COVIVIO HOTELS

PRESS RELEASE

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2019 half-year results:

Covivio Hotels continues to move its portfolio upmarket

Key events of the first semester

Investments in the main European markets

Covivio Hotels is making progress in achieving its strategic goals by strengthening its presence in major European cities through:

> The acquisition in the first half of two hotels in the United Kingdom, operated by the InterContinental Hotels Group (IHG) and of one hotel in the Netherlands, leased to NH for a total of €91 million, with a 5.7% yield. Leases for a term of 25 and 20 years were signed with these operators, who are leaders in their sector;

> The acquisition on 1 July 2019, subsequent to the 30/06/2019 closing, of a 32% stake in a portfolio of 32 Accor hotels in France and Belgium corresponding to €176 million, including duties. This strategic portfolio, valued at €550 million, is jointly owned with Caisse des Dépôts et Consignations and Société Générale Assurances, which are already long-standing shareholders.

With this transaction, Covivio Hotels strengthens its presence in the French hotel market, France being the leading tourist destination in the world (nearly 90 million international tourists in 2018), and in particular in the Greater Paris region, which achieved a record of 35 million overnight hotel stays in 2018 (up 3.6% year-on-year).

These assets generate good profitability with an average EBITDAR margin in excess of 30%. Firm leases are being finalised with AccorInvest for a residual term of 6.5 years. The rental income arrangement, 100% variable as a percentage of hotel revenues, will enable Covivio to fully benefit from improved performance in the future.

Following this acquisition, Covivio Hotels manages more than 25,000 rooms operated by brands of the Accor Group, Europe's leading hotel operator. Bolstered by its experience, Covivio Hotels will replicate the strategy implemented over the last ten years from its shared portfolio with AccorInvest by identifying the key value drivers together with the operator.

The half-year financial statements have been subjected to a limited review. The Statutory Auditors' report on the half-year financial information is being prepared.

Investment data are presented including duties

The divestment figures are presented excluding duties

€256 million in disposals to improve the portfolio quality

Building on its strategy to move the portfolio upmarket, Covivio Hotels has disposed of assets valued at €256 million group share this half-year, on the basis of a yield of 5.1%. These disposals include primarily:

> A Westin hotel operating property located in Dresden, Germany, for €48.5 million, representing a margin of 8% more than the appraisal value of 31 December 2018. Covivio Hotels will keep the adjacent land reserve, which has strong development potential;
> The land adjacent to the Park Inn Alexanderplatz in Berlin, sold for €62 million to Covivio in order to develop a property complex comprising offices, housing and retail premises;
> A portfolio of 58 B&B assets in France, located primarily outside Paris, for €265 million, i.e. €133 million in terms of Group share, with a yield of 5.5%.

1.8% growth in values on a like-for-like basis

At the end of June 2019, the property portfolio value (Group share) reached €5,528 million (€5,912 million at 100%), compared with €5,483 million at 31 December 2018. At constant scope, the hotel portfolio grew by 1.8% over six months, mainly driven by the strong performance of AccorInvest assets in France and Belgium, up by 2%, and hotel operating properties in Germany, in particular hotels located in Berlin. The portfolio generated an average yield (excluding duties) of 5.4%.

The EPRA NAV amounted to €3,490 million (i.e. €28.8/share, up 6.2% over one year), up by 8.9% over one year, boosted by the positive effect of the change in appraised value. EPRA Triple Net NAV stood at €3,118 million, compared with €2,954 one year ago. Per share, it has increased by 3.0% over 12 months to €25.8/share, but was down by 2.2% over 6 months due to the dividend payment for the period.

