2019 FIRST-HALF FINANCIAL REPORT

covivio

CONTENTS

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1

1.1. 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 31 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.

1.1.1. Revenues: +3.4% LfL growth on strategic activities

	100%			Group share				
(€M)	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 five 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 (-€2.9 million), 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.

1.1.2. Lease Expiries and occupancy Rates

1.1.2.1. Annualized lease expiries: 7.2 years of average lease term

	By lease end date (1st break)		By lease end date	
(Years) – Group share	2018	H1 2019	2018	H1 2019
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 m^2 of renewals realised with more than 4 years' extension on average
- acquisition of two 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 m^2 leased with an average maturity of 12 years.

(€M) – 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.

1.1.2.2. Occupancy rate: a high level of 98.2%

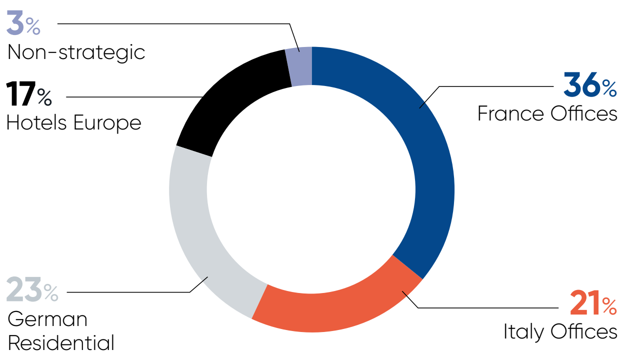
(%) – Group share	Occupancy rate 2018	Occupancy rate H1 2019
France Offices	97.1%	97.3%
Italy Offices	97.9%	98.1%
German Residential	98.7%	98.8%
Hotels in Europe	100.0%	100.0%
TOTAL STRATEGIC ACTIVITIES	**98.1%**	**98.2%**
Non-strategic	93.5%	95.6%
Total	**98.0%**	**98.1%**

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.

1.1.3. Breakdown of revenues – Group share

(€M) – 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 <€5 M	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.

1.1.4. Cost to Revenue ratio by business

(€M) – Group share	France Offices H1 2019	Italy Offices (incl. retail) H1 2019	German Residential H1 2019	Hotels in Europe (incl. retail) H1 2019	Other (Mainly France Residential) H1 2019	Total H1 2018	Total 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 ratio(1)	**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%.

1.1.5. Disposals: €732 million of new disposals in 2019 (€602 million Group share)

(€M)		Disposals (agreements as of end of 2018 closed) (I)	Agreements as of end of 2018 to close	New disposals H1 2019 (II)	New agreements H1 2019 (III)	Total H1 2019 = (II) + (III)	Margin vs H1 2019 value	Yield	Total Realised Disposals = (I) + (II)
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).

1.1.6. Investments: €622 million Realised in H1 2019 (€338 million Group share)

	Acquisitions H1 2019 realised			Development capex H1 2019	
(€M) – Including Duties	**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 1 July 2019, with 5.3% potentiel 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 fuel future Residential developments.

1.1.7. Development projects: €6 billion (€4.4 billion Group share)

1.1.7.1. 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:

- **Ilôt Armagnac** in Bordeaux (10,900 m²) 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%.

1.1.7.2. Committed projects: €2.1 billion (€1.7 billion 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: four 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] (m²)	Target rent (€/m²/ 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	Greater Paris	Construction	5,100	260	100%	22	22	6.4%	28%	14
Belaïa (50% share)	Orly	Construction	22,600	198	48%	65	32	>7%	24%	24
IRO	Châtillon-Greater Paris	Construction	25,600	325	0%	139	139	6.3%	40%	89
Flow	Montrouge – Greater Paris	Construction	23,500	327	100%	115	115	6.6%	36%	67
Silex II (50% share)	Lyon	Regeneration-extension	30,900	312	50%	166	83	6.0%	60%	34
Total deliveries 2020			**107,700**		**50%**	**507**	**392**	**6.4%**	**41%**	**228**
Gobelins	Paris 5th	Regeneration	4,360	510	100%	50	50	4.3%	12%	20
Montpellier Bâtiment de services	Montpellier	Construction	6,300	224	8%	21	21	6.7%	20%	15
Montpellier Orange	Montpellier	Construction	16,500	165	100%	49	49	6.7%	24%	34
Jean Goujon	Paris 8th	Regeneration	8,460	820	100%	182	182	N/A	7%	36
Paris So Pop (50% share)	Paris 17th	Regeneration	31,000	> 400	0%	226	113	6.1%	3%	74
N2 (50% share)	Paris 17th	Construction	15,900	575	0%	162	81	4.6%	7%	65
Levallois Alis	Levallois	Regeneration	20,500	> 500	0%	215	215	5.0%	6%	59
Total deliveries 2021 and beyond			**103,020**		**40%**	**905**	**711**	**5.3%**	**8%**	**303**
Total France Offices			**210,720**		**43%**	**1,412**	**1,103**	**5.8%**	**20%**	**531**
Italy offices										
Principe Amedeo	Milan	Regeneration	6,500	520	99%	60	60	5.3%	97%	0.4
Total deliveries 2019			**6,500**		**99%**	**60**	**60**	**5.3%**	**97%**	**0**
Dante	Milan	Regeneration	4,700	560	100%	57	57	4.5%	17%	10
The Sign	Milan	Construction	26,200	285	98%	106	106	>7%	47%	41
Duca d'Aosta	Milan	Regeneration	2,500	N/A	100%	12	12	9.0%	5%	4
Symbiosis School	Milan	Construction	7,900	225	99%	21	21	>7%	17%	16
Total deliveries 2020			**41,300**		**99%**	**196**	**196**	**6.7%**	**32%**	**71**
Symbiosis D	Milan	Construction	18,600	315	35%	84	84	6.9%	3%	47
Ferrucci	Turin	Regeneration	18,100	130	0%	42	42	5.4%	54%	7
Reinventing Cities	Milan	Construction	10,000	315	18%	42	42	6.6%	7%	39
Total 2021 deliveries and beyond			**46,700**		**22%**	**168**	**168**	**6.5%**	**17%**	**93**
Total Italy Offices			**94,500**		**68%**	**424**	**424**	**6.4%**	**35%**	**164**
German Residential										
German residential – deliveries in 2019	Berlin	Construction	5,145	N/A	N/A	16	10	5.0%	52%	7
German residential – deliveries 2020 and beyond	Berlin	Construction	40,126	N/A	N/A	155	101	4.6%	6%	95
Total German Residential			**45,271**		**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] (m²)	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	43%	1,412	1,103	5.8%	20%	531
Italy Offices	94,500	68%	424	424	6.4%	35%	164
German Residential	45,271	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.

1.1.7.3. Managed projects: €3.8 billion (€2.7 billion in Group share)

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

(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 (100,000 m²).

1.1.8. Portfolio

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

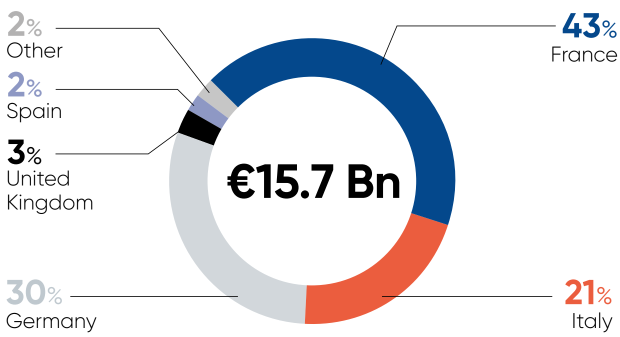
(€ million) – Excluding Duties	Value 2018 Group share	**Value H1 2019 100%**	**Value H1 2019 Group share**	**LfL[1] 6 months change**	Yield[2] 2018	**Yield[2] H1 2019**	% of portfolio
France Offices	5,640	6,802	5,716	1.8%	5.2%	5.2%	36%
Italy Offices	3,188	3,922	3,229	0.2%	5.4%	5.4%	21%
Residential Germany	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).

1.1.8.2. Geographic breakdown of the portfolio end-June 2019



90% in large European cities

1.1.9. 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 (m²)	Covivio share
CB 21 Tower	La Défense (Greater Paris)	Suez, AIG Europe, Nokia, Groupon	68,400	75%
Garibaldi Towers	Milan	Maire Tecnimont, LinkedIn, etc.	44,700	100%
Carré Suffren	Paris 15th	AON, Institut Français, Ministère Éducation	25,200	60%
Art&Co	Paris 12th	Wellio, Adova, Bentley, AFD	13,500	100%
Montebello	Milan	Intesa San Paolo	18,500	100%
Green Corner	Saint-Denis (Greater Paris)	HAS et Systra	20,800	100%
Dassault Campus	Vélizy-Villacoublay (Greater Paris)	Dassault Systèmes	56,600	50.1%
Paris Carnot	Paris 17th	Orange	11,200	100%
Liberté	Charenton (Greater Paris)	Natixis	26,600	100%
Anjou	Paris 8th	Orange	10,100	100%

1.2. BUSINESS ANALYSIS BY SEGMENT

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

1.2.1. France Offices

1.2.1.1. Appetite for new surfaces, especially in the 1st ring[(1)]

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 billion (+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).

(1) *Sources: Immostat, C&W, CBRE, Crane Survey, JLL.*

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

1.2.1.2.1. Geographic breakdown: success of asset management policy

(€M)	Surface (m²)	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.

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

1.2.1.3.1. Breakdown by major tenants

(€M)	Surface (m²)	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.

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

(€M)	Surface (m²)	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.

1.2.1.4. 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.

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

	Surface *(m²)*	**Annualised rents H1 2019** *(€m, Group share)*	**Annualised rents H1 2019** *(€/m²,100%)*
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.

1.2.1.6. Lease expiries and occupancy rate

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

(€M)	**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).

1.2.1.6.2. 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.

1.2.1.7. Reserves for unpaid rent

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

(1) Net provision/reversals of provison.

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).

1.2.1.8. Disposals and disposal agreements: €257 million secured in the first half of 2019

(€M)	Disposals (agreements as of end of 2018 closed) (I)	Agreements as of end of 2018 to close	New disposals H1 2019 (II)	New agreements H1 2019 (III)	Total H1 2019 = (II) + (III)	Margin vs 2018 value	Yield	Total Realised Disposals = (I) + (II)
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.

1.2.1.9. Development pipeline: €2.7 billion of projects (€2.4 billion 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.

1.2.1.9.1. 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'Épargne group.

1.2.1.9.2. 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 9 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 ~€1 billion 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).

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

For a breakdown of managed projects, see the table on page 10 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).

1.2.1.10. Portfolio values

1.2.1.10.1. 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.

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

(€M) – 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.

1.2.1.11. 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 *(€M)*	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.

1.2.2. 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.

1.2.2.1. Milan Office Market still shows impressive results[1]

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 m^2 in the first half of 2019 (+18% *vs* the first half of 2018), driven especially by the CBD (66,000 m^2, +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 m^2 are available but only 22% of the currently vacant spaces are Grade A offices (nearly 277,000 m^2) and about 28,000 m^2 are located in the CBD.
- Prime rents increased again and reached €600/m^2 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 m^2
  - the full pre-letting of the Sign project, with 16,000 m^2 leased to a leading global IT and digital engineering services provider
  - the launch of the third building of the Symbiosis area, 18,600 m^2 of offices already 35% pre-let
  - the winning of the Reinventing Cities contest, 10,000 m^2 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.

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

(€M)	Surface *(m²)*	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).

(1) Sources: BNP Real Estate.

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

(€M)	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%**

(€M)	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.

1.2.2.4. 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.

1.2.2.5. Rental activity

(€M)	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 m^2 have been pre-let in the development pipeline, bringing the pre-let ratio to 69% for committed projects
  - 16,000 m^2 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 m^2 on Milan Symbiosis, on the recently committed Building D, now 35% pre-let
  - 1,625 m^2 on Milan-Principe Amedeo, mainly to Igenius, now close to 100% pre-let
  - 2,500 m^2 on Milan-Piazza Duca d'Aosta to Invest Hospitality, who will open an upscale hotel
  - 277 m^2 for the retail portion of the first building of the Sign, now fully pre-let
  - 2,750 m^2 on Turin, Corso Ferrucci.

1.2.2.6. Lease expiries and occupancy rates

1.2.2.6.1. Lease expiries: 7.2 years of average firm lease term

(€M) – 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 m^2 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.

1.2.2.6.2. 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.

1.2.2.7. Reserves for unpaid rent

(€M)	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.

1.2.2.8. Disposals: €267 million secured in H1 2019

(€M) – 100%	Disposals (agreements as of end of 2018 closed) (I)	Agreements as of end of 2018 to close	**New disposals H1 2019 (II)**	**New agreements H1 2019 (III)**	**Total H1 2019 = (II) + (III)**	**Margin *vs* 2018 value**	**Yield**	Total Realised Disposals = (I) + (II)
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.

1.2.2.9. Development pipeline: €0.8 billion 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.

1.2.2.9.1. 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.

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

For detailed figures on the committed projects, see page 9 of this document.

- **Symbiosis Building D – 18,600 m²: 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.

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

Two 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.

1.2.2.10. Portfolio values

1.2.2.10.1. Change in portfolio values

(€M) – 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).

1.2.2.10.2. Portfolio in Milan: 74% of total portfolio

(€M) – 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.

(€M) – 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.

1.2.3. 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.

1.2.3.1. 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:

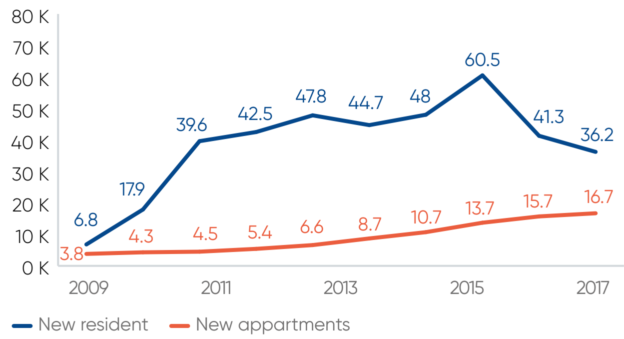
- Berlin's existing housing shortage is estimated at more than 100,000 units at end-2018, and still widening due to the annual demographic growth of around 50,000 inhabitants per year. The Berlin city development office anticipates a need for around 20,000 new apartments per year by the end of 2030, 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%).

Housing Gap

Berlin's apartment construction has failed to keep pace with population growth



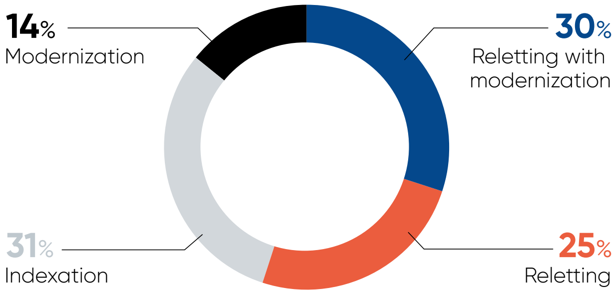
Sources: Berlin Statistics Office, German Construction Industry Association, BerlinHyp 2019 report.

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

(€M)	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.

1.2.3.3. Annualised rental income: €163.3 million Group share

1.2.3.3.1. Geographic breakdown

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

1.2.3.4. 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.

1.2.3.5. 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.

1.2.3.6. Reserves for unpaid rent

(€M) – 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 provison

1.2.3.7. Disposals and disposals agreements: €30 million of privatisation with 75% margin

(€M)	Disposals 2018 (agreements as of end-2018 closed) (I)	Agreements as of end-2018 to close	**New disposals H1 2019 (II)**	**New agreements H1 2019 (III)**	**Total H1 2019 = (II) + (III)**	**Margin *vs* end-2018 value**	**Yield**	Total Realised Disposals = (I) + (II)
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.

1.2.3.8. Acquisitions: €48 million realised in the first half of 2019

(€M) – Including Duties	Surface (m²)	Number of units	Acquisitions H1 2019 realised		
	(realised & secured)		Acq. price 100%	Acq. price Group share	Gross yield[1]
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 two deals for €48 million (€31 million Group share).

- one transaction in Berlin for 38 units at €3,400/m² with a high potential yield due to the asset's current vacancy (95%)
- one 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).

1.2.3.9. Development projects: €833 million 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.

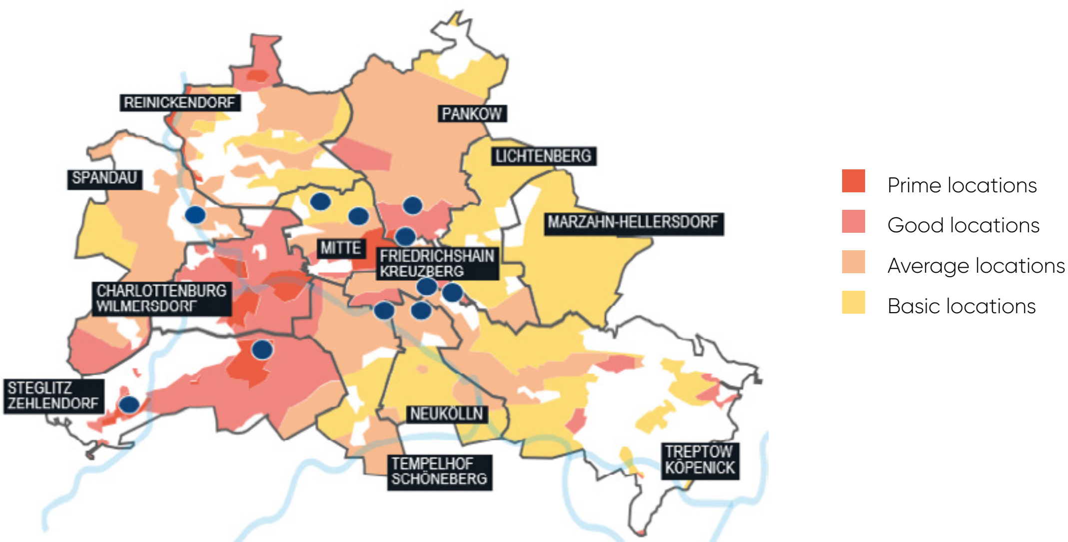
This pipeline will enable Covivio to maximise value creation in its portfolio. Part of the units developed will remain in the portfolio and will be let with a yield on cost around 5%. The other part will be sold in order to unlock the value creation with an expected margin around 40%.

1.2.3.9.1. Committed projects: €171 million (€111 million 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



Source: Engel & Völkers Residential.

1.2.3.9.2. 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.

1.2.3.10. Portfolio values

1.2.3.10.1. Change in portfolio value: 9% growth

(€M) – 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).

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

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

(1) LfL: Like-for-Like.

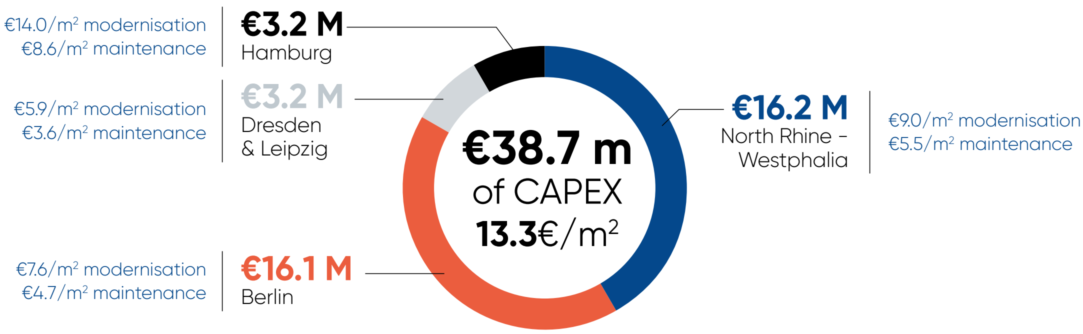
Covivio's residential portfolio is valued at €2,040/m² on average, offering significant growth potential, especially in Berlin where the current valuation of the residential units stands at €2,745/m², significantly below the average asking price of condominiums (€4,150/m² at end-2018).

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.

1.2.3.11. 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%.



1.2.4. 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).

1.2.4.1. The European hotel market continues to grow[1]

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 seven 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%).

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%)
- eight B&B assets in Germany, formerly operating properties converted into leased properties in 2018, five of them held at 84.6% and the other three at 90%
- two Motel One assets in Germany (94.0%) acquired in 2015
- the Club Med Samoëns, delivered in 2017 and owned in partnership with ACM (50%).

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

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

(€M)	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.

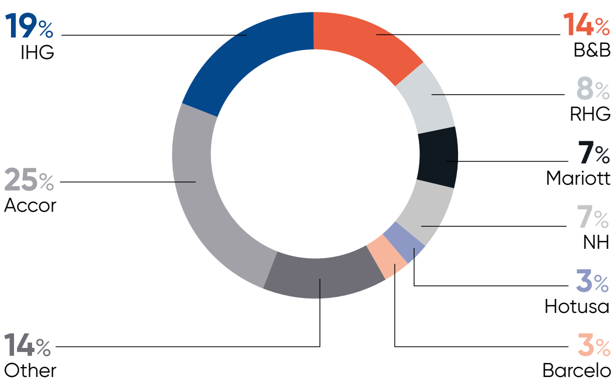
Hotel revenue grew by €11.1 million Group share compared to with the same period last year, due to:

- +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).

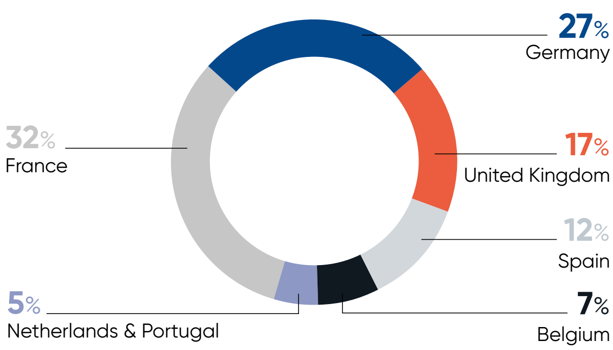
1.2.4.3. Annualised revenue: €120 million Group share of revenues from Hotels

1.2.4.3.1. Breakdown by operators and by country

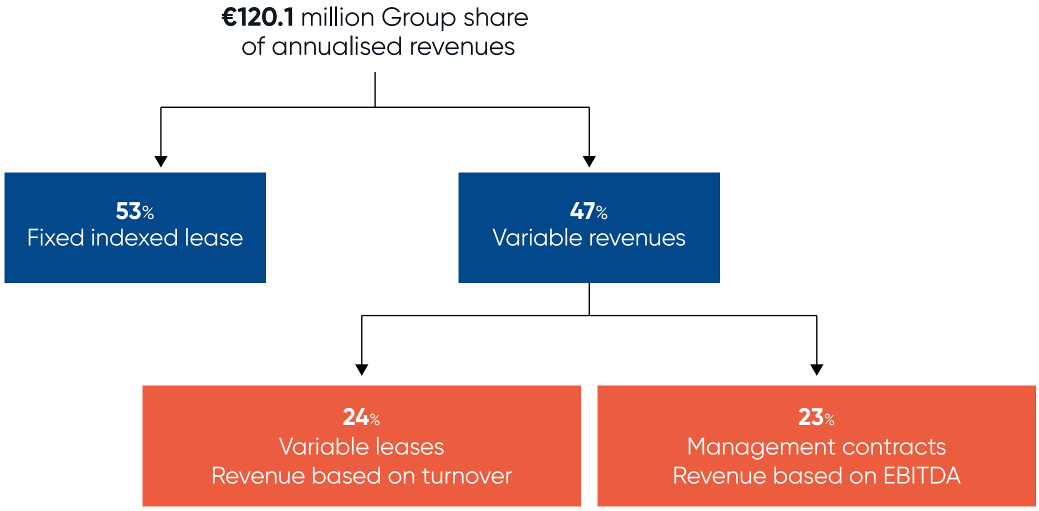
Breakdown by operators



Breakdown by country



1.2.4.3.2. Structure of annualised revenues



The revenue structure remained stable compared to end-2018.

