



Paris, le 23 juillet 2019, 18h

Résultats semestriels 2019 :

Accélération du pipeline, renforcement du bilan et croissance de l'ensemble de nos indicateurs opérationnels et financiers

« Covivio clôture ce semestre en bonne marche sur ses objectifs pour l'année. La performance de nos marchés et notre positionnement d'opérateur diversifié, leader sur ses segments, se traduisent par une croissance de l'ensemble de nos indicateurs opérationnels et financiers. Le renforcement du bilan, via le succès du paiement du dividende en actions et l'avancée de notre programme de ventes, nous permet d'atteindre dès le 1^{er} semestre notre nouvel objectif de levier inférieur à 40%. »

Christophe Kullmann, Directeur Général de Covivio

▶ L'accélération du pipeline de développement en ordre de marche

- 100 000 m² de nouveaux projets engagés à Paris, Levallois-Perret, Milan et Berlin
- Hausse de 30% du pipeline de projets engagés, à 2,1 Md€ (1,7 Md€ PdG)
- Nouvel accord locatif avec NTT Data pour 16 000 m² dans l'ensemble The Sign à Milan, 18 mois avant la livraison
- Un pipeline déjà pré-loué à 51%, sécurisant le rendement attendu de 6%

▶ Nouvel objectif de LTV inférieure à 40% d'ores et déjà atteint

- 732 M€ de ventes sécurisées, avec une marge moyenne de 6% sur la dernière valeur d'expertise
- Succès de l'option de paiement du dividende en actions, augmentant les fonds propres de 316 M€
- LTV à fin juin de 39,2% ; amélioration du rating S&P à BBB+

▶ Résultats semestriels en croissance

- Revenus locatifs : +3,3% à périmètre constant
- Valorisation du patrimoine : +2,8% à périmètre constant
- Croissances de l'EPRA Earnings par action de +2,8% et de l'ANR EPRA par action de +5,4% sur un an

▶ Perspectives 2019 confirmées

- Objectif d'une hausse de l'EPRA Earnings 2019 par action supérieure à 3%.

Opérateur européen de référence avec 23 Md€ (16 Md€ Part du Groupe) de patrimoine centré sur les grandes métropoles européennes, en particulier Paris, Berlin et Milan, Covivio accompagne les entreprises, les opérateurs hôteliers et les territoires dans leurs enjeux d'attractivité, de transformation et de performance responsable.

Acteur immobilier de préférence à l'échelle européenne, Covivio se rapproche des utilisateurs finaux, capte leurs aspirations, conjugue travailler, voyager, habiter, et coinvente des espaces vivants. Opérateur global présent tout au long de la chaîne des métiers de l'immobilier, le groupe s'appuie notamment sur un pipeline de développement européen de 6 Md€ pour poursuivre sa croissance.

Accélération du pipeline de développement

Pilier stratégique de Covivio répondant aux attentes des clients, toujours plus tournées vers les immeubles performants et serviciels, le pipeline de développement assure un couple rendement-risque optimal (depuis 2010, le taux d'occupation moyen des actifs livrés atteint 94% dans les 12 mois suivant leur livraison). Il constitue également le moteur de l'amélioration de la qualité du patrimoine et de l'ambition du groupe d'atteindre 100% d'immeubles de bureaux verts d'ici à 2023.

Le premier semestre a vu le pipeline de développement engagé s'accroître de 30%, à 2,1 Md€ (1,7 Md€ PdG) via l'engagement de 100 000 m² de nouveaux projets tels que So Pop à Paris Saint-Ouen, Alis à Levallois-Perret ou Symbiosis D et Vitae (concours Reinventing Cities) à Milan.

Acheté auprès de Citroën en 2012 sur la base d'un rendement initial de 8,1% avec la perspective d'une démolition-reconstruction au départ du locataire, le projet So Pop bénéficie d'une localisation stratégique à la limite entre Paris 17^e et Saint-Ouen. La démolition-reconstruction permettra d'accroître la surface de 70%, à 31 000 m², et le loyer de 145%, générant ainsi un rendement de 6,1% sur le coût de revient (de 226 M€). Par ailleurs, dans le cadre de sa politique de rotation et de maîtrise du risque, Covivio partagera cet investissement à 49,9% avec Crédit Agricole Assurances. L'objectif de création de valeur sur ce projet, dont la livraison est attendue pour 2021, dépasse 60% (incluant la marge sur le partage).

Covivio vient également d'engager le projet Alis à Levallois-Perret, redéveloppement d'un immeuble de bureaux de 20 500 m² (+15% d'extension) situé en face du métro Pont de Levallois. En 2015, Covivio, déjà propriétaire de deux des trois immeubles de cet ensemble, a acheté le 3^e bloc en vue d'un redéveloppement au départ du principal locataire début 2019. L'opération, dont la livraison est attendue pour 2022, doit générer un rendement de 5% sur le coût de revient (215 M€) et permettra d'accroître le loyer de 60% pour un objectif de création de valeur de 40%.

A Milan, Covivio poursuit le développement de la zone de Symbiosis, au sud de la ville. Après la livraison du nouveau siège de Fastweb (20 500 m²) en 2018, et le démarrage des travaux d'une école de 7 900 m² pré-louée à ICS International School, un nouvel immeuble de 18 600 m² de bureaux est lancé, pour un investissement total de 84 M€ (rendement d'environ 7%). 6 400 m² ont déjà été pré-loués à une multinationale afin d'installer son siège social italien, marquant ainsi une nouvelle étape dans le développement de ce quartier d'affaires innovant. Le bail a été signé avec un loyer de 316 €/m² sur la partie bureaux et une maturité ferme de 10 ans. La livraison est prévue pour 2021.

Covivio a également remporté le concours [Reinventing Cities](#), prestigieuse compétition internationale destinée à la régénération urbaine et environnementale avec le projet de redéveloppement "Vitae", situé en face de Symbiosis. Vitae, qui totalise 10 000 m², associe bureaux, espaces événementiels et de restauration, et comprend également un laboratoire spécialisé en recherche moléculaire et oncologique. Le projet dans son ensemble constituera un pôle innovant, à la pointe de la technologie et du développement durable (certifications LEED Platinum, WELL Gold et label BiodiverCity®). Des premiers accords locatifs ont été conclus avec les partenaires IFOM (laboratoire) et CIR Food. Le budget total de l'opération, dont la livraison est prévue en 2022, s'élève à 42 M€ et le rendement cible est estimé à environ 6,6%.

Enfin, en Allemagne, Covivio poursuit la stratégie d'investissement centrée sur le développement de logements, en particulier à Berlin, avec un pipeline engagé de 171 M€ (111 M€ PdG) en hausse de 55%, auquel s'ajoutent 661 M€ de projets maîtrisés. Le coût de revient moyen des 640 logements engagés (45 300 m²) s'élève à 3 772€/m², pour un rendement de 4,7% et un objectif de marge sur vente d'environ 40%.

A fin juin, 51% du pipeline tertiaire engagé est pré-loué, dont 66% pour les projets devant être livrés en 2020. Sur le projet The Sign à Milan, Covivio a signé en juillet la pré-commercialisation des 16 000 m² de bureaux des immeubles B et C, pour 12,4 ans fermes, à NTT Data (groupe international spécialisé dans le service d'ingénierie informatique et digitale). S'ajoutant à l'accord locatif déjà signé avec Aon sur l'immeuble A, cette signature sécurise ainsi la quasi-totalité de l'occupation du projet, 18 mois avant la livraison, et le rendement de 7,3%.

732 M€ de cessions sécurisées à fin juin : accélération des ventes d'actifs matures

Au cours du premier semestre, Covivio a signé pour 732 M€ (602 M€ PdG) de cessions et engagements de ventes, pour une marge moyenne de 6% sur la valeur d'expertise de fin 2018. Près de 70% de ces ventes concernent des actifs matures cédés avec une prime de 9%.

En Bureaux France, le groupe a signé une promesse de vente sur l'actif Green Corner (20 800 m²), à Saint-Denis, pour 167 M€. La vente de cet immeuble, qui avait fait l'objet d'un développement en 2015, sera réalisée au 3^e trimestre. Covivio a par ailleurs vendu un actif situé à Charenton-le-Pont pour 54 M€. Cet immeuble, totalisant 11 500 m² de bureaux, est entièrement loué à Natixis pour 4,5 ans fermes.

En Italie, Covivio a signé une promesse de vente portant sur un portefeuille d'actifs matures et non core pour 263,5 M€, comprenant l'immeuble via Montebello à Milan et 9 actifs situés dans des localisations secondaires (Rome, Bologne, Venise, etc.). Le prix est légèrement supérieur à la valeur d'expertise fin 2018 (+1%) avec un rendement net de 4,9%. Le transfert de propriété est prévu en décembre 2019.

En Hôtels, Covivio a signé la promesse de vente de 30 hôtels B&B en France pour 113 M€ (25 M€ PdG) avec une marge sur la dernière expertise de 13%. Enfin, en Résidentiel allemand, les ventes se sont principalement concentrées sur des cessions d'appartements, à près de 90% à Berlin, pour 30 M€ (20 M€ PdG) générant une marge de 75% (rendement locatif implicite de 1,9%).

Sur le semestre, Covivio a réalisé pour 622 M€ d'investissements (338 M€ PdG), dont 307 M€ (192 M€ PdG) de capex sur le pipeline de développement. Les acquisitions ont principalement concerné 3 hôtels au Royaume-Uni et aux Pays-Bas, sécurisés en 2018, pour 91 M€ (39 M€ PdG, 5,7% de rendement). Covivio a également réalisé le 1^{er} juillet le rachat d'une participation de 32% dans un portefeuille de 32 hôtels Accor en France et en Belgique pour 176 M€ droits inclus (76 M€ PdG). Ce portefeuille, qui sera géré par Covivio, renforce la présence du groupe sur le marché hôtelier français, première destination touristique mondiale. Les actifs présentent également une bonne rentabilité avec une marge d'EBITDAR moyenne supérieure à 30%. L'objectif de rendement net à horizon 2021, de 5,3%¹, fait ressortir un loyer faible de 4,7 K€ par chambre, offrant un potentiel de croissance significatif.

¹ Rendement net immédiat de 4,8%

Trois piliers stratégiques au service de la performance RSE

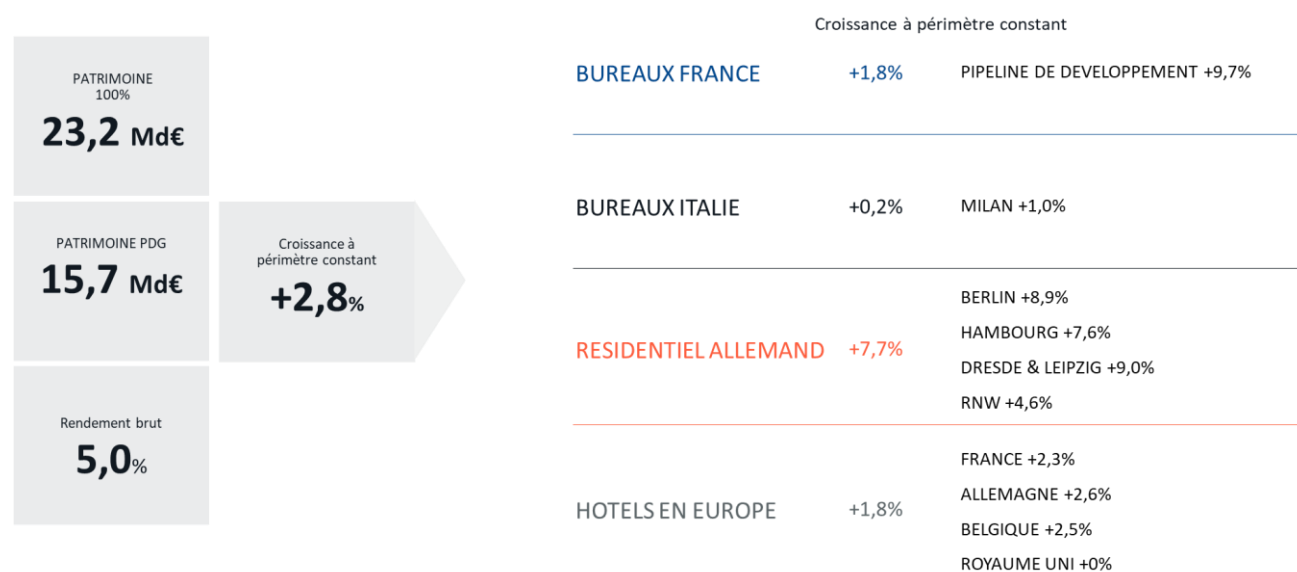
Covivio a construit sa stratégie sur 3 piliers que sont 1° les Métropoles européennes, traduisant la volonté d'offrir des localisations premium à ses clients ; 2° le pipeline de développement, pour répondre aux attentes des clients avec des immeubles neufs et performants ; et 3° la culture clients, dans une logique partenariale, ADN du groupe depuis sa création en 2001. Ces trois piliers servent une politique RSE ambitieuse et reconnue au travers de nombreux prix et des notations de premier plan (<https://www.covivio.eu/fr/rse-innovation/rse/indicateurs-rse/>). Ainsi :

- ▶ 93% des immeubles de Covivio se situent à moins de 5 minutes à pied d'un transport en commun (99% à moins de 10 minutes), avec pour objectif d'atteindre 100% d'ici à 2023 ;
- ▶ 78% des actifs de bureaux bénéficient d'une certification environnementale, en bonne marche vers la cible de 100% pour 2023 ;
- ▶ la consommation énergétique et les émissions de CO₂ du patrimoine se sont réduits de respectivement -2,4% et -9,0% à périmètre constant sur un an en 2018.
- ▶ 45% des immeubles de bureaux bénéficient d'une offre de service avec un objectif de 100% d'ici à fin 2023.

S'inscrivant dans le scénario 2°C de l'Accord international de Paris de 2015, Covivio a modélisé avec le CSTB (Centre Scientifique et Technique du Bâtiment) la trajectoire carbone de l'ensemble de son patrimoine. Le groupe se donne comme objectif ambitieux de réduire de 1/3 son intensité carbone entre 2010 et 2030 (-16% à fin 2018). Une trajectoire certifiée par l'initiative Science Based Targets (SBTi), laquelle est le fruit de la collaboration du CDP (Carbon Disclosure Project), du Pacte Mondial des Nations Unies, du WRI (World Resources Institute) et du WWF (World Wide Fund for Nature). En 2018, le CDP (Carbon Disclosure Project) a attribué la note A à Covivio.

Hausse de +2,8% des valeurs d'actifs à fin juin

Le patrimoine à fin juin 2019 s'élève à 23,2 Md€ et 15,7 Md€ Part du Groupe, soit +2,8% à périmètre constant, principalement grâce à la performance du patrimoine résidentiel allemand (+7,7%) et aux actifs en développement en bureaux France (+9,7%).



Nouvel objectif de LTV inférieure à 40% d'ores et déjà atteint, et amélioration du rating S&P

L'option de paiement du dividende (de 4,60€) en actions, proposée aux actionnaires au titre du dividende 2018, a été un succès, ayant été choisie par 82,7% du capital. Cette opération représente une augmentation de capital de 315,9 M€ et illustre à nouveau la confiance des actionnaires dans la stratégie de Covivio. Ajoutée au programme de ventes du semestre, cette opération permet d'atteindre d'ores et déjà le nouvel objectif de LTV inférieure à 40%, avec une LTV de 39,2% à fin juin, tout en poursuivant les investissements, notamment dans le pipeline de développement. Soulignant ce renforcement de la solidité financière de Covivio et la qualité du patrimoine, S&P a relevé en avril 2019 la notation de Covivio à BBB+, perspective stable.

Croissance de +3,3% des revenus à périmètre constant

Le positionnement diversifié sur des marchés en croissance et les orientations stratégiques des dernières années portent leurs fruits. Covivio voit ainsi ses revenus progresser de 3,3% à périmètre constant. L'indexation et la performance des revenus variables contribuent à hauteur de 43%, 1/3 grâce à la réversion au moment des renouvellements et 1/4 grâce à l'amélioration du taux d'occupation. Ce dernier s'établit à 98,1%, sécurisé par une durée moyenne ferme des baux de 7,2 ans. Par activité :

- ▶ En Bureaux France, l'augmentation de +3,9% à périmètre constant résulte principalement des locations de l'année 2018 (+1,9 pt), essentiellement réalisées à partir du 2^e trimestre 2018. L'indexation contribue à hauteur de +1,5 pt et la réversion sur les renouvellements pour +0,5 pt.
- ▶ En Italie, les loyers progressent de +1,4%, dont +1,7% sur le portefeuille de bureaux à Milan. Le taux d'occupation s'est à nouveau amélioré de +0,2 pt, à 98,1%. L'indexation a contribué à la performance à hauteur de +1 pt.
- ▶ La performance locative en Résidentiel Allemagne se maintient, à +4,4% à périmètre constant, tirée par la dynamique de Berlin (+5,3% à périmètre constant), mais également de la Rhénanie-du-Nord-Westphalie (+4,1%).
- ▶ Enfin, en Hôtels, les revenus augmentent de +2,0%. La croissance de +1,9% sur les hôtels en bail est atténuée par les programmes de travaux en cours de réalisation par Accor sur certains hôtels en loyers variables, afin d'en améliorer la performance future. Les hôtels détenus en murs et fonds voient leurs revenus gagner +2,4%, portés par la bonne performance en Allemagne (+4,2%), en particulier à Berlin.

S1 2019 - en M€	Revenus à 100%	Revenus Part du Groupe	Variation Part du groupe	Variation à périmètre constant	Taux d'occupation	Durée résiduelle ferme des baux
Bureaux France	130	115	-6,6%	3,9%	97,3%	4,8
Bureaux Italie	94	73	73,9%	1,4%	98,1%	7,2
Résidentiel Allemagne	124	80	5,9%	4,4%	98,8%	n.a.
Hôtels en Europe	149	59	23,1%	2,0%	100,0%	13,9
Total activités stratégiques	498	327	13,3%	3,4%	98,2%	7,2
Total activités non stratégiques	16	12	-15,8%	-1,7%	95,6%	5,4
Total	513	339	11,9%	3,3%	98,1%	7,2

En juin 2019, la Ville de Berlin a validé un projet de gel des loyers des logements existants pendant 5 ans. Ce projet sera proposé au vote courant octobre. Il existe de nombreuses incertitudes juridiques quant à l'application de cette loi dont les contours sont encore flous. Par ailleurs, cette réglementation additionnelle risque d'accroître la pénurie de logements dans la ville, conséquence d'une forte augmentation de la population de Berlin (+385 000 habitants en 10 ans pour seulement 90 000 logements neufs créés). L'activité résidentielle à Berlin représente 8,8% des revenus du groupe au travers d'un patrimoine de grande qualité de près de 16 000 logements, situés principalement dans les quartiers centraux de la ville. La valorisation en bloc à 2 745€/m² à fin juin est très inférieure à la valeur à l'unité (plus de 75% de marge sur vente au 1^{er} semestre).

Croissance de +2,8% de l'EPRA Earnings par action

L'EPRA Earnings gagne +14,6% sur un an, à 219,7 M€ Part du Groupe, porté par les bonnes performances opérationnelles et la fusion avec Beni Stabili. Par action, l'EPRA Earnings s'élève à 2,63€, soit +2,8%, suite à l'accroissement de 11,5% du nombre d'actions sur la période (en raison de la fusion). Le bénéfice net ressort quant à lui à 355 M€ Part du Groupe.

Un ANR EPRA de 8,8 Md€ et 100,6€ par action

La hausse des valeurs d'expertises des immeubles et l'EPRA Earnings permettent à l'ANR EPRA de progresser de +0,9% sur six mois (+5,4% sur un an), à 100,6€ par action (8,8 Md€). L'ANR Triple Net atteint 7,9 Md€ et 90,2€ par action (+3,1% sur un an et -1,6% sur six mois, impacté par la valorisation des instruments de couverture).

Perspectives 2019 confortées

Fort de la performance de ce premier semestre, Covivio confirme son objectif d'une croissance de l'EPRA Earnings 2019 par action supérieure à +3%.

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A PROPOS DE COVIVIO

Fort de son histoire partenariale, de ses expertises immobilières et de sa culture européenne, Covivio invente l'expérience utilisateur d'aujourd'hui et dessine la ville de demain.

Acteur immobilier de préférence à l'échelle européenne, Covivio se rapproche des utilisateurs finaux, capte leurs aspirations, conjugue travailler, voyager, habiter, et coinvente des espaces vivants.

Opérateur européen de référence avec plus de 23 Md€ de patrimoine Covivio accompagne les entreprises, les marques hôtelières et les territoires dans leurs enjeux d'attractivité, de transformation et de performance responsable.

Son approche vivante de l'immobilier ouvre à ses équipes des perspectives de projets et de parcours passionnants.

Le titre Covivio est coté sur le compartiment A d'Euronext Paris (FR0000064578 - COV), ainsi que sur le marché MTA (Mercato Telematico Azionario) de la bourse de Milan, admis au SRD et rentre dans la composition des indices MSCI, SBF120, Euronext IEIF « SIIC France », CAC Mid100, dans les indices de référence des foncières européennes « EPRA » et « GPR 250 », EPRA BPRs Gold Awards (rapport financier et développement durable), CDP (A), Green Star GRESB, ainsi que dans les indices éthiques ESG FTSE4 Good, DJSI World et Europe, Euronext Vigeo (World 120, Eurozone 120, Europe 120 et France 20), Euronext® CDP Environment France EW, Oekom, Ethibel et Gaïa.

Covivio est noté BBB+ / perspective Stable par Standard and Poor's.



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1. BUSINESS ANALYSIS

The first half of 2019 showed excellent operating results on the four activities of Covivio, due to the strategic choices implemented and supportive markets. The Group achieved key milestones on its strategic objectives: stepping-up the development pipeline, accelerating mature asset disposals and reducing the loan-to-value ratio.

Changes in scope:

Two changes occurred between the first half of 2018 and the first half of 2019, with an impact on Covivio's percentage ownership of its subsidiaries:

- ▶ The merger between Covivio and its Italian subsidiary Beni Stabili took effect on 31st December 2018 (vs 52.4% ownership in the first quarter 2018 and 59.9% for the rest of the year 2018).
- ▶ Covivio's stake in its hotel subsidiary, Covivio Hotels, increased following the asset contribution from Covivio to Covivio Hotels, from 42.3% at end-2018 to 43.2% at end-June 2019.