Growth in income of 2.0% on a like for like basis

€ millions	Income H1 2018 100%	Income H1 2018 Group Share	Income H1 2019 100%	Income H1 2019 Group Share	Change Group Share (%)	Change Group Share LFL (%) (1)
Hotel Lease properties (Rents)	95 M€	82 M€	118 M€	106 M€	29,9%	1,9%
Hotel Operating properties (EBITDA)	34 M€	32 M€	31 M€	30 M€	-7,1%	2,4%
Total Hotel Revenues	**128 M€**	**114 M€**	**149 M€**	**137 M€**	**19,4%**	**2,0%**
Non-strategic (Retail)	**13 M€**	**13 M€**	**6 M€**	**6 M€**	**-52,3%**	**-0,7%**

(1) On a like for like basis

(1) real income change for Accor

The half-year also marked the continued growth in operational results in Europe, and particularly in Paris and Berlin, with increases in rents at constant scope of 1.9% in the hotel business, and a 2.4% increase in EBITDA for hotel operating properties.

The firm residual duration of leases was 13.8 years at end June 2019 (compared with 10.8 years in June 2018), while the occupancy rate remained at 100% across the portfolio.

Dynamic management of liabilities

Covivio Hotels' net debt stood at €2,180 million (Group share), compared to €2,208 million at 31 December 2018.

At 30 June 2019, the average maturity of debt stood at 5.4 years, down 0.2 years. The LTV (Loan To Value) ratio of 36.0% including duties was down 0.3 point over 6 months. Covivio Hotels saw an improvement in its S&P rating, going from BBB with a positive outlook to BBB+ with a stable outlook.

EPRA Earnings of €101.2 million

EPRA Earnings of €101.2 million (compared with €94.0 million at 30 June 2018) showed an increase of 7.7% due to the effect of acquisitions completed in the United Kingdom in 2018, as well as the increase in variable revenues.

EPRA Earnings per share stood at €0.85 at 30 June 2019, down from €0.90 on the same date in 2018, a decrease of 5.9%. This change is due primarily to the impact of non-strategic asset disposals in 2018.

2019 Outlook

Covivio Hotels will consolidate its hospitality leader position in Europe's main markets and will rely on its ability to establish and develop partnerships with the most successful hotel operators.

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ABOUT COVIVIO HOTELS

Covivio Hotels, a subsidiary of Covivio, is today the leader of the investment in hotel real estate in Europe. With more than 400 hotels in its portfolio, valuated €6 billion (at 100% end of 2018), Covivio Hotels is the real estate partner of leading hotel operators in France and in Europe. Eager to assist the brands with their lease projects, operating properties and developments, Covivio Hotels works alongside them in the most dynamic European cities.

ABOUT COVIVIO

Thanks to its partnering history, its real estate expertise and its European culture, Covivio is inventing today's user experience and designing tomorrow's city.
A preferred real estate player at the European level, Covivio is close to its end users, capturing their aspirations, combining work, travel, living, and co-inventing vibrant spaces.

A benchmark in the European real estate market with €23Bn in assets, Covivio offers support to companies, hotel brands and regions in their pursuit of attractiveness, transformation and responsible performance.
Its living, dynamic approach opens up exciting project and career prospects for its teams.

Covivio's shares are listed in the Euronext Paris A compartment (FR0000064578 – COV) and the MTA market (Mercato Telematico Azionario) on the Milan stock exchange, are admitted to trading on the SRD and are included in the composition of the MSCI, SBF120, Euronext IEIF "SIIC France" and CAC Mid100 indices, in the "EPRA" and "GPR 250" benchmark European real estate indices, EPRA BPRs Gold Awards (financial + sustainability), CDP (A), Green Star GRESB, and in the ESG FTSE4 Good, DJSI World & Europe, Euronext Vigeo (World 120, Eurozone 120, Europe 120 and France 20), Euronext® CDP Environment France EW Oekom, Ethibel and Gaïa ethical indices.
Covivio is rated BBB+/Stable outlook by Standard and Poor's.