1.2.4.4. Indexation

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

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

(€M) – Group share	**By lease end date (1st 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%.

1.2.4.6. Reserves for unpaid rent

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

1.2.4.7. Disposals and disposal agreements: €162 million of new commitments

(€M)	Disposals 2018 (agreements as of end-2018 closed) (I)	Agreements as of end-2018 to close	**New disposals H1 2019 (II)**	**New agreements H1 2019 (III)**	**Total H1 2019 = (II) + (III)**	**Margin *vs* end-2018 value**	**Yield**	Total Realised Disposals = (I) + (II)
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.

1.2.4.8. Acquisitions: €267 million realised in 2019

(€M) – 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 LEASE PROPERTIES	**6,620**	**-**	**-**	**267**	**115**	**5.4%**
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.
- three transactions secured in 2018 and closed in the first half for €91 million, for two hotels in Oxford leased to IHG and 1 NH Hotel in the Netherlands.

1.2.4.9. Development pipeline: five 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.

1.2.4.9.1. Delivered projects

In first half 2019, Covivio delivered 257 hotel rooms *via* two 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.

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

For detailed figures on committed projects, see the table on page 9 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.

1.2.4.9.3. 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.

1.2.4.10. Portfolio values

1.2.4.10.1. Change in portfolio values

(€M) – 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).

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

(€M) – 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%**
Franckfurt	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 nine hotels under management contract.

1.3. 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

1.3.1. Scope of consolidation

On 30 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	2018	H1 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%
Fédérimmo (Carré Suffren)	60.0%	60.0%
SCI Latécoëre (DS Campus)	50.1%	50.1%
SCI Latécoëre 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).

1.3.2. 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 23 July 2019.

1.3.3. Simplified income statement – Group share

(€M) – 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%**

1.3.3.1. 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.

(€M) – 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).

1.3.3.2. 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).

1.3.3.3. 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.

1.3.3.4. Net operating costs

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

1.3.3.5. 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).

1.3.3.6. 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.

1.3.3.7. 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.

1.3.3.8. Income from changes in scope and other

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

1.3.3.9. 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.

1.3.3.10. 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.

1.3.3.11. 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.

1.3.3.12. Share of income of equity affiliates

Group share	% interest	Contribution to earnings *(€M)*
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
- Cœur 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%.

1.3.3.13. EPRA Earnings of affiliates

EPRA Earnings of affiliates consolidated under the equity method

(€M) – 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**

1.3.3.14. 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).

1.3.3.15. 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**
Average number of shares			83,479,180	74,842,467
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.

1.3.3.16. EPRA Earnings by activity

(€M) – 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**

1.3.4. Simplified consolidated income statement (at 100%)

(€M) – 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%**

1.3.4.1. +€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.

(€M) – 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%**

1.3.5. Simplified consolidated balance sheet (Group share)

(€M) – 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**

1.3.5.1. Fixed Assets

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

(€M) – 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 IFRS 16 – 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 two 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 IFRS 16 – 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.

1.3.5.2. 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).

1.3.5.3. 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 Ornane 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 ORNANE 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 Ornane maturing in 2019 (298,053) and the free share plan (54,991).

1.3.5.4. 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.

1.3.6. Simplified consolidated balance sheet (at 100%)

(€M) – 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**

1.3.6.1. 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).

1.3.6.2. 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 IFRS 16 – Leases (+€77 million).

1.3.6.3. 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.

1.3.6.4. 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.

1.4. 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.

1.4.1. Main debt characteristics

Group share	2018	H1 2019
Net debt, Group share *(€M)*	6,978	6,961
Average annual rate of debt	1.53%	1.55%
Average maturity of debt *(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

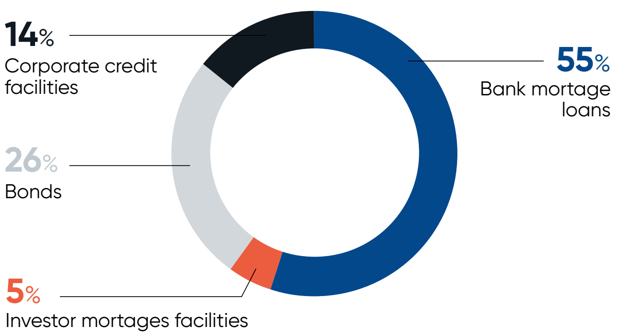
1.4.2. Debt by type

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.

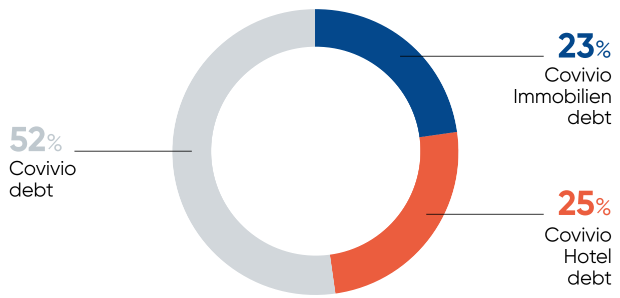
As regards the commitments attributable to the Group, the share of corporate debts (bonds and loans) has increased to 55% from 52% at end-2018.

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 30 June 2019.

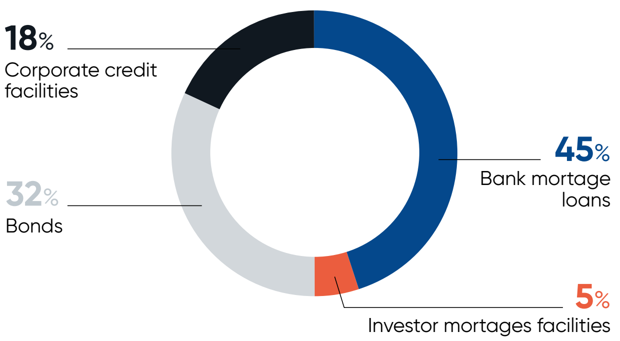
Consolidated commitments by type



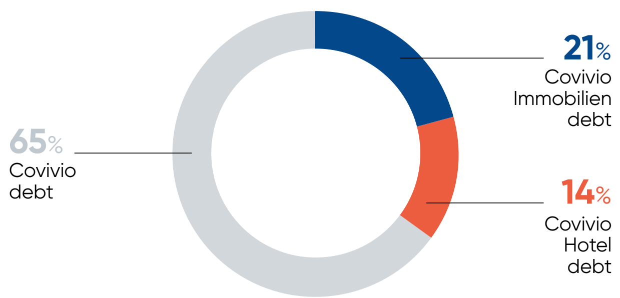
Consolidated commitments by company



Group Share commitments by type



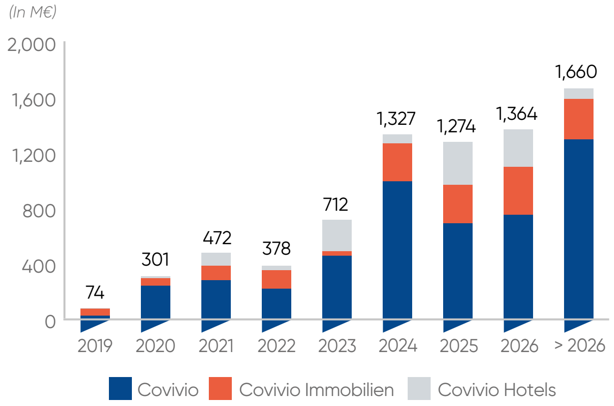
Group Share commitments by company



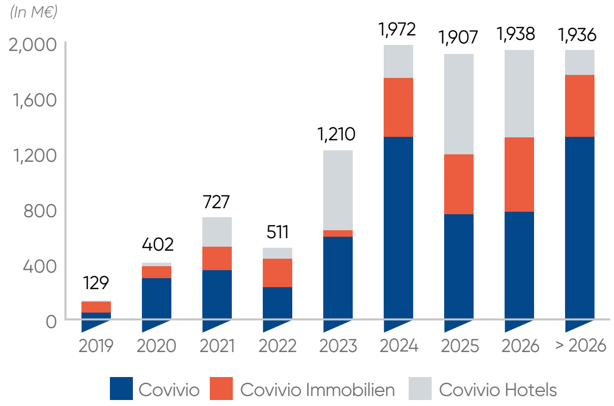
1.4.3. Debt maturity

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.

Debt amortization schedule by company (Group Share)



Debt amortization schedule by company (on a consolidated basis)

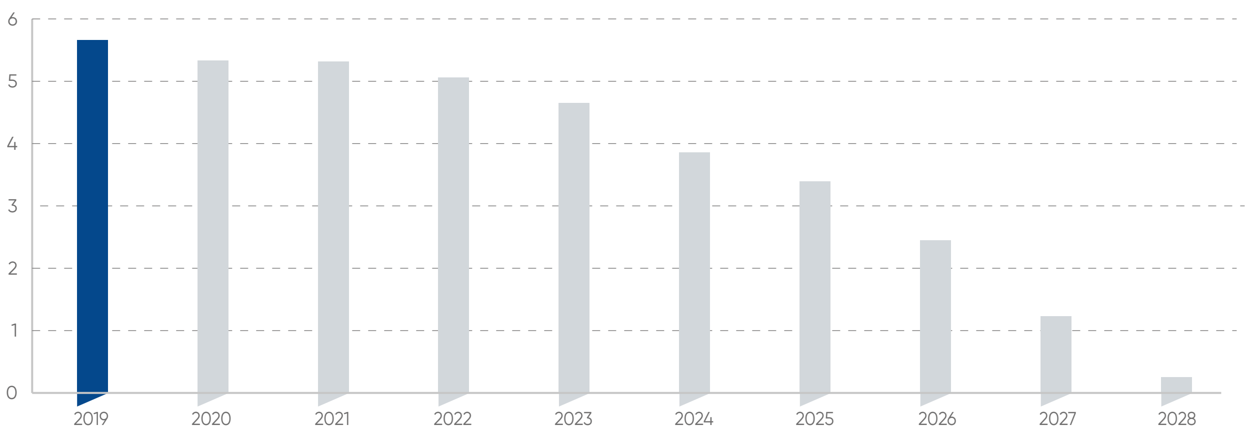


1.4.4. Hedging profile

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).

Hedging maturities (€Bn, Group Share)



1.4.5. 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.

1.4.5.1. 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)

(€M) – 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%**

1.4.6. Reconciliation with consolidated accounts

1.4.6.1. Net debt

(€M)	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**

1.4.6.2. Portfolio

(€M)	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**

1.4.6.3. 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**

1.5. EPRA REPORTING

1.5.1. Change in net rental income (Group share)

(€M)	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**

1.5.1.1. Reconciliation with financial data

(€M)	H1 2019
Total from the table of changes in Net rental Income (GS)	294
Adjustments	-
TOTAL NET RENTAL INCOME (FINANCIAL DATA § 1.3.3)	**294**
Minority interests	149
TOTAL NET RENTAL INCOME (FINANCIAL DATA § 1.3.4)	**443**

1.5.2. 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 =

$$\frac{\text{Market rental value on vacant assets}}{\text{Contractual annualised rents on occupied assets + Market rental value on vacant assets}}$$

- EPRA vacancy rate at end of period =

$$\frac{\text{Market rental value on vacant assets}}{\text{Market rental value on occupied and vacant assets}}$$

(€M) – Group share	Gross rental income (€M)	Net rental income (€M)	Annualized rents (€M)	Surface (m²)	Average rent (€/m²)	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%**

1.5.3. Investment assets – Asset values

- The EPRA net initial yield is the ratio of:

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

(€M) – 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%**

1.5.3.1. Reconciliation with financial data

(€M)	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§ 1.3.5)	**14,583**
Minority interests	6,566
INVESTMENT ASSETS 100%[1] (FINANCIAL DATA§ 1.3.5)	**21,149**

(1) Fixed assets + Developments assets + asset held for sale.

(€M)	H1 2019
Change in fair value over the year (Group share)	372
Others	-
INCOME FROM FAIR VALUE ADJUSTMENTS GROUP SHARE (FINANCIAL DATA § 1.3.3)	**372**
Minority interests	217
INCOME FROM FAIR VALUE ADJUSTMENTS 100% (FINANCIAL DATA § 1.3.3)	**589**

1.5.4. Information on leases

	Firm residual lease term *(years)*	Residual lease term *(years)*	Lease expiration by date of 1st exit option Annualized rental income of leases expiring						
			N+1	N+2	N+3 to 5	Beyond	Total %	Total *(€M)*	Section
France Offices	4.8	5.5	8%	13%	32%	46%	100%	259	1.2.1.6.1
Italy Offices (incl. retail)	7.0	7.6	6%	10%	24%	61%	100%	166	1.2.2.6
Hotels in Europe (incl. retail)	13.6	15.0	0%	4%	7%	89%	100%	101	1.2.4.5
TOTAL	**7.2**	**8.0**	**6%**	**10%**	**25%**	**59%**	**100%**	**526**	**1.1.2.1**

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:

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

- EPRA net initial yield is the ratio of:

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

(€M) – 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.

1.5.6. EPRA cost ratio

(€M) – 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.

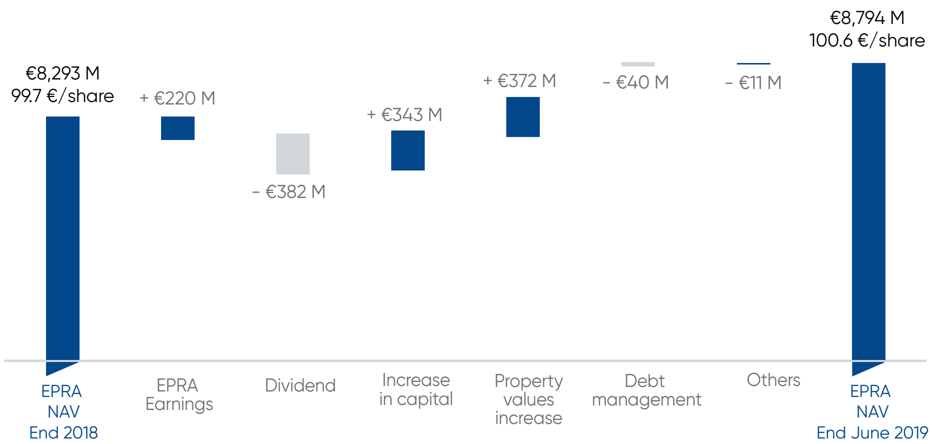
1.5.7. EPRA Earnings

(€M)	H1 2018	H1 2019
Net income Group share (Financial data § 1.3.3)	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**

1.5.8. EPRA NAV and EPRA NNNAV

	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 NNNAV *(€M)*	7,625	7,886	261	+3.4%	+19.0%
EPRA NNNAV/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 NNNAV	**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.

1.5.8.1. 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.

1.5.8.2. 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 million on 30 June 2019.

1.5.8.3. 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.

1.5.8.4. 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.

1.5.8.5. 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.

1.5.9. EPRA performance indicator reference table

EPRA information	Section	in %	Amount in €M	Amount in €/share
EPRA Earnings	1.5.8		220	2.63
EPRA NAV	1.5.9		8,794	100.6
EPRA NNNAV	1.5.9		7,886	90.2
EPRA NAV/IFRS NAV reconciliation	1.5.9			
EPRA net initial yield	1.5.6	4.2%		
EPRA topped-up net initial yield	1.5.6	4.4%		
EPRA vacancy rate at year-end	1.5.2	1.9%		
EPRA costs ratio (including vacancy costs)	1.5.7	18.8%		
EPRA costs ratio (excluding vacancy costs)	1.5.7	17.3%		
EPRA indicators of main subsidiaries	1.5.2 & 1.5.6			

1.6. 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 *(€M)*	3,406	3,490	+2.5%	3,240	3,586	+10.7%
EPRA NNNAV *(€M)*	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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF COVIVIO AS AT 30 JUNE 2019

2

2.1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

2.1.1. Statement of financial position

Assets

(€K)	Note 2.2.5.	**30/06/2019**	30/06/2018
Intangible assets	**1.2**		
Goodwill		144,174	113,064
Other intangible fixed assets		21,747	59,138
Tangible fixed assets	**1.2**		
Operating properties		1,294,717	1,181,280
Other tangible fixed assets		35,208	35,443
Fixed assets in progress		28,148	24,952
Investment properties	1.3	20,395,384	20,139,338
Non-current financial Assets	2.2	111,309	152,846
Investments in equity affiliates	3.2	244,890	249,746
Deferred tax assets	4	60,052	67,965
Long-term derivative instruments	11.5	42,461	28,752
Total non-current assets		**22,378,092**	**22,052,525**
Assets held for sale	1.3	753,162	558,848
Loans and receivables	5	22,145	6,470
Inventories and work-in-progress	6.2	154,390	95,811
Short-term derivative instruments	11.5	18,197	18,200
Trade receivables	7	373,098	313,212
Tax receivables		6,360	8,423
Other receivables	8	161,185	153,872
Prepaid expenses		12,511	4,393
Cash and cash equivalents	9	1,121,030	1,172,450
Total current assets		**2,622,078**	**2,331,677**
TOTAL ASSETS		**25,000,169**	**24,384,202**

Liabilities

(€K)	Note 2.2.5.	30/06/2019	30/06/2018
Capital		261,425	248,709
Share premium account		3,882,718	3,553,687
Treasury shares		-14,617	-18,628
Consolidated reserves		3,413,771	3,028,104
Net income		355,098	749,574
Total shareholders' equity, Group share	**10**	**7,898,396**	**7,561,446**
Non-controlling interests		3,840,184	3,796,969
Total shareholders' equity		**11,738,580**	**11,358,414**
Long-term borrowings	11.2	8,755,490	9,216,624
Long-term rental liabilities	11.6	257,116	163,281
Long-term derivative instruments	11.5	299,594	155,945
Deferred tax payables	4	924,205	844,005
Staff termination benefits	12.2	49,489	49,248
Other long-term liabilities		23,843	21,199
Total non-current liabilities		**10,309,737**	**10,450,302**
Liabilities held for sale		0	0
Trade payables		147,253	129,990
Trade payables on fixed assets		112,593	83,189
Short-term borrowings	11.2	2,106,746	1,843,103
Short-term rental liabilities	11.6	18,766	376
Short-term derivative instruments	11.5	76,997	79,052
Security deposits		5,669	5,557
Advances and pre-payments received		191,120	170,928
Short-term provisions	12.2	21,448	22,610
Current taxes		39,115	32,598
Other short-term liabilities	13	198,425	149,624
Pre-booked income		33,719	58,461
Total current liabilities		**2,951,852**	**2,575,486**
TOTAL LIABILITIES		**25,000,169**	**24,384,202**

2.1.2. Statement of net income

(€K)	Note 2.2.	**30/06/2019**	30/06/2018
Rental income	6.2.1	482,167	472,744
Unrecovered rental costs	6.2.2	-21,817	-18,321
Expenses on properties	6.2.2	-13,909	-17,907
Net losses on unrecoverable receivables	6.2.2	-3,295	-1,582
Net rental income		**443,146**	**434,934**
Revenues from hotel operating activity & Coworking		117,038	123,566
Expenses of hotel operating activity & Coworking		-83,330	-89,615
EBITDA from hotel operating activity & coworking	**6.2.3**	**33,708**	**33,951**
Income from other activities	**6.2.3**	**4,635**	**2,186**
Management and administration income		10,957	8,151
Business expenses		-3,080	-3,066
Overheads[1]		-61,081	-60,713
Development costs (not capitalised)		-504	-148
Net cost of operations	**6.2.4**	**-53,707**	**-55,776**
Depreciation of operating assets	6.2.5	-31,841	-28,784
Net change in provisions and other	6.2.5	7,090	-159
CURRENT OPERATING INCOME		**403,030**	**386,352**
Net income from inventory properties		**-3,425**	**-540**
Income from asset disposals		493,931	577,483
Carrying value of investment properties sold		-495,320	-522,210
Income from asset disposals	**6.3**	**-1,389**	**55,273**
Income from value adjustments	**6.4**	**588,732**	**456,774**
Income from disposal of securities		**5,889**	**103,022**
Income from changes in scope		**-8,005**	**-135,989**
OPERATING INCOME		**984,832**	**864,892**
Cost of net financial debt	6.5	-95,679	-96,115
The interest cost for rental liabilities	5.11.6	-6,971	0
Value adjustment on derivatives	6.6	-190,126	-10,817
Discounting of liabilities and receivables[1]	6.6	-173	-161
Amortisation of loan issue costs	6.6	-13,184	-10,778
Share in income of equity affiliates	5.3.2	3,869	12,593
PRE-TAX NET INCOME		**682,569**	**759,614**
Deferred tax liabilities	6.7.2	-69,349	-60,287
Corporate income tax	6.7.2	-15,269	-10,156
NET INCOME FOR THE PERIOD		**597,951**	**689,171**
Net income from non-controlling interests		-242,852	-223,877
NET INCOME FOR THE PERIOD – GROUP SHARE		**355,098**	**465,294**
Group net income per share *(€)*	**7.2**	**4.25**	**6.22**
Group diluted net income per share *(€)*	**7.2**	**4.17**	**5.92**

(1) The free share expense included in the item Discounting of liabilities and receivables at 30 June 2018 in the amount of €4,666 thousand is now included with personnel expenses under Overheads (€4,839 thousand at 30 June 2019).

2.1.3. Statement of comprehensive income

	30/06/2019	30/06/2018
NET INCOME FOR THE PERIOD	**597,951**	**689,171**
Other items in the comprehensive income statement recognised directly in shareholders' equity and:		
Destined for subsequent reclassification in the "Net income" section of the income statement		
Actuarial losses on employee benefits	0	0
Currency transaction gains and losses	7,235	0
Effective portion of gains or losses on hedging instruments	869	-1,946
Tax on other items of comprehensive income	0	0
Not destined for subsequent reclassification in the "Net income" section	0	0
Other items of comprehensive income	**8,104**	**-1,946**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**606,055**	**687,225**
Total comprehensive income attributable		
To the owners of the parent company	364,630	465,042
To non-controlling interests	241,424	222,183
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**606,055**	**687,225**
Group net comprehensive income per share	**4.37**	**6.21**
Group diluted net comprehensive income per share	**4.28**	**5.92**

2.1.4. Statement of changes in shareholders' equity

The Covivio share capital comprised 87,141,661 shares issued and fully paid up, with a par value of €3 each, *i.e.* €261.4 million at 30 June 2019. Covivio holds 170,642 treasury shares.