A. REVENUES: +3.4% LFL GROWTH ON STRATEGIC ACTIVITIES

(€ million)	100%			Group share				
	H1 2018	H1 2019	Change (%)	H1 2018	H1 2019	Change (%)	Change (%) LfL ¹	% of revenue
France Offices	137.6	130.3	-5.3%	123.3	115.1	-6.6%	+3.9%	34%
Paris	45.4	42.6	-6.3%	43.6	40.0	-8.3%	+6.6%	12%
Greater Paris (excl. Paris)	67.2	66.2	-1.5%	55.6	54.4	-2.2%	+2.2%	16%
Major regional cities	15.2	14.2	-6.8%	14.4	13.4	-6.7%	+4.9%	4%
Other French Regions	9.8	7.4	-24.9%	9.8	7.4	-24.8%	-0.6%	2%
Italy Offices	96.5	94.5	-2.1%	41.9	72.9	+73.9%	+1.4%	22%
Offices - excl. Telecom Italia	47.3	50.4	+6.6%	26.6	50.4	+89.5%	+1.5%	15%
Offices - Telecom Italia	49.2	44.0	-10.5%	15.3	22.5	+46.8%	+1.2%	7%
German Residential	118.7	124.3	+4.7%	75.3	79.8	+5.9%	+4.4%	24%
Berlin	56.6	62.7	+10.8%	36.3	40.5	+11.7%	+5.3%	12%
Dresden & Leipzig	11.1	12.1	+8.8%	7.0	7.7	+10.2%	+3.2%	2%
Hamburg	7.8	8.0	+2.4%	5.2	5.2	+0.5%	+2.1%	2%
North Rhine-Westphalia	43.2	41.5	-3.9%	26.9	26.3	-2.3%	+4.1%	8%
Hotels in Europe	128.3	148.9	+16.1%	48.0	59.1	+23.1%	+2.0%	17%
Hotels - Lease Properties	94.6	117.7	+24.4%	34.4	46.1	+33.9%	+1.9%	14%
France	49.5	48.2	-2.6%	15.5	16.2	+4.4%	+1.8%	5%
Germany	13.5	16.8	+24.5%	5.5	7.1	+29.3%	+2.3%	2%
UK	0.0	22.1	n.a.	0.0	9.5	n.a.	n.a.	3%
Spain	10.6	17.1	+62.2%	7.3	7.4	+1.3%	+0.9%	2%
Belgium	17.4	7.3	-58.0%	4.5	3.2	-29.9%	+4.7%	1%
Others	3.7	6.2	+68.0%	1.6	2.7	+67.9%	+1.1%	1%
Hotels - Operating Properties (EBITDA)	33.7	31.2	-7.4%	13.6	13.0	-4.4%	+2.4%	4%
Total strategic activities	481.1	497.9	+3.5%	288.5	326.9	+13.3%	+3.4%	96%
Non-strategic	25.4	15.5	-38.8%	14.2	12.0	-15.8%	-1.7%	4%
Retail Italy	8.0	5.9	-25.8%	4.5	5.9	+31.9%	-2.4%	2%
Retail France	13.2	6.3	-52.2%	5.5	2.7	-50.5%	-0.7%	1%
Other (France Residential)	4.2	3.3	-21.4%	4.2	3.3	-21.5%	n.a.	1%
Total revenues	506.5	513.5	+1.4%	302.7	338.8	+11.9%	+3.3%	100%

¹ LfL : Like-for-Like

Group share revenues increased by 11.9% year-on-year (+€36.1 million) primarily due to:

- ▶ acceleration of like-for-like revenue growth of 3.4% from strategic activities (+€7.8 million) with:
 - +3.9% in France Offices, thanks to indexation (+1.5 pts) and good letting performance (+2.4 pts), particularly for leases signed in the first quarter 2018. The positive impact will thus gradually level off during 2019.
 - +1.4% in Italy Offices driven by Offices in Milan (+1.7%),

- +4.4% in German Residential, driven by Berlin (+5.3%) and supported by the strong performance in North Rhine-Westphalia (+4.1%),
- +2.0% in Hotels, driven by good EBITDA growth on management contracts (+2.4%). Accor variable rents grew by +1.9%, tuned down by the renovations works currently being realised by Accor that will fuel future revenue growth.
- ▶ acquisitions (+€17.6 million) especially in Hotels (+€12.0 million), with a portfolio of 12 hotels in the United Kingdom acquired last year, and in German Residential (+€4.0 million), with the acquisition of around 3,000 units in 2018.
- ▶ deliveries of new assets (+€4.9 million), mainly in France with the delivery of 5 projects in 2018 and 2019 and Italy with the delivery of the Symbiosis A and B buildings in Milan.
- ▶ asset disposals: (-€20.3 million), especially:
 - in France Offices (-€5.8 million), mostly non-core assets in the 2nd ring and Regions realised in 2018,
 - in Italy (-€2.9million), mostly through the disposal of Telecom Italia assets in second half 2018,
 - in German Residential (-€3.0 million) with the sale of close to 1,600 apartments in twelve months, including almost 75% of non-core assets in North Rhine-Westphalia,
 - in Hotels (-€3.5 million) with the disposal of non-core hotels (mostly B&B assets and Sunparks resorts),
 - non-strategic assets (-€5.0 million) mainly Retail in Italy and France (the Excelsior gallery asset in Milan and Jardiland stores).
- ▶ vacating for redevelopment (-€6.5 million) in France Offices, in Paris St-Ouen, Paris-Jean Goujon in the CBD and Gobelins in the Paris 5th.
- ▶ change in scope effects (+€32.6 million) mainly due to the increase in Covivio's stake in Beni Stabili to 100% at end 2018 and the asset contribution of Covivio to Covivio Hotels.

B. LEASE EXPIRIES AND OCCUPANCY RATES

1. Annualized lease expiries: 7.2 of average lease term

(Years)	By lease end date (1st break)		By lease end date	
	2018	H1 2019	2018	H1 2019
Group share				
France Offices	4.6	4.8	5.4	5.5
Italy Offices	7.7	7.2	8.1	7.8
Hotels in Europe	13.8	13.9	15.5	15.3
Total strategic activities	7.1	7.2	8.0	8.1
Non-strategic	4.8	5.4	5.8	6.5
Total	7.0	7.2	7.9	8.0

The average firm residual duration of leases increased by 0.1 year to 7.2 years at end-June 2019, due to

- strong rental activity in France offices, with 172,000 m² of renewals realised with more than 4 years' extension on average.
- acquisition of 2 remaining hotels in the UK, secured in 2018 with 25-year firm leases with IHG.

The decrease in Italy is due to new leases signed with a 6-year firm maturity, below the high average of the overall portfolio.

However, this figure does not include the good pre-letting activity of the first half on the committed projects in Milan, with close to 30,000 m² leased with an average maturity of 12 years.

(€ million; Group share)	By lease end date (1st break)	% of total	By lease end date	% of total
2019	31.1	4%	21.2	3%
2020	53.6	7%	30.4	4%
2021	38.9	5%	34.4	5%
2022	48.5	7%	40.6	6%
2023	43.3	6%	43.7	6%
2024	19.5	3%	20.8	3%
2025	42.9	6%	44.3	6%
2026	39.5	6%	39.9	6%
2027	30.5	4%	42.9	6%
2028	26.5	4%	38.8	5%
Beyond	148.7	21%	166.1	23%
German Residential	163.3	23%	163.3	23%
Hotel operating properties	27.5	4%	27.5	4%
Other (Incl. French Residential)	3.3	0%	3.3	0%
Total	717.1	100%	717.1	100%

The percentage of lease terms under three years stands at 17%, giving the Group excellent visibility over its cash flows.

The €31 million remaining to expire in 2019 includes:

- ▶ ~15% on two assets in Milan with redevelopment potential,
- ▶ ~20% involving assets in highly sought-after locations (mostly offices in Paris CBD and Milan CBD).
- ▶ ~14% relating to Cap18, an asset in Paris 18th where Covivio maintains short-term maturities with a view to development in the medium-term,
- ▶ ~50% to long-term partners of the Group (EDF, Orange, Telecom Italia),
- ▶ ~1% of non-strategic retail assets in Italy that the Group aims to dispose.

2. Occupancy rate: a high level of 98.2%

(%)	Occupancy rate	
Group share	2018	H1 2019
France Offices	97.1%	97.3%
Italy Offices	97.9%	98.1%
German Residential	98.7%	98.8%
Hotels in Europe	100.0%	100.0%
Total strategic activities	98.1%	98.2%
Non-strategic	93.5%	95.6%
Total	98.0%	98.1%

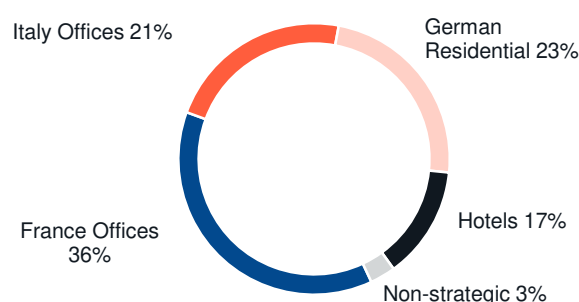
The occupancy rate increased to a record high at 98.2% for strategic activities. Covivio maintains a high occupancy level in the long-term with more than 96% on average over 10 years.

C. BREAKDOWN OF REVENUES – GROUP SHARE

By major tenants

(€ million, Group share)	Annualised revenues	
	H1 2019	%
Orange	67.2	9%
Telecom Italia	44.9	6%
Accor	30.5	4%
IHG	22.8	3%
Suez	22.1	3%
B&B	16.2	2%
Intesa San Paolo	15.8	2%
EDF / Enedis	15.3	2%
Vinci	15.1	2%
Tecnimont	13.5	2%
Dassault	12.7	2%
Thalès	11.2	2%
RHG	9.9	1%
Marriott	8.6	1%
NH	8.3	1%
Natixis	7.5	1%
Creval Group	6.9	1%
Eiffage	6.2	1%
Fastweb	6.2	1%
Aon	5.5	1%
Cisco	5.0	1%
Other tenants <€5M	199.3	28%
German Residential	163.3	23%
French Residential	3.3	0%
Total	717.1	100%

By activity



In 2019, Covivio continued its strategy of diversifying its tenant base. As a result, exposure to the three largest tenants continues to fall (19% compared to 20% at end-2018 and 26% two years ago). Last year, Covivio forged a new long-term partnership with IHG through the portfolio acquired in the United Kingdom, thus broadening its tenant base.

D. COST TO REVENUE RATIO BY BUSINESS

(€ million, Group share)	France Offices	Italy Offices (incl. retail)	German Residential	Hotels in Europe (incl. retail)	Other (Mainly France Residential)	Total	
	H1 2019	H1 2019	H1 2019	H1 2019	H1 2019	H1 2018	H1 2019
Rental Income	115.1	78.8	79.8	48.8	3.3	289.2	325.8
Unrecovered property operating costs	-6.9	-9.3	-0.8	-0.6	-1.1	-12.3	-18.8
Expenses on properties	-0.9	-2.9	-6.1	-0.0	-0.3	-11.3	-10.3
Net losses on unrecoverable receivable	-1.0	-1.5	-0.5	0.0	0.0	-0.9	-3.0
Net rental income	106.3	65.1	72.3	48.0	1.8	264.7	293.7
Cost to revenue ratio¹	5.7%	17.4%	9.4%	0.6%	44.1%	7.5%	9.0%

¹ Ratio restated of IFRIC 21 impact, smoothed over the year.

The cost to revenue ratio (9.0%) increased by 1.5 pts compared to the first half of 2018, mainly due to the increase to 100% of Covivio's stake in its Italian subsidiary, whose cost to revenue ratio decreased from 18.2% at end-2018 to 17.4%.

Excluding non-strategic French residential assets, under disposal agreements, the cost to revenue ratio stands at 8.7%.

E. DISPOSALS: €732 M OF NEW DISPOSALS IN 2019 (€602 M GROUP SHARE)

(€ million)		Disposals	Agreements	New	New	Total	Margin vs	Yield	Total
		(agreements as of end of 2018 closed)	as of end of 2018 to close	disposals H1 2019	agreements H1 2019	H1 2019	H1 2019 value		Realised Disposals
		1		2	3	= 2 + 3			= 1 + 2
France Offices	100 %	3	31	64	193	257	4.1%	4.5%	67
	Group share	3	31	64	193	257	4.1%	4.5%	67
Italy Offices	100 %	-	-	3	265	267	1.0%	5.4%	3
	Group share	-	-	1	265	266	1.0%	5.4%	1
German Residential	100%	20	9	10	21	30	74.9%	1.9%	30
	Group share	13	6	6	13	20	75.1%	1.9%	19
Hotels in Europe	100 %	283	-	49	113	162	11.6%	6.0%	331
	Group share	65	-	20	25	44	11.0%	6.3%	85
Non-strategic (France Resi., Logistics, Retail in France)	100 %	116	91	0	16	16	8.7%	5.8%	116
	Group share	116	91	0	15	15	9.0%	5.6%	116
Total	100 %	423	132	125	608	732	6.4%	5.1%	547
	Group share	198	129	91	510	602	4.7%	5.0%	289

New disposals and agreements were signed worth €732 million (€602 million Group share) with 6.4% average margin on last appraisal values and a 5.1% average yield.

Covivio has continued to improve its portfolio and crystallise value creation by accelerating disposals of mature assets and pursuing non-core assets disposals:

- ▶ **mature assets:** €460 million Group share (€498 million at 100%), mostly through three office buildings in Paris & Milan (€422 million Group share), including Green Corner in Saint-Denis (€167 million). The other €37 million Group share is split between €17 million of residential assets in Berlin (sold with a 78% margin) and €20 million related to an hotel in Dresden.
- ▶ **non-core assets:** €127 million Group share (€218 million at 100%) mainly assets in secondary locations in Italy (€84 million), €17 million in France Offices in the 2nd ring and French regions and €25 million in hotels in secondary cities (mainly B&B hotels).
- ▶ **non-strategic assets** represent only €15 million of new commitments at mid-2019. Nevertheless, non-strategic disposals secured at end-2018 continue to be realised, mainly the French Residential portfolio (€207 million realised or to be closed by end-2019).

F. INVESTMENTS: €622 M REALISED IN H1 2019 (€338 MILLION GROUP SHARE)

(€ million Including Duties)	Acquisitions H1 2019 realised			Development capex H1 2019	
	Acquisitions 100%	Acquisitions Group share	Yield ¹ Group share	Capex 100%	Capex Group share
France Offices	-	-	n.a.	198	105
Italy Offices	-	-	n.a.	51	48
German Residential	48	31	4.3%	48	35
Hotels in Europe ³	267	115	5.4% ²	10	4
Total	315	146	5.2%	307	192

¹ Potential yield on acquisitions.

² Yield in 2 years after reletting of vacant spaces. Immediate yield is 3.0% on acquisitions realised.

³ Including the acquisition a 32% stake in a portfolio of 32 Accor hotels closed on 1st July 2019, with 5.3% potential yield in 2 years (4.8% immediate yield)

€622 million (€338 million Group share) of investments were realised in first half of 2019, as Covivio pursued acquisitions in Hotels and accelerated its committed pipeline in Offices in Paris & Milan and in Residential in Berlin:

- ▶ Acquisitions of €315 million (€146 million Group share):
 - the acquisition, which closed in early July, of a 32% stake in a portfolio of 32 Accor hotels, for €176 million (€76 million Group share) in Paris & major city centres in France and Belgium.
 - the acquisition of residential assets worth €31 million Group share (€48 million at 100%) in Germany, including 84% in NRW at an average price of €2,736/m². These assets will generate an attractive yield of 4.3% after re-letting the vacant surface area and have a 35% reversion potential
 - the acquisition of the remaining two hotels in Oxford from the UK portfolio acquired in 2018, with a 5.1% minimum guaranteed yield and a 6% target yield.
- ▶ Capex in the development pipeline of €307 million (€192 million Group share), mostly related to development projects in Paris and Milan and acquisitions of land banks in Berlin for future Residential developments.

G. DEVELOPMENT PROJECTS: €6 Bn (€4.4 Bn GROUP SHARE)



1. Deliveries: 60 000 m² of office spaces and 257 hotel rooms delivered in the first half of 2019

Five projects were delivered in the first half of 2019 totalling 60 000 m² of office spaces in France and Italy and 257 hotel rooms, with an average occupancy rate of 81%. These were:

- ▶ **Îlot Armagnac** in Bordeaux (10,900m²) 83% let
- ▶ **Lezennes Hélios** in Lille (9,000 m²) 100% let
- ▶ **Cité Numérique** in Bordeaux (19,200 m² of offices), 63% let
- ▶ **A Meininger hotel** in Munich (173 rooms) 100% let
- ▶ **A B&B hotel** in Paris region, Cergy (84 rooms) 100% let.

Covivio's value creation amounted to around 30% on average on assets delivered in the first half of 2019. In addition, the yield achieved upon delivery of these increased to about 6.9%.

Committed projects: €2.1 Bn (€1.7 Bn in Group share)



Covivio stepped-up its committed pipeline in the first half of 2019 with more than 100,000 m² of new projects for over €600 million, thus increasing it to €1.7 billion Group share. Currently, 41 projects are under way in three European countries, 80% in Paris, Berlin and Milan. They will be completed between 2019 and 2021. The new projects include:

- ▶ **Paris So Pop – 31,000 m²**: demolition and reconstruction of the former headquarters of Citroën in Paris 17th with a 70% extension of the surface area. The asset was acquired in 2012 at an 8.1% yield and a redevelopment was launched upon departure of the tenant in 2018. The project is located in a fast-developing business district north of Paris 17th (location of the new Paris Courthouse, new stations of metro line 14). This development is shared at 49.9% with Crédit Agricole Assurances and will be delivered in 2021.
- ▶ **Levallois Alis – 20,500 m²**: full redevelopment project of offices into a prime asset in the well-established business district of Levallois, right next to the metro line 3. In 2015, Covivio had acquired the third building of this asset in view of redevelopment upon departure of the tenant, Lagardère, who vacated the building end-2018. Delivery is scheduled for 2022.

- ▶ **Duca d'Aosta in Milan – 2,500 m²**: full redevelopment of an office building into a hotel in the centre of Milan. 100% pre-let to Invest Hospitality in March 2019. Delivery is scheduled for 2020.
- ▶ **Reinventing Cities - 10,000 m²**: during the first half of 2019, with the Project "VITAE", Covivio won the Reinventing Cities competition, a prestigious international tender for urban and environmental regeneration. The asset is already 18% pre-let to IFOM and Cirfood. Delivery is scheduled for 2022.
- ▶ **Symbiosis D in Milan – 18,600 m²**: third building of the Symbiosis project in a growing business district in the South of Milan. Building D is already 35% pre-let to a major multinational group. Delivery scheduled for 2021.
- ▶ **Residential projects in Berlin – 183 units**: 4 new projects totalling €62 million of new construction and extension projects.

Along with these new projects, Covivio signed a major lease contract for one of its projects in Italy:

- ▶ **The Sign – 26,200 m²**: after the full pre-letting of the first building to AON in 2018, Covivio signed a binding agreement with NTT Data, a leading global IT and digital engineering services provider on the second and third buildings (buildings B&C) for the entire office surface area (16,000 m²). The pre-letting was signed 18 months before delivery, scheduled in 2020.

	Committed projects	Location	Project	Surface ¹ (m ²)	Target rent (€/m ² /year)	Pre- leased (%)	Total Budget ² (€M,100%)	Total Budget ² (€M, Group share)	Target Yield ³	Progress	Capex to be invested (€M, Group share)
French Offices	Meudon Ducasse Belaïa (50% share)	Greater Paris	Construction	5,100 m ²	260	100%	22	22	6.4%	28%	14
	IRO	Orly	Construction	22,600 m ²	198	48%	65	32	>7%	24%	24
	Flow	Châtillon-Greater Paris	Construction	25,600 m ²	325	0%	139	139	6.3%	40%	89
	Silex II (50% share)	Montrouge - Greater Paris	Construction	23,500 m ²	327	100%	115	115	6.6%	36%	67
		Lyon	Regeneration- extension	30,900 m ²	312	50%	166	83	6.0%	60%	34
	Total deliveries 2020			107,700 m²		50%	507	392	6.4%	41%	228
	Gobelins	Paris 5th	Regeneration	4,360 m ²	510	100%	50	50	4.3%	12%	20
	Montpellier Bâtiment de services	Montpellier	Construction	6,300 m ²	224	8%	21	21	6.7%	20%	15
	Montpellier Orange	Montpellier	Construction	16,500 m ²	165	100%	49	49	6.7%	24%	34
	Jean Goujon	Paris 8th	Regeneration	8,460 m ²	820	100%	182	182	n.a	7%	36
	Paris So Pop (50% share)	Paris 17th	Regeneration	31,000 m ²	> 400	0%	226	113	6.1%	3%	74
	N2 (50% share)	Paris 17th	Construction	15,900 m ²	575	0%	162	81	4.6%	7%	65
	Levallois Alis	Levallois	Regeneration	20,500 m ²	> 500	0%	215	215	5.0%	6%	59
	Total deliveries 2021 and beyond			103,020 m²		40%	905	711	5.3%	8%	303
Total France Offices			210,720 m²		43%	1,412	1,103	5.8%	20%	531	
Italy Offices	Principe Amedeo	Milan	Regeneration	6,500 m ²	520	99%	60	60	5.3%	97%	0.4
	Total deliveries 2019			6,500 m²		99%	60	60	5.3%	97%	0
	Dante	Milan	Regeneration	4,700 m ²	560	100%	57	57	4.5%	17%	10
	The Sign	Milan	Construction	26,200 m ²	285	98%	106	106	>7%	47%	41
	Duca d'Aosta	Milan	Regeneration	2,500 m ²	n.a	100%	12	12	9.0%	5%	4
	Symbiosis School	Milan	Construction	7,900 m ²	225	99%	21	21	>7%	17%	16
	Total deliveries 2020			41,300 m²		99%	196	196	6.7%	32%	71
	Symbiosis D	Milan	Construction	18,600 m ²	315	35%	84	84	6.9%	3%	47
	Ferrucci	Turin	Regeneration	18,100 m ²	130	0%	42	42	5.4%	54%	7
	Reinventing Cities	Milan	Construction	10,000 m ²	315	18%	42	42	6.6%	7%	39
Total 2021 deliveries and beyond			46,700 m²		22%	168	168	6.5%	17%	93	
Total Italy Offices			94,500 m²		68%	424	424	6.4%	35%	164	
German Resi.	German residential - deliveries in 2019	Berlin	Construction	5,145 m²	n.a	n.a	16	10	5.0%	52%	7
	German residential - deliveries 2020 and beyond	Berlin	Construction	40,126 m²	n.a	n.a	155	101	4.6%	6%	95
	Total German Residential			45,271 m²		n.a	171	111	4.7%	11%	102
Hotels in Europe	B&B Bagnolet (50% share)	Greater Paris	Construction	108 rooms	n.a	100%	8	2	6.2%	50%	1
	Meininger Porte de Vincennes	Paris	Construction	249 rooms	n.a	100%	47	20	6.2%	88%	2
	Meininger Lyon Zimmermann	Lyon - France	Construction	176 rooms	n.a	100%	19	8.0	6.1%	87%	1
	Total deliveries 2019			533 rooms		100%	74	30	6.2%	86%	4
Total Hotels in Europe			533 rooms		100%	74	30	6.2%	86%	4	
Total					51%	2,080	1,668	6.0%	24%	801	

¹ Surface at 100%

² Including land and financial costs

³ Yield on total rents including car parks, restaurants, etc.