Appendices

- Bridge table on the portfolio:

Portfolio (as of 30/06/2019)	5,528 M€
Fixed assets	+ 204 M€
Use rights on investment properties	+ 28 M€
Non-accrued goodwill of operating property assets	- 76 M€
Real Estate Assets Group Share	**5,685 M€**
The companies's fully consolidated non-controlling interest	+ 381 M€
100% Real estate assets - IFRS accounts	**6,066 M€**

- Bridge table on NAV:

Shareholders' equity Group - IFRS Accounts	3,032 M€
Fair value of operating property assets net of deferre	+ 61 M€
Fixed-rate debt	- 32 M€
Restatements of duties	+ 47 M€
EPRA Triple Net NAV	**3,118 M€**
Financial instruments and fixed-rate debt	+ 106 M€
Deferred tax liabilities	+ 266 M€
EPRA NAV	**3,490 M€**

- Bridge table on rental income:

€ millions	Rental income H1 2019 IFRS Accounts	Non-controlling interest	Rental income H1 2019 Group Share Covivio Hotels
Hotels	118 M€	- 11 M€	106 M€
Retail premises	6 M€		6 M€
Total Rental Income	**124 M€**	**-11 M€**	**113 M€**
Managed hotel EBITDA	**31 M€**	1 M€	**30 M€**

- Detail of Loan To Value calculation (LTV):

(€millions) – Group Share	2018	H1 2019
Net book debt	2 208	2 180
Receivables linked to associates (fully consolidated)	-19	-32
Pledges	-154	-58
Security deposits received	-1	0
Purchase debt	18	16
Net debt Group Share	**2 051**	**2 106**
Appraised value of real estate assets (including duties)	5 712	5 803
Pledges	-154	-58
Financial assets	7	8
Receivables linked to associates (equity method)	7	7
Share of equity affiliates	84	86
Value of assets	**5 656**	**5 845**
LTV Excluding Duties	**37,8%**	**37,7%**
LTV Including Duties	**36,3%**	**36,0%**

- Reconciliation with consolidated accounts:

Net debt

(€ millions)	Consolidated financial statements	Minority interests	Group Share
Bank Debt	2 521	142	**2 379**
Cash and cash equivalents	250	51	**199**
Net debt	**2 271**	**91**	**2 180**

Portfolio (including duties)

(€millions)	Consolidated financial statements	Portfolio of companies under equity method	Fair value of investment properties	Minority interests	Group Share
Investment & development properties	4,597	86	1,230	-384	**5,528**
Assets held for sale	113			-55	**58**
Total portfolio	**4,710**	**86**	**1,230**	**-439**	**5,586**

Duties	259
Portfolio Group Share Including Duties	5,845
(+) Advances and deposits on fixed assets	0
Portfolio for LTV calculation	**5,845**

Interest Coverage Ratio (ICR)

€ millions	2018	H1 2018	H1 2019
EBE (Net rents (-) operating expenses (+) results of other activities)	261	123	**140**
Cost of debt	-45	-20	**-28**
ICR	**5.82**	**6.03**	**4.94**

- Bridge table of EPRA Earnings:

€ millions	**Net income 100% IFRS Accounts**	**Non-controlling interest**	**Net Income, Group Share**	**Restatements**	**EPRA Earnings**
Net Rental Income	**121.6**	**-11.3**	**110.3**	**0.7**	**111.1**
Managed hotel income	**31.2**	**-1.1**	**30.1**	**1.7**	**31.7**
Operating costs	**-10.5**	**3.9**	**-6.7**	**0.0**	**-6.7**
Depreciation of operating assets	-20.6	0.5	-20.1	17.2	-2.8
Net allowances to provisions and other	5.3	-0.0	5.3	-3.1	2.2
OPERATING PROFIT	**127.0**	**-8.0**	**119.0**	**16.6**	**135.6**
Income from disposals of assets	14.2	-0.6	13.6	-13.6	0.0
Net valuation gains and losses	75.8	-16.9	58.9	-58.9	0.0
Income from disposal of securities	5.9	-0.1	58	-5.8	0.0
Income from changes in scope	-3.1	0.0	-3.1	3.1	0.0
OPERATING PROFIT (LOSS)	**219.9**	**-25.6**	**194.2**	**-58.7**	**135.6**
Costs of net financial debt	-32.0	2.1	-29.9	1.5	-28.4
Interest charges on rental liabilities	-6.6	0.0	-6.6	4.5	-2.1
Fair value adjustment on derivatives	-50,2	1.7	-48.5	48,5	0.0
Discounting of liabilities and receivables	0.0	0.0	0.0	0.0	0.0
Net change in financial and other provisions	-5.7	0.8	-4.9	2,6	-2.3
Share in income of equity affiliates	5.6	0.0	5.6	-2.4	3.2
PRE-TAX NET INCOME (LOSS)	**131.0**	**-21.0**	**110.0**	**-3.9**	**106.1**
Deferred tax liabilities	6.4	0.1	6.5	-6.5	0.0
Recurrent Tax	-9.1	0.2	-89	4.1	-4.9
NET INCOME FOR THE PERIOD	**128.2**	**-20.7**	**107.6**	**-6.4**	**101.2**