(€K)	Capital	Share premium account	Treasury shares	Reserves and retained earnings	Gains and losses recognised directly in shareholders' equity	**Total shareholders' equity, Group Share**	Non-controlling interests	**Total equity**
Position at 31 December 2017	**224,490**	**2,853,696**	**-4,743**	**3,311,517**	**-21,653**	**6,363,307**	**3,804,352**	**10,167,659**
Dividends distribution				-337,030		-337,030	-179,105	-516,135
Capital increase	1,346	28,771				30,117		30,117
Allocation to the legal reserve		-97		97		0		0
Other			436	-1,504		-1,068	30	-1,038
Total comprehensive income for the period				**465,294**	**-252**	**465,042**	**222,183**	**687,225**
Of which currency transaction gains and losses					0	0	0	0
Of which effective portion of gains or losses on hedging instruments					-252	-252	-1,694	-1,946
Of which net income (loss)				465,294		465,294	223,877	689,171
Impact of change in shareholding/Capital increase				36,737		36,737	576,917	613,654
Shared-based payments				3,837		3,837		3,837
Position at 30 June 2018	**225,836**	**2,882,370**	**-4,307**	**3,478,948**	**-21,905**	**6,560,942**	**4,424,377**	**10,985,319**
Dividends distribution						0	-56,017	-56,017
Capital increase	22,329	674,131				696,460		696,460
Allocation to the legal reserve	544	-2,814		2,270		0		0
Other			-14,321	1,043		-13,278	-310	-13,588
Total comprehensive income for the period				**284,280**	**-5,198**	**279,082**	**166,622**	**445,704**
Of which currency transaction gains and losses					-1,280	-1,280	-1,746	-3,026
Of which effective portion of gains or losses on hedging instruments					-3,918	-3,918	-1,643	-5,561
Of which net income (loss)				284,280		284,280	170,011	454,291
Impact of change in shareholding/Capital increase				34,319		34,319	-737,703	-703,384
Shared-based payments				3,920		3,920		3,920
Position at 31 December 2018	**248,709**	**3,553,687**	**-18,628**	**3,804,780**	**-27,103**	**7,561,446**	**3,796,969**	**11,358,414**
Dividends distribution				-382,075		-382,075	-166,675	-548,750
Capital increase	12,551	330,452				343,003		343,003
Allocation to the legal reserve		-1,256		1,256		0		0
Other	165	-165	4,011	-460		3,551		3,551
Total comprehensive income for the period				**355,098**	**9,532**	**364,630**	**241,424**	**606,055**
Of which currency transaction gains and losses					3,095	3,095	4,140	7,235
Of which effective portion of gains or losses on hedging instruments					6,437	6,437	-5,568	869
Of which net income (loss)				355,098		355,098	242,852	597,950
Impact of change in shareholding/Capital increase				3,913		3,913	-31,534	-27,621
Shared-based payments				3,927		3,927		3,927
POSITION AT 30 JUNE 2019	**261,425**	**3,882,718**	**-14,617**	**3,786,439**	**-17,571**	**7,898,396**	**3,840,184**	**11,738,580**

The dividend of €382 million was paid in the amount of €316 million in shares and €66 million in cash and was deducted from net income and retained earnings.

During the first half of 2019, Covivio increased its share capital by nearly €343 million through the issue of 3,885,719 shares following payment of the dividend in shares, the conversion of 1,670,419 bonds and the allocation of 54,991 vested free shares.

Reserves correspond to parent company retained earnings and reserves, together with reserves from consolidation.

Changes in the number of shares during the period

Transaction	Shares issued	treasury shares	Shares outstanding
Number of shares at 31 December 2018	**82,902,898**	**222,461**	**82,680,437**
Capital increase – delivery of bonus share plan	54,991		
Capital increase – conversion of ORNANE-type bonds	298,053		
Capital increase – dividend as shares	3,885,719		
Own shares – liquidity agreement		-29,587	
Own shares – employee award		-22,232	
NUMBER OF SHARE ON 30 JUNE 2019	**87,141,661**	**170,642**	**86,971,019**

The change in non-controlling interests (+€43.2 million) mainly related to net income attributable to minority interests for the period (+€241.4 million), the change in percentage ownership of Covivio Hotels (-€25.6 million) and distributions in the period (-€166.8 million).

2.1.5. Statement of cash flows

(€K)	Note	30/06/2019	31/12/2018	30/06/2018
Net consolidated income (including minority interests)		**597,951**	**1,143,462**	**689,171**
Net depreciation and provisions[1] (excluding those linked to current assets)		39,000	194,514	162,278
Unrealised gains and losses relating to changes in fair value	2.2.5.11.5 & 2.2.6.4	-398,447	-604,530	-445,962
Income and expenses calculated on stock options and related share-based payments		4,839	8,802	4,666
Other calculated income and expenses		9,798	23,421	8,676
Gains or losses on disposals		-6,868	-226,326	-158,420
Share of income from companies accounted for under the equity method		-3,869	-22,828	-12,593
Cash flow after tax and cost of net financial debt		**242,403**	**516,515**	**247,816**
Cost of net financial debt and interest charges on rental liabilities	2.2.6.5 & 2.2.5.11.6	102,650	187,970	96,115
Income tax expense (including deferred taxes)	2.2.6.8.2	84,618	116,132	70,443
Cash flow before tax and cost of net financial debt		**429,671**	**820,617**	**414,374**
Taxes paid		-3,820	-17,375	-17,336
Change in working capital requirements on continuing operations (including employee benefits liabilities)	2.2.5.7.2	-22,617	81,069	21,739
Net cash generated by the business		**403,235**	**884,310**	**418,777**
Impact of changes in the scope[2]		-65,314	-475,832	25,094
Disbursements related to acquisition of tangible and intangible fixed assets	2.2.5.1.2	-282,896	-991,339	-497,586
Proceeds relating to the disposal of tangible and intangible fixed assets	2.2.5.1.2	491,521	1,267,019	570,318
Disbursements relating to acquisition of financial assets (non-consolidated securities)		-974	-0	45
Proceeds relating to the disposal of financial assets (non-consolidated securities)		4,543	1,185	647
Dividends received (companies accounted for under the equity method, non-consolidated securities)		13,724	10,656	9,959
Change in loans and advances granted		-1,075	71,227	41,707
Investment grants received		0	0	0
Other cash flow from investment activities		2,812	11,218	3,275
Net cash flow from investment activities		**162,342**	**-105,866**	**153,459**
Impact of changes in the scope		0	-97,543	- 80,275
Amounts received from shareholders in connection with capital increases:				
Paid by parent company shareholders	2.1.4	0	174,183	156,173
Paid by minority shareholders of consolidated companies		-10,081	0	0
Purchases and sales of treasury shares		2,766	-15,675	-1,113
Dividends paid during the reporting period:				
Dividends paid to parent company shareholders	2.1.4	-66,281	-337,030	-337,030
Dividends paid to non-controlling interests of consolidated companies	2.1.4	-166,675	-235,122	-179,047
Proceeds related to new borrowings	2.2.5.11.2	904,287	2,427,876	1,393,331
Repayments of borrowings (including finance lease agreements)	2.2.5.11.2	-1,413,780	-2,507,114	-1,422,209
Net interest paid (including finance lease agreements)		-117,374	-208,220	-132,243
Other cash flow from financing activities		-32,221	-68,958	-66,928
Net cash flow from financing activities		**-899,359**	**-867,602**	**-669,341**
Impact of changes in the exchange rate		190	-64	0
Impact of changes in accounting policies		0	0	0
CHANGE IN NET CASH		**-333,593**	**-89,222**	**-97,105**
Opening cash position		1,167,517	1,256,739	1,256,739
Closing cash position		833,924	1,167,517	1,159,634
CHANGE IN CASH AND CASH EQUIVALENTS		**-333,593**	**-89,222**	**-97,105**

(€K)		**30/06/2019**	31/12/2018	30/06/2018
Gross cash (a)	2.2.5.9.2	1,121,030	1,172,450	1,324,010
Debit balances and bank overdrafts from continuing operations (b)	2.2.5.11.2	-286,383	-1,398	-153,851
Net cash and cash equivalents (c) = (a) - (b)		**834,647**	**1,171,052**	**1,170,159**
Of which available net cash and cash equivalents		**833,924**	**1,167,517**	**1,159,634**
Of which unavailable net cash and cash equivalents		**723**	**3,535**	**10,525**
Gross debt (d)	2.2.5.11.2	10,652,030	11,144,032	10,719,161
Amortisation of financing costs (e)	2.2.5.11.2	-76,177	-85,703	-84,988
NET FINANCIAL DEBT (D) - (C) + (E)		**9,741,207**	**9,887,278**	**9,464,014**

(1) Net depreciation and amortisation charges and provisions of €39 million mainly include €31.8 million in depreciation and amortisation of tangible and intangible fixed assets.
(2) The impact of changes in the scope of investing activities (§ 39 of IAS 7) amounting to -€65.3 million mainly stem from Hotels Europe (-€51.4 million) and Germany Residential (-€14 million).

2.2. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.2.1. General principles

2.2.1.1. Accounting standards

The condensed consolidated financial statements of the Covivio Group at 30 June 2019 were prepared in accordance with the international accounting standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union as of the preparation date. These standards include the IFRS (International Financial Reporting Standards) and their interpretations.

The financial statements were approved by the Board of Directors on 23 July 2019.

Accounting principles and methods used

The accounting principles applied for the condensed consolidated financial statements as at 30 June 2019 are identical to those used for the consolidated financial statements as at 31 December 2018, except for new standards and amendments whose application was mandatory on or after 1 January 2019 and which were not applied early by the Group.

The new standards subject to mandatory application on or after 1 January 2019 include:

- IFRS 16 "Leases", adopted by the European Union on 31 October 2017; This standard replaces the eponymous standard IAS 17 as well as the corresponding interpretations (IFRIC 4, SIC 15 and SIC 27). It sets out the principles applicable to the accounting, measurement and presentation of leases.

  The information required as part of the transition to and first-time application of IFRS 16 are presented in § 2.2.1.2.

The following interpretations and amendments, which are mandatory as of 1 January 2019, did not have any impact on the Group's consolidated financial statements:

- amendment to IFRS 9 "Prepayment Features with Negative Compensation", adopted by the European Union on 22 March 2018; this amendment deals with instruments containing a prepayment clause when the exercise of this clause leads to a repayment of less than the amount of the principal and interest on the principal amount outstanding (negative compensation)
- IFRIC 23 "Uncertainty over Income Tax Treatments", adopted by the European Union on 23 October 2018; this interpretation clarifies the application of provisions of IAS 12 "Income Taxes" to the recognition and measurement where there is uncertainty on the income tax treatment
- amendments to IAS 28 "Investments in Associates and Joint Ventures", adopted by the European Union on 8 February 2019
- Annual improvements to IFRS (2015-2017 cycle), adopted by the European Union on 14 March 2019. These improvements amend IFRS 3 "Business Combinations", IFRS 11 "Partnerships", IAS 23 "Borrowing Costs" and IAS 12 "Income Taxes"
- amendments to IAS 19 "Plan Amendment, Curtailment or Settlement", adopted by the European Union on 13 March 2019. These limited amendments apply to changes, curtailment or settlement of defined-benefit plans.

New standards awaiting adoption by the European Union, whose application is possible as of 1 January 2019:

- amendment to IFRS 3 "Definition of a Business", published on 22 October 2018; Adoption by the European Union is expected during 2019. According to the IASB, the amendments should come into force on 1 January 2020
- amendments to IAS 1 and IAS 8 "Definition of Material", published on 31 October 2018; Adoption by the European Union is expected during 2019. According to the IASB, the amendments should come into force on 1 January 2020
- amendments to IFRS 10 and IAS 28 "Sales or contributions of assets made between the Group and equity affiliates, published on 11 September 2014.

IFRS standards and amendments published by the IASB but not adopted by the European Union, not authorised for financial years beginning on or after 1 January 2019:

- IFRS 17 "Insurance contracts", published on 18 May 2017; According to the IASB, the amendments should come into force on 1 January 2020. IFRS 17 lays out the principles as to the recognition, valuation, presentation and disclosures concerning insurance contracts within the scope of application of the standard. This standard has no impact on the financial statements
- amendments to references to the IFRS conceptual framework, published on 29 March 2018; Adoption by the European Union is expected during 2019. According to the IASB, the amendments should come into force on 1 January 2020.

2.2.1.2. First-time application of IFRS 16

The Covivio Group has chosen to apply IFRS 16 using the simplified retrospective method: comparative information is not restated and the cumulative impact of the first-time application of the standard is presented as an adjustment to shareholders' equity at 1 January 2019. In this case, no adjustments have been recorded in shareholders' equity at the date of first-time application.

Pursuant to § 5 of the standard, the Covivio Group has chosen not to restate leases with a residual term at the date of first-time application exceeding 12 months and leases where the underlying asset has a low value.

The discount rate used to calculate the lease liability is the marginal interest rate on debt at the date of first-time application or at the lease commencement date. This rate is defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the leased asset in a similar economic environment.

For leases with a residual term of more than 15 years (construction leases and long-term leases conferring ad rem rights), the rates used are obtained by adding a risk-free rate applicable to the currency and the term, a credit spread, a EUR/GBP rate for assets located in the United Kingdom and a surcharge applicable to real estate assets.

For leases with a residual term of less than 15 years at the date of first-time application, the discount rate used corresponds to the average interest rate on debt for the business segment in question at 31 December 2018 (*i.e.* 2.08% for the Hotels in Europe segment, 1.5% for Germany Residential and 1.53% for France Offices, Italy Offices and Corporate).

The Group has used the following presentation in the Statement of financial position:

- right-of-use assets meeting the definition of investment properties under IAS 40, for which the Group applies the fair value model, are included under Investment properties
- right-of-use assets that do not meet the definition of investment properties under IAS 40, are included under the items where the corresponding underlying assets are presented if they belonged thereto, namely the items Operating properties and Other tangible fixed assets
- rental liabilities are presented separately from other liabilities under Long-term rental liabilities and Short-term rental liabilities.

The Group's leases are mainly leases for business premises, company vehicles, parking spaces, construction leases and long-term leases conferring ad rem rights.

Note that IAS 40 "Investment properties" already incorporated a restatement similar to IFRS 16 for construction leases described as finance leases. Accordingly, long-term leases conferring ad rem rights relating to acquisitions in the United Kingdom during the fiscal year had already been restated in the financial statements at 31 December 2018. The first-time application of IFRS 16 is consequently limited to leases other than long-term leases conferring ad rem rights.

The impact of the first-time application of IFRS 16 on Statement of financial position items at 30 June 2019 is presented in the following tables:

(€K)	France Offices	Italy Offices	Hotels in Europe	Germany Residential	France Residential	Corporate and not attributable	Total impact 1st application IFRS 16	31/12/2018	30/06/2019
Tangible fixed assets	**8,339**	**3,505**	**29,033**	**595**	**21**	**35,907**	**77,400**	**0**	**71,248**
Operating properties	8,235	3,340	27,585	0	12	35,881	75,053	0	69,262
Other tangible fixed assets	104	165	1,448	595	9	26	2,347	0	1,986
Investment properties	**0**	**0**	**19,828**	**0**	**0**	**0**	**19,828**	**163,660**	**204,260**
TOTAL ASSETS	**8,339**	**3,505**	**48,861**	**595**	**21**	**35,907**	**97,228**	**163,660**	**275,508**

(€K)	France Offices	Italy Offices	Hotels in Europe	Germany Residential	France Residential	Corporate and not attributable	Total impact 1st application IFRS 16	31/12/2018	30/06/2019
Rental liabilities	**8,336**	**3,500**	**48,853**	**595**	**21**	**35,907**	**97,212**	**163,657**	**275,882**
Long-term rental liabilities	4,687	2,769	42,481	371	12	29,835	80,155	163,281	257,639
Short-term rental liabilities	3,649	731	6,372	224	9	6,072	17,057	376	18,243
TOTAL LIABILITIES	**8,336**	**3,500**	**48,853**	**595**	**21**	**35,907**	**97,212**	**163,657**	**275,882**

The impact of the first-time application of IFRS 16 on Statement of net income items at 30 June 2019 is presented in the following table:

(€K)	30/06/2019
Net change in provisions and other	4,847
Managed hotel expense	1,281
Expenses of other activities (parking)	3,176
Net cost of operations	2,436
Amortisation and depreciation of tangible assets	-6,258
Changes in FV of use rights/investment properties	1,929
Interest cost for rental liabilities	-6,971
IFRS 16 IMPACT ON NET INCOME	**441**

2.2.1.3. Estimates and judgements

The financial statements have been prepared in accordance with the historic cost convention, with the exception of investment properties and certain financial instruments, which were recognised in accordance with the fair value convention. In accordance with the conceptual framework for IFRS, preparation of the financial statements requires making estimates and using assumptions that affect the amounts shown in these financial statements.

The significant estimates made by the Covivio in preparing the financial statements mainly relate to:

- the valuations used for testing impairment, in particular assessing the recoverable value of goodwill and intangible fixed assets
- measurement of the fair value of investment properties
- assessment of the fair value of derivative financial instruments
- measurement of provisions.

Due to the uncertainties inherent in any valuation process, the Covivio group reviews its estimates based on regularly updated information. The future results of the transactions in question may differ from these estimates.

In addition to the use of estimates, Group management makes use of judgements to define the appropriate accounting treatment of certain business activities and transactions when the IFRS standards and interpretations in effect do not precisely address the accounting issues involved.

2.2.1.4. Operating segments

The operating segments of the Covivio group are detailed in paragraph 2.2.8.1.

2.2.1.5. IFRS 7 – Reference table

• Liquidity risk	§ 2.2.2.2
• Financial expense sensitivity	§ 2.2.2.3
• Credit risk	§ 2.2.2.4
• Market risk	§ 2.2.2.6
• Exchange rate risk	§ 2.2.2.7
• Sensitivity of the fair value of investment properties	§ 2.2.5.1.3
• Covenants	§ 2.2.5.11.7

2.2.2. Financial risk management

The operating and financial activities of the Company are exposed to the following risks:

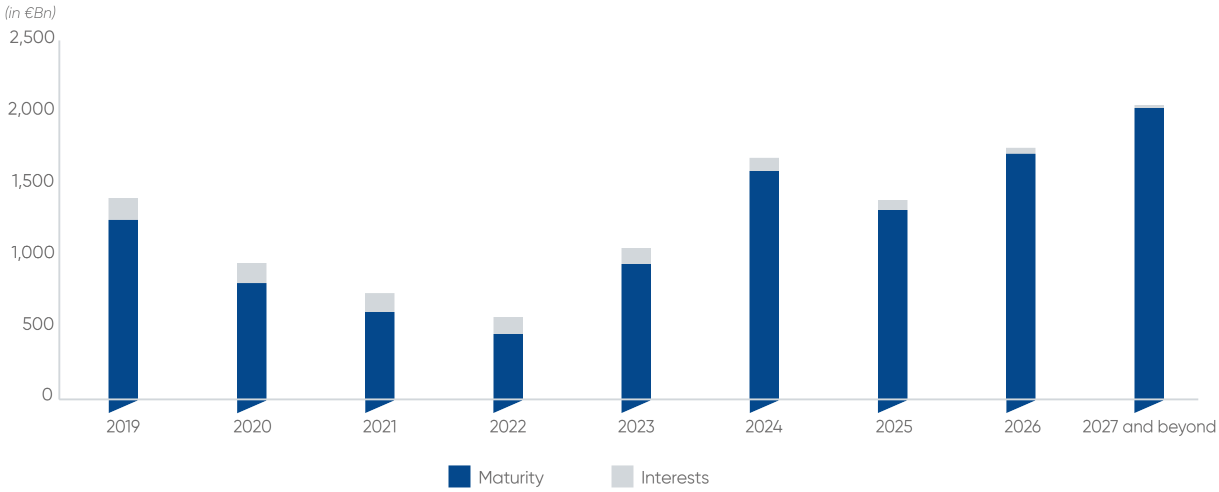
2.2.2.1. Marketing risk for properties under development

The Group is involved in property development. As such, it is exposed to a number of different risks, particularly risks associated with construction costs, completion delays and the marketing of properties. These risks can be assessed in light of the schedule of assets under development (see § 2.2.5.1.5).

2.2.2.2. Liquidity risk

Liquidity risk is managed in the medium and long term with multi-year cash management plans and, in the short term, by using confirmed and undrawn lines of credit. At 30 June 2019, Covivio Group's available cash and cash equivalents amounted to €2,817 million, including €1,696 million in usable unconditional credit lines and €1,121 million in investments.

The graph below summarises the maturities of borrowings (in €M) existing as at 30 June 2019:



The maturities at 30 June 2019 in the graph above include €1,516.9 million of commercial paper.

The amount of interest payable until the maturity of the debt, estimated on the basis of the outstanding amount at 30 June 2019 and the average interest rate on the debt, totalled €877 million.

Details of the debt maturities are provided in note 2.2.5.11.3, and a description of the banking covenants and accelerated payment clauses included in the loan agreements is presented in note 2.2.5.11.7.

The first half of 2019 was marked to a greater extent by repayments and renegotiations (€1.4 billion) than by new debt raised (€163 million).

- In the first half of 2019, Covivio refinanced or renegotiated €296 million of Italian financing at improved financial conditions and maturities (following the merger with Beni Stabili). At the same time, Covivio cancelled or redeemed early €485 million in credit lines or short and medium-term borrowings, mainly in Italy.
- Covivio Hotels raised or secured €70 million and renegotiated €250 million in mortgage debt backed by hotel real estate in Spain, Germany and France while extending its maturity. Covivio Hotels also redeemed €400 million in medium-term mortgage financing.
- In Germany, Covivio Immobilien SE raised €93 million including €72 million releveraged at long-term maturities.

2.2.2.3. Interest rate risk

The Group's exposure to the risk of changes in market interest rates is linked to its floating rate and long-term financial debt.

To the extent possible, bank debt is primarily hedged *via* financial instruments (see § 2.2.5.11.5). At 30 June 2019, after taking interest rate swaps into account, approximately 78% of the Group's debt was hedged, and the bulk of the remainder was covered by interest rate caps, which resulted in the following sensitivity to changes in interest rates:

- the impact of an increase of 100 bps on rates at 30 June 2019 was -€7,885 thousand on net income Group share in 2019
- the impact of an increase of 50 bps on rates as at 30 June 2019 was -€3,513 thousand on net income Group share in 2019
- the impact of a reduction of 50 bps on rates as at 30 June 2019 was +€2,867 thousand on net income Group share in 2019.

2.2.2.4. Financial counterparty risk

Given Covivio Group's contractual relationships with its financial partners, the Company is exposed to counterparty risk. If one of its counterparties is not in a position to honour its undertakings, the Group's net income could suffer an adverse effect.

This risk primarily involves the hedging instruments entered into by the Group and which would have to be replaced by a hedging transaction at the current market rate in the event of a default by the counterparty.

The counterparty risk is limited by the fact that Covivio group is a borrower, from a structural standpoint. The risk is therefore mainly restricted to the investments made by the Group and to its counterparties in derivative product transactions. The Company continually monitors its exposure to financial counterparty risk. The Company's policy is to deal only with top-tier counterparties, while diversifying its financial partners and its sources of funding.

Counterparty risk is included in the measurement of cash instruments. For the first half 2019, this amounted to €8,197 thousand.

2.2.2.5. Leasing counterparty risk

Covivio Group's rental income is subject to a certain degree of concentration, to the extent that the principal tenants (Orange, Telecom Italia, AccorHotels, IHG and B&B) generate most of the annual rental income.

It should be noted that in 2017 and 2018, the Group split the Telecom Italia portfolio and now only holds 51%. The Group also made significant investments in Spain and the United Kingdom, thus diversifying its hotel tenants.

Covivio group does not believe it is significantly exposed to the risk of insolvency, since its tenants are selected based on their creditworthiness and the economic prospects of their market segments. The operating and financial performance of the main tenants is regularly reviewed. In addition, tenants grant the Group financial guarantees when leases are signed.

The Group has not recorded any significant overdue payments.