Synthesis of Committed projects	Surface ¹ (m ²)	Pre-leased (%)	Total Budget ² (€M, 100%)	Total Budget ² (€M, Group share)	Target Yield ³	Progress	Capex to be invested (€M, Group share)
France Offices	210,720 m ²	43%	1,412	1,103	5.8%	20%	531
Italy Offices	94,500 m ²	68%	424	424	6.4%	35%	164
German Residential	45,271 m ²	n.a	171	111	4.7%	11%	102
Hotels in Europe	533 rooms	100%	74	30	6.2%	86%	4
Total		51%	2,080	1,668	6.0%	24%	801

¹ Surface at 100%, ² Including land and financial costs, ³ Yield on total rents including car parks, restaurants, etc

2. Managed projects: €3.8 Bn (€2.7 Bn in Group share)

€3.8 Bn

	Projects sorted by estimated total cost at 100%	Location	Project	Surface ¹ (m ²)	Delivery timeframe
France Offices	Cap 18	Paris	Construction	50,000 m ²	>2022
	Rueil Lesseps	Rueil-Malmaison - Greater Paris	Regeneration - Extension	43,000 m ²	>2022
	Montpellier Pompignane	Montpellier	Construction	72,300 m ²	>2022
	Opale	Meudon - Greater Paris	Construction	37,000 m ²	>2022
	Anjou	Paris	Regeneration	11,000 m ²	>2022
	Bordeaux Jardin de l'Ars	Bordeaux	Construction	19,600 m ²	2022
	Villeneuve d'Ascq Flers	Lille	Construction	25,600 m ²	>2023
	DS Campus Extension 2 (50% share)	Vélizy - Greater Paris	Construction	27,500 m ²	2022
	Campus New Vélizy Extension (50% share)	Vélizy - Greater Paris	Construction	14,000 m ²	>2022
	Total France Offices			300,000 m²	
Italy offices	Symbiosis (other buildings)	Milan	Construction	66,000 m ²	2020-2022
	The Sign D	Milan	Construction	11,400 m ²	2021
	Total Italy Offices			77,400 m²	
Mixed-use	Alexanderplatz - 1st tower	Berlin	Construction	60,000 m ²	2024
	Alexanderplatz - 2nd tower	Berlin	Construction	70,000 m ²	>2024
	Additional constructability (Hotels portfolio)	France, UK, Germany	Construction	100,000 m ²	>2022
	Mixed-Use			230,000 m²	
	German Residential	Berlin	Extensions & Constructions	198,000 m²	>2022
	Total			805,400 m²	

¹ Surfaces at 100%

The next project to be committed is Alexanderplatz in Berlin:

- ▶ **Alexanderplatz in Berlin - first tower of 60,000 m²**: flagship mixed-use project for the construction of a new tower in the very centre of Berlin. The building will host offices, residential and ground-floor retail.

In total, around 800,000 m² of new developments and redevelopments will drive the Group's future growth, such as Vinci's headquarters in Rueil-Malmaison (43,000 m² of redevelopment-extension potential) or additional constructible space identified in land banks adjacent to hotels (100,000m²).

H. PORTFOLIO

Portfolio value: **+2.9%** on strategic activities on a like-for-like basis

(€ million, Excluding Duties)	Value 2018 Group Share	Value H1 2019 100%	Value H1 2019 Group share	LfL ¹ 6 months change	Yield ² 2018	Yield ² H1 2019	% of portfolio
France Offices	5,640	6,802	5,716	1.8%	5.2%	5.2%	36%
Italy Offices	3,188	3,922	3,229	0.2%	5.4%	5.4%	21%
Residential Germany	3,743	6,296	4,070	7.7%	4.3%	4.1%	26%
Hotels in Europe	2,250	5,738	2,317	1.8%	5.4%	5.4%	15%
Total strategic activities	14,820	22,759	15,332	2.9%	5.0%	5.0%	98%
Non-strategic	475	447	348	-5.2%	5.9%	7.5%	2%
Total	15,295	23,205	15,680	2.8%	5.0%	5.0%	100%

¹ LfL: Like-for-Like

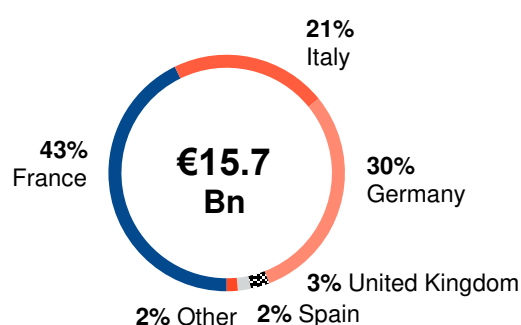
² Yield excluding development projects

The portfolio grew by €385 million to €15.7 billion Group share (€23.2 billion in 100%) mostly due to the strong like for like growth in value of +2.9% in strategic activities.

- ▶ 69% of the like-for-like growth comes from German residential, especially Berlin where values rose by 9%
- ▶ 17% comes from the development pipeline, driven by the French office developments due to pre-lettings during the first half (including the full pre-letting of the Flow project in Montrouge to EDF for 23,500 m²).

Geographic breakdown of the portfolio end-June 2019

90% in large European cities



I. LIST OF MAJOR ASSETS

The value of the ten main assets represents almost 14% of the portfolio Group share (equal to end 2018).

Top 10 Assets	Location	Tenants	Surface (m ²)	Covivio share
CB 21 Tower	La Défense (Greater Paris)	Suez, AIG Europe, Nokia, Groupon	68,400 m ²	75%
Garibaldi Towers	Milan	Maire Tecnimont, LinkedIn, etc.	44,700 m ²	100%
Carré Suffren	Paris 15 th	AON, Institut Français, Ministère Education	25,200 m ²	60%
Art&Co	Paris 12 th	Wellio, Adova, Bentley, AFD	13,500 m ²	100%
Montebello	Milan	Intesa San Paolo	18,500 m ²	100%
Green Corner	St-Denis (Greater Paris)	HAS et Systra	20,800 m ²	100%
Dassault Campus	Vélizy Villacoublay (Greater Paris)	Dassault Systèmes	56,600 m ²	50.1%
Paris Carnot	Paris 17 th	Orange	11,200 m ²	100%
Liberté	Charenton (Greater Paris)	Natixis	26,600 m ²	100%
Anjou	Paris 8 th	Orange	10,100 m ²	100%

2. BUSINESS ANALYSIS BY SEGMENT

The France Offices indicators are presented at 100% and at Group share (GS).

A. FRANCE OFFICES

1. Appetite for new surfaces, especially in the 1st ring

Covivio's France Offices portfolio of €6.8 billion (€5.7 billion Group share) is located in strategic locations in Paris, in the major business districts of the Greater Paris area and the major regional cities. The first half 2019 showed a dynamic overall performance even if the take-up has been penalised by a reduced supply after an exceptional year 2018:

- ▶ **Take-up** stood at 1,1 million m², in line with the ten-year average (-20% vs the historically high first half of 2018).
 - Around 280,000 m² on new or refurbished space (vs 1 million m² in 2018), driven by Paris (105,000 m²) and the increasingly attractive 1st ring (94,000 m², +100% year-on-year).
- ▶ Record low **immediate supply** of under 2.9 million m² (-3% vs end-2018) and vacancy rate (5.1%, -0.4 pt vs end-2018)
 - Vacancy rate remains at an all-time low in all areas, especially in Paris (2.3%)
 - Only 540,000 m² of new space is available (21% of immediate offer)
 - Marked scarcity in the area around Covivio projects: only 32,000 m² in Paris 17th North-Clichy-St Ouen, 5,300 m² in Montrouge-Malakoff-Chatillon and 7,600 m² in Levallois.
- ▶ **Future supply** remains fairly stable with 2 million m² of surface area under construction, pre-let at 39%.
 - Construction volume in La Défense increased by 37%
 - Excluding la Défense, the volume under construction dropped by 7% with a stable pre-let ratio at 46%
 - Overall, the available surface area under construction until 2021 represents around a half-year of take-up.
- ▶ Average **economic rents on new or restructured spaces** rose by 6% on average year-on-year in Greater Paris:
 - Headline rents increased by 5% on average
 - Incentives decreased again by 0.4 pt since end-June 2018 to 19.9%
 - Most areas benefitted: +6% in Paris, +7% in the 1st ring, +9% in the Western Crescent.
- ▶ **Investments** in Greater Paris offices remain buoyant, with €8.8 bn (+11% year-on-year). There is still a significant gap between prime yields (stable at 3% in the CBD of Paris, 3.85% in Lyon) and the OAT 10-year (close to -0.5% at end-June 2019).

In the first half of 2019, the France Offices business was characterised by:

- ▶ **Strong rental income growth** of 3.9% on a like-for-like basis.
- ▶ Acceleration of **mature asset disposals** with €221 million secured in the Greater Paris.
- ▶ Launch of three **developments projects** for 60,000 m² of offices, representing €461 million total costs (€349 million Group share).
- ▶ The **1.8% like-for-like value growth** over 6 months, thanks to increasing market rents on new spaces and value creation on our development projects.

Partially held assets are the following:

- CB 21 Tower (75% owned),
- Carré Suffren (60% owned),
- the Eiffage and Dassault campuses in Vélizy (50.1% owned and fully consolidated),
- the Silex 1 and 2 assets in Lyon (50.1% owned and fully consolidated),
- the New Vélizy campus for Thales (50.1% owned and accounted for under the equity method),
- Euromed Centre in Marseille (50% owned and accounted for under the equity method),
- Bordeaux Armagnac (34.7% owned and accounted for under the equity method),
- Cœur d'Orly in Greater Paris (50% owned and accounted for under the equity method).

2. Accounted rental income: +3.9% at a like-for-like scope

2.1. Geographic breakdown: success of asset management policy

(€ million)	Surface (m ²)	Number of assets	Rental income H1 2018 100%	Rental income H1 2018 Group share	Rental income H1 2019 100%	Rental income H1 2019 Group share	Change (%) Group share	Change (%) LfL ¹ Group share	% of rental income
Paris Centre West	106,357	11	21.6	22.2	17.0	17.0	-23.7%	1.7%	15%
Paris South	72,101	8	14.1	11.6	15.5	12.9	11.0%	16.3%	11%
Paris North- East	109,320	6	9.7	9.7	10.1	10.1	3.7%	4.3%	9%
Total Paris	287,778	25	45.4	43.6	42.6	40.0	-8.3%	6.6%	35%
Western Crescent and La Défense	224,533	18	36.2	32.4	35.6	31.8	-1.8%	1.4%	28%
Inner ring	461,639	23	27.7	19.9	28.0	20.0	0.7%	3.6%	17%
Outer ring	51,940	22	3.3	3.3	2.6	2.6	-21.7%	2.2%	2%
Total Paris Region	1,025,890	88	112.7	99.1	108.7	94.3	-4.8%	4.0%	82%
Major regional cities	399,885	49	15.2	14.4	14.2	13.4	-6.7%	4.9%	12%
Other French Regions	213,854	73	9.8	9.8	7.4	7.4	-24.8%	-0.6%	6%
Total	1,639,629	210	137.6	123.3	130.3	115.1	-6.6%	3.9%	100%

¹ LfL : Like-for-Like

Rental income decreased by 6.6%, to €115 million Group share (-€8.2 million) as a result of:

- ▶ improved rental performance with 3.9% growth on a like for like basis (+€3.8 million) including:
 - +1.5 pt from indexation
 - +0.4 pt from rent uplift on renewals, mostly on leases in Paris South and the Western Crescent
 - +2.1 pt due to occupancy, mainly on one asset in Paris South let in the first quarter of 2018. The impact will gradually level off over the year.
- ▶ deliveries in 2018 and in the 1st half of 2019 (+€2.0 million) in major regional cities (Toulouse, Bordeaux, Lille)
- ▶ vacating for redevelopment (-€6.0 million) in Paris St-Ouen, rue Jean Goujon in Paris CBD and Gobelins in Paris 5th.
- ▶ disposals (-€5.8 million), mostly non-core assets in French regions and outer suburbs sold in 2018.
- ▶ others (-€2.2 million), mainly releases on assets to be sold through residential development.

3. Annualised rents: €259 million Group share at end-June 2019

3.1. Breakdown by major tenants

(€ million)	Surface (m ²)	Number of assets	Annualised rents 2018 100%	Annualised rents 2018 Group share	Annualised rents H1 2019 100%	Annualised rents H1 2019 Group share	Change (%)	% of rental income
Orange	340,564	92	67.4	67.4	67.8	67.2	-0.3%	26%
Suez	82,337	2	28.3	22.1	28.3	22.1	0.0%	9%
Vinci	61,593	4	15.0	15.0	15.3	15.3	1.8%	6%
EDF / Enedis	130,689	17	15.8	15.8	15.1	15.1	-4.6%	6%
Dassault	69,395	2	25.4	12.7	25.4	12.7	0.0%	5%
Thalès	83,416	2	18.1	11.1	18.2	11.2	0.7%	4%
Natixis	26,590	1	10.9	10.9	7.5	7.5	-31.4%	3%
Eiffage	58,030	12	11.9	6.6	11.5	6.2	-5.8%	2%
Aon	24,864	1	9.2	5.5	9.2	5.5	0.0%	2%
Cisco	11,461	1	5.0	5.0	5.0	5.0	0.0%	2%
Other tenants	750,690	76	103.9	89.3	106.0	91.1	2.0%	35%
Total	1,639,629	210	310.8	261.5	309.2	258.9	-1.0%	100%

The 10 largest tenants account for 65% of annualised rental income (-1 pt since end-2018). The main changes affecting Key Accounts relate to the disposal of non-core assets let to Natixis and Eiffage in French Regions.

3.2. Geographic breakdown: 92% of rental income generated in strategic locations

(€ million)	Surface (m ²)	Number of assets	Annualised rents 2018 100%	Annualised rents 2018 Group share	Annualised rents H1 2019 100%	Annualised rents H1 2019 Group share	Change (%)	% of rental income
Paris Centre West	106,357	11	34.5	34.5	35.9	35.9	4.2%	14%
Paris South	72,101	8	34.6	28.5	33.3	27.2	-4.7%	10%
Paris North- East	109,320	6	19.6	19.6	20.7	20.7	5.7%	8%
Total Paris	287,778	25	88.7	82.6	89.9	83.8	1.5%	32%
Western Crescent and La Défense	224,533	18	78.6	69.8	78.5	69.6	-0.3%	27%
Inner ring	461,639	23	80.0	52.9	76.4	49.3	-6.9%	19%
Outer ring	51,940	22	5.2	5.2	5.1	5.1	-2.0%	2%
Total Paris Region	1,025,890	88	252.6	210.5	249.9	207.8	-1.3%	80%
Major regional cities	399,885	49	42.8	35.6	44.5	36.3	2.0%	14%
Other French Regions	213,854	73	15.4	15.4	14.8	14.8	-4.0%	6%
Total	1,639,629	210	310.8	261.5	309.2	258.9	-1.0%	100%

The weight of strategic locations is unchanged compared to 2018.

4. Indexation

The indexation effect is +€1.2 million over twelve months. For current leases:

- ▶ 87% of rental income is indexed to the ILAT (Service Sector rental index),
- ▶ 12% to the ICC (French construction cost index),
- ▶ the balance is indexed to the ILC or the RRI (rental reference index).

Rents benefiting from an indexation floor (1%) represent 26% of the annualised rental income and are indexed to the ILAT.

5. Rental activity: more than 190,000 m² renewed or let in the first half of 2019

	Surface (m ²)	Annualised rents H1 2019 (€m, Group share)	Annualised rents H1 2019 (€/m ² ,100%)
Vacating	23,518	4.5	191
Letting	13,957	2.8	226
Pre-letting	4,652	0.5	208
Renewals	172,396	28.7	208

- ▶ 172,400 m² have been renegotiated or renewed, representing more than 10% of the rental income, essentially in Paris and the 1st ring.
On average, the leases have been renewed with an increase of 3.6% on IFRS rents and 4.3 years of extension of the maturity.
- ▶ 18,600 m² have been let or pre-let over the year, bringing in €3.3 million in new rental income Group share, including 6,200 m² on development projects to be delivered or recently delivered.
- ▶ 23,500 m² were vacated, including 4,600 m² early 2019 for a redevelopment in Paris (Orange in Paris 5th) and 10,900 m² on assets vacated for disposals through residential development.

6. Lease expiries and occupancy rate

6.1. Lease expiries: firm residual lease term of 4.8 years

(€ million)	By lease end date (1st break)	% of total	By lease end date	% of total
2019	21.3	8%	18.3	7%
2020	33.5	13%	22.1	9%
2021	30.1	12%	26.3	10%
2022	25.0	10%	18.7	7%
2023	28.7	11%	26.9	10%
2024	12.1	5%	11.1	4%
2025	34.1	13%	33.5	13%
2026	23.0	9%	22.1	9%
2027	20.6	8%	31.4	12%
2028	8.2	3%	18.8	7%
Beyond	22.4	9%	29.7	11%
Total	258.9	100%	258.9	100%

The firm residual duration of leases has increased by 0.2 point to 4.8 years especially thanks to the renegotiations carried out this half-year (extending the maturities by +4.3 years on average).

Out of the €21 million of expiries remaining in 2019:

- 20% relates to Cap18, an asset in Paris 18th where Covivio maintains short-term maturities with a view to development in the medium-term
- 63% with long-term partner of the Group (EDF and Orange), with whom leases are renegotiated at national level
- 17% on core assets very well located in Paris and in Lyon (Paris CBD, Lyon CBD, La Défense).

6.2. Occupancy rate: a high level of 97.3%

(%)	2018	H1 2019
Paris Centre West	99.5%	99.5%
Southern Paris	100.0%	100.0%
North Eastern Paris	92.8%	96.9%
Total Paris	98.0%	99.0%
Western Crescent and La Défense	99.3%	99.0%
Inner ring	97.1%	98.0%
Outer ring	92.2%	91.5%
Total Paris Region	98.0%	98.6%
Major regional cities	94.9%	93.7%
Other French Regions	91.1%	89.9%
Total	97.1%	97.3%

The occupancy rate remains high, at 97.3%. The slight increase observed is due to new lettings in Cap 18 on surfaces that were temporarily vacant at end-2018.

The occupancy rate has remained above 95% since 2010 reflecting the Group's very good rental risk profile over the long term.

7. Reserves for unpaid rent

(€ million)	H1 2018	H1 2019
As % of rental income	0.0%	0.9%
In value ¹	0.0	1.0

¹ net provision / reversals of provision

The level of unpaid rent remains immaterial, albeit increasing due to one particular tenant going bankrupt whose rent is fully provisioned (Sequana on Boulogne Grenier).

8. Disposals and disposal agreements: €257 M secured in the first half of 2019

(€ million)	Disposals (agreements as of end of 2018 closed)	Agreements as of end of 2018 to close	New disposals H1 2019	New agreements H1 2019	Total H1 2019	Margin vs 2018 value	Yield	Total Realised Disposals
	1		2	3	= 2 + 3			= 1 + 2
Total Paris	0	21	0	0	0	n.a	n.a	0
Total Paris Region	0	27	54	187	241	4.5%	4.3%	54
Major regional cities	1	4	9	0	9	-0.2%	11.6%	9
Other French Regions	3	1	1	6	7	-3.3%	3.6%	4
Total 100%	3	31	64	193	257	4.1%	4.5%	67
Total Group share	3	31	64	193	257	4.1%	4.5%	67

Covivio has secured €257 million of disposals, mostly on mature assets, enabling it to finance development and acquisition projects with strong value-creation potential.

- ▶ Acceleration of **mature asset disposals**, with €221 million signed this first half:
 - €167 million for a 20,800 m² office building in Saint-Denis, developed by Covivio and delivered in 2015 at 7% yield on cost.
 - €54 million for a 11,500 m² building in Charenton, fully let to Natixis, with a +1.1% margin on appraisal value.
- ▶ €20 million for a land bank in Meudon.
- ▶ €17 million in **non-core assets** have been signed, mainly in other French regions and the outer suburbs.

9. Development pipeline: €2.7 Bn of projects (€2.4 Bn Group share)

Development projects are one of the growth drivers for profitability and quality and quality improvement in the portfolio, both in terms of location and the high standards of delivered assets.

In Greater Paris, Covivio targets strategic locations in established business districts with strong public transport links. In the major regional cities (with annual take-up of more than 50,000 m²), the Group is targeting prime locations such as the La Part-Dieu district in Lyon.

9.1. Three projects delivered

Three projects were delivered in the first half of 2019:

- 30,100 m² in Bordeaux through two projects (Armagnac and Cité du Numérique), let at 73% on average.
- 9,000 m² in Lille on the Hélios building, fully let to ITCE, a subsidiary of the Caisse d'Epargne group.

9.2. Committed pipeline: €1.4 billion of projects (€1.1 billion Group share)

In first half 2019, Covivio launched €461 million (€349 million Group share) of new projects in France, thus increasing its committed pipeline by 30% to €1.4 billion (€1.1 billion Group share).

For more details on committed projects, see the table on page 15 of this document.

Three new projects were committed in the first half 2019:



- ▶ **Paris So Pop – 31,000 m²**: demolition and reconstruction of the former headquarters of Citroën in Paris 17th with a 70% extension of the surface area. The asset was acquired in 2012 at an 8.1% yield and a redevelopment was launched upon departure of the tenant in 2018. The project is located in a fast-developing business district north of Paris 17th (location of the new Paris Courthouse, new stations of metro line 14). This development is shared at 49.9% with Crédit Agricole Assurances and will be delivered in 2021.



- ▶ **Levallois Alis – 20,500 m²**: full redevelopment project of offices into a prime asset in the well-established business district of Levallois, right next to the metro line 3. In 2015, Covivio had acquired the third building of this asset with a view to redevelopment upon departure of the tenant, Lagardère, who vacated the early 2019. Delivery is scheduled for 2022.



- ▶ **Montpellier Bâtiment de services – 6,306 m²**: a services building developed in Montpellier Pompignane as part of the future business hub of the area.

Furthermore, work continued on several projects, including:



- ▶ **Flow in Montrouge – 23,500 m²**: Construction of an urban campus in the Montrouge-Malakoff-Châtillon business district. The asset was 100% pre-let to EDF 18 months ahead of delivery, scheduled in 2020.



- ▶ **IRO in Châtillon – 25,600 m²**: construction project for a new office building in the attractive Montrouge-Malakoff-Châtillon business district. IRO constitutes the only new offer under construction until 2020, when delivery is scheduled.