- Glossary:

1) Definition of the acronyms and abbreviations used:

GS: Group Share;

Chg: Change;

LfL: Like-for-Like scope.

2) Residual firm terms of leases

Average outstanding term remaining of a lease calculated from the date a tenant first takes up an exit option.

3) Triple net lease

Lease contract reached between a landlord and a tenant. A "triple net" lease means a lease for which all the taxes and expenses (works, maintenance) related to proper functioning of the building are at the expense of the tenant.

4) Loan To Value (LTV)

Calculation of the LTV is detailed in the Appendices.

5) Rental Income

Recorded rent corresponds to gross rental income accounted for over the year by taking into account deferment of any relief granted to tenants, in accordance with IFRS standards.

The like-for-like rental income posted allows comparisons to be made between rental income from one year to the next, before taking changes to the portfolio (e.g. acquisitions, disposals, building works and development deliveries) into account. This indicator is based on assets in operation, i.e. properties leased or available for rent and actively marketed.

6) EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation):

This is gross operating income after rent. The calculation can be described in the following manner:

(+) Total revenues (revenues);
(-) Purchases and External Expenses;
(-) Personnel Expenses;
= EBITDAR;
(-) Rental income;
= EBITDA.

7) EBITDAR Margin:

EBITDAR corresponds to the gross operating income before rent. It is used to compare companies with different ownership policies.

The EBITDAR margin corresponds to the following calculation: EBITDAR / Total revenue

The level of operating profits of hotels varies depending on the hotel category.

8) Portfolio

The portfolio presented includes investment properties and properties under development, as well as operating properties and properties in inventory for each of the entities, stated at their fair value.

9) Target Yield

The portfolio returns are calculated according to the following formula:

$$\frac{\text{Annualised gross rental income}}{\text{Value excluding duties on the scope in question}}$$

10) Average annual rate of debt

$$\frac{\text{Financial cost of bank debt for the period} + \text{Financial cost of hedges for the period}}{\text{Average used financial net debt outstanding in the year}}$$

11) Occupancy rate

The occupancy rate corresponds to the spot financial occupancy rate at the end of the period and is calculated using the following formula:

$$1 - \frac{\text{Loss of rental income through vacancies (calculated at MRV)}}{\text{Rental income of occupied assets + loss of rental income}}$$

This indicator is calculated solely for properties on which asset management work has been done and therefore does not include assets available under pre-leasing agreements. Occupancy rate are calculated using annualised data solely on the strategic activities portfolio.

12) Like-for-like change in rent

This indicator compares rents recognised from one financial year to another without accounting for changes in scope: acquisitions, disposals, developments including the vacating and delivery of properties. The change is calculated on the basis of rental income under IFRS for strategic activities.

On hotel operating properties, the change in constant scope is calculated based on EBITDA.

Restatements done:

- Deconsolidation of acquisitions and disposals realised in the periods N and N-1;
- Restatements of assets undergoing work, i.e.:
  - Restatement of assets released for realisation of work (realised in years N and N-1),
  - Restatement of deliveries of assets undergoing work (realised in years N and N-1).

13) Like-for-like change in value

This indicator is used to compare asset values from one financial year to another without accounting for changes in scope: acquisitions, disposals, works, developments including the vacating and delivery of properties.

Restatements:

- Deconsolidation of acquisitions and disposals realised during the period;
- Restatement of work realised on assets during period N (including assets under development).