2.2.2.6. Risks related to changes in the value of the portfolio

Changes in the fair value of investment properties are recognised in the income statement. Changes in property values can thus have a material impact on the operating performance of the Group.

In addition, part of the Company's operating income is generated by the sales plan, the income of which is equally dependent on property values and on the volume of possible transactions.

Rentals and property values are cyclical in nature, the duration of the cycles being variable but generally long-term. Different domestic markets have differing cycles that vary from each other in relation to specific economic and market conditions. Within each national market, prices also follow the cycle in different ways and with varying degrees of intensity, depending on the location and category of the assets.

The macroeconomic factors that have the greatest influence on property values and determine the various cyclical trends include the following:

- interest rates
- the market liquidity and the availability of other profitable alternative investments
- economic growth.

Low interest rates, abundant liquidity on the market and a lack of profitable alternative investments generally lead to an increase in property asset values.

Economic growth generally increases demand for leased space and paves the way for rent levels to rise, particularly in Offices. These two consequences lead to an increase in the price of real estate assets. Nevertheless, in the medium term, economic growth generally leads to an increase in inflation and then an increase in interest rates, expanding the availability of profitable alternative investments. Such factors exert downward pressure on property values.

The investment policy of Covivio group is to minimise the impact of the various stages of the cycle by choosing investments that:

- have long-term leases and high quality tenants, which soften the impact of a reduction in market rental income and the resulting decline in real estate prices
- are located in major city centres
- have low vacancy rates, in order to avoid the risk of having to re-let vacant space in an environment where demand may be limited.

The holding of real estate assets intended for leasing exposes Covivio Group to the risk of fluctuation in the value of real estate assets and lease payments.

Despite the uncertainty created by the economic downturn, this exposure is limited to the extent that the rentals invoiced are derived from rental agreements, the term and diversification of which mitigate the effects of fluctuations in the rental market.

In Berlin, a draft law to regulate rent capping is being implemented. This draft law, which is designed to cap rents for a period of five years, is not yet effective at 30 June 2019 and is controversial (specifically relating to its compliance with the constitution and the civil code).

The sensitivity of the fair value of investment properties to changes in capitalisation rates is analysed in 2.2.5.1.3.

2.2.2.7. Exchange rate risk

The Group operates both in and outside the euro zone following acquisition of the hotel properties in the United Kingdom. The Group wanted to hedge against currency fluctuations by financing part of the acquisitions through a foreign currency loan and a currency swap.

Impact of a decrease in the GBP/EUR exchange rate on the shareholders' equity

	30/06/2019 (£M)	5% decrease in GBP/EUR exchange rate (€M)	10% decrease in GBP/EUR exchange rate (€M)
Portfolio	825	-45.7	-91.5
Debt	400	22.3	44.5
Cross currency swap	250	13.9	27.8
IMPACT ON SHAREHOLDER'S EQUITY		**-9.5**	**-19.2**

(-) corresponds to a loss; (+) corresponds to a gain.

2.2.2.8. Brexit risk

Notwithstanding the impact on real estate valuations relating to economic uncertainties, in the United Kingdom the Group is benefiting from the minimum guaranteed rental income over its whole portfolio limiting the impact of this risk on its financial position and profitability.

2.2.2.9. Risks related to changes in the value of shares and bonds

The Group is exposed to risks for two classes of shares (see § 2.2.5.2.2).

This risk primarily involves listed securities in companies consolidated according to the equity method, which are valued according to their value in use. Value in use is determined based on independent assessments of the real estate assets and financial instruments.

Furthermore, Covivio issued bonds (ORNANE type) valued at their fair value in the income statement at each reporting date for ORNANE France 2019 and by distinguishing a financial debt and amortised cost and a derivative value at fair value for ORNANE Italy 2021. The fair value corresponds to the bond's closing price, exposing the Group to changes in the bond's value. The specific features of the ORNANE are described in note 2.2.5.11.4. The France 2019 ORNANE was fully redeemed in the first half of 2019.

2.2.2.10. Tax environment

2.2.2.10.1. Changes in the French tax environment

The French tax environment has undergone changes in the corporate tax rate, which has been reduced to 31% (instead of 33.1/3%) from 1 January 2019 for companies with revenues not exceeding €250 million.

New rules to limit the deductibility of interest to 30% of fiscal EBITDA or €3 million, pursuant to the application of European provisions, could have an influence on the taxable income of Group companies.

2.2.2.10.2. Changes in the Italian tax environment

The Group has not observed any significant change in the Italian tax environment.

2.2.2.10.3. Changes in the German tax environment

The Group has not observed any significant change in the German tax environment.

2.2.2.10.4. Tax risks

Given the ongoing changes to tax legislation, the Group is likely to be subject to reassessment proposals from the Tax Administration. If our counsel believes that an adjustment presents a risk of reassessment, a provision is made. The list of the main ongoing proceedings includes the following:

Tax audit of Covivio and Foncière Europe Logistique (merged with Covivio in 2016)

Foncière Europe Logistics, absorbed by Covivio in 2016, underwent an audit for financial years 2015/2016, resulting in an income tax adjustment proposal to reduce tax losses by €27 thousand, with no financial impact. The proposed adjustment was accepted and the audit was definitively closed at 30 June 2019.

Covivio Hotels' tax audit

Covivio Hotels' financial statements were audited for the 2010/2011 and 2012/2013/2014 fiscal years, which resulted in a reassessment proposal for the CVAE in the amount of €2.4 million and €2.2 million respectively. These reassessments were partially withdrawn by the tax administration in the first quarter of 2018 and refunds of €1.2 million and €1.1 million were obtained. The remaining balance of the reassessment of €1.1 million is being contested before the Administrative Court following the court's two rulings against the Company. Based on the analysis by the company's legal counsel, these disputes were not provisioned as at 30 June 2019.

The financial statements of Covivio Hotels were also audited for the 2015 fiscal year which resulted in a reassessment proposal for corporate value-added tax (CVAE), on the same grounds as the previous reassessment proposals for €0.2 million. This proposal is being contested, and based on the analysis by the company's legal counsel, no provision was recorded as at 30 June 2019.

Foncière Otello tax audit (subsidiary of Covivio Hotels)

Foncière Otello's financial statements were audited for the 2011, 2012 and 2013 fiscal years, which resulted in a reassessment proposal for the CVAE in the amount of €0.5 million. This proposal is being contested before the Administrative Court following this court's ruling against the Company. Based on the analysis by the company's legal counsel, no provision has been recorded for this dispute as at 30 June 2019.

The financial statements of SNC Otello were also audited for the 2014, 2015 and 2016 fiscal years, which resulted in a reassessment proposal in November 2016 for corporate value added tax (CVAE) in the amount of €0.2 million, on the same grounds as the previous reassessment proposal. This proposal is being contested in its entirety, and, based on analysis by the company's legal counsel, no provision was recorded to that effect as at 30 June 2019.

Tax audits of Operating properties

Two German companies (Rock portfolio) are subject to a tax audit for the 2012 through 2015 financial years, as well as the company Nice-M for 2015 and 2016.

Two VAT audits for these two German companies relating to 2018 were conducted in early 2019 and are still ongoing.

Tax audits of Germany Residential

Covivio Immobilien and all its subsidiaries were subject to a tax audit for financial years 2011 to 2016.

As at 30 June 2019, the audits were still ongoing. The main subject identified relates to the Golddust portfolio. Despite being contested, a provision of €1.5 million was recognised at 30 June 2019 as the level of interest rates on pre-existing partner loans on acquisition of the companies' securities was called into question.

Tax audits on Beni Stabili, which merged with Covivio on 30 June 2019

Comit Fund tax dispute – Beni Stabili

On 17 April 2012, following a court decision, the Italian tax administration refunded the debt borne by Beni Stabili for the Comit Fund dispute (principal: €58.2 million and interest: €2.3 million). In April 2012, the Tax Administration appealed this decision. The Court of Appeal ruled in favour of the Tax Administration on 18 December 2015.

The dispute with the Tax Administration was settled with the payment of €55 million. The €56.2 million provision recorded in 2015 was reversed as at 31 December 2016.

However, Comit Fund and Beni Stabili have not entered into a joint agreement to definitively agree that they each will pay an equal share of this adjustment. Civil arbitration proceedings taken by Comit Fund confirmed that each party accepts to pay 50% of the cost of the dispute, in accordance with the payments made. In January 2019, Comit Fund appealed against the arbitration decision bringing the dispute to an end. In May 2019, an appeal was heard, resulting in a new hearing being scheduled for November 2019. Beni Stabili's management, supported by its counsel, believes there is little risk of having to repay Comit Fund, and no provision has therefore been made for this appeal.

2.2.2.10.5. Deferred tax liabilities

Most of the Group's real estate companies have opted for the SIIC regime in France, and the SOCIMI regime in Spain. Beni Stabili, which opted for the SIIQ regime, changed its tax regime when it merged with Covivio at 31 December 2018 and the Covivio permanent establishment in Italy will be subject to real estate corporate tax of 20% as of 1 January 2019. The impact of deferred tax liabilities is therefore essentially present in Germany Residential and Italy Offices linked to investments in Hotels in Europe for which the SIIC regime is not applicable (Germany, Spain, Belgium, Netherlands, Portugal and the United Kingdom). In the case of Spain, all Spanish companies have opted for the SOCIMI regime exemption. However, there are deferred tax liabilities related to assets held by the companies prior to opting for SOCIMI treatment.

Because the companies in the Operating Properties business are fully consolidated, a deferred tax liability has been recognised in the financial statements. The deferred tax is mainly due to the recognition of the portfolio's fair value (German rate: 15.825%, French rate: 25.83%). Please note that the hotel businesses are taxed at a rate of between 30.18% and 32.28% in Germany and that deferred tax liabilities for this business have also been recognised at this rate.

2.2.3. Scope of consolidation

2.2.3.1. Accounting principles applicable to the scope of consolidation

2.2.3.1.1. Consolidated subsidiaries and structured entities – IFRS 10

These financial statements include the financial statements of Covivio and the financial statements of the entities (including structured entities) that it controls and its subsidiaries.

Covivio group has control when it:

- has power over the issuing entity
- is exposed or is entitled to variable returns due to its ties with the issuing entity
- has the ability to exercise its power in such as manner as to affect the amount of returns that it receives.

Covivio group must reassess whether it controls the issuing entity when facts and circumstances indicate that one or more of the three factors of control listed above have changed.

A structured entity is an entity structured in such a way that the voting rights or similar rights do not represent the determining factor in establishing control of the entity; this is particularly the case when the voting rights only involve administrative tasks and the relevant business activities are governed by contractual agreements.

If the Group does not hold a majority of the voting rights in an issuing entity in order to determine the power exercised over an entity, it analyses whether it has sufficient rights to unilaterally manage the issuing entity's relevant business activities. The Group takes into consideration any facts and circumstances when it evaluates whether the voting rights that it holds in the issuing entity are sufficient to confer power to the Group, including the following:

- the number of voting rights that the Group holds compared to the number of rights held respectively by the other holders of voting rights and their distribution
- the potential voting rights held by the Group, other holders of voting rights or other parties
- the rights under other contractual agreements
- the other facts and circumstances, where applicable, which indicate that the Group has or does not have the actual ability to manage relevant business activities at the moment when decisions must be made, including voting patterns during previous shareholders' meetings.

Subsidiaries and structured entities are fully consolidated.

2.2.3.1.2. Equity affiliates – IAS 28

An equity affiliate is an entity in which the Group has significant control. Significant control is the power to participate in decisions relating to the financial and operational policy of an issuing entity without, however, exercising control or joint control on these policies.

The results and the assets and liabilities of equity affiliates are recognised in these consolidated financial statements according to the equity method.

2.2.3.1.3. Partnerships (joint control) – IFRS 11

Joint control means the contractual agreement to share the control exercised over a company, which only exists in the event where the decisions concerning relevant business activities require the unanimous consent of the parties sharing the control.

Joint ventures

A joint venture is a partnership in which the parties which exercise joint control over the entity have rights to its net assets.

The results and the assets and liabilities of joint ventures are recognised in these consolidated financial statements according to the equity method.

Joint operations

A joint operation is a partnership in which the parties exercising joint control over the operation have rights to the assets, and obligations for the liabilities relating to it. Those parties are called joint operators.

A joint operator must recognise the following items relating to its interest in the joint operation:

- its assets, including its proportionate share of assets held jointly, where applicable
- its liabilities, including its proportionate share of liabilities undertaken jointly, where applicable
- the income that it derived from the sale of its proportionate share in the yield generated by the joint operation
- its proportionate share of income from the sale of the yield generated by the joint operation
- the expenses that it has committed, including its proportionate share of expenses committed jointly, where applicable.

The joint operator accounts for the assets, liabilities, income and expenses pertaining to its interests in a joint operation in accordance with the IFRS that apply to these assets, liabilities, income and expenses.

No Group company is considered to constitute a joint operation.

2.2.3.2. Additions to the scope of consolidation

Additions to the scope of consolidation for each business are presented in the scope reporting table detailed by company at the start of each segment. The segments concerned are France Offices, Hotels in Europe and Germany Residential.

2.2.3.3. Internal restructuring/Disposals

Removals from the scope of consolidation for each business are presented in the scope reporting table detailed by company at the end of each segment. The segments concerned are France Offices, Hotels in Europe and Germany Residential.

2.2.3.4. Change in holding and/or in consolidation method

Covivio contributed all 100 shares that it held in Ruhl Côte d'Azur SCI, together with a receivable of €10.5 million. 2,365,503 new shares were issued in consideration for Covivio's contribution.

Covivio's investment in Covivio Hotels was thus increased from 42.30% to 43.22%.

2.2.3.5. List of consolidated companies

95 companies France Offices Segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
Covivio	**France**	**Parent company**		
N2 Batignolles Promo	France	FC	50.00	
6 rue Fructidor	France	FC	100.00	
Fructipromo	France	FC	100.00	
Jean Jacques Bosc	France	FC	100.00	
Terres Neuves	France	FC	100.00	
André Lavignolle	France	FC	100.00	
Covivio Ravinelle	France	FC	100.00	100.00
SCI Fédérimmo	France	FC	60.00	60.00
EURL Fédération	France	FC	100.00	100.00
SARL Foncière Margaux	France	FC	100.00	100.00
Covivio 2	France	FC	100.00	100.00
Covivio 4	France	FC	75.00	75.00
Euromarseille 1	France	EM/JV	50.00	50.00
Euromarseille 2	France	EM/JV	50.00	50.00
Euromarseille BI	France	EM/JV	50.00	50.00
Euromarseille BH	France	EM/JV	50.00	50.00
Euromarseille PK	France	EM/JV	50.00	50.00
Euromarseille Invest	France	EM/JV	50.00	50.00
Euromarseille H	France	EM/JV	50.00	50.00
Covivio 7	France	FC	100.00	100.00
SCI Bureaux Cœur d'Orly	France	EM/EA	50.00	50.00
SAS Cœur d'Orly Promotion	France	EM/EA	50.00	50.00
Technical	France	FC	100.00	100.00
Le Ponant 1986	France	FC	100.00	100.00
SCI Atlantis	France	FC	100.00	100.00
Iméfa 127	France	FC	100.00	100.00
SNC Latécoère	France	FC	50.10	50.10
SCI du 32 avenue P. Grenier	France	FC	100.00	100.00
SCI du 40 rue JJ. Rousseau	France	FC	100.00	100.00
SCI du 3 place A Chaussy	France	FC	100.00	100.00
SARL BGA Transactions	France	FC	100.00	100.00
SCI du 288 rue Duguesclin	France	FC	100.00	100.00
SCI du 9 rue des Cuirassiers	France	FC	50.10	50.10
SCI 35/37 rue Louis Guérin	France	FC	100.00	100.00
SCI du 15 rue des Cuirassiers	France	FC	50.10	50.10
SCI du 10B et 11 A 13 allée des Tanneurs	France	FC	100.00	100.00
SCI du 8 rue M. Paul	France	FC	100.00	100.00
SCI du 1 rue de Chateaudun	France	FC	100.00	100.00
SCI du 1630 Avenue de la Croix Rouge	France	FC	100.00	100.00
SCI du 125 avenue du Brancolar	France	FC	100.00	100.00
SCI du 682 cours de la Libération	France	FC	100.00	100.00
SARL du 106-110 rue des Troënes	France	FC	100.00	100.00
SCI du 2 rue de L'Ill	France	FC	100.00	100.00
SCI du 20 avenue Victor Hugo	France	FC	100.00	100.00
SARL du 2 rue Saint Charles	France	FC	100.00	100.00
SNC Télimob Paris	France	FC	100.00	100.00
SNC Télimob Nord	France	FC	100.00	100.00
SNC Télimob Rhône Alpes	France	FC	100.00	100.00

France Offices Segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
SNC Télimob Sud Ouest	France	FC	100.00	100.00
SNC Télimob Est	France	FC	100.00	100.00
SNC Télimob Paca	France	FC	100.00	100.00
SNC Télimob Ouest	France	FC	100.00	100.00
SARL Télimob Paris	France	FC	100.00	100.00
Pompidou	France	FC	100.00	100.00
OPCI Office CB21	France	FC	75.00	75.00
11 place de l'Europe	France	FC	50.09	50.09
Lenovilla	France	EM/JV	50.10	50.10
Lenopromo	France	FC	100.00	100.00
SCI Latécoère 2	France	FC	50.10	50.10
Meudon Saulnier	France	FC	100.00	100.00
Charenton	France	FC	100.00	100.00
Latepromo	France	FC	100.00	100.00
SNC Promomurs	France	FC	100.00	100.00
FDR Participation	France	FC	100.00	100.00
SCI Avenue de la Marne	France	FC	100.00	100.00
Omega B	France	FC	100.00	100.00
SCI RUEL B2	France	FC	100.00	100.00
SCI RUEL B3 B4	France	FC	100.00	100.00
SCI Factor E	France	EM/EA	34.69	34.69
SCI Orianz	France	EM/EA	34.69	34.69
Wellio	France	FC	100.00	100.00
Le Clos de Chanteloup	France	FC	100.00	100.00
Bordeaux Lac	France	FC	100.00	100.00
Sully Chartres	France	FC	100.00	100.00
Sucy Parc	France	FC	100.00	100.00
Gambetta Le Raincy	France	FC	100.00	100.00
Orly Promo	France	FC	100.00	100.00
Silex Promo	France	FC	100.00	100.00
21 Rue Jean Goujon	France	FC	100.00	100.00
Villouvette Saint-Germain	France	FC	100.00	100.00
La Mérina Fréjus	France	FC	100.00	100.00
Normandie Niemen Bobigny	France	FC	100.00	100.00
Le Printemps Sartrouville	France	FC	100.00	100.00
Gaugin Saint-Ouen-l'Aumône	France	FC	100.00	100.00
Cité Numérique	France	FC	100.00	100.00
Danton Malakoff	France	FC	100.00	100.00
Meudon Bellevue	France	FC	100.00	100.00
N2 Batignolles	France	FC	50.00	50.00
Tours Coty	France	FC	100.00	100.00
Valence Victor Hugo	France	FC	100.00	100.00
Nantes Talensac	France	FC	100.00	100.00
Marignane Saint-Pierre	France	FC	100.00	100.00
Palmer Plage SNC	France	FC	100.00	100.00
Dual Center	France	FC	100.00	100.00
25-27 quai Félix Faure	France	merger	-	100.00
SNC Commerces Cœur d'Orly	France	merged	-	50.00
Palmer Montpellier	France	merged	-	100.00

The registered office of the parent company Covivio is located at 18 avenue François Mitterrand – 57000 Metz. The other fully consolidated subsidiaries in the France Offices segment have their registered office located at 10 and 30 avenue Kléber – 75116 Paris.

19 companies in the Italy Offices segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
Beni Stabili 7 S.p.A.	Italy	FC	100.00	100.00
Central Società di Investimento per Azioni a capitalo fisso Central SICAF S.p.A.	Italy	FC	51.00	51.00
Beni Stabili Retail S.r.l.	Italy	FC	55.00	55.00
Covivio Development S.p.A.	Italy	FC	100.00	100.00
RGD Gestioni S.r.L.	Italy	FC	100.00	100.00
Real Estate Roma Olgiata S.r.L.	Italy	FC	75.00	75.00
B.S. Immobiliare 9 SINQ S.p.A.	Italy	FC	100.00	100.00
B.S. Engineering S.r.l.	Italy	FC	100.00	100.00
Beni Stabili Real Estate Advisory S.r.L.	Italy	FC	100.00	100.00
Imser Securitisation S.r.L.	Italy	FC	100.00	100.00
Imser Securitisation 2 S.r.L.	Italy	FC	100.00	100.00
Revalo SpA	Italy	FC	100.00	100.00
RGD Ferrara 2013 S.r.L.	Italy	EM	50.00	50.00
Real Estate Solution & Technology	Italy	EM	30.00	30.00
Investire S.p.A. SGR	Italy	EM	17.90	17.90
Attivita Commerciali Montenero S.r.L.	Italy	FC	100.00	100.00
Attivita Commerciali Beinasco S.r.L.	Italy	FC	100.00	100.00
Attivita Commerciali Vigevano S.r.L.	Italy	FC	100.00	100.00
Covivio Attività Immobiliari 1 S.r.L.	Italy	FC	100.00	100.00

The registered office of the companies in the Italy Offices segment is located at 10 Carlo Ottavio Cornaggia, 20123 Milan.