- ▶ **Jean Goujon in Paris 8th – 8,460 m²**: full redevelopment of a building purchased in 2018 into a flagship prime asset. Covivio plans to relocate all its Paris team there after completion. Delivery is scheduled for 2021.



- ▶ **N2 in Paris 17th arrondissement – 15,900 m²**: construction project, in partnership with ACM, for an innovative mixed-use property (offices/coworking/hotel/ground floor retail). Delivery of this asset is scheduled for end of year 2021.



- ▶ **Silex 2 in Lyon – 30,900 m²**: prime office project in Lyon Part-Dieu CBD. 50% is already pre-let two years ahead of delivery (scheduled for end of 2020): 9,900 m² to Solvay and 5,000 m² dedicated to flex-offices through Wellio. The project is co-developed at 49.9% with ACM.



- ▶ **Cœur d'Orly- Belaïa – 22,600 m²**: new office building in Cœur d'Orly, the business district of Paris-Orly airport, in partnership with the ADP Group. 48% of the asset has already been pre-let, and delivery is scheduled for 2020.

- ▶ **Montpellier Orange – 16,500 m²**: construction project for a turnkey building for Orange in the Parc de la Pompignane in Montpellier. Delivery is expected in 2021.
- ▶ **Gobelins in Paris 5th – 4,360 m²**: former Orange building being redeveloped. Covivio will set-up its new flex-offices offer, Wellio, using the entire space. Gobelins is part of Covivio's ~€1bn portfolio of Orange assets in Paris with significant value creation potential through redevelopment (currently valued at €8,590/m² with an average rent of €386/m²).

9.3. Managed pipeline: €1.3 billion of projects (€1.3 billion in Group share)

For a breakdown of managed projects, see the table on page 16 of this document.

In total, close to 300,000 m² of new developments and redevelopments will drive the Group's future growth, such as Vinci's headquarters in Rueil-Malmaison (43,000 m² of redevelopment-extension potential) and the Cap 18 project in Paris 18th (50,000 m² of potential new constructions).

10. Portfolio values

10.1. Change in portfolio values: €76 million rise in Group Share in the first half of 2019

(M€, Including Duties Group share)	Value 2018	Acquis.	Invest.	Disp.	Value creation on acquis./disp.	Change in value	Transfer	Change in scope	Value H1 2019
Assets in operation	5,009	-	39	-67	-	36	42	-63	4,995
Assets under development	631	-	69	0	-	63	-42	-	721
Total	5,640	-	108	-67	-	100	-	-63	5,716

The value of the portfolio has grown by €76 million since end-2018, boosted by like-for-like growth in value and investments (+€100 million). Disposals (-€67 million) allowed Covivio to improve the quality of the portfolio and to finance investments in the development pipeline. Furthermore, upgrading work worth €8 million has been completed on assets in operation.

10.2. Like-for-like portfolio evolution: +1.8% of growth

(€ million, Excluding Duties)	Value 2018 Group share	Value H1 2019 100%	Value H1 2019 Group share	LfL (%) change ¹ 6 months	Yield ² 2018	Yield H1 2019	% of total
Paris Centre West	1,094	1,110	1,110	0.6%	3.9%	4.1%	19%
Paris South	647	811	667	2.7%	4.4%	4.3%	12%
Paris North- East	390	397	397	1.3%	5.0%	5.2%	7%
Total Paris	2,131	2,318	2,175	1.4%	4.3%	4.4%	38%
Western Crescent and La Défense	1,419	1,576	1,416	-0.4%	5.4%	5.4%	25%
Inner ring	1,112	1,659	1,170	5.6%	5.5%	5.3%	20%
Outer ring	63	58	58	-1.3%	8.9%	8.9%	1%
Total Paris Region	4,725	5,611	4,819	1.8%	5.0%	5.0%	84%
Major regional cities	739	1,023	729	2.4%	6.0%	5.7%	13%
Other French Regions	177	168	168	-1.8%	8.8%	8.8%	3%
Total	5,640	6,802	5,716	1.8%	5.2%	5.2%	100%

¹ LfL : Like-for-Like

² Yield excluding assets under development

Values rose by 1.8% on a like-for-like basis due in particular to:

- ▶ +9.7% on assets under development, in particular driven by:
 - Montrouge-Flow with the pre-letting of the whole asset in early 2019, 18 months ahead of delivery.
 - Silex II with the pre-letting of 50% of the asset, including 9,900 m² to Solvay in late 2018, 18 months ahead of delivery.
- ▶ +1.4% in Paris through increases in rental values.

11. Strategic segmentation of the portfolio

- ▶ The core portfolio is the strategic grouping of key assets, consisting of resilient properties providing long-term income. Mature assets may be disposed off on an opportunistic basis in managed proportions. This frees up resources that can be reinvested in value-creating transactions, such as development projects or making new investments.
- ▶ The portfolio of assets “under development” consists of assets subject to a development project. Such assets will become *core assets* once delivered. They concern:
 - “committed” projects (appraised);
 - land banks that may be undergoing appraisal;
 - “managed” projects vacated for short/medium term development (undergoing internal valuation).
- ▶ Non-core assets form a portfolio segment with a higher average yield than that of the office portfolio, with smaller, liquid assets in local markets, allowing their possible progressive sale.

	Core Portfolio	Development portfolio	Non-core portfolio	Total
Number of assets	80	16	114	210
Value Excluding Duties Group share (€ million)	4,754	721	241	5,716
Annualised rental income	237.9	0.3	20.7	258.9
Yield ¹	5.0%	0.0	8.6%	5.2%
Residual firm duration of leases (years)	4.9	n.a	3.4	4.8
Occupancy rate	98.0%	n.a	95.9%	97.3%

¹ Yield excluding development

Core assets represent 83% of the portfolio (Group share) at end-June 2019.

The development portfolio value has increased sharply since end-2018 and represents 13% of the total portfolio.

Non-core assets now represent 4% of the portfolio (-1 pt since end-2018), due in particular to disposals in French regions and the outer suburbs. About a third of those assets correspond to assets identified for a residential development in the medium-term.

B. ITALY OFFICES

In December 2018, the merger between Covivio and Beni Stabili was completed, thus furthering the simplification of the Group structure already achieved in 2017 and 2018.

Therefore, the ownership rate in the Italian portfolio is now 100% at end-June 2019 (vs 59.9% at end-June 2018). For P&L purposes, the ownership rate retained is 100% since end-December 2018 (vs 52.4% for the first quarter 2018 and 59.9% for the rest of 2018).

As a reminder, the Telecom Italia portfolio is co-owned at 51% by Covivio with EDF Invest and Crédit Agricole Assurances.

1. Milan Office Market still shows impressive results¹

Covivio's Italy strategy is focused on Milan, where the Group's acquisitions and developments are concentrated. At end-June 2019, the Group owned offices worth €3.9 billion (€3.2 billion Group share). The Milan Office market set new records in the first quarter 2019, after an already strong 2018.

- ▶ Take-up reached a 10-year record, reaching 240,000 m² in the first half of 2019 (+18% vs the first half of 2018), driven especially by the CBD (66,000 m², +53%).
- ▶ The vacancy rate in Milan dropped again by -10 bps vs end-2018 and now stands at 10.5%. The CBD and the Centre are once more the areas with the lowest vacancy rates, between 2% and 3.5% with an especially low vacancy rate of grade A supply at 2.4%.
- ▶ 1,3 million m² are available but only 22% of the currently vacant spaces are Grade A offices (nearly 277,000 m²) and about 28,000 m² are located in the CBD,
- ▶ Prime rents increased again and reached 600€/m² in the CBD (+6% in one year),
- ▶ Investments in Milan offices reached €1.4 billion in the first half of 2019 (vs €162 million in the first quarter of 2018 and €2.1 billion for full-year 2018). Investors are increasingly looking at growing business districts in the semi-centre, such as Porta Romana (where the Symbiosis area is located).

The first half of 2019 was marked by:

- ▶ The acceleration and success of the development pipeline in Milan, with two new committed projects representing €127 million and the pre-letting of close to 30,000 m².
 - the full pre-letting of the Sign project, with 16,000 m² leased to a leading global IT and digital engineering services provider,
 - the launch of the third building of the Symbiosis area, 18,600 m² of offices already 35% pre-let,
 - the winning of the Reinventing Cities contest, 10,000 m² of innovative office spaces 18% pre-let.
- ▶ The disposal of a €263 million portfolio of 10 non-core and mature assets, including the building on Via Montebello in Milan and nine assets located in secondary locations in Italy.

¹ Sources: BNP Real Estate

2. Accounted rental income: +1.4% like-for-like growth

(€ million)	Surface (m ²)	Number of assets	Rental income H1 2018 100%	Rental income H1 2018 Group share	Rental income H1 2019 100%	Rental income H1 2019 Group share	Change (%)	Change (%) LfL ¹	% of total
Offices - excl. Telecom Italia	514,842	69	47.0	26.4	49.1	49.1	85.9%	1.5%	52%
of which Milan	381,862	42	36.6	20.6	41.9	41.9	103.5%	1.7%	44%
Offices - Telecom Italia	911,332	128	49.2	15.3	44.0	22.5	47.2%	1.2%	47%
Development portfolio	191,667	7	0.3	0.2	1.3	1.3	n.a	n.a	1%
Total	1,617,842	204	96.5	41.9	94.5	72.9	74.1%	1.4%	100%

¹ LfL: Like-for-Like

Rental income increased by 74% (+€31 million) compared to the first half of 2018 due to:

- ▶ The merger with Beni Stabili completed at end-2018 (+€31.9 million)
- ▶ The like-for-like rental growth of +1.4% (+€0.5 million), due to the performance of Milan offices excluding Telecom Italia (+1.7%) and driven by:
 - +1.0 pt from indexation
 - +0.3 pt due to occupancy
 - +0.1 pt from renewals
- ▶ Acquisitions in Milan realised in 2018 (+€1.6 million) and deliveries (+€2.2 million)
- ▶ Vacating for development, mainly on Via Dante (-€0.6 million)
- ▶ Non-core and non-strategic asset disposals realised in 2018 (-€4.2 million), including the syndication of 9% of the Telecom Italia portfolio (-€1.3 million).

3. Annualised rental income: €154 million Group share from offices

(€ million)	Surface (m ²)	Number of assets	Annualised rents 2018 100%	Annualised rents 2018 Group share	Annualised rents H1 2019 100%	Annualised rents H1 2019 Group share	Change (%)	% of total
Offices - excl. Telecom Italia	514,842	69	105.0	105.0	107.0	107.0	1.9%	69%
Offices - Telecom Italia	911,332	128	88.1	45.0	88.0	44.9	-0.2%	29%
Development portfolio	191,667	7	1.9	1.9	2.1	2.1	10.2%	1%
Total	1,617,842	204	195.1	151.9	197.1	154.0	1.4%	100%

(€ million)	Surface (m ²)	Number of assets	Annualised rents 2018 100%	Annualised rents 2018 Group share	Annualised rents H1 2019 100%	Annualised rents H1 2019 Group share	Change (%)	% of total
Milan	637,387	56	104.3	97.2	106.3	99.3	2.1%	64%
Rome	105,434	9	11.7	7.8	11.7	7.7	-0.9%	5%
Turin	83,611	15	7.1	6.2	7.3	5.5	-11.5%	4%
North of Italy (other cities)	475,928	72	43.5	26.4	43.6	26.5	0.5%	17%
Others	315,481	52	28.5	14.3	28.4	15.0	5.2%	10%
Total	1,617,842	204	195.1	151.9	197.1	154.0	1.4%	100%

Annualised rental income increased by 1.4% following good letting activity.

4. Indexation

The annual indexation in rental income is usually calculated by applying the increase in the Consumer Price Index (CPI) on each anniversary of the signing date of the agreement (for about 20% of the portfolio 75% of the CPI increase is applied).

In the first half of 2019, the average change in the CPI index has been +0.8% over 6 months.

5. Rental activity

(€ million)	Surface (m ²)	Annualized rents H1 2019 Group share	Annualized rents H1 2019 (100%, €/m ²)
Vacating	1,881	0.4	204
Lettings on operating portfolio	1,113	0.4	338
Lettings on development portfolio	29,538	9.1	308
Renewals	2,383	1.1	462

The rental activity of first half of 2019 was marked by pre-lettings on the development pipeline with an average maturity of 12 years, thus showing the attractiveness of the areas where Covivio is developing new assets.

- ▶ Close to 30,000 m² have been pre-let in the development pipeline, bringing the pre-let ratio to 69% for committed projects
 - 16,000 m² on the Sign project to a leading global IT and digital engineering services provider for 12 years firm. The asset is now close to 100% pre-let.
 - 6,400 m² on Milan Symbiosis, on the recently committed Building D, now 35% pre-let.
 - 1,625 m² on Milan-Principe Amedeo, mainly to Igenius, now close to 100% pre-let.
 - 2,500 m² on Milan-Piazza Duca d'Aosta to Invest Hospitality, who will open an upscale hotel
 - 277 m² for the retail portion of the first building of the Sign, now fully pre-let
 - 2,750 m² on Turin, Corso Ferrucci.

6. Lease expiries and occupancy rates

6.1. Lease expiries: 7.2 of average firm lease term

7.2 years

(€ million Group share)	By lease end date (1st break)	% of total	By lease end date	% of total
2019	8.4	5%	2.4	2%
2020	14.6	9%	6.4	4%
2021	7.5	5%	7.3	5%
2022	18.8	12%	19.8	13%
2023	9.6	6%	12.7	8%
2024	5.4	4%	7.1	5%
2025	4.8	3%	6.5	4%
2026	12.7	8%	13.7	9%
2027	8.5	6%	9.8	6%
2028	15.3	10%	16.9	11%
Beyond	48.3	31%	51.5	33%
Total	154.0	100%	154.0	100%

The firm residual lease term remains high at 7.2 years. It dropped by 0.5 years compared to end-2018 due to new leases on the operating portfolio excluding Telecom Italia, signed with a 6-year firm maturity, below the high average of the overall portfolio.

This figure does not include the good pre-letting activity of the first half on the pipeline, with close to 30,000 m² leased with an average maturity of 12 years.

Out of the €8.4 million of lease expiries remaining this year are:

- ▶ €2.4 million on the Telecom Italia portfolio
- ▶ €3.5 million on two buildings in Milan with redevelopment potential
- ▶ €2.6 million on assets in Milan in central locations, such as Piazza San Fedele, with a high probability of renewal.

6.2. Occupancy rate: a high-level of 98.1%

(%)	2018	H1 2019
Offices - excl. Telecom Italia	97.1%	97.3%
Offices - Telecom Italia	100.0%	100.0%
Total	97.9%	98.1%

The occupancy rate of offices excluding Telecom Italia assets has improved and stands at 97.3% (+0.2 pts vs end-2018) due to letting successes in Milan.

7. Reserves for unpaid rent

(€ million)	H1 2018	H1 2019
As % of rental income	1.0%	1.6%
In value ¹	0.6	1.3

¹ net provision / reversals of provision

The Group Share level of unpaid rents has increased, mainly due to a scope effect after the merger with Beni Stabili.

8. Disposals: €267 M secured in H1 2019

(€ million, 100%)	Disposals (agreements as of end of 2018 closed) 1	Agreements as of end of 2018 to close	New disposals H1 2019 2	New agreements H1 2019 3	Total H1 2019 = 2 + 3	Margin vs 2018 value	Yield	Total Realised Disposals = 1 + 2
Milan	-	-	-	182	182	-	-	-
Rome	-	-	-	41	41	-	-	-
Other	-	-	3	42	44	-	-	3
Total 100%	-	-	3	265	267	1.0%	5.4%	3
Total Group share	-	-	1	265	266	1.0%	5.4%	1

In the first half of 2019, Covivio signed a sale agreement on a €263.5 million portfolio of mature and non-core assets, including the building on Via Montebello in Milan and nine assets located in secondary locations in Italy (Rome, Bologna, Venice, etc.). The price is slightly higher than the latest appraisal value and shows a net yield rate of 4.9% (5.4% gross yield). Ownership will be transferred in December 2019.

9. Development pipeline: €0.8 Bn of projects

Covivio has a pipeline of around €0.8 billion in Italian offices facing high demand for new or restructured spaces. The Group has boosted its development capacity since 2015, with eight committed projects as of the first half of 2019, that will drive the Group's growth in the coming years.

9.1. Delivered projects

No projects were planned to be delivered in the first half of 2019 in Italian offices, and one project is planned to be delivered in second half: Principe Amedeo, in Milan, fully pre-let.

9.2. Committed projects: €424 million, primarily in Milan

For detailed figures on the committed projects, see page 15 of this document.



- ▶ **Symbiosis Building D – 18,600m²**: third building of the Symbiosis project, representing an investment of €84m and a yield of 7%. 35% of the building has already been pre-let to a multinational to locate its Italian headquarters. Delivery is scheduled for 2021.



- ▶ **Symbiosis School – 7,900 m²**: during the second half 2018 Covivio signed a preliminary contract with Ludum, part of NACE Schools, one of the six largest groups of private international schools in the world. The building is fully pre-let with delivery scheduled for 2020.



- ▶ **The Sign – 26,200 m²**: redevelopment project on Via Schievano, on the South West fringes of the centre of Milan in the Navigli business district. The first building had already been pre-let to AON in 2018 and the second & third building are now pre-let to NTT Data, a leading global IT and digital engineering services provider, bringing the pre-let ratio of the whole project close to 100%. The project will be delivered in 2020.



- ▶ **Reinventing Cities - 10,000 m²**: during the first half 2019, Covivio won the Reinventing Cities competition with the Project "VITAE", a prestigious international tender for urban and environmental regeneration. 18% of the building is already pre-let to IFOM and Cirfood. Delivery is scheduled for 2022.



- ▶ **Via Dante – 4,700 m²**: renovation of a trophy building near the Piazza Duomo. Covivio will locate its Wellio co-working brand as for the first site to be opened in Milan. The asset is expected to be delivered in the first quarter of 2020.



- ▶ **Principe Amedeo – 6,500 m²**: redevelopment of the Principe Amedeo building, acquired in 2017 and located in the Porta Nuova business district. The building is close to fully pre-let, mainly to the tenant Gattai and will be delivered in July 2019.

- ▶ **Duca d'Aosta – 2,500 m²**: redevelopment of an office building into a hotel space located in front of the Stazione Centrale railway station. The building is already fully pre-let to Invest Hospitality.
- ▶ **Corso Ferrucci in Turin – 18,100 m²**: The remaining surface area is expected to be delivered in 2021.

9.3. Managed projects: €389 million of projects in Milan

2 main managed projects are in the pipeline:

- ▶ Other buildings in the Symbiosis project, representing an additional potential of 66,000 m² of office space in the business district on the South East of Milan city-centre, opposite the Prada Foundation. Symbiosis F is the next building to be committed.
- ▶ The Sign, Building D: Covivio acquired the Vedani on The Sign project, for €15 million. Following this acquisition, Covivio will be able to develop an additional 11,400 m² of offices.

10. Portfolio values

10.1. Change in portfolio values

(€ million, Group share Excluding Duties)	Value 2018	Acquisitions	Invest.	Disposals	Change in value	Transfer	Other	Value H1 2019
Offices - excl. Telecom Italia	2,073	-	9	-	-	-7	-4	2,071
Offices - Telecom Italia	720	-	1	-1	1	-	-	721
Development portfolio	395	-	45	-	4	7	-14	437
Total	3,188	-	55	-1	5	-	-19	3,229

The Group share of the portfolio increased by 2% to €3.2 billion at end-June 2019, due to the investments realised in the development pipeline (+€55 million).

10.2. Portfolio in Milan: 74% of total portfolio

(€ million, Excluding Duties)	Value 2018 Group share	Value H1 2019 100%	Value H1 2019 Group share	LfL ¹ change 6 months	Yield ² 2018	Yield ² H1 2019	% of total
Offices - excl. Telecom Italia	2,073	2,071	2,071	0.0%	5.1%	5.2%	64%
Offices - Telecom Italia	720	1,414	721	0.1%	6.2%	6.2%	22%
Development portfolio	395	437	437	1.1%	n.a	n.a	14%
Total	3,188	3,922	3,229	0.2%	5.4%	5.4%	100%

¹ LfL: Like-for-Like

(€ million, Excluding Duties)	Value 2018 Group share	Value H1 2019 100%	Value H1 2019 Group share	LfL ¹ change 6 months	Yield ² 2018	Yield ² H1 2019	% of total
Milan	2,322	2,542	2,395	1.0%	4.2%	4.1%	74%
Turin	130	157	131	-1.4%	4.1%	4.2%	4%
Rome	143	216	134	-7.5%	5.4%	5.8%	4%
North of Italy	383	607	361	-1.3%	6.9%	7.4%	11%
Others	210	400	209	0.2%	7.2%	7.2%	6%
Total	3,188	3,922	3,229	0.2%	5.4%	5.4%	100%

¹ LfL: Like-for-Like

² Yield excluding development projects

The weight of Milan Offices has increased by +1 pt since end-2018. It now represents 74% of total strategic activities Group share. Covivio aims to own 90% of its Italian portfolio in Milan by 2022.

The like-for-like change in operating assets was driven by the disposal agreement on a €263 million portfolio secured in the first half with a 1% margin above appraisal value. It included a mature asset in Milan, signed with a strong positive margin, partly offset by a negative margin on assets in secondary locations outside Milan.

C. GERMAN RESIDENTIAL

Covivio operates in the German Residential segment through its 61.7% held subsidiary Covivio Immobilien. The figures presented are expressed as 100% and as Covivio Group share.

1. Widening housing shortage

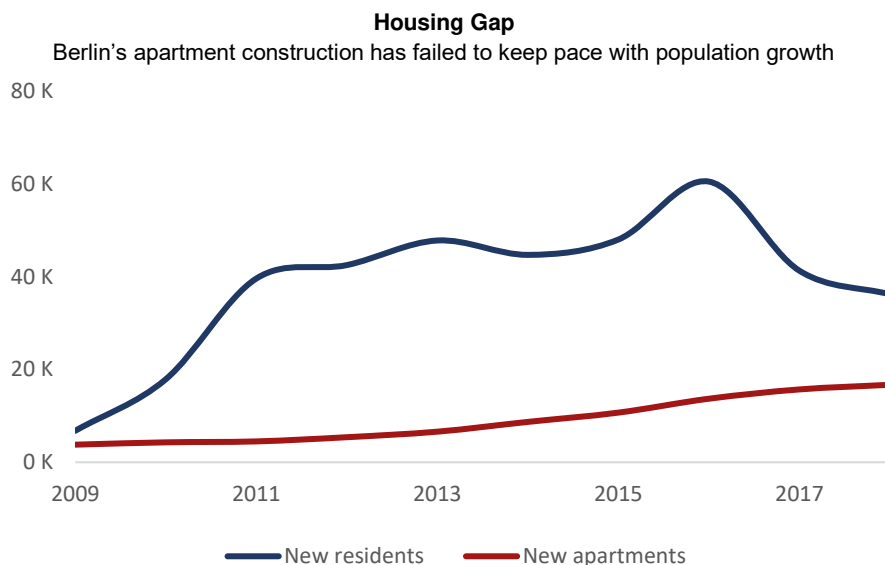
Covivio owns over 41,600 apartments located in Berlin, Hamburg, Dresden, Leipzig and North Rhine-Westphalia, representing €6.3 billion (€4.1 billion Group share) of assets. After several years' strengthening the German Residential segment through acquisitions, and disposals of its non-core assets, Covivio's investment policy is now focused on its development pipeline mainly in Berlin, currently undergoing a housing shortage.

