponding deferred tax asset (future corporation ta	**197**	**-**	**-**	**-**	**175**

Note 22. Employees

As of 31 December 2019, the total average workforce (TAW) was 678 people (vs. 677 at the end of 2018).

	31/12/2019	31/12/2018
Salaries and incentive schemes	(29,457)	(30,451)
Profit-sharing	(2,385)	(3,040)
Social security contributions	(13,457)	(15,098)
CICE (tax credit for competitiveness and employment)	-	800
Total	**(45,300)**	**(47,789)**

Note 23. Off-balance sheet commitments

- **Commitments received**

Bank guarantees

Guarantees Received from Clients	**€14,381k**
Construction Guarantees Received	**€7,712k**
Guarantees Received from Fixed Asset Suppliers on Holdbacks	**€5,063k**

Liability guarantees

As part of the acquisition of AGST securities, the company Aéroports de la Côte d’Azur receives a guarantee from the seller covering specific risks identified during acquisition. This guarantee is not time-limited.

- **Commitments given**

Bank guarantees

Crédit Coopératif security	**€787k**
Bank guarantee in favour of Atout France	**€30k**
Bank guarantee in favour of the Direction générale des Douanes (ACM)	**€150k**
Bank guarantee in favour of C.P.S.S.P.	**€64k**

- **Reciprocal commitments**

The company Aéroports de la Côte d’Azur has a remaining budget of €18 million out of an initial budget of €100 million from the B.E.I which can be used until March 2021.

Note 24. Information about related parties

- **Payments made to members of the administrative and supervisory board**

The Chairman of the Supervisory Board receives a payment of €12,000 per year. Regarding the Executive Board, only the Chairman received payment for performing this role.

- **Relations with related parties**

There were no transactions completed with related parties which were not completed in market conditions.

Note 25. Statutory auditor fees

The fees for Statutory Auditors responsible for verifying the consolidated financial statements of the ACA Group and its subsidiaries totalled €180k (including travel expenses) for the 2019 financial year (vs. €172.2k in 2018).