147 companies Hotels in Europe Segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
SCA Covivio Hotels (Parent company) 100% controlled	**France**	**FC**	**43.22**	**42.30**
Oxford Spires Ltd (Propco)	United Kingdom	FC	43.22	
Oxford Thames Hotel Ltd (Propco)	United Kingdom	FC	43.22	
Dresden Dev	Luxembourg	FC	41.01	
Delta Hotel Amersfoort	Netherlands	FC	43.22	
Ruhl Côte d'Azur	France	FC	43.22	100.00
SARL Loire	France	FC	43.22	42.30
Foncière Otello	France	FC	43.22	42.30
Hôtel René Clair	France	FC	43.22	42.30
Foncière Ulysse	France	FC	43.22	42.30
Ulysse Belgique	Belgium	FC	43.22	42.30
Ulysse Trefonds	Belgium	FC	43.22	42.30
Foncière No Bruxelles Grand Place	Belgium	FC	43.22	42.30
Foncière No Bruxelles Aéroport	Belgium	FC	43.22	42.30
Foncière No Bruges Centre	Belgium	FC	43.22	42.30
Foncière Gand Centre	Belgium	FC	43.22	42.30
Foncière Gand Opéra	Belgium	FC	43.22	42.30
Foncière IB Bruxelles Grand-Place	Belgium	FC	43.22	42.30
Foncière IB Bruxelles Aéroport	Belgium	FC	43.22	42.30
Foncière IB Bruges Centre	Belgium	FC	43.22	42.30
Foncière Antwerp Centre	Belgium	FC	43.22	42.30
Foncière Bruxelles Expo Atomium	Belgium	FC	43.22	42.30
Foncière Manon	France	FC	43.22	42.30
Murdelux	Luxembourg	FC	43.22	42.30
Portmurs	Portugal	FC	43.22	42.30

Hotels in Europe Segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
Sunparks Oostduinkerke	Belgium	FC	43.22	42.30
Foncière Vielsam	Belgium	FC	43.22	42.30
Sunparks Trefonds	Belgium	FC	43.22	42.30
Foncière Kempense Meren	Belgium	FC	43.22	42.30
Iris Holding France	France	EM/EA	8.60	8.42
Foncière Iris SAS	France	EM/EA	8.60	8.42
Sables d'Olonne SAS	France	EM/EA	8.60	8.42
OPCI Iris Invest 2010	France	EM/EA	8.60	8.42
Covivio Hotels Gestion Immobilière	France	FC	43.22	42.30
Tulipe Holding Belgique	Belgium	EM/EA	8.60	8.42
Iris Tréfonds	Belgium	EM/EA	8.60	8.42
Foncière Louvain Centre	Belgium	EM/EA	8.60	8.42
Foncière Liège	Belgium	EM/EA	8.60	8.42
Foncière Bruxelles Aéroport	Belgium	EM/EA	8.60	8.42
Foncière Bruxelles Sud	Belgium	EM/EA	8.60	8.42
Foncière Bruge Station	Belgium	EM/EA	8.60	8.42
Narcisse Holding Belgique	Belgium	EM/EA	8.60	8.42
Foncière Bruxelles Tour Noire	Belgium	EM/EA	8.60	8.42
Foncière Louvain	Belgium	EM/EA	8.60	8.42
Foncière Malines	Belgium	EM/EA	8.60	8.42
Foncière Bruxelles Centre Gare	Belgium	EM/EA	8.60	8.42
Foncière Namur	Belgium	EM/EA	8.60	8.42
Iris investor Holding GmbH	Germany	EM/EA	8.60	8.42
Iris General Partner GmbH	Germany	EM/EA	4.32	4.23
Iris Berlin GmbH	Germany	EM/EA	8.60	8.42
Iris Bochum & Essen	Germany	EM/EA	8.60	8.42
Iris Frankfurt GmbH	Germany	EM/EA	8.60	8.42
Iris Verwaltungs GmbH & co KG	Germany	EM/EA	8.60	8.42
Iris Nurnberg GmbH	Germany	EM/EA	8.60	8.42
Iris Stuttgart GmbH	Germany	EM/EA	8.60	8.42
B&B Invest Lux 1	Germany	FC	43.22	42.30
B&B Invest Lux 2	Germany	FC	43.22	42.30
B&B Invest Lux 3	Germany	FC	43.22	42.30
Campeli	France	EM/EA	8.60	8.42
OPCI Camp Invest	France	EM/EA	8.60	8.42
Dahlia	France	EM/EA	8.64	8.46
Foncière B2 Hôtel Invest	France	FC	21.70	21.24
OPCI B2 Hôtel Invest	France	FC	21.70	21.24
Foncière B3 Hôtel Invest	France	FC	21.70	21.24
B&B Invest Lux 4	Germany	FC	43.22	42.30
NH Amsterdam Center Hotel HLD	Netherlands	FC	43.22	42.30
Hotel Amsterdam Centre Propco	Netherlands	FC	43.22	42.30
Mo Lux 1	Luxembourg	FC	43.22	42.30
LHM Holding Lux SARL	Luxembourg	FC	43.22	42.30
LHM ProCo Lux SARL	Germany	FC	45.07	44.24
SCI Rosace	France	FC	43.22	42.30
Mo Drelinden, Niederrad, Düsseldorf	Germany	FC	40.62	39.77
Mo Berlin	Germany	FC	40.62	39.77
Mo First Five	Germany	FC	42.36	41.59
Ringer	Germany	FC	43.22	42.30
B&B Invest Lux 5	Germany	FC	40.19	39.34

Hotels in Europe Segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
B&B Invest Lux 6	Germany	FC	40.19	39.34
SCI Hôtel Porte Dorée	France	FC	43.22	42.30
FDM M Lux	Luxembourg	FC	43.22	42.30
OPCO Rosace	France	FC	43.22	42.30
Exco Hôtel	Belgium	FC	43.22	42.30
Invest Hôtel	Belgium	FC	43.22	42.30
H Invest Lux	Luxembourg	FC	43.22	42.30
Hermitage Holdco	France	FC	43.22	42.30
Samoens SAS	France	FC	21.65	10.62
Foncière B4 Hôtel Invest	France	FC	21.70	21.24
B&B Invest Espagne SLU	Spain	FC	43.22	42.30
Rock-Lux	Luxembourg	FC	43.22	42.30
Société Liloise Investissement Immobilier Hôtelier SA	France	FC	43.22	42.30
Alliance et Compagnie SAS	France	FC	43.22	42.30
Berlin I (Propco Westin Grand Berlin)	Germany	FC	41.01	40.15
Opco Grand Hôtel Berlin Betriebs (Westin berlin)	Germany	FC	41.01	40.15
Berlin II (Propco Park Inn Alexanderplatz)	Germany	FC	41.01	40.15
Opco Hôtel Stadt Berlin Betriebs (Park-Inn)	Germany	FC	41.01	40.15
Berlin III (Propco Mercure Potsdam)	Germany	FC	41.01	40.15
Opco Hôtel Potsdam Betriebs (Mercure Potsdam)	Germany	FC	41.01	40.15
Dresden II (Propco Ibis Hôtel Dresden)	Germany	FC	41.01	40.15
Dresden III (Propco Ibis Hôtel Dresden)	Germany	FC	41.01	40.15
Dresden IV (Propco Ibis Hôtel Dresden)	Germany	FC	41.01	40.15
Opco BKL Hotelbetriebsgesellschaft (Dresden II to IV)	Germany	FC	41.01	40.15
Dresden V (Propco Pullman Newa Dresden)	Germany	FC	41.01	40.15
Opco Hôtel Newa Dresden Betriebs (Pullman)	Germany	FC	41.01	40.15
Leipzig I (Propco Westin Leipzig)	Germany	FC	41.01	40.15
Opco HotelgesellschaftGeberst, Betriebs (Westin Leipzig)	Germany	FC	41.01	40.15
Leipzig II (Propco Radisson Blu Leipzig)	Germany	FC	41.01	40.15
Opco Hôtel Deutschland Leipzig Betriebs (Radisson Blu)	Germany	FC	41.01	40.15
Erfurt I (Propco Radisson Blu Erfurt)	Germany	FC	41.01	40.15
Opco Hôtel Kosmos Erfurt (Radisson Blu)	Germany	FC	41.01	40.15
Foncière Développement Tourisme	France	FC	43.22	21.19
Airport Garden Hotel NV	Belgium	FC	43.22	42.30
H Invest Lux 2	Luxembourg	FC	43.22	42.30
Constance	France	FC	43.22	42.30
Hotel Amsterdam Noord FDM	Netherlands	FC	43.22	42.30
Hotel Amersfoort FDM	Netherlands	FC	43.22	42.30
Constance Lux 1	Luxembourg	FC	43.22	42.30
Constance Lux 2	Luxembourg	FC	43.22	42.30
So Hospitality	France	FC	43.22	42.30
Nice-M	France	FC	43.22	42.30
Investment FDM Rocatiera	Spain	FC	43.22	42.30
Bardiomar	Spain	FC	43.22	42.30
Trade Center Hotel	Spain	FC	43.22	42.30
Rock-Lux OPCO	Luxembourg	FC	43.22	42.30
Blythswood Square Hotel Holdco	United Kingdom	FC	43.22	42.30
George Hotel Investments Holdco	United Kingdom	FC	43.22	42.30
Grand Central Hotel Company Holdco	United Kingdom	FC	43.22	42.30
Grand Principal Birmingham Holdco	United Kingdom	FC	43.22	42.30
Lagonda Leeds Holdco	United Kingdom	FC	43.22	42.30

Hotels in Europe Segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
Lagonda Palace Holdco	United Kingdom	FC	43.22	42.30
Lagonda Russell Holdco	United Kingdom	FC	43.22	42.30
Lagonda York Holdco	United Kingdom	FC	43.22	42.30
Oxford Spires Hotel Holdco	United Kingdom	FC	43.22	42.30
Oxford Thames Holdco	United Kingdom	FC	43.22	42.30
Roxburghe Investments Holdco	United Kingdom	FC	43.22	42.30
The St David's Hotel Cardiff Holdco	United Kingdom	FC	43.22	42.30
Wotton House Properties Holdco	United Kingdom	FC	43.22	42.30
Blythswood Square Hotel Glasgow	United Kingdom	FC	43.22	42.30
George Hotel Investments	United Kingdom	FC	43.22	42.30
Grand Central Hotel Company	United Kingdom	FC	43.22	42.30
Lagonda Leeds PropCo	United Kingdom	FC	43.22	42.30
Lagonda Palace PropCo	United Kingdom	FC	43.22	42.30
Lagonda York PropCo	United Kingdom	FC	43.22	42.30
Roxburghe Investments PropCo	United Kingdom	FC	43.22	42.30
The St David's Hotel Cardiff	United Kingdom	FC	43.22	42.30
Wotton House Properties	United Kingdom	FC	43.22	42.30
Lagonda Russell PropCo	United Kingdom	FC	43.22	42.30
Roxburghe Investments Lux	Luxembourg	FC	43.22	42.30
HEM Diesterlkade Amsterdam BV	Netherlands	FC	43.22	42.30
Lambda Amsterdam BV	Netherlands	merged	-	42.30
Spiegelrei HLD SA	Belgium	Liquidated	-	42.30
Dresden I (Propco Westin Bellevue)	Germany	disposed of	-	40.15
Opco Hôtel Bellevue Dresden Betriebs (Westein Bellevue)	Germany	disposed of	-	40.15

The registered office of the parent company Covivio Hotels and its main fully consolidated French subsidiaries is located at 30 Avenue Kléber, 75116 Paris.

116 companies Germany Residential segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
Covivio Immobilien SE (Parent company) 99.74% controlled	**Germany**	**FC**	**61.70**	**61.70**
Covivio Alexanderplatz	Luxembourg	FC	100.00	
Covivio Rhenania 1	Germany	FC	65.57	
Covivio Rhenania 2	Germany	FC	65.57	
Covivio Prime Financing	Germany	FC	61.70	
Covivio Immobilien	Germany	FC	61.70	61.70
Covivio Lux Residential	Germany	FC	63.66	63.66
Covivio Valore 4	Germany	FC	63.74	63.74
Covivio Wohnen Verwaltungs	Germany	FC	61.70	61.70
Covivio Grundstücks	Germany	FC	61.70	61.70
Covivio Grundvermögen	Germany	FC	61.70	61.70
Covivio Wohnen Service	Germany	FC	61.70	61.70
Covivio SE & CO KG 1	Germany	FC	61.70	61.70
Covivio SE & CO KG 2	Germany	FC	61.70	61.70
Covivio SE & CO KG 3	Germany	FC	61.70	61.70
Covivio SE & CO KG 4	Germany	FC	61.70	61.70
Covivio Zehnte GMBH	Germany	FC	100.00	100.00
IW-FDL Beteiligungs GmbH & Co KG	Germany	FC	100.00	100.00
Covivio Wohnen	Germany	FC	61.70	61.70
Covivio Gesellschaft für Wohnen Datteln	Germany	FC	64.00	64.00
Covivio Stadthaus	Germany	FC	64.00	64.00
Covivio Wohnbau	Germany	FC	67.83	67.83

Germany Residential segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
Covivio Wohnungsgesellechaft GMBH Dümpten	Germany	FC	67.83	67.83
Covivio Berolinum 2	Germany	FC	63.66	63.66
Covivio Berolinum 3	Germany	FC	63.66	63.65
Covivio Berolinum 1	Germany	FC	63.66	63.66
Covivio Remscheid	Germany	FC	63.66	63.66
Covivio Valore 6	Germany	FC	63.74	63.74
Covivio Holding	Germany	FC	100.00	100.00
Covivio Immobilien Se & Co KG Residential	Germany	FC	61.70	61.70
Covivio Berlin 67 GmbH	Germany	FC	64.00	64.00
Covivio Berlin 78 GmbH	Germany	FC	64.00	64.00
Covivio Berlin 79 GmbH	Germany	FC	64.00	64.00
Covivio Dresden GmbH	Germany	FC	63.66	63.66
Covivio Berlin I SARL	Germany	FC	63.66	63.66
Covivio Berlin V SARL	Germany	FC	63.85	63.85
Covivio Berlin C GMBH	Germany	FC	63.66	63.66
Covivio Dansk Holding Aps	Denmark	FC	61.70	61.70
Covivio Dasnk L Aps	Germany	FC	63.66	63.66
Covivio Berlin Prime	Germany	FC	65.53	65.53
Berlin Prime Commercial	Germany	FC	63.66	58.56
Acopio	Germany	FC	100.00	100.00
Covivio Hamburg Holding ApS	Denmark	FC	65.57	65.57
Covivio Hamburg 1 ApS	Germany	FC	65.57	65.57
Covivio Hamburg 2 ApS	Germany	FC	65.57	65.57
Covivio Hamburg 3 ApS	Germany	FC	65.57	65.57
Covivio Hamburg 4 ApS	Germany	FC	65.57	65.57
Covivio North ApS	Germany	FC	65.57	65.57
Covivio Arian	Germany	FC	65.53	65.53
Covivio Bennet	Germany	FC	65.53	65.53
Covivio Marien-Carré	Germany	FC	65.57	65.57
Covivio Berlin IV ApS	Denmark	FC	61.70	61.70
Covivio Lux	Luxembourg	FC	100.00	100.00
Covivio Berolina Verwaltungs GmbH	Germany	FC	63.66	63.66
Residenz Berolina GmbH & Co KG	Germany	FC	65.51	65.51
Covivio Quadrigua IV GmbH	Germany	FC	63.66	63.66
Real Property Versicherungsmakler	Germany	FC	61.70	61.70
Covivio Quadrigua 15	Germany	FC	65.51	65.51
Covivio Quadrigua 45	Germany	FC	65.51	65.51
Covivio Quadrigua 36	Germany	FC	65.51	65.51
Covivio Quadrigua 46	Germany	FC	65.51	65.51
Covivio Quadrigua 40	Germany	FC	65.51	65.51
Covivio Quadrigua 47	Germany	FC	65.51	65.51
Covivio Quadrigua 48	Germany	FC	65.51	65.51
Covivio Fischerinsel	Germany	FC	65.57	65.57
Covivio Berolina Fischenrinsel	Germany	FC	65.57	65.57
Covivio Berlin Home	Germany	FC	65.57	65.57
Amber Properties Sarl	Germany	FC	65.53	65.53
Covivio Gettmore	Germany	FC	65.53	65.53
Saturn Properties Sarl	Germany	FC	65.53	65.53
Venus Properties Sarl	Germany	FC	65.53	65.53
Covivio Vinetree	Germany	FC	65.53	65.53
Acopio Facility	Germany	FC	65.53	65.53

Germany Residential segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
Covivio Development	Germany	FC	61.70	61.70
Covivio Rehbergen	Germany	FC	65.57	65.57
Covivio Handlesliegenschaften	Germany	FC	65.57	65.57
Covivio Alexandrinenstrasse	Germany	FC	65.57	65.57
Covivio Spree Wohnen 1	Germany	FC	65.53	65.53
Covivio Spree Wohnen 2	Germany	FC	65.53	65.53
Covivio Spree Wohnen 6	Germany	FC	65.53	65.53
Covivio Spree Wohnen 7	Germany	FC	65.53	65.53
Covivio Spree Wohnen 8	Germany	FC	65.53	65.53
Nordens Immobilien III	Germany	FC	65.53	65.53
Montana-Portfolio	Germany	FC	65.53	65.53
Covivio Cantianstrasse 18 Grundbesitz	Germany	FC	65.53	65.53
Covivio Konstanzer Str.54/Zahringerstr.28, 28a Grundbesitz	Germany	FC	65.53	65.53
Covivio Mariend. Damm28/Markgrafenstr.17 Grundbesitz	Germany	FC	65.53	65.53
Covivio Markstrasse 3 Grundbesitz	Germany	FC	65.53	65.53
Covivio Schnellerstrasse 44 Grundbesitz	Germany	FC	65.53	65.53
Covivio Schönwalder Str.69 Grundbesitz	Germany	FC	65.53	65.53
Covivio Schulstrasse 16/17.Grundbesitz	Germany	FC	65.53	65.53
Covivio Sophie-Charlotten Strasse 31, 32 Grundbesitz	Germany	FC	65.53	65.53
Covivio Yorckstrasse 60 Grundbesitz	Germany	FC	65.53	65.53
Covivio Zelterstrasse 3 Grundbesitz	Germany	FC	65.53	65.53
Covivio Zinshäuser Alpha	Germany	FC	65.53	65.53
Covivio Zinshäuser Gamma	Germany	FC	65.53	65.53
Second Ragland	Germany	FC	65.53	65.53
Seed Portfollio 2	Germany	FC	65.53	65.53
Erz 1	Germany	FC	65.53	65.53
Covivio Berlin 9	Germany	FC	65.53	65.53
Erz 2	Germany	FC	65.53	65.53
Best Place Bestand	Germany	FC	31.47	31.47
Covivio Berlin 8	Germany	FC	65.53	65.53
Sewoge Service- Und Wohnungsunternehmen	Germany	FC	65.53	65.53
Covivio Selectimmo.de	Germany	FC	65.57	65.57
Covivio Prenzlauer Promenade 49 Besitzgesellschaft	Germany	FC	65.53	65.53
Mecau Bau	Germany	FC	52.45	61.70
Covivio Blankenburger Str.	Germany	FC	65.57	65.57
Covivio Immobilien Financing	Germany	FC	65.53	65.53
Covivio Treskowallee 202 Entwicklungsgesellschaft	Germany	FC	65.57	65.57
Covivio Alexanderplatz	Germany	FC	100.00	100.00
Covivio Hathor Berlin	Germany	FC	65.57	65.57
Covivio Hathor Deutschland	Germany	FC	65.57	65.57
Covivio Hansastraße 253	Germany	FC	65.57	65.57
Covivio Hansastraße 243	Germany	FC	65.57	65.57
Covivio Hansastraße 241	Germany	FC	65.57	65.57
Seed Portfollio	Germany	merged	-	60.43

The registered office of the parent company Covivio Immobilien SE is at Keplerstrasse 110-112 – 45147 Essen.

24 companies in Other segment (France Residential, Car parks, Services)	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
12 companies in France Residential:				
Foncière Développement Logements (Parent company) 100% controlled	France	FC	100.00	100.00
Batisica	Luxembourg	FC	100.00	100.00
Iméfa 71	France	FC	100.00	100.00
Suresnes 2	France	FC	100.00	100.00
24-26 rue Duranton	France	FC	100.00	100.00
25 rue Gutenberg	France	FC	100.00	100.00
Le Chesnay 1	France	FC	100.00	100.00
Rueil 1	France	FC	100.00	100.00
Saint Maurice 2	France	FC	100.00	100.00
Dulud	France	FC	100.00	100.00
Iméfa 46	France	FC	100.00	100.00
Iméfa 95	France	FC	100.00	100.00
6 Car Park companies:				
Republique (Parent company) 100% controlled	France	FC	100.00	100.00
Esplanade Belvédère II	France	FC	100.00	100.00
Comédie	France	FC	100.00	100.00
Gare	France	FC	50.80	50.80
Gespar	France	FC	50.00	50.00
Trinité	France	FC	100.00	100.00
6 Services companies:				
Covivio Hotels Management	France	FC	100.00	100.00
Covivio Property SNC	France	FC	100.00	100.00
Covivio Développement	France	FC	100.00	100.00
Covivio SGP	France	FC	100.00	100.00
Covivio Proptech	France	FC	100.00	100.00
Covivio Proptech Germany	Germany	FC	100.00	100.00

FC: Full consolidation.
EM/EA: Equity Method – Affiliates.
EM/JV: Equity Method – Joint Ventures.
NC: Not Consolidated.
PC: Proportionate Consolidation.

The registered office of the parent company Foncière Développement Logements and of all its fully consolidated French subsidiaries is located at 30 avenue Kléber – 75116 Paris.

There are 401 companies in the Group, including 358 fully consolidated companies and 43 equity affiliates.

2.2.3.6. Evaluation of control

2.2.3.6.1. SCI 11 place de l'Europe (consolidated structured entity)

As at 30 June 2019, SCI 11 place de l'Europe was 50.1% held by Covivio and fully consolidated. The partnership with the Crédit Agricole Assurances group (49.9%) was established as of 18 December 2013 as part of the Campus Eiffage project in Vélizy. Considering the rules of governance that grant Covivio powers giving it the ability to affect asset yields, the company is fully consolidated.

2.2.3.6.2. SCIs of 9 and 15 rue des Cuirassiers (consolidated structured entities)

As at 30 June 2019, the SCIs of 9 and 15 rue des Cuirassiers were 50.1% held by Covivio and fully consolidated. The partnership with Assurances du Crédit Mutuel (49.91%) was created in early December 2017 as part of the Silex 1 and Silex 2 office projects in Lyon, Part-Dieu. Considering the rules of governance that grant Covivio powers giving it the ability to affect asset yields, the company is fully consolidated.

2.2.3.6.3. SCI Lenovilla (joint venture)

As at 30 June 2019, Lenovilla was 50.09% held by Covivio and is consolidated according to the equity method. The partnership with the Crédit Agricole Assurances Group (49.91%) was established in January 2013 as part of the New Vélizy (Campus Thales) project. The shareholder agreement stipulates that decisions be made unanimously. The parties exercising joint control have rights to the net assets of the partnership arrangement. The partnership meets the criteria for joint ventures and is consolidated according to the equity method.

2.2.3.6.4. SAS Samoëns (consolidated structured entity) and Foncière Développement Tourisme

As at 30 June 2019, SAS Samoëns was 50.10% held by Covivio Hotels and fully consolidated. The partnership with OPCI Lagune (49.9%) and Foncière Développement Tourisme (50.1%) was established as of October 2016 as part of the project to develop a Club Med holiday village in Samoëns.

As manager of Samoëns, Covivio Hotels has the widest powers to act in the name and on behalf of the company in all circumstances, in keeping with its corporate purpose. Considering the rules of governance that grant Covivio powers giving it the ability to affect asset yields, the company is fully consolidated.

2.2.3.6.5. SCI Bureaux Cœur d'Orly and SNC Cœur d'Orly Commerces (joint ventures)

At 30 June 2019, SCI Cœur d'Orly Bureaux and SNC Cœur d'Orly Commerces were 50% held by Covivio and 50% held by Aéroports de Paris, and consolidated using the equity method. On 10 March 2008, the shareholders signed a memorandum of understanding, subsequently amended by a succession of deeds and by partnership agreements which set out the partners' rights and obligations with respect to SCI Cœur d'Orly Bureaux and SNC Cœur d'Orly Commerces.

The ADP Group (as land developer and joint investor) and Covivio (as property developer and joint investor) signed the required deeds for the construction of the Belaïa office building at Cœur d'Orly, the business district of the Paris-Orly airport. The completion of this building is scheduled for the second half of 2020. The parties exercising joint control have rights to the net assets of the partnership arrangement. The partnership meets the criteria for joint ventures and is consolidated according to the equity method.

2.2.4. Significant events during the period

Significant events during the period were as follows:

2.2.4.1. France Offices

2.2.4.1.1. Disposals (€68 million – profit or loss on disposals net of fees: -€1 million) and assets under preliminary agreement (€244 million)

In the first half of 2019, Covivio sold assets for a total sale price of €68 million, including the Charenton Coupole Nord & Sud assets (€54 million) and the Talence Libération asset (€7 million). These disposals resulted in net income of -€1 million.

At 30 June 2019, the amount of assets under agreement totalled €244 million.

2.2.4.1.2. Acquisitions (€8 million)

In April 2019, Covivio acquired land in Vélizy for €5.7 million, for the future extension to the DS Campus, subject to the condition precedent of the signature of an off plan lease agreement with Dassault.