In June 2019, the city of Berlin approved a draft law to freeze housing rents for five years. This draft law will be voted on in October. There are a number of legal uncertainties regarding the application of this law, the details of which are still unclear. Furthermore, this additional regulation risks worsening the housing shortage in the city due to the high growth in Berlin's population:

- ▶ Berlin's existing housing shortage is estimated at more than 100,000 units at end-2018, and still widening due to the annual demographic growth of around 50,000 inhabitants per year. The Berlin city development office anticipates a need for around 20,000 new apartments per year by the end of 2030, against only 10,000 units built per year on average since 2009.
- ▶ This shortage has significantly impacted on market rents, up to 5.6% in 2018 in Berlin on average at €10.3/m², especially on the top market segment (+7.1%) to which Covivio is most exposed.
- ▶ The average asking price for condominiums also rose sharply, by 12% in 2018, to €4,150/m² on average, significantly above the current valuation of Covivio's portfolio (€2,745/m² in Berlin on residential units)

In the first half of 2019, Covivio's activities were marked by:

- ▶ a +4.4% increase in rental income on a like-for-like basis, in line with the pace of 2018. This performance was driven by Berlin (+5.3%) and supported by North Rhine-Westphalia (+4.1%).
- ▶ the acceleration of the committed development projects with a 55% growth at €171 million at end-June 2019 (€111 million Group share) out of a growing pipeline of €833 million in total
- ▶ strong increase in values, with a like-for-like growth of +7.7% driven by Berlin (+8.9%)



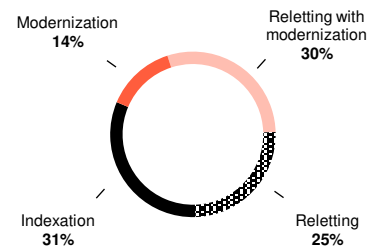
2. Accounted rental income: +4.4% at a like-for like scope

(€ million)	Rental income H1 2018 100%	Rental income H1 2018 Group share	Rental income H1 2019 100%	Rental income H1 2019 Group share	Change Group share (%)	Change Group share (%) LfL ¹	% of rental income
Berlin	56.6	36.3	62.7	40.5	11.7%	5.3%	51%
of which Residential	42.6	27.3	47.6	30.7	12.4%	-	39%
of which Non-Residential	14.0	9.0	15.1	9.8	9.1%	-	12%
Dresden & Leipzig	11.1	7.0	12.1	7.7	10.2%	3.2%	10%
Hamburg	7.8	5.2	8.0	5.2	0.5%	2.1%	7%
North Rhine-Westphalia	43.2	26.9	41.5	26.3	-2.3%	4.1%	33%
Essen	14.2	8.8	14.5	9.0	2.3%	4.2%	11%
Duisburg	8.3	5.0	7.4	4.6	-7.9%	5.0%	6%
Mulheim	5.1	3.1	5.0	3.2	2.2%	2.6%	4%
Oberhausen	5.1	3.3	5.1	3.4	4.0%	4.6%	4%
Other	10.5	6.6	9.5	6.1	-8.1%	3.9%	8%
Total	118.7	75.3	124.3	79.8	5.9%	4.4%	100%
of which Residential	100.6	63.8	104.9	67.2	5.3%	-	84%
of which Non-Residential	18.1	11.5	19.4	12.5	8.9%	-	16%

¹ LfL: Like-for-Like

Rental income amounted to €79.8 million Group share in the first half of 2019, up 5.9% (+€4.5 million) due to:

- ▶ strong like-for-like rental growth of 4.4% (+€3.5 million) with:
 - very good performance (+5.3%) in Berlin
 - growth remained high in North Rhine-Westphalia (+4.1%), given the improved quality of the portfolio
- ▶ 2018 and 2019 acquisitions (+€4.0 million) mainly in Berlin
- ▶ disposals (-€3.0 million) mainly involving the last portfolios of non-core assets in North Rhine-Westphalia and mature assets in Berlin.



3. Annualised rental income: €163.3 million Group share

3.1. Geographic breakdown

(€ million)	Surface (m ²)	Number of units	Annualised rents 2018 100%	Annualised rents 2018 Group share	Annualised rents H1 2019 100%	Annualised rents H1 2019 Group share	Change Group share (%)	Average rent €/m ² /month	% of rental income
Berlin	1,305,672	17,125	125.6	81.2	127.9	82.7	1.9%	8.2 €/m ²	51%
of which Residential	1,075,855	15,888	95.3	61.6	97.3	62.8	2.0%	7.5 €/m ²	38%
of which Non-Residential	229,817	1,237	30.3	19.6	30.7	19.9	1.3%	11.1 €/m ²	12%
Dresden & Leipzig	333,505	5,513	24.4	15.6	24.6	15.7	0.9%	6.2 €/m ²	10%
Hamburg	143,209	2,366	16.2	10.6	16.3	10.6	0.4%	9.5 €/m ²	7%
North Rhine-Westphalia	1,121,546	16,606	83.1	52.5	85.6	54.2	3.2%	6.4 €/m ²	33%
Essen	377,452	5,493	29.1	18.1	29.8	18.5	2.1%	6.6 €/m ²	11%
Duisburg	206,155	3,174	15.2	9.5	15.1	9.4	-1.2%	6.1 €/m ²	6%
Mulheim	130,967	2,189	10.1	6.4	10.2	6.5	1.3%	6.5 €/m ²	4%
Oberhausen	145,938	1,963	10.3	6.9	10.5	7.1	2.4%	6.0 €/m ²	4%
Others	261,035	3,787	18.3	11.6	20.1	12.8	10.1%	6.4 €/m ²	8%
Total	2,903,931	41,610	249.3	159.9	254.5	163.3	2.1%	7.3 €/m²	100%
of which Residential	2,606,253	39,984	210.4	135.0	214.9	137.7	2.1%	6.9 €/m ²	84%
of which Non-Residential	297,678	1,626	38.9	24.9	39.6	25.6	2.5%	11.1 €/m ²	16%

The portfolio breakdown is stable since end-2018, as few acquisitions or disposals were realised in the first half of 2019. Berlin generates around half the rental income, through both residential units and commercial units (ground floor retail, office space).

The rental income per m² (€7.3/m²/month on average) offers solid growth potential, thanks to the potential for rent increases of around 35% in Berlin, 20-25% in Hamburg around 15-20% in Dresden and Leipzig and in North Rhine-Westphalia.

4. Indexation

Rental income from residential property in Germany changes according to three mechanisms:

▶ Rents for re-leased properties:

In principle, rents may be increased freely. As an exception to that unrestricted rent setting principle, certain cities like Berlin and Hamburg have introduced rent caps for re-leased properties. In these cities, rents for re-leased properties cannot exceed a rent reference by more than 10%.

If construction works result in an increase in the value of the property (work amounting to less than 30% of the residence), the rent for re-let property may be increased by a maximum of 8% of the cost of the work. In the event of complete modernisation (work amounting to more than 30% of the residence), the rent may be increased freely.

▶ For current leases:

The current rent may be increased by 15% to 20% depending on the region, although without exceeding the Mietspiegel (at +5.00% over 2017-2019 period) or another rent benchmark. This increase may only be applied every three years.

▶ For current leases with work done:

In the event that work has been carried out, rent may also be increased by up to 8% of the amount of said work, and by the difference with the Mietspiegel rent index. This increase is subject to two conditions:

- the work must increase the value of the property
- the tenant must be notified of this rent increase within three months.

In May 2019, the latest Mietspiegel index was published showing a +5% growth over two years.

5. Occupancy rate: a high level of 98.8%

(%)	2018	H1 2019
Berlin	98.7%	98.5%
of which Residential	98.2%	98.4%
of which Non-Residential	98.7%	99.0%
Dresden & Leipzig	99.2%	98.9%
Hamburg	99.8%	99.9%
North Rhine-Westphalia	98.9%	99.1%
Total	98.7%	98.8%
of which Residential	98.7%	98.8%
of which Non-Residential	98.8%	99.0%

The occupancy rate of assets under operation remains high, at 98.8%. It has remained above 98% since the end of 2015 and reflects the Group's very high portfolio quality and low rental risk.

6. Reserves for unpaid rent

(€ million, Group share)	H1 2018	H1 2019
As % of rental income	0.6%	0.5%
In value ¹	0.5	0.5

¹ net provision / reversals of provision

7. Disposals and disposals agreements: €30 M of privatisation with 75% margin



(€ million)	Disposals 2018 (agreements as of end-2018 closed)	Agreements as of end-2018 to close	New disposals H1 2019	New agreements H1 2019	Total H1 2019	Margin vs end-2019 value	Yield	Total Realised Disposals
	1		2	3	= 2 + 3			= 1 + 2
Berlin	10	5	8	19	27	78.2%	1.8%	18.0
Dresden & Leipzig	-	-	-	-	-	-	-	-
Hamburg	-	-	-	-	-	-	-	-
North Rhine-Westphalia	10	5	2	2	3	53.4%	2.3%	11.8
Total 100%	20	9	10	21	30	74.9%	1.9%	29.9
Total Group share	13	6	6	13	20	75.1%	1.9%	19.0

After having sold the entirety of its non-core portfolio in North Rhine-Westphalia during the past few years, disposals are now mostly privatisations in Berlin.

In the first half of 2019, Covivio sold 67 units in Berlin, at prices significantly higher than their latest appraisal values (>75% margin, around €4,450/m²), thus crystallising the appraisal gap between book value and market value in the condominium division.

8. Acquisitions: €48M realised in the first half of 2019



(€million, Including Duties)	Surface (m ²)	Number of units	Acquisitions H1 2019 realised		
			Acq. price 100%	Acq. price Group share	Gross yield ¹
	(realised & secured)				
Berlin	2,838	38	10	6	4.8%
Dresden & Leipzig	-	-	-	-	-
Hamburg	-	-	-	-	-
North Rhine-Westphalia	13,963	196	38	25	4.2%
Total	16,801	234	48	31	4.3%
Reinforcement Group share	-	-	-	-	-

¹ Yield in 2 years after reletting of vacant spaces. Immediate yield of 3.0% on acquisitions realised.

In the first half of Covivio closed 2 deals for €48 million (€31 million Group share).

- ▶ 1 transaction in Berlin for 38 units at 3,400 €/m² with a high potential yield due to the asset's current vacancy (95%)
- ▶ 1 transaction in NRW (Düsseldorf, Bonn and Cologne) for 196 units at 2,740 €/m²
- ▶ The 2-year potential yield stands at 4.3% (after re-letting the vacant space) and will continue to rise due to the rent increase potential (c. 40% on average).

9. Development projects: €833 M in identified projects



In response to the supply/demand imbalance in new housing in Berlin, Covivio launched a residential development pipeline in 2017. A total of €833 million has been earmarked for new housing extension, redevelopment and new construction projects.

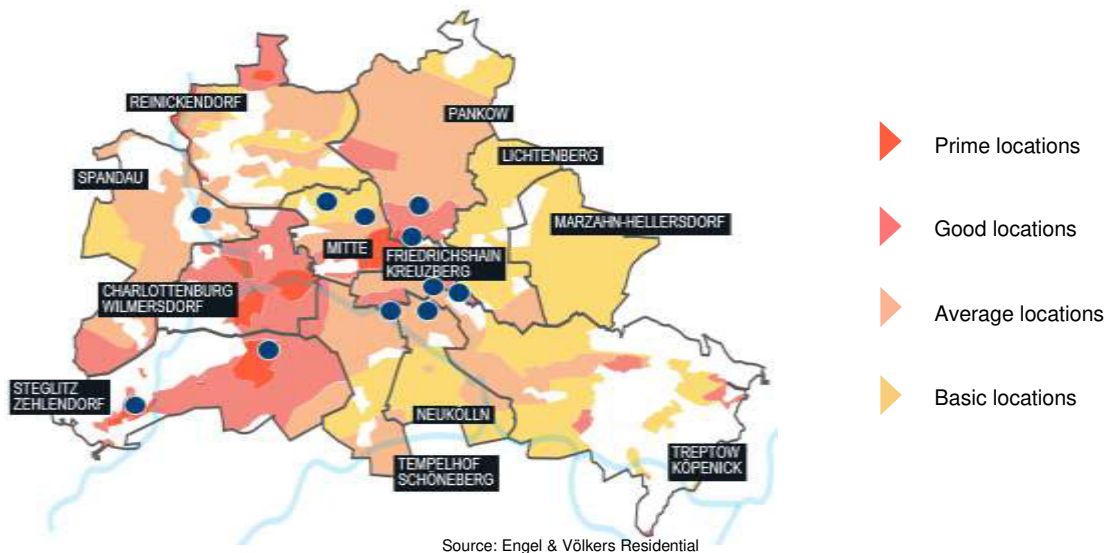
This pipeline will enable Covivio to maximise value creation in its portfolio. Part of the units developed will remain in the portfolio and will be let with a yield on cost around 5%. The other part will be sold in order to unlock the value creation with an expected margin around 40%.

9.1 Committed projects: 171 M€ (111 M€ Group share)

For details on the committed projects, see page 15 of this document.

640 units are committed (99% in Berlin) developed at a cost of €3,772/m², with a 5.0% yield on cost on units to be let and a target margin of 40% on units to be sold.

Committed projects in Berlin



9.2 Managed projects: €662 million of projects (€428 million Group share)

Covivio continues to strengthen its residential pipeline: in the first half of 2019, €39 million of land banks were acquired and will enable the development of 18,500 m² of housing.

In all, 54 additional development projects have already been identified, representing about €662 million in developments. They mainly consist of construction projects in the centre of Berlin for more than 2,500 new housing units spread across close to 200,000 m².

10. Portfolio values

10.1. Change in portfolio value: 9% growth

(€ million, Group share, Excluding Duties)	Value 2018	Acquisitions	Invest.	Disposals	Value creation on Acquis./Disposals	Change in value	Change of scope	Value H1 2019
Berlin	2,220	6	10	-11	7	178	27	2,436
Dresden & Leipzig	324	-	2	-	-	27	-	353
Hamburg	263	-	2	-	-	18	-	283
North Rhine-Westphalia	935	25	10	-7	4	32	-2	997
Total	3,743	31	25	-19	10	255	24	4,070

In the first half of 2019, the portfolio's value increased by 8.7% to stand at €4.1 billion Group share. This rapid growth was, driven first by the like-for-like increase in value (€255 million or 78% of the growth), and second, by the contribution of acquisitions and investments net of disposals and the associated value creation (15% of the growth).

10.2. Change on like-for-like basis: +7.7% of growth

(€ million, Excluding Duties)	Value 2018 Group share	Surface 100%	Value H1 2019 100%	Value H1 2019 €/m ²	Value H1 2019 Group share	LfL ¹ change 6 months	Yield 2018	Yield H1 2019	% of total value
Berlin	2,220	1,305,672 m ²	3,734	2,812 €/m ²	2,436	8.9%	3.7%	3.5%	60%
of which Residential	1,756	1,075,855	2,953	2,745 €/m ²	1,908	-	3.6%	3.3%	47%
of which Non-Residential	464	229,817	781	3,125 €/m ²	528	-	4.2%	4.3%	13%
Dresden & Leipzig	324	333,505 m ²	553	1,658 €/m ²	353	9.0%	4.8%	4.5%	9%
Hamburg	263	143,209 m ²	433	3,022 €/m ²	283	7.6%	4.0%	3.8%	7%
North Rhine-Westphalia	935	1,121,546 m ²	1,577	1,406 €/m ²	997	4.6%	5.6%	5.4%	24%
Essen	339	377,452 m ²	570	1,511 €/m ²	354	4.5%	5.3%	5.2%	9%
Duisburg	160	206,155 m ²	259	1,257 €/m ²	162	4.9%	5.9%	5.8%	4%
Mulheim	111	130,967 m ²	179	1,369 €/m ²	114	3.4%	5.8%	5.7%	3%
Oberhausen	102	145,938 m ²	158	1,081 €/m ²	106	3.7%	6.8%	6.7%	3%
Other	223	261,035 m ²	410	1,572 €/m ²	261	5.4%	5.3%	4.9%	6%
Total	3,743	2,903,931 m²	6,296	2,147 €/m²	4,070	7.7%	4.3%	4.1%	100%
of which Residential	3159	2,606,253	5,313	2,039 €/m ²	3,412	-	4.3%	4.0%	84%
of which Non-Residential	584	297,678	983	3,091 €/m ²	658	-	4.4%	4.3%	16%

¹ LfL: Like-for-Like

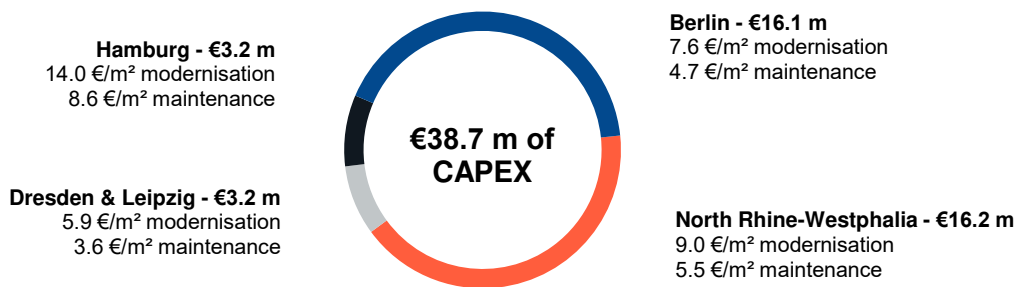
Covivio's residential portfolio is valued at €2,040/m² on average, offering significant growth potential, especially in Berlin where the current valuation of the residential units stands at €2,745/m², significantly below the average asking price of condominiums (€4,150/m² at end-2018).

In the first half of 2019, values increased by +7.7% on a like-for-like basis since end-2018:

- ▶ +8.9% in Berlin after excellent performance in 2018 (+12.4%), mainly due to the substantial increase in rental income and values in highly sought-after locations
- ▶ Hamburg (+7.6%) and Dresden and Leipzig (+9.0%) also generated strong performance under the same effects
- ▶ the increase in values in North Rhine-Westphalia (+4.6%), shows the improved quality of the portfolio, following the modernisation and non-core asset disposal programmes.

11. Maintenance and modernization CAPEX

- ▶ In the first half of 2019, €39 million in CAPEX (€13/m²) and €9 million in Opex (€3.1/m²) were completed. CAPEX spending increased by 30% in € millions and in €/m², compared to the first half of 2018, due to:
 - the impact of the expansion in Berlin since end-June 2018, where investment is more concentrated
 - the modernisation program in North Rhine Westphalia, now that all non-core assets have been sold
- ▶ Modernisation CAPEX, which is used to improve asset quality and increase rental income, accounts for 62% of the total, increasing in €/m² in the first half of 2019 by 37%.



D. HOTELS IN EUROPE

Covivio Hotels, a subsidiary of Covivio held at 43.2% at end-June 2019 (versus 42.3% at end-2018), is a listed property investment company (SIIC) and leading real estate player in Europe. It invests both in hotels under lease and hotel operating properties.

The figures presented are expressed as 100% and as Covivio Group share (GS).

1. The European hotel market continues to grow

Covivio owns a hotel portfolio worth €5.7 billion (€2.3 billion Group share) focused on major European cities. Benefitting from its geographic diversification (across 7 Western European countries), its broad revenue base (18 hotel operators/partners) and asset management possibilities via different ownership methods (hotel lease and hotel operating properties), Covivio holds major growth and value creation drivers in its portfolio. The Group is very well positioned to benefit from growth in the European hotel market.

The upturn in the European hotel market continued in 2019 after an exceptional year in 2018:

- ▶ Revenue per available room (RevPar) in Europe grew by +2.4% at end-May 2019, driven both by the growth in the Average Daily Rate (+2.8%) and the occupancy rate (+0.4 pt).
- ▶ The sector's is positive: growth in the number of tourists in Europe reached a record 713 million in 2018 (+6% vs 2017), well ahead of the latest forecast.
- ▶ Markets where the Group operates showed positive RevPar growth in the first half 2019:

Country	RevPar change YTD (%)	Main driver
France	+3.1%	Paris +3.9%
Germany	+4.2%	Berlin +8.3%
Belgium	+5.7%	Brussels + 7.0%
United Kingdom	+1.0%	London +5.5%
Spain	+3.1%	Madrid +6.1%; Barcelona +7.9%

- ▶ Investor appetite for hotels held steady in the beginning of 2019, with €23 billion in the twelve months to Q1 2019 (stable vs Q1 2018), with around three quarters of the transactions concentrated in the UK, Spain, and Germany. Yields remain overall stable, except in Barcelona, Madrid and Porto, where strong investor demand is pushing up values.

In the first half of 2019, Covivio's hotel activity was characterised by:

- ▶ Steady asset rotation
 - €267 million of acquisitions (€115 million Group share), including €176 million for a 32% stake in a portfolio of 32 Accor hotels in Paris and the city centres of major cities in France and Belgium.
 - €162 million (€44 million Group share) of disposals of non-core and mature assets with an 12% margin over appraisal values, including the Westin Bellevue in Dresden for €48.5 million.
- ▶ Positive like-for-like revenue growth (+2.0%) driven by the positive EBITDA performance from management contracts (+2.4%), particularly in Germany.
- ▶ The steady increase in hotel portfolio values (+1.8% on a like-for-like basis), in particular due to the upturn in business in Germany (+2.6%) and France (+2.3%).

¹ Sources: World Tourism Council, MKG, CBRE. Latest data available on RevPar, at end-June 2019 for France, Germany & UK and end-May 2019 for other countries.

Assets not wholly owned by Covivio Hotels relate to:

- 124 B&B hotels in France (50.2% owned), of which 30 are under disposal agreements
- 22 B&B assets in Germany (93.0%)
- 8 B&B assets in Germany, formerly operating properties converted into leased properties in 2018, 5 of them held at 84.6% and the other 3 at 90%
- 2 Motel One assets in Germany (94.0%) acquired in 2015
- the Club Med Samoëns, delivered in 2017 and owned in partnership with ACM (50%).