In June 2019, SCI Terres Neuves, a subsidiary of Covivio, acquired land in Bègles for €2.4 million for the extension to the Cité Numérique project under development, which was delivered in May 2019.

2.2.4.1.3. Development portfolio

The asset development programme is presented in note 2.2.5.1.5.

The first half of 2019 was marked by the delivery of two development projects. The 9,000 m^2 Hélios project in Villeneuve-d'Ascq was delivered in March 2019.

Certified HQE Excellent and compliant with RT 2012, this project comprises two buildings linked by a central hall that opens at one corner onto green space and a two-storey car park. It is let in full under a 9-year firm lease to IT-CE, an IT subsidiary of the Caisse d'Épargne group.

In May 2019, the remaining 19,223 m^2 of the Bordeaux Cité Numérique project was delivered. The first 4,000 m^2 of this project had been delivered in July 2018. This symbol of the "French Tech Bordeaux Métropole" label occupies the former postal sorting office in Bègles.

2.2.4.1.4. Refinancing and redemption

On 27 May 2019, the bond maturing in 2021 was redeemed early (-€226.9 million).

In February, March and April 2019, Covivio converted 1,670,419 ORNANE-type bonds and redeemed 67,442 bonds on maturity, *i.e.* a €147.3 million reduction in the bond (par value of €84.73 per bond). The conversion of the bonds gave rise to the creation of 298,053 new Covivio shares, representing a capital increase of €27.2 million.

2.2.4.2. Italy Offices

2.2.4.2.1. Disposals (€2.7 million – profit or loss on disposals: -€0.1 million) and assets under preliminary agreement (€276 million)

In the first half of 2019, two assets were sold for a total sale price of €3 million, including an asset located in Siracuse for €2.6 million.

At 30 June 2019, the amount of assets under agreement totalled €276 million, including the Montebello asset in Milan for €182 million.

2.2.4.2.2. Acquisitions (€26 million)

In January 2019, a plot of land was acquired in Milan for €14.7 million, a key part of the future Milan development project via Schievano/via Santander.

In April 2019, a 75%-owned Italian subsidiary acquired a portfolio of real estate assets for €11.6 million.

2.2.4.2.3. Renegotiation and repayment of debts

In January 2019, a loan with a nominal value of €97 million was renegotiated (rate reduced to 1.2% *versus* 1.4%).

In May 2019, Covivio (formerly Beni Stabili) prepaid a loan with a nominal value of €195 million and a rate of 1.4%.

2.2.4.3. Hotels in Europe

2.2.4.3.1. Disposals (€283 million) and assets under preliminary agreement (€113 million)

In the first half of 2019, Covivio Hotels sold a portfolio of 58 B&B hotels held in partnership, for €265 million, and the Novotel Lyon Part Dieu asset for €18 million.

At 30 June 2019, preliminary sale agreements amounted to €113.1 million, including 30 B&B assets in France for €110.4 million, a Jardiland asset in Naveil for €0.7 million and two Courtepaille assets for €2 million.

In the first half of 2019, Covivio Hotels also sold two companies that held and operated a hotel (Westin Dresden) in Germany *via* a management contract with Westin, for net proceeds on disposal of €5.9 million.

2.2.4.3.2. Acquisitions (securities: €98 million)

In February 2018, the last two hotels in the portfolio located in the United Kingdom were acquired for €85 million (Oxford Spires and Oxford Thames). These hotels were constructed on land leased for a firm residual term of 78 years, leading to the recognition of €15.7 million in rights-of-use under long-term leases conferring ad rem rights, in accordance with IFRS 16.

In March 2019, Covivio Hotels acquired the securities of a company holding an NH hotel in Amersfoort for €12.5 million.

2.2.4.3.3. Development portfolio

The first half of 2019 was marked by the delivery of two development projects: the Meininger hotel in Munich and the B&B hotel in Cergy.

2.2.4.3.4. Refinancing and redemption

In early 2019, Covivio Hotels repaid its Rock bank debt in full for €408 million.

In February 2019, Covivio Hotels made an additional drawdown of £31 million (€36 million) on the bank borrowings of £400 million with an 8-year term (£369 million already drawn down in 2018).

In April 2019, the disposal of B&B assets generated a partial repayment of the debt in the amount of -€107 million.

In June 2019, Covivio Hotels issued a €74 million financing for two German companies and two Dutch companies, with a term of 10 years.

2.2.4.4. Germany Residential

2.2.4.4.1. Asset disposals (€28 million – income from disposals: +€0.3 million) and assets under preliminary sale agreements (€28 million)

Disposals worth €28 million were completed in the first half of 2019, mainly in Berlin.

At 30 June 2019, the amount of assets under agreement totalled €27.8 million (net of costs).

2.2.4.4.2. Acquisitions (securities: €43 million/assets: €50 million)

In the first half of 2019, Covivio Immobilien acquired several companies holding assets located mostly in Düsseldorf, Cologne and Leverkusen (€42.9 million).

The Group also acquired a portfolio of directly held assets in Berlin for €50.8 million (including €44.1 million in assets for the promotion business). A deposit of €1 million had been paid in 2018.

2.2.4.5. Other (including France Residential)

2.2.4.5.1. Asset disposals (€114 million net of costs) and assets under sales commitments (€92 million)

In France, Foncière Développement Logements continued its sales plan and completed disposals for a sale price of €113.9 million (net of costs).

At 30 June 2019, the amount of assets under agreement totalled €92.2 million.

2.2.5. Notes to the statement of financial position

2.2.5.1. Portfolio

2.2.5.1.1. Accounting principles applicable to tangible and intangible fixed assets

2.2.5.1.1.1. Intangible assets

Identifiable intangible fixed assets are amortised on a straight-line basis over their expected useful lives. Intangible fixed assets acquired are recorded on the balance sheet at acquisition cost. They primarily include entry fees (and occupancy rights for car parks) and computer software.

Intangible fixed assets are amortised on a straight-line basis, as follows:

- software: over a period of 1 to 3 years
- occupancy rights: 30 years.

Fixed assets in the concession segment – Concession activity

The Covivio Group applies IFRIC 12 in the consolidated financial statements for car parks that are the subject of service concession agreements. An analysis of the Group's concession agreements results in classifying agreements as intangible assets as the Group is paid directly by users for all car parks operated without a subsidy from public authorities.

These concession assets are assessed at historical cost less accumulated depreciation and any impairment.

The Group no longer has any fully owned car parks and consequently there are no longer any tangible "Car park" assets, other than right-of-use assets related to leases under IFRS 16.

2.2.5.1.1.2. Business combinations (IFRS 3) and goodwill from acquisitions

An entity must determine whether a transaction or event constitutes a business combination within the meaning of the definition of IFRS 3, which stipulates that a business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors in the form of dividends, lower costs or other economic advantages.

In this case, the acquisition cost is set at the fair value on the date of the exchange of the assets and liabilities and equity instruments issued for the purpose of acquiring the entity. Goodwill is recognised as an asset for the surplus of the acquisition cost on the portion of the buyer's interest in the fair value of the assets and liabilities acquired, net of any deferred taxes. Negative goodwill is recorded in the income statement.

To determine whether a transaction constitutes a business combination, the Group considers whether an integrated set of businesses is acquired in addition to real estate. The criteria the Group uses may be the number of assets and the existence of a process such as asset management or sales and marketing units.

Related acquisition costs are recognised in expense in accordance with IFRS 3 under "Income from changes in consolidation scope" in the income statement.

The prospective additional costs are appraised at fair value at the acquisition date. They are definitely appraised in the 12 months following the acquisition. The subsequent change of these additional costs is recorded in the income statement.

After its initial recognition, the goodwill is subject to an impairment test at least once a year. The impairment test consists in comparing the net book value of the intangible and tangible fixed assets and goodwill related to the valuation of the hotels as "Operating Properties" made by the real estate appraisers.

If the Group concludes that the transaction is not a business combination, then it recognises the transaction as an acquisition of assets and applies the standards appropriate to acquired assets.

2.2.5.1.1.3. Investment properties (IAS 40)

Investment properties are real estate properties held for purposes of leasing within the context of operating leases or long-term capital appreciation (or both).

Investment properties represent the majority of the Group's portfolio. Covivio's owner occupied buildings are recognised under tangible fixed assets (office properties occupied by employees, spaces used for own coworking, hotel real estate managed by the Operating Properties business).

Under the option offered by IAS 40, investment properties are assessed at their fair value. Changes in fair value are recorded in the income statement. Investment property is not amortised.

Valuations are carried out in accordance with the Code of conduct applicable to SIICs, 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 International Valuation Standards Council (IVSC) and those of the Red Book 2014 of the Royal Institution of Chartered Surveyors (RICS).

The real estate portfolio directly held by the Group was appraised in full at 30 June 2019 by independent real estate experts including BNP Real Estate, JLL, CBRE, Cushman, CFE, MKG, VIF, REAG, Christie & CO and HVS.

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 flows method.

The assets are recognised at their net market value.

- For France Offices and Italy Offices, the valuations are primarily performed according to two methods:
  - the yield (or income capitalisation) method:

    This approach consists of capitalising an annual income, which, in general, is rental income from occupied assets, with the possible impact of a reversion potential, and market rent for vacant assets, taking into account the time needed to find new tenants, any renovation work and other costs
  - the discounted cash flow (DCF) method:

    this method consists of determining the useful value of an asset by discounting the forecast cash flows that it is likely to generate over a given time frame. The discount rate is determined on the basis of the risk-free rate plus a risk premium associated with the asset and defined by comparison with the discount rates applied to cash flows generated by similar assets.
- For Hotels in Europe, the methodology changes according to the type of assets.
  - the rent capitalisation method is used for restaurants, garden centres and Club Med holiday villages
  - the DCF method is used for hotels (including the revenue forecasts determined by the appraiser) and Sunparks holiday villages.
- For Germany Residential, the fair value determined corresponds to:
  - a block value for assets for which no sales strategy has been developed or which have not been marketed
  - an occupied retail value for assets on which at least one preliminary sale agreement has been made before the reporting date.

  The evaluation method used was the discounted cash flow method.

  The resulting values are also compared with the initial yield rate and the monetary values per square metre of comparable transactions and transactions carried out by the Group.

IFRS 13 "Fair Value Measurement" establishes a fair value hierarchy that categorises the inputs used in valuation techniques into three Levels:

- level 1: the valuation refers to quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- level 2: the valuation refers to valuation methods using inputs that are observable for the asset or liability, either directly or indirectly, in an active market
- level 3: the valuation refers to valuation methods using inputs that are unobservable in an active market.

The fair value measurement of investment properties requires the use of different valuation methods using unobservable or observable inputs to which some adjustments have been applied. Accordingly, the Group's portfolio is mainly categorised as Level 3 according to the IFRS 13 fair value hierarchy.

2.2.5.1.1.4. Assets under development (IAS 40)

Assets under construction are recognised according to the general fair-value principle, except where it is not possible to determine this fair value on a reliable and ongoing basis. In such cases, the asset is carried at cost.

As a result, development programmes and extensions or remodelling of existing assets that are not yet commissioned are recognised at their fair value, and are treated as investment properties whenever the administrative and technical fair-value reliability criteria – *i.e.* administrative, technical and commercial criteria – are met.

In accordance with revised IAS 23, the borrowing cost during a period of construction and renovation is included in the cost of the assets. The capitalised amount is determined on the basis of fees paid for specific borrowings and, where applicable, for financing from general borrowings based on the weighted average rate of the particular debt.

2.2.5.1.1.5. Right-of-use (IFRS 16)

In application of IFRS 16, when a movable or immovable asset is held under a lease, the lessee is required to recognise a right-of-use asset and a rental liability, at amortised cost.

Right-of-use assets are included in the items under which the corresponding underlying assets are presented, if they belonged thereto, namely the items Operating properties, Other tangible fixed assets and Investment properties.

The lessee depreciates the right-of-use on a straight-line basis over the term of the lease, except for rights relating to investment properties, which are measured at fair value.

2.2.5.1.1.6. Tangible fixed assets (IAS 16)

Pursuant to the preferred method proposed by IAS 16, operating buildings (head offices and coworking business) and managed hotels under the Operating Properties business line (Owner Occupied Buildings occupied or operated by Group employees) are carried at historical cost less accumulated depreciation and any potential impairment. They are amortised over their expected useful life according to a component based approach.

The hotels operated as Operating Properties are depreciated according to their period of use:

Buildings	50 to 60 years
General installations and layout of the buildings	10 to 30 years
Equipment and furniture	3 to 20 years

If the appraisal values of the Operating Properties is less than the net book value, impairment is recognised, as a priority on the value of the fund, then on the value of the tangible assets.

2.2.5.1.1.7. Non-current assets held for sale (IFRS 5)

In accordance with IFRS 5, when Covivio decides to dispose of an asset or group of assets, it classifies them as assets held for sale if:

- the asset or group of assets is available for immediate sale in its current condition, subject only to normal and customary conditions for the sale of such assets
- its or their sale is likely within one year and marketing for the property has been initiated.

For the Covivio group, only assets corresponding to the above criteria or for which a sale commitment has been signed are classified as assets held for sale.

If a sale commitment exists on the account closing date, the price of the commitment net of expenses constitutes the fair value of the asset held for sale.

2.2.5.1.2. Table of changes in fixed assets

(€K)	31/12/2018	Scope change & change in accounting method	Increase Charges	Disposal Reversals of provisions	Change in fair value	Transfers	Change in exchange rate	30/06/2019
Goodwill	**113,064**	**-3,946**	**-1,284**	**0**	**0**	**36,340**[1]	**0**	**144,174**
Intangible assets	**59,138**	**-40**	**-1,014**	**-7**	**0**	**-36,330**	**0**	**21,747**[2]
Gross amounts	125,599	-297	1,609	-8	0	-36,336	0	90,567
Depreciation	-66,461	257	-2,623	1	0	6	0	-68,820
Tangible fixed assets	**1,241,675**	**40,783**	**-2,099**	**-4,658**	**0**	**82,372**	**0**	**1,358,073**
Operating properties	1,181,280	39,872	-17,180	-63	0	90,808	0	1,294,717
Gross amounts	1,454,651	2,652	7,187	-12	0	91,271[4]	0	1,555,749
Depreciation	-273,371	37,220	-24,367	-51	0	-463	-0	-261,032
Other tangible fixed assets	35,443	911	-1,370	-41	0	265	0	35,208
Gross amounts	167,048	-10,978	3,420	-161	0	252	0	159,581
Depreciation	-131,605	11,889	-4,790	120	0	13	0	-124,373
Fixed assets in progress	24,952	0	16,451	-4,554	0	-8,701	0	28,148
Gross amounts	24,952	0	16,451[3]	-4,554	0	-8,701	0	28,148
Depreciation	0	0	0	0	0	0	0	0
Investment properties	**20,139,338**	**178,994**	**238,434**	**-10,060**	**560,923**	**-732,357**	**20,112**	**20,395,384**
Operating properties	19,269,751	178,994	97,072	-10,060	467,027	-754,736	20,112	19,268,160
Properties under development	869,587	0	141,362	0	93,896	22,379	0	1,127,224
Assets held for sale	**558,848**	**0**	**2,623**	**-480,117**	**27,694**	**644,114**	**0**	**753,162**
Assets held for sale	558,848	0	2,623	-480,117	27,694	644,114	0	753,162
TOTAL	**22,112,063**	**215,791**	**236,660**	**-494,842**	**588,617**	**-5,861**	**20,112**	**22,672,541**

(1) The reclassification of €36.3 million corresponds to the intangible fixed assets in the Hermitage portfolio.
(2) The "Intangible fixed assets" line includes in particular the car park concession assets and leases in the amount of €17 million.
(3) Including the work carried out on Germany Residential assets (€1.7 million), work on the Operating Properties assets (€6.7 million), work on the Jean Goujon asset (€1.8 million) and on the future N2 Batignolles project (€5.7 million).
Deposits paid on the acquisition of assets in Germany (€0.6 million).
(4) Including transfer of the Jean Goujon asset (+€134.3 million) and the Alexanderplatz land to investment properties (-€44.2 million).

Changes in the scope of tangible and intangible fixed assets relate mainly to the disposal of the Westin Dresden asset (-€42.8 million) and to the change in the accounting method for the first-time application of IFRS 16 for €77.4 million (see 2.2.1.2).

The tangible fixed assets of the hotels held as Operating Properties totalled €1,009.2 million at 30 June 2019. In accordance with IAS 16, they are recognised in the "Tangible fixed assets" line item.

The "Disbursements related to the acquisition of tangible and intangible fixed assets" line item on the Statement of Cash Flows (€282.9 million) refers to increases in the table of changes in the portfolio excluding the effect of depreciation (€269.7 million), to increases in inventories of the estate agent and developer (+€60.2 million) and adjusted for change in trade payables for fixed assets (-€27.5 million).

The line item "Proceeds relating to the disposal of tangible and intangible fixed assets" in the Statement of Cash Flows (€491.5 million) primarily corresponds to income from disposals as presented in §2.2.6.3. proceeds from the disposal of assets (€493.9 million), to the proceeds from the disposal of assets in inventory (€2.6 million), real estate activity (€1.4 million), restated for the change in receivables on asset disposals (-€6.6 million).

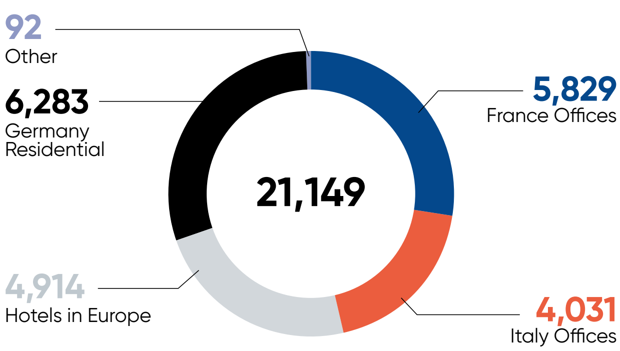
2.2.5.1.3. Investment properties

(€K)	31/12/2018	Scope change & change in accounting method	Increase	Disposal	Change in fair value	Transfers	Change in exchange rate	30/06/2019
Investment properties	**20,139,338**	**178,994**	**238,434**	**-10,060**	**560,923**	**-732,357**	**20,112**	**20,395,384**
Operating properties	19,269,751	178,994[1]	97,072[1]	-10,060	467,027	-754,736	20,112	19,268,160
France Offices	5,411,745	-11,600	23,902	-7,500	17,421	-460,786	0	4,973,182
Italy Offices	3,602,273	0	14,317	-2,560	-16,225	-280,276	0	3,317,529
Hotels in Europe	4,532,777	148,068	10,153	0	53,491	-42,276	20,112	4,722,325
Germany Residential	5,722,956	42,526	48,700	0	412,340	28,602	0	6,255,124
Properties under development	869,587	0	141,362	0	93,896	22,379	0	1,127,224
France Offices	373,752	0	97,620	0	75,442	64,580	0	611,394
Italy Offices	380,502	0	42,083	0	4,515	9,930	0	437,030
Hotels in Europe	115,333	0	1,659	0	13,939	-52,131	0	78,800
Assets held for sale	**558,848**	**0**	**2,623**	**-480,117**	**27,694**	**644,114**	**0**	**753,162**
France Offices	35,392	0	2,248	-60,469	4,972	261,889	0	244,032
Italy Offices	43	0	0	-43	2,665	273,345	0	276,010
Hotels in Europe	288,072	0	85	-280,923	11,654	94,231	0	113,119
Germany Residential	29,664	0	0	-24,973	8,415	14,649	0	27,755
Other	205,677	0	290	-113,709	-12	0	0	92,246
TOTAL	**20,698,186**	**178,994**	**241,057**	**-490,177**	**588,617**	**-88,243**	**20,112**	**21,148,546**

(1) Details of the increases and changes in the scope of the operating properties and assets held for sale is shown in § 2.2.5.1.4.

The amounts in the "Disposals" column correspond to the appraisal figures published on 31 December 2018.

Consolidated portfolio of assets at 30 June 2019 *(€M)*



The Group has not identified the best use of an asset as being different from its current use. Consequently, the application of IFRS 13 did not lead to a modification of the assumptions used for the valuation of the portfolio.

In accordance with IFRS 13, the tables below provide details of the ranges of unobservable inputs by business segment (Level 3) used by the real estate appraisers:

France Offices, Italy Offices and Hotels in Europe

Grouping of similar assets	Level	Portfolio *(€M)*	HD yield rate HD (min.-max.)	Yield rate excluding duties (weighted average)	Discounted cash flow rate	Discounted cash flow rate (weighted average)
Paris Centre West	Level 3	913	3% – 7.8%	3.6%	4% – 7%	4.8%
Paris North East	Level 3	397	3.5% – 8.5%	5.2%	4% – 4.75%	4.4%
Southern Paris	Level 3	737	3.4% – 6.2%	4.1%	4% – 5.75%	4.9%
Western Crescent	Level 3	1,542	3.7% – 7.1%	4.9%	4.25% – 7.5%	5.1%
Inner rim	Level 3	1,324	4.4% – 6.8%	4.5%	4.25% – 7.75%	5.3%
Outer rim	Level 3	58	4.8% – 12.4%	8.9%	4.25% – 11.5%	5.9%
Total Paris Regions		**4,971**	**3% – 12.4%**		**4% – 11.5%**	
Major Regional Cities	Level 3	689	3.9% – 10.6%	4.4%	4.25% – 11.5%	6.0%
Regions	Level 3	168	5.3% – 13.3%	8.8%	4.25% – 12%	6.7%
Total Regions		**858**	**3.9% – 13.3%**		**4.25% – 12%**	
TOTAL FRANCE OFFICES		**5,829**	**3% – 13.3%**		**4% – 12%**	
Milan	Level 3	1,894	2.7% – 6.3%	4.6%	4.5% – 7.0%	5.2%
Rome	Level 3	184	3% – 6.7%	4.8%	5.7% – 7.3%	6.7%
Other	Level 3	1,516	5.3% – 11%	7.2%	5.3% – 10.1%	8.1%
Total in operation		**3,594**				
Development portfolio	Level 3	437			6.3% – 9.0%	
TOTAL ITALY OFFICES		**4,031**				
Hotels	Level 3	4,457	3.9% – 6.0%	4.8%	4.8% – 7.6%	6.2%
Retail	Level 3	174	5.5% – 7.9%	6.4%	7.0% – 10.3%	7.9%
Total in operation		**4,631**				
Development portfolio	Level 3	79			5.6% – 6.7%	6.1%
Use rights	Level 3	204				
TOTAL HOTELS IN EUROPE		**4,914**				

Germany Residential

			Yield rate[1]			
Grouping of similar assets	Level	Portfolio *(€M)*	Total portfolio	Block valued properties	Discounted cash flow rate	Average value *(€/m²)*
Duisburg	Level 3	259	3% – 4.7%	3% – 4.7%	5% – 5.7%	1,255
Essen	Level 3	570	3.8% – 6.1%	3.8% – 6.1%	5.1% – 7.3%	1,511
Mülheim	Level 3	179	4% – 5.3%	4% – 5.3%	5% – 6.3%	1,368
Oberhausen	Level 3	145	3% – 6.4%	3% – 6.4%	5% – 7.1%	1,080
Datteln	Level 3	122	3.6% – 5%	3.6% – 5%	4.6% – 6%	1,062
Berlin	Level 3	3,671	1.9% – 6.3%	1.9% – 6.3%	3.9% – 8.3%	2,809
Düsseldorf	Level 3	151	3% – 3.9%	3% – 3.9%	4.6% – 5.4%	2,341
Dresden	Level 3	411	3% – 4.9%	3% – 4.9%	4.2% – 5.7%	1,798
Leipzig	Level 3	142	3.4% – 4.6%	3.4% – 4.6%	4.9% – 6.1%	1,366
Hamburg	Level 3	433	2% – 4%	2% – 4%	3.5% – 5.5%	3,020
Other	Level 3	138	3% – 4.9%	3% – 4.9%	4.6% – 5.9%	1,667
Total in operation		**6,220**				
Berlin – Alexanderplatz	Level 3	63				
TOTAL GERMAN RESIDENTIAL		**6,283**				

(1) Yields rates: Germany Residential: Potential yield rate assumed excluding taxes (actual rents/appraisal values excluding taxes).

Impact of changes in the yield rate on changes in the fair value of real estate assets, by operating segment

(€M)	Target yield[2]	Yield -50 bp	Yield rate +50 bps
France Offices[1]	5.2%	553.6	-456.7
Italy Offices	5.5%	355.9	-297.1
Hotels in Europe[1]	5.3%	489.7	-404,0
Germany Residential	4.3%	818.5	-649.3
TOTAL[1]	**5.0%**	**2,217.6**	**-1,807.0**

(1) Including assets held by equity affiliates, excl. operating property assets.
(2) Yield on operating portfolio – excluding duties.

- If the yield rate excluding taxes drops 50 bps (-0.5 point), the market value excluding taxes of the real estate assets will increase by €2,217.6 million.
- If the yield rate excluding taxes increases 50 bps (+0.5 point), the market value excluding taxes of the real estate assets will decrease by €1,807 million.

2.2.5.1.4. Acquisitions and works

(€K)	Scope change & change in accounting method	Acquisitions	Works	Total increase
Land for DS Campus extension		5,653		
Terres Neuves land		2,372		
Nice Méridien reclustering	-11,600			
France Offices	**-11,600**	**8,025**	**15,877**	**23,902**
Italy Offices	**0**	**0**	**14,317**	**14,317**
Use rights on leases in the United Kingdom	19,828			
Use rights for investment properties	15,699			
Investments in the United Kingdom	88,420	5,833		
1 hotel NH Amersfoort	12,521			
Mercure Nice reclustering	11,600			
Hotels in Europe	**148,068**	**5,833**	**4,320**	**10,153**
Investments in Berlin	42,896			
Other	-370			
Assets in Berlin		5,714		
Germany Residential	**42,526**	**5,714**	**42,986**	**48,700**
TOTAL OPERATING PROPERTIES	**178,994**	**19,572**	**77,500**	**97,072**
France Offices			2,248	2,248
Hotels in Europe	0		85	85
Other			290	290
TOTAL ASSETS HELD FOR SALE	**0**	**0**	**2,623**	**2,623**

2.2.5.1.5. Properties under development

Properties under development relate to building or redevelopment programmes that fall within the application of IAS 40 (revised).

(€K)	31/12/2018	Acquisitions and works	Capitalised interest	Change in fair value	Transfers and disposals	30/06/2019
Levallois Omega	0	851	1,318	-969	124,200	125,400
Paris Gobelins	0	942	262	3,896	26,840	31,940
Paris Saint-Ouen	86,500	1,302	1,127	1,271		90,200
Châtillon Iro	35,198	15,221	827	16,754		68,000
Montpellier Orange	8,600	-38	248	2,490		11,300
Montpellier Rie	2,300	403	17	-420		2,300
Lyon Silex 2nd tranche	105,900	25,222	1,778	7,600		140,500
Montpellier Pompignane	3,750	2,022		-2,022		3,750
Meudon Ducasse	4,000	3,679	82	-1		7,760
Meudon Opale	31,644	417		-1,117		30,944
Montrouge Flow	49,700	10,041	549	39,010		99,300
Lezennes – Helios	21,000	2,542	88	6,370	-30,000	0
Meudon Canopée	20,560	348	0	-1,048	-19,860[1]	0
Cité Numérique	4,600	28,249	123	3,628	-36,600	0
France Offices	**373,752**	**91,201**	**6,419**	**75,442**	**64,580**	**611,394**
Milan, via Schievano/via Santander	0	11,706		94	3,000	14,800
Milan, piazza Duca d'Aosta	0	235	20	2,595	6,930	9,780
Milan, via Dante	43,400	1,787	591	22		45,800
Milan, via Principe Amedeo	61,700	2,587	1,031	82		65,400
Milan, Symbiosis area	142,700	3,419	2,888	3,243		152,250
Turin Corso Ferrucci	86,903	1,923	799	-1,825		87,800
Milan, via Schievano	45,799	14,262	835	304		61,200
Italy Offices	**380,502**	**35,919**	**6,164**	**4,515**	**9,930**	**437,030**
Hotels in Europe	**115,333**	**697**	**962**	**13,939**	**-52,131**	**78,800**
TOTAL	**869,587**	**127,817**	**13,545**	**93,896**	**22,379**	**1,127,224**

(1) *Transfer of the Meudon Canopée asset to assets held for sale.*

2.2.5.2. Financial assets

2.2.5.2.1. Accounting principles

2.2.5.2.1.1. Other financial assets

Other financial assets consist of investment-fund holdings, which cannot be classified as cash or cash equivalents.

These securities are recognised upon acquisition at cost plus transaction costs. They are then recognised at fair value in the income statement on the reporting date. The fair value is arrived at on the basis of recognised valuation techniques (reference to recent transactions, Discounted Cash Flows, etc.). Some securities that cannot be reliably measured at fair value are recognised at acquisition cost.

Securities available for sale of listed and non-consolidated companies are recorded at their stock-market price with an offsetting entry in shareholders' equity in accordance with IFRS 9.

Dividends received are recognised when they have been approved by vote.

2.2.5.2.1.2. Loans

At each reporting date, loans are recorded at their amortised cost. Moreover, impairment is recognised and recorded on the income statement when there is an objective indication of impairment as a result of an event occurring after the initial recognition of the asset.

2.2.5.2.2. Table of financial assets

(€K)	31/12/2018	Increase	Decrease	Change in fair value	Scope change	Transfers	Change in exchange rate	30/06/2019
Ordinary loans[1]	101,026	6,444	-48,615	0	0	22,547	0	81,402
Total loans and current accounts	**101,026**	**6,444**	**-48,615**	**0**	**0**	**22,547**	**0**	**81,402**
Advances and pre-payments on acquisition of shares	7,494	8,000	-7,644	0	0	0	150	8,000
Securities at historic cost	28,288	-3,568	-447	0	0	-487	0	23,786
Dividends to be received	0	0	0	0	0	0	0	0
Subscribed capital not paid up	20,040	0	0	0	0	-20,040	0	0
Total other financial assets[2]	**55,822**	**4,432**	**-8,091**	**0**	**0**	**-20,527**	**150**	**31,786**
Receivables on financial assets	12,808	0	4,407	0	0	-2,135	-32	15,048
Total receivables on financial assets	**12,808**	**0**	**4,407**	**0**	**0**	**-2,135**	**-32**	**15,048**
TOTAL	**169,656**	**10,876**	**-52,302**	**0**	**0**	**-115**	**118**	**128,234**
Amortisations and provisions[3]	-16,810	-134	19	0	0	0	0	-16,925
NET TOTAL	**152,846**	**10,742**	**-52,283**	**0**	**0**	**-115**	**118**	**111,309**

(1) Ordinary loans include receivables from equity investments in equity affiliates.
(2) Total other financial assets are broken down as follows:
- *Advances and deposits made to acquire securities in companies:*
  A deposit of €8 million was paid for the acquisition of securities in companies holding 32 hotel real estate assets in France and Belgium. Deposits of €4.5 million were used for the acquisition of the last two companies holding assets in the United Kingdom and €3.1 million for the acquisition of a Dutch company holding the NH Amersfoort asset.
- *Securities at historic cost:*
  The investments held by Covivio in Italy in real estate funds (€17.1 million) are valued at their historical cost. Potential impairments are recorded in the income statement.
- *The decrease of €20 million in the equity of Foncière Développement Tourisme subscribed by Caisse de Dépôts and not called follows the acquisition of all shares on 29 February 2019.*

(3) Includes impairment losses on securities at historical cost held by Covivio in Italy (€11.3 million) and impairment losses on receivables for disposals of more than one year (€3.4 million) and for receivables related to financial assets (€2.2 million).

2.2.5.3. Investments in equity affiliates and joint ventures

2.2.5.3.1. Accounting principles

Investments in equity affiliates and joint ventures are recognised by the equity method. According to this method, the Group's investment in the equity affiliate or the joint venture is initially recognised at cost, increased or reduced by the changes, subsequent to the acquisition, in the share of the net assets of the affiliate. The goodwill related to an equity affiliate or joint venture is included in the book value of the investment, if it is not impaired. The share in the earnings for the period is shown in the line item "Share in income of equity affiliates".

The financial statements of associates and joint ventures are prepared for the same accounting period as for the parent company, and adjustments are made, where relevant, to adapt the accounting methods to those of the Covivio group.

2.2.5.3.2. Table of investments in equity affiliates and joint ventures

(€K)	% held	Operating segment	Country	31/12/2018	30/06/2019	Change	Of which share of net income	Of which distribution and change in scope
SCI Factor E and SCI Orianz	34.69%	France Offices	France	11,002	11,445	443	443	0
Lenovilla (New Vélizy)	50.10%	France Offices	France	68,557	58,282	-10,276	-5,266	-5,010
Euromarseille (Euromed)	50.00%	France Offices	France	43,008	46,046	3,037	2,037	1,001
Cœur d'Orly (Askia and Belaïa)	50.00%	France Offices[1]	France	26,090	27,180	1,090	1,090	0
Investire Immobiliare and others		Italy Offices	Italy	17,191	16,321	-871	7	-878
Iris Holding France	19.90%	Hotels in Europe	Belgium, Germany	15,501	15,769	269	898	-629
OPCI IRIS Invest 2010	19.90%	Hotels in Europe	France	30,393	30,509	116	1,484	-1,368
OPCI Camp Invest	19.90%	Hotels in Europe	France	20,444	20,082	-362	754	-1,116
Dahlia	20.00%	Hotels in Europe	France	17,559	19,257	1,698	2,423	-725
TOTAL				**249,746**	**244,890**	**-4,855**	**3,869**	**-8,724**

(1) Including the Belaïa building Development portfolio.

The investments in equity affiliates at 30 June 2019 amounted to €244.9 million, compared with €249.7 million as at 31 December 2018, *i.e.* a decrease of €4.9 million.

The change over the period (-€4.9 million) is mainly due to the appropriation of 2018 net income (-€13.7 million), the increase in Euromed's capital (+€5 million) and net income for the period (+€3.9 million).

2.2.5.3.3. Breakdown of shareholdings in the main equity affiliates and joint ventures

Ownership	Cœur d'Orly	Group Euromed	SCI Lenovilla (New Vélizy)	SCI Factor E and SCI Orianz Bordeaux Armagnac
Covivio	**50.0%**	**50.0%**	**50.09%**	**34.7%**
Non-Group third parties	**50.0%**	**50.0%**	**49.91%**	**65.3%**
Crédit Agricole Assurances		50.0%	49.91%	
Aéroport de Paris	50.0%			
ANF Immobilier				65.3%
TOTAL	**100%**	**100%**	**100%**	**100%**

Indirect ownership	Iris Holding France	OPCI Iris Invest 2010	OPCI Campinvest	SCI Dahlia
Covivio Hotels	**19.9%**	**19.9%**	**19.9%**	**20.0%**
Non-Group third parties	**80.1%**	**80.1%**	**80.1%**	**80.0%**
Crédit Agricole Assurances	80.1%	80.1%	68.8%	80.0%
Pacifica			11.3%	
TOTAL	**100%**	**100%**	**100%**	**100%**

2.2.5.3.4. Key financial information on equity affiliates and joint ventures

(€K)	Asset name	Total balance sheet	Total non-current assets	Cash	Total non-current liabilities excluding financial debt	Total current liabilities excluding financial debt	Financial payables	Rental income	Cost of net financial debt	Net income consolidated
Cœur d'Orly (Askia and Belaïa)	Cœur d'Orly	131,224	102,954	10,271	611	17,007	59,246	1,864	-52	2,180
Lenovilla (New Vélizy)	New Vélizy and extension	275,821	272,570	1,378	0	1,395	158,086	5,916	-918	-10,512
Euromarseille (Euromed)	Euromed Center	208,744	196,747	4,479	1,168	6,642	108,840	3,966	-393	4,074
SCI Factor E and SCI Orianz	Bordeaux Armagnac	137,560	129,457	6,322	122	9,092	95,354	1,667	-530	1,276
Iris Holding France	Hotels AccorHotels	209,333	188,728	18,702	15,659	3,812	110,509	6,218	-1,364	4,511
OPCI IRIS Invest 2010	Hotels AccorHotels	270,345	252,885	16,499	2,631	2,907	111,498	8,372	-898	7,455
OPCI Camp Invest	Campanile Hotels	184,583	170,920	9,754	0	1,620	82,047	6,075	-729	3,790
Dahlia	Hotels AccorHotels	176,504	172,989	1,991	0	1,056	79,164	4,404	-745	12,113

2.2.5.4. Deferred tax liabilities on the reporting date

(€K) DTA	Balance sheet at 31/12/2018	Increases: First time consolidation scope	Increases: Net income for the period	Increases: Shareholder's equity	Other changes and transfers	Decreases: Net income for the period	Decreases: Difference in rates	Decreases: Change in exchange rate	Decreases: Removals from the scope of consolidation	**Balance sheet at 30/06/2019**
Losses carried forward	53,600		395			-4,147				49,848
Fair value of properties	6,784		783			-102	-102	41	-1,258	6,146
Derivatives	6,838		5,351			-166				12,023
Temporary differences	66,565		634			-4,397			-2,046	60,756
	133,787									128,773
DTA/DTL offset	-65,822									-68,721
TOTAL DTA	**67,965**	**0**	**7,163**	**0**	**0**	**-8,812**	**-102**	**41**	**-3,304**	**60,052**

(€K) DTL	Balance sheet at 31/12/2018	Increases: First time consolidation scope	Increases: Net income for the period	Increases: Shareholder's equity	Other changes and transfers	Decreases: Net income for the period	Decreases: Difference in rates	Decreases: Change in exchange rate	Decreases: Removals from the scope of consolidation	**Balance sheet at 30/06/2019**
Fair value of properties	878,643	14,836	81,212			-17,549	2,578	1,082	-416	960,386
Derivatives	1,807					-717				1,090
Temporary differences	29,377	-1	2,586			-986	474			31,450
	909,827									992,926
DTA/DTL offset	-65,822									-68,721
TOTAL DTL	**844,005**	**14,835**	**83,798**	**0**	**0**	**-19,252**	**3,052**	**1,082**	**-416**	**924,205**
NET TOTAL	**-776,040**	**-14,835**	**-76,635**	**0**	**0**	**10,440**	**-3,154**	**-1,041**	**-2,888**	**-864,153**
			Total impact on the income statement:		-69,349	Negative net balance = liabilities				

As at 30 June 2019, the consolidated unrealised tax position showed a deferred tax asset of €60 million (*versus* €68 million as at 31 December 2018) and a deferred tax liability of €924 million (*versus* €844 million as at 31 December 2018).

The primary contributors to the net balance of deferred taxes are:

- Germany Residential: €619 million
- Hotels in Europe: €251.2 million.

The increase in net deferred tax liabilities (+€88.1 million) is mainly due to acquisitions in the fiscal year (+€10 million) in the United Kingdom and Amsterdam reduced by the sale of the Alexanderplatz land (-€4.5 million) and the cancellation of the deferred tax liability on Pullman Roissy (-€3 million), and to the impact of the deferred tax liabilities relating to increases in the appraisal values of assets held in Germany (+€73 million).

The impact on net income is detailed in paragraph 2.2.6.8.2.

In accordance with IAS 12, deferred tax assets and liabilities are offset for each tax entity when they involve taxes paid to the same tax authority.

2.2.5.5. Short-term loans

(€K)	31/12/2018	Changes in scope	Increase	Decrease	Transfers	**30/06/2019**
Short-term loans	6,470	0	3,649	-4,188	16,214	22,145
Finance-lease receivables	0	0	0	0	0	0
TOTAL	**6,470**	**0**	**3,649**	**-4,188**	**16,214**	**22,145**
Amortisations and provisions	0	0	0	0	0	0
NET TOTAL	**6,470**	**0**	**3,649**	**-4,188**	**16,214**	**22,145**

The change in short-term loans (+€15.7 million) primarily reflects the reclassification as short term of the loan granted to the equity affiliate Lenovilla (+€20 million) less the change in accrued interest not yet due (-€4.3 million).

2.2.5.6. Inventories and work-in-progress

2.2.5.6.1. Accounting principles applicable to inventories

Inventories are intended to be sold during the normal course of business. They are recorded at acquisition price and, as applicable, are depreciated in relation to the sale value (independent appraisal value).

2.2.5.6.2. Inventories and work-in-progress

The balance sheet item "Inventories and work-in-progress" groups together inventories from trading activities in Italy Offices (€29.9 million), Germany Residential (€2.5 million), Other (€0.4 million) and France Offices (€0.1 million) and assets dedicated to the real estate development business within France Offices (€20.6 million), and Germany Residential (€98.8 million). In addition, this item includes inventories from the hotel activity (€2.1 million).

2.2.5.7. Trade receivables

2.2.5.7.1. Accounting principles applicable to trade receivables and the receivables of hotels under operation

The trade receivables are mainly comprised of receivables from simple lease transactions and receivables of hotels under operation. These items are measured at amortised cost. In the event that the recoverable value is lower than the net book value, the Group may be required to account for an impairment charge through profit or loss.

2.2.5.7.1.1. Receivables from operating lease transactions

For operating-lease receivables, a provision for impairment is made at the first non-payment. The impairment rates applied by Covivio group are as follows:

- no impairment provision is recorded for existing or vacated tenants whose receivables are less than three months overdue
- 50% of the total amount of receivables for existing tenants whose receivables are between three and six months overdue
- 100% of the total amount of receivables for existing tenants whose receivables are more than six months overdue
- 100% of the total amount of receivables for vacated tenants whose receivables are more than three months overdue.

The receivables and theoretical impairments arising from the rules above are reviewed on a case-by-case basis in order to factor in any specific situations.

2.2.5.7.1.2. Receivables of hotels under operation

Receivables of hotels under operation are impaired according to payment deadlines.

The receivables and theoretical impairments arising from the rules above are reviewed on a case-by-case basis in order to factor in any specific situations.

2.2.5.7.2. Trade receivables

(€K)	30/06/2019	31/12/2018	Change
Expenses to be reinvoiced to tenants	212,090	146,705	65,385
Rent-free periods	75,601	91,743	-16,142
Trade receivables	114,743	102,078	12,666
Total trade receivables	**402,435**	**340,526**	**61,909**
Impairment of receivables	-29,337	-27,314	-2,023
NET TOTAL TRADE RECEIVABLES	**373,098**	**313,212**	**59,886**

The balance of net trade receivables includes mainly expenses to be invoiced to tenants for €212.1 million, net trade receivables for €85.4 million and receivables related to the linearisation of relief granted on rent for €75.6 million.

The line "Change in working capital requirements on continuing operations" on the Cash Flow Statement consists of:

(€K)	30/06/2019	31/12/2018
Impact of changes in inventories and work in progress	-96	85
Impact of changes in trade & other receivables	71,025	-74,715
Impact of changes in trade & other payables	-93,546	155,699
CHANGE IN WORKING CAPITAL REQUIREMENTS ON CONTINUING OPERATIONS (INCLUDING EMPLOYEE BENEFITS LIABILITIES)	**-22,617**	**81,069**

2.2.5.8. Other receivables

(€K)	30/06/2019	31/12/2018	Change
Government receivables	66,768	72,674	-5,906
Other receivables	36,597	43,340	-6,743
Security deposits received	56,833	36,932	19,901
Current accounts	987	925	61
TOTAL	**161,185**	**153,872**	**7,313**

- €66.8 million in government receivables mainly comprise €30.6 million for France Offices, €13.3 million for Italy Offices, €20.7 million for Hotels in Europe and €1.8 million for Other. The receivables are mainly VAT and government receivables following the payment of tax adjustments recognised and for which no provision is recorded, amounting to €2.5 million (see § 2.2.2.10.4)
- The changes in receivables on disposals is mainly from the Italy Offices (+€16.1 million), France Offices (+€2.8 million), Germany Residential (+€0.5 million), Other (+€1.7 million) and Hotels in Europe (-€1.2 million) segments.

2.2.5.9. Cash and cash equivalents (available and restricted)

2.2.5.9.1. Accounting principles applicable to cash and cash equivalents

Cash and cash equivalents include cash, short-term deposits, and money-market funds. These are short-term, highly liquid assets that are easily convertible into a known cash amount, and for which the risk of a change in value is negligible.

2.2.5.9.2. Table of cash and cash equivalents

(€K)	**30/06/2019**	31/12/2018
Money-market securities available for sale	529,172	509,261
Cash at bank	591,858	663,189
TOTAL	**1,121,030**	**1,172,450**

At 30 June 2019, the portfolio of money-market securities available for sale consists mainly of Level 2 standard money-market collective investment vehicles (SICAV).

- Level 1 of the portfolio corresponds to instruments whose price is listed on an active market for an identical instrument.
- Level 2 corresponds to instruments whose fair value is determined using data other than the prices mentioned for Level 1 and observable directly or indirectly (*i.e.* price-related data).

Covivio holds no investments subject to capital risk.

2.2.5.10. Shareholders' equity

2.2.5.10.1. Accounting principles applicable to equity

2.2.5.10.1.1. Treasury shares

If the Group buys back its own equity instruments (treasury shares), these are deducted from shareholders' equity. No profit or loss is recognised in the income statement when Group equity capital instruments are purchased, sold, issued or cancelled.

2.2.5.10.2. Statement of changes in shareholders' equity

The statement of changes in shareholders' equity and movements in the share capital are presented in note 2.1.4.

2.2.5.11. Statement of liabilities

2.2.5.11.1. Accounting principles applicable to debt

Financial liabilities include borrowings and other interest-bearing debt.

At initial recognition, financial liabilities are measured at fair value, minus the transaction costs directly attributable to the issue of the liability. They are then recognised at amortised cost based on the effective interest rate. The effective rate includes the nominal rate and actuarial amortisation of issue expenses and issue and redemption premiums.

Financial liabilities of less than one year are posted under "Current financial liabilities".

Convertible bonds (ORNANE-type) issued by Covivio group are either (i) recognised at fair value in the income statement or (ii) recognised separately as a financial liability at amortised cost and an embedded derivative measured at fair value in the income statement.

For Covivio, the fair value is determined according to the closing bond price.

Group companies hold movable and real estate assets through leases. At the lease commencement date, the tenant measures the rental liability as the present value of rents owing not yet paid, using the implied interest rate for the lease, if this rate can be easily determined, or otherwise using the incremental borrowing rate. This debt is amortised as the contracts expire and give rise to the recognition of a financial expense.

Rental liabilities are shown on the long-term or short-term rental liabilities line in the balance sheet and financial expenses in the Interest costs for rental liabilities line item.

2.2.5.11.1.1. Derivatives and hedging instruments

The Covivio group uses derivatives to hedge its floating rate debt against interest rate risk (hedging of future cash flows).