2. Recognised revenues: +2.0% on a like-for-like basis

(€ million)	Number of rooms	Number of assets	Revenues H1 2018 100%	Revenues H1 2018 Group share	Revenues H1 2019 100%	Revenues H1 2019 Group share	Change (%) Group share	Change Group share (%) LfL ¹	% of revenues
Paris	3,974	17	13.0	5.1	13.5	5.5	+8.0%	1.4%	9%
Inner suburbs	678	5	1.8	0.7	2.0	0.8	+13.6%	11.8%	1%
Outer suburbs	3,535	36	6.6	2.1	6.4	2.1	-0.2%	-1.6%	4%
Total Paris Regions	8,187	58	21.3	7.9	21.8	8.4	+6.3%	1.6%	14%
Major regional cities	6,267	70	12.7	4.2	12.1	4.3	+1.0%	2.6%	7%
Other French Regions	9,172	129	15.5	3.4	14.3	3.5	+2.7%	1.5%	6%
Total France	23,626	257	49.5	15.5	48.2	16.2	+4.1%	1.8%	27%
Germany	6,848	66	13.5	5.5	16.8	7.1	+28.2%	2.3%	12%
United Kingdom	2,226	12	0.0	0.0	22.1	9.5	N/A	N/A	16%
Spain	3,699	20	17.4	7.3	17.1	7.4	+1.2%	0.9%	13%
Belgium	2,242	13	10.6	4.5	7.3	3.2	-29.2%	4.7%	5%
Other	522	6	3.7	1.6	6.2	2.7	+72.8%	1.1%	5%
Total Hotel - Lease properties	39,163	374	94.6	34.4	117.7	46.1	+33.9%	1.9%	78%
Hotel Operating properties (EBITDA)	5,156	19.0	33.7	13.6	31.2	13.0	-4.5%	2.4%	22%
Total revenues Hotels	49,475	393	128.3	48.0	148.9	59.1	+23.0%	2.0%	100%

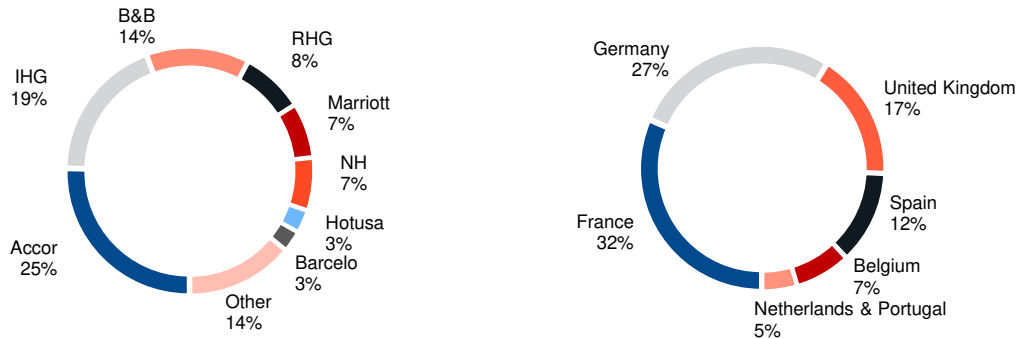
¹ LfL: Like-for-Like

Hotel revenue grew by €11.1 million Group share compared to with the same period last year, due to:

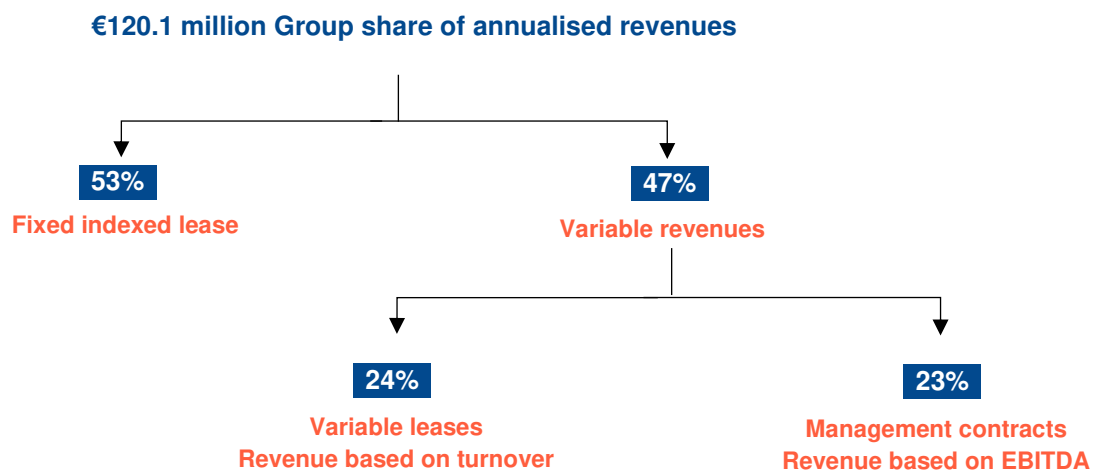
- ▶ +2.0% increase in revenues on a like-for-like basis (+€0.6 million)
 - +1.9% generated by Accor variable rents, driven by Belgium (+3.2%)
 - +2.3% generated by the German portfolio, due to the variable rent of the NH portfolio and indexation
 - +2.4% EBITDA growth on management contracts, mainly due to the business upturn in Germany (+4.2%), especially in Berlin.
- ▶ acquisition of a hotel portfolio in the United Kingdom leased to IHG (+€12.0)
- ▶ delivery of a 173-room Meininger hotel in Munich and of an 84-room B&B in Paris (+€0.7 million)
- ▶ disposals, both in 2018 and 2019, including the Westin hotel in Dresden (-€3.5 million)
- ▶ the increase of Covivio's stake in Covivio Hotels from 42% to 43% (+€1.3 million) following the asset contribution of Covivio to Covivio Hotels (the Meridien hotel in Nice).

3. Annualised revenue: €120 million Group Share of revenues from Hotels

3.1. Breakdown by operators and by country



3.2. Structure of annualised revenues



The revenue structure remained stable compared to end-2018.

4. Indexation

53% of revenues are indexed to benchmark indices (ICC, ILC, and consumer price index for foreign assets). The remaining 47% are variable.

5. Lease expirations: 13.9 of firm residual lease term years

(€ million, Group share)	By lease end date (1 st break)	% of total	By lease end date	% of total
2019	0.0	0%	0.0	0%
2020	3.5	4%	0.3	0%
2021	0.0	0%	0.0	0%
2022	3.4	4%	1.0	1%
2023	4.1	4%	2.5	3%
2024	0.9	1%	1.4	2%
2025	2.4	3%	2.8	3%
2026	0.7	1%	1.0	1%
2027	1.2	1%	1.2	1%
2028	0.4	0%	0.4	0%
Beyond	75.9	82%	81.9	88%
Total Hotels in lease	92.6	100%	92.6	100%

Due to the signature of a 25-year firm lease with IHG in the United Kingdom, on two assets acquired in the first half of 2019, the firm residual duration at end-June 2019 is at a record high, close to 14 years.

The occupancy rate remained at 100%.

6. Reserves for unpaid rent

As in 2018, no additional amounts were set aside for unpaid rents in the portfolio in 2019.

7. Disposals and disposal agreements: €162 of new commitments M

(€ million)	Disposals (agreements as of end of 2018 closed)	Agreements as of end of 2018 to close	New disposals H1 2019	New agreements H1 2019	Total H1 2019	Margin vs 2018 value	Yield	Total Realised Disposals
	1		2	3	= 2 + 3			= 1 + 2
Hotel Lease properties	283	-	-	113	113	12.8%	5.4%	283
Hotel Operating properties	-	-	49	-	49	8.8%	7.4%	49
Total Hotels - 100%	283	-	49	113	162	11.6%	6.0%	331
Total Hotels - Group share	65	-	20	25	44	11.0%	6.3%	85

Covivio continued its policy of rotating assets with €162 million (€44 million Group share) of new commitments in 2019:

- ▶ **non-core assets:** 30 B&B hotels in secondary locations for €113 million, signed with a 12% margin above end-2018 appraisal value and a 5.4% yield
- ▶ **one mature asset:** the five-star Westin Bellevue in Dresden, with 340 rooms for €48.5 million (€20 million Group share), with a margin of +8.8% on the appraisal value. Covivio is keeping the adjacent land reserve which offers strong residential development potential, thus feeding its development pipeline in Germany.

In addition, €283 million of non-strategic disposals signed in 2018 were realised this year, mainly the first portfolio of non-core B&B hotels for €272 million, also sold at a 5.4% yield.

8. Acquisitions: €267 realised in 2019

M

(€ million, Including Duties)	Number of rooms	Location	Tenants	Acquisitions H1 2019 realised		
				Acq. price 100%	Acq. price Group share	Gross Yield
UK portfolio (2 assets)	285	Oxford	IHG	79	34	5.4%
NH Hotels	114	Amersfoort	NH Hotels	12	5	7.6%
Accor portfolio (32 assets) ¹	6,221	France & Belgium	AccorInvest	176	76	5.3%
Total Acquisitions	6,620	-	-	267	115	5.4%
Lease properties						
Acquisitions Operating properties	-	-	-	-	-	-

¹ Realized early July 2019, with a potential yield of 5.3% in tow years and an immediate yield of 4,8%

In the first half of 2019, Covivio strengthened its presence in major European cities with €267 million (€115 million Group share) of acquisitions:

- ▶ A 32% stake in a portfolio of 32 Accor hotels in France and Belgium for €176 million, closed in early July 2019. The portfolio, valued at €550 million, comprises high-quality assets (recently renovated, sound EBITDAR margin >30%) located in Paris and in the city centres of major regional cities. The purchase price implies a valuation of €88,000 per room, significantly below Covivio's similar Accor portfolio (valued €114,000/room).
[Link to the dedicated press release](#)
- ▶ 3 transactions secured in 2018 and closed in the first half for €91 million, for 2 hotels in Oxford leased to IHG and 1 NH Hotel in the Netherlands.

9. Development pipeline: 5 projects & 100,000 m² of additional constructible space

In 2019, Covivio continued to support its new and long-term partners' development expansion in major European cities.

9.1. Delivered projects

In first half 2019, Covivio delivered 257 hotel rooms via 2 projects, representing €37 million (€15 million Group share) of development costs at a 6.3% yield and a 37% value creation.

- ▶ The B&B Cergy in Greater Paris, totalling 84 rooms
- ▶ One Meininger in Munich, totalling 173 rooms

9.2. Committed projects: €74 million (€30 million Group Share), 100% pre-let

For detailed figures on committed projects, see the table on page 16 of this document.



- ▶ Covivio is supporting the development of Meininger in France, with two hotels under construction in Paris & Lyon which will be the operator's first opening in those cities. The two hotels represent 425 rooms and €66 million of works.



- ▶ Covivio continues to support the development of B&B, with one more hotel in construction in Greater Paris of 108 rooms and €8 million in total cost. The asset is scheduled to be delivered in second half 2019.

9.3. Managed projects: 100,000 m² of additional constructible space

Covivio has identified close to 100,000 m² to be developed on land banks adjacent to existing hotels. Located in the city centres of key cities such as Paris, Lyon, Leipzig or Dresden, these projects offer a significant value creation potential through the development of Offices, Residential or Hotels and highlight the opportunities created through synergies between Covivio's activities.

10. Portfolio values

10.1. Change in portfolio values

(€ million, Excluding Duties, Group share)	Value 2018	Acquis.	Invest.	Disposals	Change in value	Reclustering	Change in scope	Value H1 2019
Hotels - Lease properties	1,697	54	2	-35	34	19	13	1,784
Hotels - Operating properties	506	19	1	-41	8	-	8	501
Assets under development	46	-	1	-	3	-19	1	32
Total Hotels	2,250	73	4	-76	45	-	21	2,317

The portfolio reached €2.3 billion Group share at end-June 2019, mainly due to the impact of the acquisitions and investments realised (+€77 million) and the increase in property values (+€45 million), partly offset by disposals of non-core and mature hotels (-€76 million).

10.2. Change on like-for-like basis: +1.8% growth

(€ million, Excluding Duties)	Value 2018 Group share	Value H1 2019 100%	Value H1 2019 Group share	LfL ¹ change 6 months	Yield ² 2018	Yield ² H1 2019	% of total value
France	666	1,830	653	2.8%	5.1%	5.0%	28%
Paris	277	686	284				12%
Greater Paris (excl. Paris)	109	304	107				5%
Major regional cities	162	402	149				6%
Other cities	117	439	112				5%
Germany	260	654	277	3.0%	5.4%	5.3%	12%
Frankfurt	25	68	28				1%
Munich	18	64	27				1%
Berlin	25	64	27				1%
Other cities	192	459	194				8%
Belgium	104	250	108	2.5%	5.7%	5.9%	5%
Brussels	29	71	31				1%
Other cities	75	179	77				3%
Spain	269	643	278	1.0%	5.3%	5.3%	12%
Madrid	114	271	117				5%
Barcelona	99	237	102				4%
Other cities	56	134	58				3%
UK	356	935	404	0.0%	4.9%	4.9%	17%
Other countries	88	224	97	1.7%	5.4%	5.7%	4%
Total Hotel lease properties	1,743	4,536	1,816	1.9%	5.2%	5.2%	78%
France	96	275	119	-0.1%	6.1%	5.8%	5%
Lille	52	123	53				2%
Other cities	44	152	66				3%
Germany ³	379	852	349	2.2%	6.3%	6.1%	15%
Berlin	255	587	241				10%
Dresden & Leipzig	100	218	89				4%
Other cities	23	48	20				1%
Belgium	31	75	33	1.3%	7.7%	7.7%	1%
Total Hotel Operating properties	506	1,202	501	1.6%	6.3%	6.1%	22%
Total Hotels	2,250	5,738	2,317	1.8%	5.4%	5.4%	100%

¹ LfL : Like-for-Like

² Yield excluding assets under development ; EBIDTA yield for hotel operating properties

³ Yield excluding ground floor retail surfaces in the German hotels

The performance of the portfolio, both on lease properties and operating properties, validates the Group's strategy of strengthening its position in major European cities with:

- ▶ +1.9% like-for-like growth on lease properties:
 - +2.8% in France with the performance on the Accor portfolio and value creation on the B&B portfolio, due to recent disposals with high margin above appraisal values.
 - +9.7% generated by developments.

- ▶ +1.6% like-for-like growth in value for hotel operating properties, with +2.2% rise in values in Germany on the portfolio of 9 hotels under management contract.

3. FINANCIAL INFORMATION AND COMMENTS

The activity of Covivio involves the acquisition or development, ownership, administration and leasing of properties, particularly Offices in France and Italy, Residential in Germany and Hotels in Europe.

Registered in France, Covivio is a public limited company with a Board of Directors.

CONSOLIDATED ACCOUNTS

3.1. Scope of consolidation

On 30th June 2019, Covivio's scope of consolidation included companies located in France and several European countries. The main equity interests in the fully consolidated but not wholly owned companies are the following:

Subsidiaries	31-Dec-2018	30-June-2019
Covivio Hotels	42.3%	43.2%
Covivio Immobilien	61.7%	61.7%
Sicaf (Telecom Italia portfolio)	51.0%	51.0%
OPCI CB 21 (CB 21 Tower)	75.0%	75.0%
Fédérismo (Carré Suffren)	60.0%	60.0%
SCI Latécoère (DS Campus)	50.1%	50.1%
SCI Latécoère 2 (DS Campus extension)	50.1%	50.1%
SCI 15 rue des Cuirassiers (Silex 1)	50.1%	50.1%
SCI 9 rue des Cuirassiers (Silex 2)	50.1%	50.1%
SCI 11, Place de l'Europe (Campus Eiffage)	50.1%	50.1%

Following the merger with Beni Stabili the on 31 December 2018, the stake in the Italian subsidiary (Permanent Establishment) is 100% during the first half of 2019 (vs 52.4% ownership in the first quarter 2018 and 59.9% for the rest of the year 2018).

3.2. Accounting principles

The consolidated financial statements have been prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Union on the date of preparation. These standards include the IFRS (International Financial Reporting Standards), as well as their interpretations. The financial statements were approved by the Board of Directors on 23rd July 2019.

3.3. Simplified income statement - Group share

(€ millions, Group share)	H1 2018	H1 2019	var.	%
Net rental income	264.7	293.7	+29.0	+11.0%
EBITDA from hotel operating activity & coworking	13.3	15.5	+2.1	+16.1%
Income from other activities	1.8	8.5	+6.7	n.a
Net revenue	279.9	317.7	+37.8	+13.5%
Net operating costs	-36.7	-36.8	-0.1	+0.4%
Depreciation of operating assets	-16.1	-19.5	-3.4	+20.9%
Net change in provisions and other	-0.8	3.5	+4.3	n.a
Current operating income	226.2	264.8	+38.6	+17.1%
Net income from inventory properties	-0.3	-2.9	-2.6	n.a
Income from value adjustments	295.1	371.9	+76.8	+26.0%
Income from asset disposals	55.6	-1.4	-57.0	-102.5%
Income from disposal of securities	43.3	2.5	-40.8	-94.2%
Income from changes in scope & other	-58.7	-3.9	+54.8	n.a
Operating income	561.1	631.1	+70.0	+12.5%
Cost of net financial debt	-52.5	-60.8	-8.3	+15.7%
Interest charges linked to financial lease liability	0.0	-3.2	-3.2	n.a
Value adjustment on derivatives	-5.4	-147.3	-141.9	n.a
Discounting of liabilities and receivables	0.0	-0.2	-0.2	n.a
Amortization of borrowings' cost	-6.1	-8.7	-2.6	+42.7%
Share in earnings of affiliates	10.8	0.7	-10.1	-93.4%
Income from continuing operations	507.9	411.6	-96.3	-19.0%
Deferred tax	-37.0	-47.6	-10.6	+28.6%
Corporate income tax	-5.6	-8.9	-3.3	+58.7%
Net income for the period	465.3	355.1	-110.1	-23.7%

► 13.5% rise in net revenue

Net rental income in Group share rose mainly due to the combined effect of the merger with Beni Stabili and the acquisition of the hotel portfolio in the United Kingdom in 2018.

(€ million, Group share)	H1 2018	H1 2019	var.	%
France Offices	115.9	106.3	-9.6	-8.3%
Italy Offices (incl. retail)	38.6	65.1	+26.5	+68.8%
German Residential	68.9	72.3	+3.4	+4.9%
Hotels in Europe (incl. retail)	39.1	48.1	+9.0	+23.1%
Other (incl. France Residential)	2.2	1.8	-0.4	-16.4%
Total Net rental income	264.7	293.7	+29.0	+11.0%
EBITDA from hotel operating activity & coworking	13.3	15.5	+2.1	+16.1%
Income from other activities	1.8	8.5	+6.7	n.a
Net revenue	279.9	317.7	+37.8	+13.5%

France Offices: decrease mainly due to the vacancy of assets under redevelopment (in Paris-St-Ouen, Rue Jean Goujon in Paris CBD and Gobelins in Paris 5th).

Italy Offices: increase is due to the merger with Beni Stabili, partly offset by disposals of assets in secondary locations outside Milan and non-strategic retail assets (-€4.2 million).

German Residential: Revenue increase driven by rental growth (+€2 million) and the investments realised net of disposals (+€1.4 million).

Hotels in Europe: revenue growth driven by acquisitions (+€12 million), mainly the United Kingdom portfolio in 2018, offset by disposals of non-core hotels and non-strategic retail assets (-€5 million).

- ▶ **EBITDA from the hotel operating activity and coworking:** +€2.1 million growth driven by the ramping-up of the coworking activity (€2.4 million of EBITDA), with an occupancy rate close to 90% on the four sites already opened. EBITDA from hotel operating activities (€13.1 million) declined slightly (-4.5%) due to disposals (mainly the Westin hotel in Dresden in 2019).
- ▶ **Income from other activities:** net income from other activities comes from the income generated by car park companies (+€4.5 million) and property development fees (+€4 million).
The increase of +€6.7 million in the first half of 2019 is due to
 - the first application of IFRS 16-Leases, which involves replacing lease expenses by interest charge and an amortisation of the right of use asset
 - the increase in property development fees.

▶ **Net operating costs**

Net operating costs are stable year-on-year, showing the Group's good cost.

▶ **Depreciation of operating assets**

Depreciation of operating assets rose as a result of the first application of IFRS 16-Leases (see Income from other activities comment above).

▶ **Income from asset disposals & disposal of securities**

Income from asset disposals (in asset or share transactions) contributed €1.1 million in the first half of 2019.

▶ **Change in the fair value of assets**

The income statement recognises changes in the fair value of assets based on appraisals conducted on the portfolio. Like-for-like value growth stood at +2.8% in the first half of 2019. This result does not include the change in fair value of assets recognised at amortised cost under IFRS but taken into account in the EPRA NAV (hotel operating properties, coworking assets and Paris Jean Goujon classified as own-occupied buildings).

For more details on the evolution of the portfolio by activity, see chapter 2 of this document.

▶ **Income from changes in scope and other**

This item negatively impacted the income statement by €1.4 million.

▶ **Cost of net financial debt**

The cost of net financial debt increased in this first half of 2019 under the effect of early debt restructuring (-€11.5 million), mainly due to the redemption of a bond maturing in 2021.

▶ **Interest charges linked to finance lease liability**

The Group applies the IAS 40 §25 standard for the leasehold linked to the investment property. This standard requires the rental cost to be replaced with an interest payment while recognising a usage fee and rental liabilities on the balance sheet.

Since 1 January 2019 a similar rule (IFRS 16) is applied for all other lease contracts. The interest cost for rental liabilities was €3.2 million.

► Value adjustment on derivatives

The fair value of financial instruments (hedging instruments and ORNANE) was negatively impacted by decreasing interest rates, and the recycling of -€18.9 million from Other Comprehensive Income (OCI) due to the hedge accounting breach.

Share of income of equity affiliates

Group share	% interest	Contribution to earnings (€million)
OPCI Covivio Hotels	8,60%	2,4
Lénovilla (New Vélizy)	50,10%	-5,3
Euromed	50,00%	2,0
Cœur d'Orly	50,00%	1,1
Bordeaux Armagnac (Orianz / Factor E)	34,69%	0,4
Total		0,7

The equity affiliates involve Hotels in Europe and the France Offices sectors:

- OPCI Covivio Hotels involves two hotel portfolios, Campanile (32 hotels) and AccorHotels (39 hotels) owned at 80% by Crédit Agricole Assurances.
- Lénovilla involves the New Vélizy campus (47,000 m²), let to Thalès and co-owned with Crédit Agricole Assurances.
- Euromed in Marseille relates to two office buildings (Astrolabe and Calypso) and a hotel (Golden Tulip) in partnership with Crédit Agricole Assurances.
- Coeur d'Orly in Greater Paris is a development project for new offices in the business district of Orly airport in partnership with ADP.
- Bordeaux Armagnac involves in a development project in partnership with Icade of three buildings near the new high-speed train station. Upon completion, Covivio will retain one building at 100%.

EPRA Earnings of affiliates

EPRA Earnings of affiliates consolidated under the equity method

(€ million, Group share)	France Offices	Hotels (under lease)	H1 2019
Net rental income	5.7	2.0	7.6
Net operating costs	-0.2	-0.2	-0.4
Operating result	5.5	1.8	7.3
Cost of net financial debt	-0.7	-0.3	-1.0
Other financial depreciation	-0.1	-0.1	-0.2
Share in EPRA Earnings of affiliates	4.7	1.4	6.0

► Taxes

The corporate income tax corresponds to the tax on:

- foreign companies that are not or are only partially subject to a tax transparency regime (Italy, Germany, Belgium, the Netherlands, United Kingdom and Portugal);
- French subsidiaries with taxable activity.

Corporate income tax amounted to -€8.9 million, including taxes on sales (-€2.4 million).

EPRA Earnings increased by 14.7% to €219.7 million (+€28.1 million vs June 2018)

	Net income Group share	Restatements	EPRA E. H1 2019	EPRA E. H1 2018
Net rental income	293.7	2.7	296.4	267.5
EBITDA from hotel operating activity & coworking	15.5	0.7	16.2	14.2
Income from other activities	8.5	0.3	8.8	1.8
Net revenue	317.7	3.8	321.4	283.6
Net operating costs	-36.8	-	-36.8	-36.7
Depreciation of operating assets	-19.5	8.8	-10.7	-5.6
Net change in provisions and other	3.5	-1.3	2.2	-0.8
Operating income	264.8	11.2	276.1	240.4
Net income from inventory properties	-2.9	2.9	0.0	-
Income from asset disposals	-1.4	1.4	0.0	-
Income from value adjustments	371.9	-371.9	0.0	-
Income from disposal of securities	2.5	-2.5	0.0	-
Income from changes in scope & other	-3.9	3.9	0.0	-
Operating result	631.1	-355.0	276.1	240.4
Cost of net financial debt	-60.8	11.5	-49.3	-46.0
Interest charges linked to finance lease liability	-3.2	2.0	-1.2	-
Value adjustment on derivatives	-147.3	147.3	0.0	-
Discounting of liabilities and receivables	-0.2	-	-0.2	-
Amortization of borrowings' costs	-8.7	3.5	-5.2	-4.3
Share in earnings of affiliates	0.7	5.3	6.0	5.8
Pre-tax net income	411.6	-185.5	226.2	195.9
Deferred tax	-47.6	47.6	0.0	0.0
Corporate income tax	-8.9	2.4	-6.5	-4.3
Net income for the period	355.1	-135.4	219.7	191.6
<i>Average number of shares</i>			<i>83,479,180</i>	<i>74,842,467</i>
Net income per share			2.63	2.56

- ▶ The restatement on Net Revenues concerns the effect of IFRIC 21 on property taxes, amortised over the year rather than fully taken account in the first half of 2019.
- ▶ The restatement of depreciation of operating assets offset the real estate depreciation of coworking and hotel operating activities.
- ▶ There was an €11.5 million impact on the cost of debt due to early debt restructuring costs. Excluding these costs, the cost of debt was €3.3 million higher than in the first half of 2018 due to the merger with Beni Stabili
- ▶ The interest charges linked to finance lease liabilities relating to the UK leasehold, as per the IAS 40 §25 standard, (€2 million) was cancelled and replaced by the lease expenses paid (-€1.3 million). The lease expenses paid are included in the restatement of Net change in provisions and other.
- ▶ The restatement of corporate income tax is linked to the tax on disposals.

EPRA Earnings by activity

(€ million, Group share)	France offices	Italy offices (incl. Retail)	German Residential	Hotels under lease (incl. retail)	Hotel operating properties	Corporate or non-attributable sector (including French Resi.)	H1 2019
Net rental income	108.6	65.1	72.3	48.3	0.1	2.0	296.4
EBITDA from Hotel operating activity & Coworking	2.4	-	-	-	13.8	-	16.2
Income from other activities	4.0	-	0.2	-	0.0	4.6	8.8
Net revenue	115.0	65.1	72.5	48.3	13.9	6.6	321.4
Net operating costs	-16.2	-6.1	-11.6	-0.4	-0.5	-2.1	-36.8
Depreciation of operating assets	-3.3	-1.0	-0.7	0.0	-1.2	-4.6	-10.7
Net change in provisions and other	5.0	0.1	-0.4	-2.7	-0.2	0.4	2.2
Operating result	100.7	58.1	59.7	45.2	12.1	0.3	276.1
Cost of net financial debt	-14.0	-11.2	-12.0	-9.4	-2.9	0.2	-49.3
Interest Charges linked to finance lease liability	-0.1	0.0	0.0	-0.6	-0.3	-0.3	-1.2
Discounting of liabilities & receivables and financial provision	-2.3	-1.8	-0.4	-0.8	-0.1	-	-5.4
Share in earnings of affiliates	4.7	-	-	1.4	-	-	6.0
Corporate income tax	-0.2	-2.9	-1.3	-1.3	-0.8	0.0	-6.5
EPRA Earnings	88.9	42.2	46.0	34.4	8.0	0.2	219.7

3.4. Simplified consolidated income statement (at 100%)

(€ million, 100%)	H1 2018	H1 2019	var.	%
Net rental income	434.9	443.1	+8.2	+1.9%
EBITDA from hotel operating activity & coworking	34.0	33.7	-0.2	n.a
Income from other activities	2.2	4.6	+2.4	+112.0%
Net revenue	471.1	481.5	+10.4	+2.2%
Net operating costs	-51.1	-53.7	-2.6	+5.1%
Depreciation of operating assets	-28.8	-31.8	-3.0	n.a
Net change in provisions and other	-0.2	7.1	+7.3	n.a
Current operating income	391.0	403.0	+12.0	+3.1%
Net income from inventory properties	-0.5	-3.4	-2.9	+585.0%
Income from asset disposals	55.3	-1.4	-56.7	-102.5%
Income from value adjustments	456.8	588.7	+131.9	+28.9%
Income from disposal of securities	103.0	5.9	-97.1	n.a
Income from changes in scope	-136.0	-8.0	+128.0	n.a
Operating income	869.6	984.8	+115.2	+13.2%
Income from non-consolidated companies	0.0	0.0	+0.0	n.a
Cost of net financial debt	-96.1	-95.7	+0.4	-0.4%
Interest charge related to finance lease liability	0.0	-7.0	-7.0	n.a
Value adjustment on derivatives	-10.8	-190.1	-179.3	n.a
Discounting of liabilities and receivables	-4.8	-0.2	+4.6	-96.4%
Amortization of borrowings' costs	-10.8	-13.2	-2.4	+22.1%
Share in earnings of affiliates	12.6	3.9	-8.7	-69.3%
Income before tax	759.7	682.6	-77.2	-10.2%
Deferred tax	-60.3	-69.3	-9.0	+15.0%
Corporate income tax	-10.2	-15.3	-5.1	+49.7%
Net income for the period	689.2	598.0	-91.3	-13.2%
Non-controlling interests	-223.9	-242.9	-19.0	+8.5%
Net income for the period - Group share	465.3	355.1	-110.2	-23.7%

+€10.4 million (+2.2%) rise in consolidated net revenue

Net revenue increased by €10.4 million, mainly due to acquisitions in Hotels and the good rental performance in German Residential.

(€ million, 100%)	H1 2018	H1 2019	var.	%
France Offices	129.9	121.3	-8.6	-6.6%
Italy Offices (incl. Retail)	88.4	84.8	-3.6	-4.1%
German Residential	108.8	112.8	+4.0	+3.7%
Hotels in Europe (incl. Retail)	105.7	122.5	+16.8	+15.9%
Other (mainly France Residential)	2.2	1.8	-0.4	-18.2%
Total Net rental income	434.9	443.2	+8.3	+1.9%
EBITDA from hotel operating activity & coworking	34.0	33.7	-0.3	-0.9%
Income from other activities	2.2	4.6	+2.4	+110.7%
Net revenue	471.1	481.5	+10.4	+2.2%

3.5. Simplified consolidated balance sheet (Group share)

(€ million, Group share)						
Assets	2018	H1 2019	Liabilities	2018	H1 2019	
Investment properties	13,140	12,916				
Investment properties under development	748	1,012				
Other fixed assets	699	840				
Equity affiliates	201	196				
Financial assets	175	180				
Deferred tax assets	61	55				
Financial instruments	33	38	Shareholders' equity	7,561	7,898	
Assets held for sale	325	655	Borrowings	7,879	7,892	
Cash	901	931	Financial instruments	192	281	
Inventory (Trading & Construction activities)	75	115	Deferred tax liabilities	501	554	
Other	400	457	Other liabilities	625	771	
Total	16,759	17,396	Total	16,759	17,396	

Fixed Assets

The portfolio (excluding assets held for sale) at the end of June by operating segment is as follows:

(€ million, Group share)	2018	H1 2019	var.
France Offices	5,253	5,139	-114
Italy Offices (incl. Retail)	3,318	3,087	-231
German Residential	3,691	4,057	366
Hotels in Europe (incl. Retail)	2,314	2,442	128
Car parks	11	42	31
Total Fixed Assets	14,587	14,767	180

The decrease in **France Offices** (-€114 million) is mainly due to disposal agreements signed in the first half of 2019 (-€260 million, now classified as assets held for sale), partially offset by the increase in fair value of investment properties (+€82 million), the work and CAPEX completed mainly on investment properties under development (+113 million). Additionally, one asset was reallocated from France Offices to Hotels in

Europe (the Meridien hotel in Nice through an asset contribution, for -€53 million). The fixed assets are also marginally affected by the first application of IFRS16-Leases for +€8 million and by the amortisation of the period -€4 million.

In Italy Offices, the change (-€231 million) is mainly due to the reclassification from investment property to assets held for sale (-€273 million), the change in fair value (-€12 million, related to non-strategic retail assets), and the work completed on buildings (+€56 million).

The increase in **German Residential** (+€366 million) is mainly due to the change in fair value (+€262 million) and the acquisitions and CAPEX over the period (+€113 million), the acquisition via share transactions.

The positive change in the **Hotels in Europe portfolio** (+€128 million) is driven by acquisitions and CAPEX (+€49 million, including 2 remaining assets in the UK portfolio), the growth in fair value (+€23 million), and offset by the disposals realised and secured (-€57 million). Additionally, one hotel was transferred from the France Offices portfolio (+€23 million from the Meridien hotel in Nice, now owned by Covivio Hotels at 43%.

At the same time, the portfolio value in Group share increased due to the changed stake of Covivio in Covivio Hotels for (+€60 million), and the new right of use asset (+€32 million) linked to the first application of IFRS16-Leases.

The change in the Car parks activity (**+€31 million**) is mainly due to the first application of IFRS 16 – lease. Indeed €36 million of right of use assets have been recognised as fixed assets while the same amount is stated as finance lease liability.

Assets held for sale, €655 million at the end of June 2019

Assets held for sale consists of assets for which a preliminary sales agreement has been signed. The breakdown by segment is as follow:

- 79% offices in France and Italy
- 4% Hotels in Europe
- 3% Residential Germany
- 14% France Residential.

The €330 million increase between 2018 and June 2019 comes essentially from new disposal agreements signed (+€652 million), while previously secured disposals were completed (-€341 million).

► Total Group shareholders' equity

Shareholders' equity increased from €7,561 million at the end of 2018 to €7,898 million at 30 June 2019, i.e. an increase of €337 million, mainly due to:

- income for the period: +€355 million (including €27 million linked to the Orname conversion)
- the impact of the dividend distribution: -€382 million (including 83% paid in shares)
- the capital increase from the dividend in shares: +€316 million
- the capital increase from the conversion of the ORNAME 2019: +€27 million
- other movements including the conversion reserve (+€3 million), the change linked to own shares (+€4 million) and the impact of changes in shareholding (+€4 million)

The issuance of 4,238,763 new shares was related to the payment of the dividend in shares, chosen by 83% of shareholders (3,885,719), the conversion of part of the Orname maturing in 2019 (298,053) and the free share plan (54,991).

► **Other liabilities**

This item increased by €146 million following the first application of IFRS 16-Leases for a total amount of +€69 million and the recognition of new leasehold liabilities (hotel portfolio in the United Kingdom) for a total amount of +€6 million. This item also increased by €51 million related to supplier debts (mainly due to development projects), and by €13 million due to an advance payment made on disposal in Italy.

3.6. Simplified consolidated balance sheet (at 100%)

(€ million, 100%)					
Assets	2018	H1 2019	Liabilities	2018	H1 2019
Investment properties	19,270	19,268			
Investment properties under development	870	1,127			
Other fixed assets	1,414	1,524			
Equity affiliates	250	245			
Financial assets	153	111	Shareholders' equity	7,561	7,898
Deferred tax assets	68	60	Non-controlling interests	3,797	3,840
Financial instruments	47	61	Shareholders' equity	11,358	11,739
Assets held for sale	559	753	Borrowings	11,060	10,862
Cash	1,172	1,121	Financial instruments	235	377
Inventory (Trading & Construction activity)	96	154	Deferred tax liabilities	844	924
Other	486	575	Other liabilities	887	1,099
Total	24,384	25,000	Total	24,384	25,000

► **Investment properties, properties under development and assets held for sale**

These three fixed asset items increased by €450 million, mainly as a result of increases in value for +€589 million, asset acquisitions and works for +€420 million (including developments), offset by disposals for -€490 million and the reclassification between investment property and owner-occupied building and inventory (-€87 million to other fixed assets).

► **Other fixed assets**

+€110 million mainly including the reclassification from investment property to tangible assets of the development project located in Paris, Rue Jean Goujon (+€134 million), the sale of the Operated Hotel in Dresden (-€39 million), the reclassification of a portion of the land located next to the Park Inn Alexanderplatz in Berlin from tangible assets to properties under development (-€44 million) and the impact of the first application of IFRS16-Leases (+€77 million).

► **Deferred tax liabilities**

Net deferred taxes represent €864 million in liabilities versus €776 million on 31 December 2018. This €88 million increase is mainly due to the growth of appraisal values in Germany (+€73 million) and new acquisitions in the UK and the Netherlands.

► **Other liabilities**

The increase in Other liabilities is mainly due to the impact of usage fees on leaseholds (+€112 million), to the supplier debts related to development projects and to advance payments received linked to future sales.

4. FINANCIAL RESOURCES

Recognising Covivio's improved operational and financial profile and the ongoing enhancement of the quality of its portfolio, Standard and Poor's revised the financial rating of Covivio from BBB to BBB+, Stable outlook. Following this upgrade, the rating of Covivio Hotels has also been raised to BBB+.

In early 2019, the Group continued to strengthen its financial profile by tightening its LTV guidance from 40-45% to below 40%. This target has already been reached at end-June 2019, with an LTV of 39.2%, thanks to the success of the dividend payment in shares, chosen by 83% of shareholders, and to the disposal program.

4.1. Main debt characteristics

Group share	2018	H1 2019
Net debt, Group share (€ million)	6,978	6,961
Average annual rate of debt	1.53%	1.55%
Average maturity of debt (in years)	6.0	5.8
Debt active hedging spot rate	76%	82%
Average maturity of hedging	6.9	6.8
LTV Including Duties	42.0%	39.2%
ICR	5.08	5.81

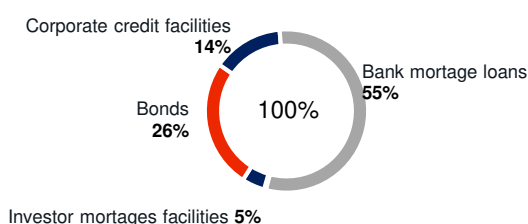
4.2. Debt by type

Covivio's net debt stands at €7.0 billion in Group share at end-June 2019 (€9.7 billion on a consolidated basis), stable compared to end-2018: the investments realised in the first half of 2019 (€262 million Group share) matched the disposals closed (€289 million Group share), and 83% of the shareholders chose to receive the dividend in shares.

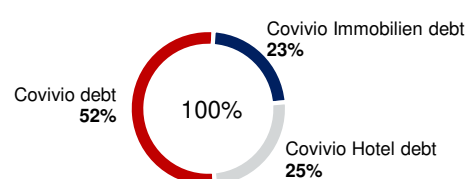
As regards the commitments attributable to the Group, the share of corporate debts (bonds and loans) has increased to 55% from 52% at end-2018.

In addition, at end-June 2019, Covivio's available liquidity totalled nearly €2.5 billion Group share (€2.8 billion on a consolidated basis). In particular, Covivio had €1.5 billion in commercial paper outstanding at 30th June 2019.

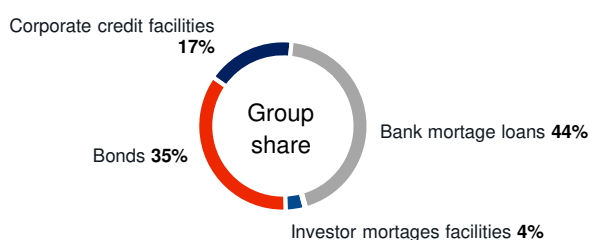
Consolidated commitments
by type



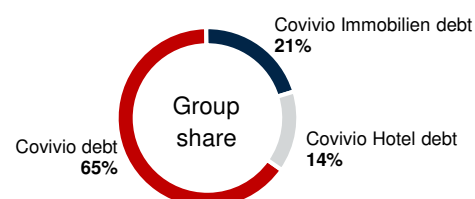
Consolidated commitments
by company



Group share commitments
by type

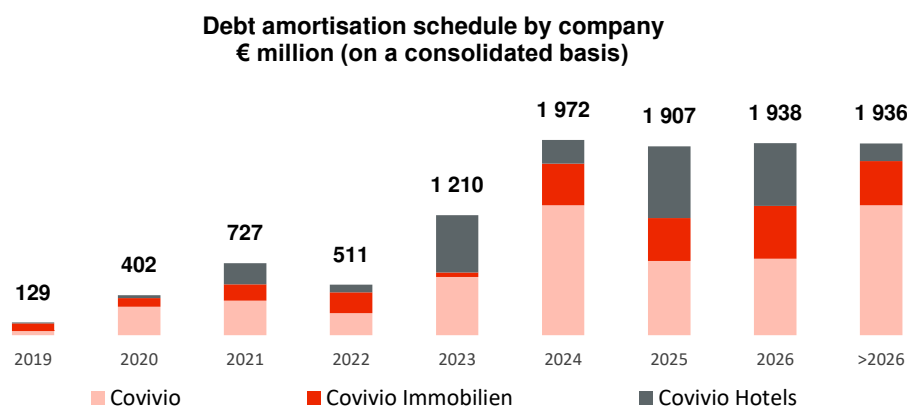
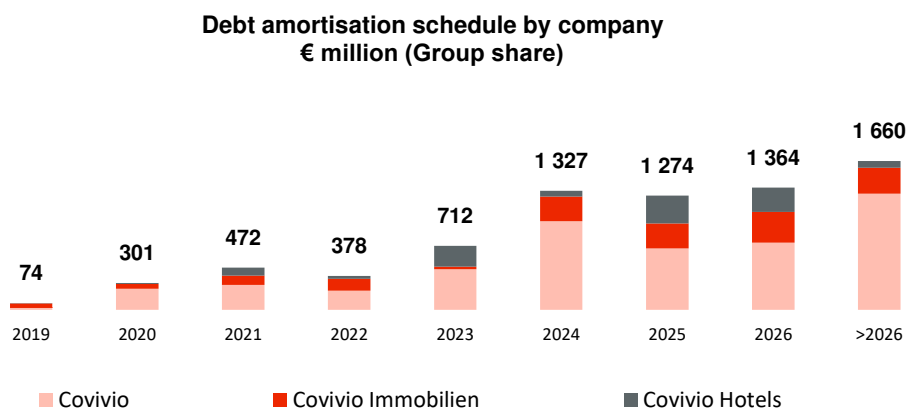


Group share commitments
by company



4.3. Debt maturity

The average maturity of Covivio's debt remained relatively stable at 5.8 years at end-June 2019 (excluding commercial paper). Until 2023, there is no major maturity that has not already been covered or is already under renegotiation. The biggest maturities occur in 2021 (a bond and a convertible bond) representing less than 5% of the consolidated debt.



4.4. Hedging profile

In the 1st half-year-2019, the hedging management policy remained unchanged, with debt hedged at 90% on average over the year, at least 75% of which through short term hedges, and all of which with maturities equivalent to or exceeding the debt maturity.

Based on net debt at 30 June 2019, Covivio is hedged at 84% over 5 years (Group share). The average term of the hedges is 6.8 years (Group share).



4.5. Average interest rate on the debt and sensitivity

The average interest rate on Covivio's debt remains stable, at 1.55% in Group share. For information purposes, an increase of 25 basis points in the three-month Euribor rate would have a negative impact of 0.4% on the EPRA Earnings.

Financial structure

Excluding debts raised without recourse to the Group's property companies, the debts of Covivio and its subsidiaries generally include bank covenants (ICR and LTV) applying to the borrower's consolidated financial statements. If these covenants are breached, early debt repayment may be triggered. These covenants are established on a Group share basis for Covivio and on a consolidated or Group share basis depending on the debt anteriority for Covivio Hotels and the other subsidiaries of Covivio (if their debt includes them).

- ▶ The most restrictive consolidated LTV covenants amounted, at 30 June 2019, to 60% for Covivio and Covivio Hotels.

The most restrictive ICR consolidated covenants applicable to the REITs are as follows:

- ▶ for Covivio: 200%;
- ▶ for Covivio Hotels: 200%;

With respect to Covivio Immobilien (German Residential), for which almost all of the debt raised is "non-recourse" debt, portfolio financings do not contain any consolidated covenants.

Lastly, with respect to Covivio, some corporate credit facilities are subject to the following ratios:

Ratio	Covenant (%)	End-June 2019 (%)
LTV	60.0%	43.7%
ICR	200%	581%
Secured debt ratio	25.0%	6,8%

All covenants were fully complied with at end-June 2019. No loan has an accelerated payment clause contingent on Covivio's rating, which is currently BBB+, Stable outlook (S&P rating).

Detail of Loan-to-Value calculation (LTV)

(€ million Group share)	2018	H1 2019
Net book debt	6,978	6,961
Receivables linked to associates (full consolidated)	-57	-86
Receivables on disposals	-325	-655
Security deposits received	-34	-55
Purchase debt	59	96
Net debt	6,620	6,260
Appraised value of real estate assets (Including Duties)	15,775	16,322
Preliminary sale agreements	-325	-655
Financial assets	16	13
Receivables linked to associates (equity method)	92	87
Share of equity affiliates	201	196
Value of assets	15,759	15,963
LTV Excluding Duties	44.2%	41.3%
LTV Including Duties	42.0%	39.2%

4.6. Reconciliation with consolidated accounts

Net debt

€ million	Consolidated accounts	Minority interests	Group share
Bank debt	10,862	-2,970	7,892
Cash and cash-equivalents	1,121	-190	931
Net debt	9,741	-2,781	6,961

Portfolio

€ million	Consolidated accounts	Portfolio of companies under equity method	Fair value of operating properties	Right of use of Investment properties	Minority interests	Group share
Investment & development properties	20 395	699	1 562	-204	-7 427	15 025
Assets held for sale	753				-98	655
Total portfolio	21 149	699	1 562	-204	-7 525	15 680

Interest Coverage Ratio

	Consolidated accounts	Minority interests	Group share
EBITDA (Net rents (-) operating expenses (+) results of other activities)	436.8	-150.6	286.2
Cost of debt	83.2	-33.9	49.3
ICR			5.81

5. EPRA REPORTING

5.1. Change in net rental income (Group share)

€ million	H1 2018	Acquis.	Disp.	Developments	Change in percentage held/consolidation method	Indexation, asset management and others	H1 2019
France Offices	116	0	-6	-4	0	0	106
Italy Offices (incl. retail)	39	1	-3	1	28	-1	65
German Residential	69	4	-3	0	-1	3	72
Hotels in Europe (incl. Retail & excl. EBITDA from operating properties)	39	12	-6	1	2	1	48
Other (France Residential)	2	0	-1	0	0	0	2
TOTAL	265	17	-19	-2	29	3	294

Reconciliation with financial data

€ million	H1 2019
Total from the table of changes in Net rental Income (GS)	294
Adjustments	-
Total net rental income (Financial data § 3.3)	294
Minority interests	149
Total net rental income (Financial data § 3.4)	443

5.2. Investment assets – Information on leases

Annualized rental income corresponds to the gross amount of guaranteed rent for the full year based on existing assets at the period end, excluding any incentives.

Vacancy rate at end of period =	$\frac{\text{Market rental value on vacant assets}}{\text{Contractual annualized rents on occupied assets} + \text{Market rental value on vacant assets}}$
EPRA vacancy rate at end of period =	$\frac{\text{Market rental value on vacant assets}}{\text{Market rental value on occupied and vacant assets}}$

(€ million, Group share)	Gross rental income (€ million)	Net rental income (€ million)	Annualized rents (€ million)	Surface (m ²)	Average rent (€/m ²)	Vacancy rate at year end	EPRA vacancy rate at year end
France Offices	115	106	259	1,639,629	189	2.7%	2.8%
Italy Offices (incl. retail)	79	65	166	1,712,806	122	2.2%	2.3%
German Residential	80	72	163	2,903,931	88	1.2%	1.2%
Hotels in Europe (incl. Retail & excl. EBITDA from operating properties)	49	48	101	n.a.	n.a.	0.0%	0.0%
Other (France Residential)	3	2	3	26,854	n.a.	n.a.	n.a.
Total	326	294	693	6,283,220	110	1.9%	1.9%

5.3. Investment assets- Asset values

The EPRA net initial yield is the ratio of:

Annualized rental income
after deduction of outstanding benefits granted to tenants (rent-free periods, rent ceilings)
- unrecovered property charges for the year

$$\text{EPRA NIY} = \frac{\text{Annualized rental income after deduction of outstanding benefits granted to tenants (rent-free periods, rent ceilings) - unrecovered property charges for the year}}{\text{Value of the portfolio including duties}}$$

(€ million, Group share)	Market value	Change in fair value over the year	Duties	EPRA NIY
France Offices	5,716	87	290	4.4%
Italy Offices (incl. Retail)	3,359	-10	110	4.2%
German Residential	4,070	267	283	3.4%
Hotels in Europe (incl. Retail)	2,392	27	112	5.2%
Other (France Resi. and car parks)	143	0	0	n.a.
Total H1 2019	15,680	372	795	4.2%

Reconciliation with financial data

€ million	H1 2019
Total portfolio value (Group share, market value)	15,680
Fair value of the operating properties	-805
Fair value of companies under equity method	-330
Right of use on investment assets	88
Fair value of car parks facilities	-51
Investment assets Group share ¹ (Financial data § 3.5)	14,583
Minority interests	6,566
Investment assets 100% ¹ (Financial data § 3.5)	21,149

¹ Fixed assets + Developments assets + asset held for sale

€ million	H1 2019
Change in fair value over the year (Group share)	372
Others	-
Income from fair value adjustments Group share (Financial data § 3.3)	372
Minority interests	217
Income from fair value adjustments 100% (Financial data § 3.3)	589

5.4 Information on leases

	Firm residual lease term (years)	Residual lease term (years)	Lease expiration by date of 1st exit option					Total (€m)	Section
			Annualized rental income of leases expiring						
			N+1	N+2	N+3 to 5	Beyond	Total %		
France Offices	4.8	5.5	8%	13%	32%	46%	100%	259	2.A.6
Italy Offices (incl. retail)	7.0	7.6	6%	10%	24%	61%	100%	166	2.B.6
Hotels in Europe (incl. retail)	13.6	15.0	0%	4%	7%	89%	100%	101	2.D.5
Total	7.2	8.0	6%	10%	25%	59%	100%	526	1.B.1

5.5 EPRA Net Initial Yield

The data below shows detailed yield rates for the Group and the transition from the EPRA topped-up yield rate to Covivio's yield rate.

- ▶ EPRA topped-up net initial yield is the ratio of:

$$\text{EPRA Topped-up NIY} = \frac{\text{Annualized rental income after expiration of outstanding benefits granted to tenants (rent-free periods, rent ceilings) - unrecovered property charges for the year}}{\text{Value of the portfolio including duties}}$$

- ▶ EPRA net initial yield is the ratio of:

$$\text{EPRA NIY} = \frac{\text{Annualized rental income after deduction of outstanding benefits granted to tenants (rent-free periods, rent ceilings) - unrecovered property charges for the year}}{\text{Value of the portfolio including duties}}$$

(€ million, Group share)	Total 2018	France Offices	Italy Offices (incl. Retail)	German Residential	Hotels in Europe (incl. Retail)	France Residential ¹	Total H1 2019
Investment, saleable and operating properties	15,244	5,716	3,359	4,070	2,392	143	15,680
Restatement of assets under development	-771	-541	-437	-	-32	-	-1,011
Restatement of undeveloped land and other assets under development	-302	-180	-	-63	-	-	-243
Restatement of Trading assets	-53	-	-	-	-	-	-
Restatement of operating hotel properties	-	-	-	-	-	-	-
Duties	785	290	110	283	112	-	795
Value of assets including duties (1)	14,904	5,285	3,032	4,290	2,472	143	15,222
Gross annualized IFRS revenues	683	245	153	163	129	3	693
Irrecoverable property charge	-56	-14	-27	-15	-1	-1	-58
Annualized net revenues (2)	627	231	127	148	128	2	635
Rent charges upon expiration of rent free periods or other reductions in rental rates	27	14	11	-	-	-	25
Annualized topped-up net revenues (3)	654	245	138	148	128	2	660
EPRA Net Initial Yield (2)/(1)	4.2%	4.4%	4.2%	3.4%	5.2%	n.a.	4.2%
EPRA "Topped-up" Net Initial Yield (3)/(1)	4.4%	4.6%	4.5%	3.4%	5.2%	n.a.	4.4%
Transition from EPRA topped-up NIY to Covivio yield							
Impact of adjustments of EPRA rents	0.4%	0.3%	0.9%	0.4%	0.0%	-	0.4%
Impact of restatement of duties	0.3%	0.3%	0.2%	0.3%	0.2%	-	0.3%
Covivio reported yield rate	5.0%	5.2%	5.6%	4.1%	5.4%	n.a.	5.0%

¹ Under disposal agreement

5.6. EPRA cost ratio

(€million, Group share)	H1 2018	H1 2019
Cost of other activities and fair value	-9.5	-11.5
Expenses on properties	-11.3	-14.9
Net losses on unrecoverable receivables	-0.9	-3.0
Other expenses	-2.2	-2.1
Overhead	-40.1	-48.7
Amortisation, impairment and net provisions	-0.8	2.2
Income covering overheads	10.3	14.4
Cost of other activities and fair value	-3.9	-4.2
Property expenses	-0.2	0.2
EPRA costs (including vacancy costs) (A)	-58.6	-67.5
Vacancy cost	5.0	5.7
EPRA costs (excluding vacancy costs) (B)	-53.6	-61.8
Gross rental income less property expenses	289.2	325.6
EBITDA from hotel operating properties & coworking, income from other activities and fair value	22.5	32.5
Gross rental income (C)	311.6	358.2
EPRA costs ratio (including vacancy costs) (A/C)	18.8%	18.8%
EPRA costs ratio (excluding vacancy costs) (B/C)	17.2%	17.3%

The calculation of the EPRA cost ratio excludes car parks activities.

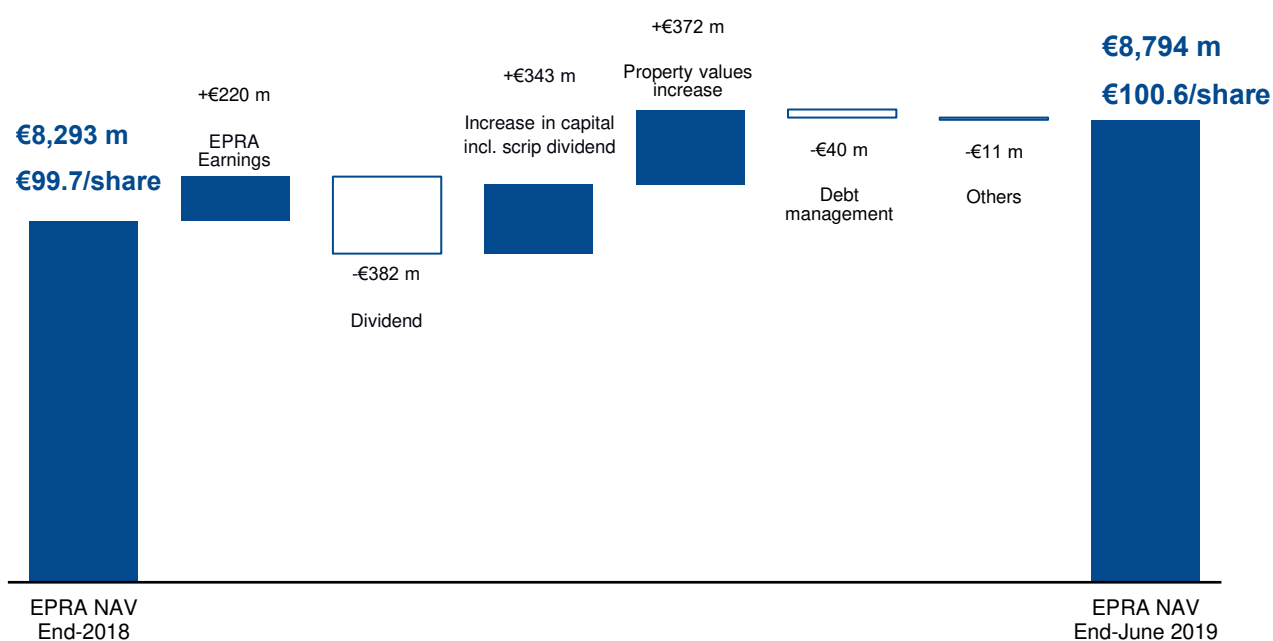
5.7. EPRA Earnings

(€million)	H1 2018	H1 2019
Net income Group share (Financial data §3.3)	465.3	355.1
Change in asset values	-295.1	-371.9
Income from disposal	-98.5	1.8
Acquisition costs for shares of consolidated companies	58.7	3.9
Changes in the value of financial instruments	5.4	147.3
Interest charges related to finance lease liabilities	-	1.9
Rental costs (leasehold > 100 years)	-	-1.3
Deferred tax liabilities	37.0	47.6
Taxes on disposals	1.3	2.4
Adjustment to amortisation	10.5	8.8
Adjustments from early repayments of financial instruments	8.3	14.9
Adjustment IFRIC 21	3.7	3.8
EPRA Earnings adjustments for associates	-4.9	5.3
EPRA Earnings	191.6	219.7
EPRA Earnings in €/share	2.56	2.63

5.8. EPRA NAV and EPRA NNAV

	2018	H1 2019	Var.	Var. (%) 6 months	Var. (%) 12 months
EPRA NAV (€ m)	8,293	8,794	501	+6.0%	+21.7%
EPRA NAV / share (€)	99.7	100.6	0.9	+0.9%	+5.4%
EPRA NNAV (€ m)	7,625	7,886	261	+3.4%	+19.0%
EPRA NNAV / share (€)	91.7	90.2	-1.5	-1.6%	+3.1%
Number of shares	83,186,524	87,456,313	4,269,789	+5.1%	+15.5%

Evolution of EPRA NAV



Reconciliation between shareholder's equity and EPRA NAV

	M€	€/share
Shareholders' equity	7,898.4	90.3
Fair value assessment of operating properties	29.9	
Fair value assessment of car parks facilities	26.3	
Fair value assessment of hotel operating properties	26.2	
Fair value assessment of fixed-rate debts	-143.8	
Restatement of value Excluding Duties on some assets	48.5	
EPRA NNAV	7,885.5	90.2
Financial instruments and fixed-rate debt	386.5	
Deferred tax liabilities	519.4	
ORNANE	3.0	
EPRA NAV	8,794.4	100.6
IFRS NAV	7,898.4	90.3

Valuations are carried out in accordance with the Code of conduct applicable to SIICs and the Charter of property valuation expertise, the recommendations of the COB/CNCC working group chaired by Mr Barthès de Ruyter and the international plan in accordance with the standards of the International Valuation Standards Council (IVSC) and those of the Red Book of the Royal Institution of Chartered Surveyors (RICS).

The real estate portfolio held directly by the Group was valued on 30 June 2019 by independent real estate experts such as Cushman, REAG, CBRE, HVS, JLL, BNP Real Estate, VIF, MKG, Christie & Co and CFE. This did not include:

- ▶ assets on which the sale has been agreed, which are valued at their agreed sale price
- ▶ assets owned for less than 75 days, for which the acquisition value is deemed to be the market value.

Assets were estimated at values excluding and/or including duties, and rents at market value. Estimates were made using the comparative method, the rent capitalisation method and the discounted future cash flow method.

Car parks were valued by capitalising the gross operating surplus generated by the business.

Other assets and liabilities were valued using the principles of the IFRS standards on consolidated financial statements. The application of the fair value essentially concerns the valuation of the debt coverages and the ORNANES.

For companies co-owned with other investors, only the Group share was taken into account.

Fair value assessment of operating properties

In accordance with IFRS, operating properties are valued at historical cost. To take into account the appraisal value, a €29.9 million value adjustment was recognised in EPRA NNNAV.

Fair value adjustment for the car parks

Car parks are valued at historical cost in the consolidated financial statements. NAV is restated to take into account the appraisal value of these assets net of tax. The impact on EPRA NNNAV was €26.3 M€ on 30 June 2019.

Fair value adjustment for own occupied buildings and operating hotel properties

In accordance with IAS 40, owner-occupied buildings and operating hotel properties are not recognised at fair value in the consolidated financial statements. In line with EPRA principles, EPRA NNNAV was adjusted for the difference resulting from the fair value appraisal of the assets for €26.2 million. The market value of these assets is determined by independent experts.

Fair value adjustment for fixed- rate debts

The Group has taken out fixed-rate loans (secured bond and private placement). In accordance with EPRA principles, EPRA NNNAV was adjusted for the fair value of fixed-rate debt. The impact was -€143.8 million at 30 June 2019.

Recalculation of the base cost excluding duties of certain assets

When a company, rather than the asset that it holds, can be sold, transfer duties are re-calculated based on the company's net asset value (NAV). The difference between these re-calculated duties and the transfer duties already deducted from the value had an impact of €48.5 million at 30 June 2019.

5.9. EPRA performance indicator reference table

EPRA information	Section	in %	Amount in €	Amount in €/share
EPRA Earnings	5.8		€220 m	2.63 €/share
EPRA NAV	5.9		€8,794 m	100.6 €/share
EPRA NNNNAV	5.9		€7,886 m	90.2 €/share
EPRA NAV/IFRS NAV reconciliation	5.9			
EPRA net initial yield	5.6	4.2%		
EPRA topped-up net initial yield	5.6	4.4%		
EPRA vacancy rate at year-end	5.2	1.9%		
EPRA costs ratio (including vacancy costs)	5.7	18.8%		
EPRA costs ratio (excluding vacancy costs)	5.7	17.3%		
EPRA indicators of main subsidiaries	5.2 & 5.6			

6. FINANCIAL INDICATORS OF THE MAIN ACTIVITIES

	Covivio Hôtels			Covivio Immobilien		
	2018	H1 2019	Var. (%)	2018	H1 2019	Var. (%)
EPRA Earnings (M€)	198.4	101.2	n.a	129.6	67.8	n.a
EPRA NAV (€ million)	3,406	3,490	+2.5%	3,240	3,586	+10.7%
EPRA NNAV (€ million)	3,109	3,118	+0.3%	2,691	2,920	+8.5%
% of capital held by Covivio	42.3%	43.2%	+0.9 pts	61.7%	61.7%	+0.0 pts
LTV Including Duties	36.3%	36.0%	-0.3 pts	36.0%	34.9%	-1.1 pts
ICR	5.82	4.94	-88 bps	5.34	5.28	-6 bps

7. GLOSSARY

▶ **Net asset value per share (NAV/share), and Triple Net NAV per share**

NAV per share (Triple Net NAV per share) is calculated pursuant to the EPRA recommendations, based on the shares outstanding as at year-end (excluding treasury shares) and adjusted for the effect of dilution.

▶ **Operating assets**

Properties leased or available for rent and actively marketed.

▶ **Rental activity**

Rental activity includes mention of the total surface areas and the annualized rental income for renewed leases, vacated premises and new lettings during the period under review.

For renewed leases and new lettings, the figures provided take into account all contracts signed in the period so as to reflect the transactions completed, even if the start of the leases is subsequent to the period.

Lettings relating to assets under development (becoming effective at the delivery of the project) are identified under the heading "Pre-lets".

▶ **Cost of development projects**

This indicator is calculated including interest costs. It includes the costs of the property and costs of construction.

▶ **Definition of the acronyms and abbreviations used:**

MRC: Major regional cities, i.e. Lyon, Bordeaux, Lille, Aix-Marseille, Montpellier, Nantes and Toulouse
ED: Excluding Duties
ID: Including Duties
IDF: Paris region (Île-de-France)
ILAT: French office rental index
CCI: Construction Cost Index
CPI: Consumer Price Index
RRI: Rental Reference Index
PACA: Provence-Alpes-Côte-d'Azur
LFL: Like-for-Like
GS: Group share
CBD: Central Business District
Rtn: Yield
Chg: Change
MRV: Market Rental Value

▶ **Firm residual term of leases**

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

▶ **Green Assets**

“Green” buildings, according to IPD, are those where the building and/or its operating status are certified as HQE, BREEAM, LEED, etc. and/or which have a recognised level of energy performance such as the BBC-effinergieR, HPE, THPE or RT Global certifications.

▶ **Unpaid rent (%)**

Unpaid rent corresponds to the net difference between charges, reversals and unrecoverable loss of income divided by rent invoiced. These appear directly in the income statement under net cost of unrecoverable income (except in Italy where unpaid amounts not relating to rents were restated).

▶ **Loan To Value (LTV)**

The LTV calculation is detailed in Part 4 “Financial Resources”

▶ **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.

Annualized “topped-up” rental income corresponds to the gross amount of guaranteed rent for the full year based on existing assets at the period end, excluding any relief.

▶ **Portfolio**

The portfolio presented includes investment properties, properties under development, as well as operating properties and properties in inventory for each of the entities, stated at their fair value. For the hotel operating properties it includes the valuation of the portfolio consolidated under the equity method. For offices in France, the portfolio includes asset valuations of Euromed and New Vélizy, which are consolidated under the equity method.

▶ **Projects**

- Committed projects: these are projects for which promotion or construction contracts have been signed and/or work has begun and has not yet been completed at the closing date. The delivery date for the relevant asset has already been scheduled. They might pertain to VEFA (pre-construction) projects or to the repositioning of existing assets.
- Controlled projects: These are projects that might be undertaken and that have no scheduled delivery date. In other words, projects for which the decision to launch operations has not been finalised.

▶ **Yields/return**

The portfolio returns are calculated according to the following formula:

$$\frac{\text{Gross annualized rent (not corrected for vacancy)}}{\text{Value excl. duties for the relevant scope (operating or development)}}$$

The returns on asset disposals or acquisitions are calculated according to the following formula:

$$\frac{\text{Gross annualized rent (not corrected for vacancy)}}{\text{Acquisition value including duties or disposal value excluding duties}}$$

▶ **EPRA Earnings**

EPRA Earnings is defined as "the recurring result from operating activities". It is the indicator for measuring the company's performance, calculated according to EPRA's Best Practices Recommendations. The EPRA Earnings per share is calculated on the basis of the average number of shares (excluding treasury shares) over the period under review.

Calculation:

- (+) Net Rental Income
- (+) EBITDA of hotels operating activities and *Coworking*
- (+) Income from other activities
- (-) Net Operating Costs (including costs of structure, costs on development projects, revenues from administration and management and costs related to business activity)
- (-) Depreciation of operating assets
- (-) Net change in provisions and other
- (-) Cost of the net financial debt
- (-) Actualization / Updating of debt and receivables
- (-) Net change in financial provisions
- (+) EPRA Earnings of MEE societies
- (-) Corporate taxes
- (=) EPRA Earnings**

▶ **Surface**

SHON: Gross surface

SUB: Gross used surface

▶ **Debt interest rate**

Average cost:

$$\frac{\text{Financial Cost of Bank Debt for the period} + \text{Financial Cost of Hedges for the period}}{\text{Average used bank debt outstanding in the year}}$$

Spot rate: Definition equivalent to average interest rate over a period of time restricted to the last day of the period.

▶ **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:

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

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 annualized data solely on the strategic activities portfolio.

The indicator "Occupancy rate" includes all portfolio assets except assets under development.

▶ **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.

This change is restated for certain severance pay and income associated with the Italian real estate (IMU) tax.

Given specificities and common practices in German residential, the Like-for-Like change is computed based on the rent in €/m² spot N versus N-1 (without vacancy impact) on the basis of accounted rents.

For operating hotels (owned by FDMM), like-for-like change is calculated on an EBITDA basis

Restatement done:

- Deconsolidation of acquisitions and disposals realized on the N and N-1 periods
- Restatements of under work assets, ie. :
 - Restatement of released assets for work (realized on N and N-1 years)
 - Restatement of deliveries of under-work assets (realized on N and N-1 years).

▶ **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, developments including the vacating and delivery of properties.

The like-for-like change presented in portfolio tables is a variation taking into account CAPEX works done on the existing portfolio. The restated like-for-like change in value of this work is cited in the comments section. The current scope includes all portfolio assets.

Restatement done:

- Deconsolidation of acquisitions and disposals realized on the period
- Restatement of work realized on asset under development during the N period