Derivative financial instruments are recorded on the balance sheet at fair value. The fair value is calculated using valuation techniques that use mathematical calculations based on recognised financial theories and parameters that incorporate the prices of market-traded instruments. This valuation is carried out by an external service provider.

The majority of the financial instruments in Italy Offices qualify for hedge accounting as defined by IFRS 9. In this case, changes in the fair value of the effective portion of the hedge are recognised net of tax in shareholders' equity until the hedged transaction occurs. The ineffective portion is recorded in the income statement.

All derivative instruments in the other segments are therefore recognised at their fair value, and changes are reflected in the income statement.

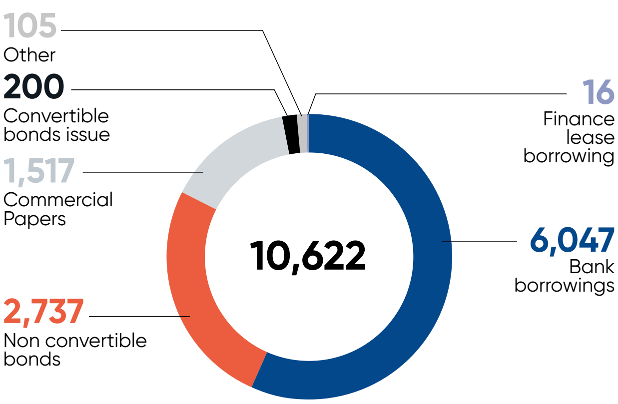
2.2.5.11.2. Table of debt

(€K)	31/12/2018	Increase	Decrease	Changes in scope	Change in exchange rate	Other changes	30/06/2019
Bank borrowings	6,351,129	499,766	-824,220	20,700	0	-7	6,047,368
Finance lease borrowing	17,099	0	-1,331	0	0	0	15,768
Other borrowings	143,653	3,058	-47,267	7,064	-18	-4,985	101,505
Treasury bills	1,271,400	395,500	-150,000	0	0	0	1,516,900
Securitised loans	3,977	0	0	0	0	0	3,977
Non convertible bonds	2,963,079	375	-226,900	0	0	1	2,736,555
Convertible bond issue[1]	347,249	0	-147,249	0	0	0	200,000
Subtotal interest-bearing loans	**11,097,586**	**898,699**	**-1,396,967**	**27,764**	**-18**	**-4,991**	**10,622,073**
Accrued interest	46,446	30,999	-47,512	2	22	0	29,957
Deferral of loan expenses	-85,703	12,895	-3,211	-40	0	-118	-76,177
Creditor banks	1,398	0	0	-245	0	285,230	286,383
Total borrowings (LT/ST) excl. Fair Value of Ornane-type bonds	**11,059,727**	**942,593**	**-1,447,690**	**27,481**	**4**	**280,121**	**10,862,237**
of which Long-term	9,216,624						8,755,490
of which Short-term	1,843,103						2,106,746
Valuation of financial instruments	169,242	0	0	0	0	145,604	314,846
Convertible bond derivatives	18,803	0	0	0	0	-17,716	1,087
Total derivatives	**188,045**	**0**	**0**	**0**	**0**	**127,888**	**315,933**
of which Assets	-46,952						-60,659
of which Liabilities	234,997						376,592
TOTAL BANK DEBT	**11,247,772**	**942,593**	**-1,447,690**	**27,481**	**4**	**408,010**	**11,178,170**

(1) Convertible bond movements are presented in 2.2.5.11.4 – Convertible bonds.

New financings taken out during the year are presented in 2.2.2.2 – Liquidity risk and in 2.2.5.11.3 – Bank borrowings.

Debt by type as at 30 June 2019 *(in €M)*



The "Proceeds related to new borrowings" line item of the Statement of Cash Flows.

(+€904.3 million) refers mainly to:

- increases in interest-bearing borrowings (+€898.7 million)
- increases in rental liabilities (+€4.3 million)
- less new debt issuance costs (-€3.2 million).

The "Repayments of borrowings" line item of the Statement of Cash Flows (-€1,413.8 million) corresponds mainly to decreases in interest-bearing borrowings (-€1,397 million) and reductions in rental liabilities (-€7.7 million).

2.2.5.11.3. Bank borrowings

The table below outlines the characteristics of the borrowings taken out by Covivio group and the amount of the associated guarantees (principal amount over €100 million):

(€K)	Outstanding debt (> or < €100 M)	Debt	Appraisal values at 30/06/2019[1]	Outstandings debt at 30/06/2019	Date of signature	Nominal Initial	Maturity
France Offices		€280 M (2015) and €145 M (2015) – Tour CB21 and Carré Suffren		409,425	29/07/15 and 01/12/15	280,000 and 145,000	29/07/25 and 30/11/23
		€167.5 M (2015) – DS Campus		159,125	23/03/15	167,500	20/04/23
		€300 M (2016) – Orange		300,000	18/02/16	300,000	30/06/28
	> €100 M		**2,216,270**	**868,550**			
	< €100 M		**358,250**	**166,633**			
		Total France Offices	**2,574,520**	**1,035,183**			
Italy Offices		€760 M (2016) – Central		658,050	15/09/16	652,732	14/09/24
	> €100 M		**1,413,835**	**658,050**			
	< €100 M		**657,000**	**183,565**			
		Total Italy Offices	**2,070,835**	**841,616**			
Hotels in Europe		€447 M (2013)		158,575	25/10/13	447,000	31/01/23
		€255 M (2012) – Covered bonds		186,553	14/11/12	255,000	16/11/21
		€278 M (2017) – Rocca		191,452	29/03/17	277,188	29/03/25
		€290 M (2017) – OPCI B2 HI (B&B)		171,179	10/05/17	290,000	10/05/24
		£400 M (2018) – Rocky		453,364	24/07/18	475,145	24/07/26
	> €100 M		**2,791,331**	**1,161,124**			
	< €100 M		**1,504,354**	**600,825**			
		Total Hotels Europe	**4,295,685**	**1,761,949**			
Germany Residential		Lyndon Immeo 01		108,845	12/12/11	140,000	29/01/27
		Refinancing of Indigo, Eagle, Faust, Berlinum 2		153,990	09/03/12	162,745	29/03/24
		Cornerstone		129,923	01/10/14	116,737	30/06/25
		Refinancing Wohnbau/Dümpten/Aurélia/Duomo		109,655	20/01/15	300,000	30/01/25
		Refinancing Amadeus/Herbstlaub/Valore/Valartis/Sunflower		149,062	28/10/15	161,194	30/04/26
		Quadriga		178,851	16/06/15	211,540	31/03/26
		Golddust		110,264	23/03/16	115,000	30/04/27
		Lego		171,328	24/06/16	195,003	30/09/24
		Lyndon Immeo 02		172,132	26/01/17	230,000	14/03/22
	> €100 M		**3,587,544**	**1,284,051**			
	< €100 M		**2,458,283**	**1,051,612**			
		Total German Residential	**6,045,827**	**2,335,663**			
Total collateralised			**14,986,867**	**5,974,412**			

(€K)	Outstanding debt (> or < €100 M)	Debt	Appraisal values at 30/06/2019(1)	Outstandings debt at 30/06/2019	Date of signature	Nominal Initial	Maturity
France Offices		Treasury bills BT/BMTN		1,516,900			
		€180 M (2013) – Private placement		180,000	20/03/13	180,000	30/04/20
		€500 M (2016) – Green bond		500,000	20/05/16	500,000	20/05/26
		€500 M (2017) – Bonds		595,000	21/06/17	500,000	21/06/27
	> €100 M			**2,791,900**			
	< €100 M			**50,000**			
		Total France Offices	**3,549,986**	**2,841,900**			
Italy Offices		€250 M (2014) – Bonds		125,000	30/03/15	125,000	30/03/22
		€200 M (2015) – Convertible bonds		200,000	03/08/15	200,000	31/01/21
		€300 M (2017) – Bonds		300,000	17/10/17	300,000	17/10/24
		€300 M (2018) – Bonds		300,000	20/02/18	300,000	20/02/28
	> €100 M			**925,000**			
	< €100 M			**53,977**			
		Total Italy Offices	**2,010,820**	**978,977**			
Hotels in Europe		€200 M (2015) – Private placement		200,000	29/05/15	200,000	29/05/23
		€350 M (2018) – Edinburgh		350,000	24/09/18	350,000	24/09/25
	> €100 M			**550,000**			
	< €100 M			**151,429**			
		Total Hotels Europe	**1,616,243**	**701,429**			
Germany Residential	**< €100 M**	**Total German Residential**	**351,500**	**25,000**			
Other	**< €100 M**	**France Residential**	**92,756**	**0**			
		Car parks	**50,690**	**0**			
		Total Other	**143,446**	**0**			
Total unencumbered			**7,671,995**	**4,547,306**			
		Other payables		100,356			
GRAND TOTAL			**22,658,862**	**10,622,073**			

(1) The portfolio includes the fair value of occupied assets and real estate inventories (trading, development). It doesn't include the fair value of consolidated assets accounted for by the equity method.

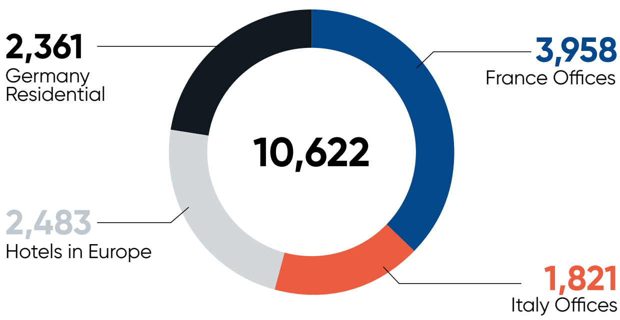
The borrowings are valued after their initial recognition at cost, amortised based on the effective interest rate.

Breakdown of borrowings at their nominal value according to the time left to maturity and by interest-rate type:

(€K)	Balance at 30/06/2019	Deadline to -1 year	Balance at 30/06/2020	Maturity from 2 to 5 years	Balance at 30/06/2024 (to +5 years)
Fixed-rate long-term financial liabilities	**5,950,287**	**1,674,189**	**4,276,098**	**1,319,791**	**2,956,306**
France Offices – Bank borrowings	147,375	1,538	145,838	95,838	50,000
France Offices – Other	80,942	2	80,940	37,676	43,264
Italy Offices – Bank borrowings	65,267	0	65,267	1,134	64,134
Italy Offices – Convertible bonds[1]	200,000	0	200,000	200,000	0
Hotels in Europe – Bank borrowings	114,071	1,779	112,292	112,292	0
Hotels in Europe – Other	19,408	0	19,408	19,240	168
Germany Residential – Bank borrowings	1,111,628	15,899	1,095,729	342,028	753,700
Germany Residential – Other	1,165	1,094	71	30	41
Total borrowings and convertible bonds	**1,739,856**	**20,311**	**1,719,545**	**808,238**	**911,306**
France Offices – Bonds	1,275,000	180,000	1,095,000	0	1,095,000
France Offices – Treasury bills	1,469,900	1,469,900	0	0	0
Italy Offices – Bonds	725,000	0	725,000	125,000	600,000
Italy Offices – Securitisation	3,978	3,978	0	0	0
Hotels in Europe – Bonds	736,553	0	736,553	386,553	350,000
Total debts represented by securities	**4,210,431**	**1,653,878**	**2,556,553**	**511,553**	**2,045,000**
Floating-rate financial debt	**4,671,786**	**127,654**	**4,544,132**	**1,299,154**	**3,244,978**
France Offices – Bank borrowings	937,808	5,225	932,583	394,083	538,500
Italy Offices – Bank borrowings	826,348	10,538	815,811	66,943	748,868
Hotels in Europe – Bank borrowings	1,612,753	20,718	1,592,036	522,733	1,069,303
Germany Residential – Bank borrowings	1,247,875	44,173	1,203,702	315,395	888,307
Total borrowings and convertible bonds	**4,624,786**	**80,654**	**4,544,132**	**1,299,154**	**3,244,978**
France Offices – Treasury bills	47,000	47,000	0	0	0
Total debts represented by securities	**47,000**	**47,000**	**0**	**0**	**0**
TOTAL	**10,622,073**	**1,801,843**	**8,820,230**	**2,618,946**	**6,201,284**

(1) The ORNANE bonds are presented at nominal value.

Debt by operating segment as at 30 June 2019 *(in €M)*



2.2.5.11.4. Convertible bonds

2.2.5.11.4.1. France Offices

The features of the convertible bond issue are as follows:

Features	Ornane France Offices
Issue date	20/11/2013
Issue amount *(€M)*	345
Issue price *(€)*	84.73
Conversion rate	1.14
Nominal rate	0.88%
Maturity	01/04/2019
Number of convertible bonds issued	4,071,757
Number of convertible bonds as at 31 December 2018	1,737,861
Number of bonds converted into Covivio shares	-1,670,419
Number of bonds redeemed on 1 April 2019	-67,442
Number of convertible bonds at 30 June 2019	0

In the first half of 2019, 1,670,419 bonds were converted and 67,442 bonds redeemed at maturity. Accordingly, the balance of 1,737,861 bonds outstanding at 31 December 2018 were redeemed for an amount of €147.3 million plus a conversion premium of €32 million (including €27.2 million through the issuance of shares and €4.8 million in cash).

2.2.5.11.4.2. Italy Offices

The Italy Offices ORNANE-type bonds are hybrid instruments and are recognised as a Host contract (debt at amortised cost) and as an embedded derivative (financial instrument at fair value through the income statement).

At 30 June 2019, the Ornane derivative maturing in 2021 of Covivio in Italy was valued at €7.1 million.

The features of the convertible bond issue are as follows: Features

Features	Ornane Italy Offices
Issue date	August 2015
Issue amount *(€M)*	200
Issue price *(€)*	100
Conversion Price	112,130
Nominal rate	0.875%
Maturity	February 2021
Number of convertible bonds issued	2,000,000
Number of convertible bonds as at 31 December 2018	2,000,000
Number of convertible bonds as at 30 June 2019	2,000,000
Number of potential shares	1,783,647

2.2.5.11.5. Derivatives

Derivative instruments consist mainly of rate hedging instruments put in place as part of the Group's interest rate hedging policy.

Fair value of net derivative instruments

(€K)	31/12/2018 Net	Change in scope or integration method	Share premium account Restructuring balances	Impact on P&L	Impact on shareholder's equity	30/06/2019 Net
France Offices	-120,287		22,560	-76,233		-173,960
ORNANE-type bonds France Offices	-19,540	32,019		-12,479		
Italy Offices	-2,930			-2,839	-18,031	-23,800
ORNANE-type bonds Italy Offices	737			-1,827		-1,090
Hotels in Europe	-30,749		6,730	-50,179		-74,198
Germany Residential	-15,276		63	-27,672		-42,885
TOTAL	**-188,045**	**32,019**	**29,353**	**-171,229**	**-18,031**	**-315,933**
					Cash instruments – Liabilities	**-376,592**
					Cash instruments – Assets	**60,659**

The total impact of the value adjustments on the derivatives on the income statement was -€190.1 million.

It comprises mainly changes in the value of cash instruments (-€156.9 million) and changes in the value of ORNANE bonds(-€14.3 million), as well as the recycling through profit or loss of financial instruments eligible for hedge accounting in Italy Offices following the redemption of the underlying assets (-€18.9 million, with an offset of +€18.9 million in shareholders' equity). In accordance with IFRS 13, the fair values include the counterparty default risk (€8.2 million).

The "Unrealised gains and losses relating to changes in fair value" line item in the Statement of Cash Flows (-€398.4 million), which makes it possible to calculate cash flows from operating activities, mainly incorporates the impact of changes in the value of cash instruments (+€190.1 million), the change in the value of the ORNANE bonds (-€190.1 million) and the change in the value of the portfolio (-€588.7 million).

Breakdown of hedging instruments by maturity of notional values

(€K)	At 30/06/2019	Under 1 year	From 1 to 5 years	Over 5 years
Fixed hedge				
Fixed rate payer swap	5,392,557	209,956	1,306,713	3,875,888
Fixed rate receiver swap	1,644,415	370,000	641,071	633,344
Total swaps	**3,748,142**	**-160,044**	**665,642**	**3,242,544**
Optional hedge				
Purchase of fixed rate payer swaption	70,000	0	0	70,000
Sale of fixed rate borrower swaption	70,000	0	0	70,000
Cap purchase	603,085	47,320	437,810	117,955
Floor purchase	53,256	732	2,926	49,598
Floor sale	276,000	0	18,000	258,000
TOTAL	**8,109,313**	**628,008**	**2,406,520**	**5,074,785**

Balance at 30 June 2019

(€K)	Fixed rate	Floating rate
Borrowings and financial debt (including creditor banks)	5,950,287	4,958,169
NET FINANCIAL LIABILITIES BEFORE HEDGING	**5,950,287**	**4,958,169**
Swaps		-3,748,142
Caps		-603,085
TOTAL HEDGES		**-4,351,227**

2.2.5.11.6. Rental liabilities

The balance of rental liabilities as at 30 June 2019 stood at €275.9 million, up from €163.7 million at 31 December 2018, an increase of €112.2 million. This increase was mainly due to the recognition of a lease liability of €15.7 million on long-term leases conferring ad rem rights for two hotels acquired in the United Kingdom and €97.2 million following the first-time application of IFRS 16 (mainly long-term leases conferring ad rem rights for assets not measured at fair value and car park leases).

At 30 June 2019, the interest expense relating to these rental liabilities was €7.0 million.

2.2.5.11.7. Banking covenants

Excluding debts raised without recourse to the Group's real estate 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 in Group Share for Covivio and for Covivio Hotels.

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

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

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

- for Covivio: 200%
- for Covivio Hotels: 200%.

Concerning Covivio, corporate credit facilities usually include an asset-secured debt covenant (100% scope), the cap on which is set at 25% and which measures the ratio of secured debt (or debt with guarantees of any kind) to asset value.

Covivio Group fully complied with its covenants at 30 June 2019, which stood at 43.7% for Group share LTV, 581% for Group share ICR, and 6.8% for the asset-secured debt ratio.

No financing has an accelerated payment clause contingent on Covivio or Covivio Hotels' rating, which is currently BBB+, stable outlook (Standard & Poor's rating).

Covenant threshold	Company	Scope	Covenant	Ratio
€300 M (2016) – Orange	Covivio	France Offices	≤ 60%	In compliance
€255 M (2012) – Mortgage bond	Covivio Hotels	Hotels in Europe	≤ 65%	In compliance
€447 M (2013) – REF II	Covivio Hotels	Hotels in Europe	< 60%	In compliance
€200 M (2015) – Private placement	Covivio Hotels	Hotels in Europe	≤ 60%	In compliance
€279 M (2017) – Roca	Covivio Hotels	Hotels in Europe	< 60%	In compliance
£400 M (2018) – Rocky	Covivio Hotels	Hotels in Europe	< 60%	In compliance

Consolidated ICR	Company	Scope	Covenant	Ratio
€300 M (2016) – Orange	Covivio	France Offices	≥ 200%	In compliance
€255 M (2012) – Mortgage bond	Covivio Hotels	Hotels in Europe	≥ 200%	In compliance
€447 M (2013) – REF II	Covivio Hotels	Hotels in Europe	> 200%	In compliance
€200 M (2015) – Private placement	Covivio Hotels	Hotels in Europe	≥ 200%	In compliance
€279 M (2017) – Roca	Covivio Hotels	Hotels in Europe	> 200%	In compliance
£400 M (2018) – Rocky	Covivio Hotels	Hotels in Europe	> 200%	In compliance

As part of the mortgage financing, these covenants, moreover, most often include specific covenants for the scopes financed. The purpose of these covenants, generally scope LTV, is mainly to limit the use of financing lines by correlating it with the value of the underlying assets provided as collateral.

2.2.5.12. Provisions for risks and charges

2.2.5.12.1. Accounting principles applicable to provisions for contingencies and losses

2.2.5.12.1.1. Retirement commitments

The retirement commitments are recognised in accordance with revised IAS 19. Provisions are recorded on the balance sheet for the liabilities arising from defined benefits pension schemes for existing staff at the reporting date. They are calculated according to the projected credit units method based on valuations made at each reporting date. The past service cost corresponds to the benefits granted, either when the Company adopts a new defined benefits scheme, or when it changes the level of benefits of an existing scheme. When new benefits are granted upon adoption of a new scheme or change in an existing scheme, the past service cost is immediately recognised in the income statement.

Conversely, when the adoption of a new scheme or change in an existing scheme gives rise to the vesting of benefits after its implementation date, the past service costs are recognised as an expense on a straight-line basis over the average remaining period until the benefits become fully vested. Actuarial gains and losses result from the effects of changes in actuarial assumptions and experience adjustments (differences between actuarial assumptions and what has actually occurred). The change in these actuarial gains and losses is recognised in "Other items" of comprehensive income. The expense recognised in operating income includes the cost of the services rendered during the year, amortisation of past service costs and the effects of any reduction or liquidation of the scheme; the cost of discounting is recognised in net financial income. The valuations are made taking into account the Collective Agreements applicable in each country and in keeping with the various local regulations. For each employee, the retirement age is the social security eligibility age.

2.2.5.12.2. Provisions

(€K)	31/12/2018	Scope change	Charges	Change in actuarial gains and losses	Reversal of provision		30/06/2019
					Used	Unused	
Other provisions for disputes	2,818	0	204		-125	-36	2,861
Provisions for guarantees	0	0	0		0	0	0
Provisions for taxes	11,348	-199	0			21	11,170
Provisions for renovating sites	2,566	0	0		0	0	2,566
Other provisions	5,878	0	255		-1,282	0	4,851
Subtotal – Provisions current liabilities	**22,610**	**-199**	**459**	**0**	**-1,407**	**-15**	**21,448**
Provisions for retirement benefit	47,975	0	1,053	0	-949	-8	48,071
Provisions for long-service awards	1,273	0	168		-14	-9	1,418
Subtotal – Provisions non-current liabilities	**49,248**	**0**	**1,221**	**0**	**-963**	**-17**	**49,489**
TOTAL PROVISIONS	**71,858**	**-199**	**1,680**	**0**	**-2,370**	**-32**	**70,937**

The provisions for litigation are broken down into €2.0 million for France Offices, €0.3 million for Italy Offices, €0.3 million for Hotels in Europe and €0.3 million for Others.

Provisions for taxes concern Hotels in Europe for €7.8 million (following the full consolidation of the Operating Properties business line) and Italy Offices for €3.4 million.

The provision for retirement indemnities totalled €48.1 million at 30 June 2019 (including €44.3 million for Germany Residential).

The main actuarial assumptions used to estimate the commitments in France were as follows:

- rate of pay increase: managers 4%, non-managers 3%
- discount rate: 0.765% (TEC 10 n +50 bps).

The main actuarial assumptions used to estimate the commitments in Germany were as follows:

Assumptions used in calculating provisions for retirement benefit obligations in Germany	30/06/2019	31/12/2018
Discount rate	2.1%	2.1%
Annual wage growth	2.5%	2.5%
Rate of social security charges	1%/2%	1%/2%
Impact of provisions for retirement benefits on the income statement *(€K)*		
Cost of services rendered during the year	-271	-766
Financial cost	-435	-896
Effects of plan reductions/settlements	0	-348
TOTAL IMPACT ON THE INCOME STATEMENT	**-706**	**-2,010**

2.2.5.13. Other short-term liabilities

(€K)	30/06/2019	31/12/2018	Change
Social debt	35,945	28,035	7,910
Tax payables	73,717	56,148	17,568
Current accounts – liabilities	208	169	39
Dividends to be paid	148	40	108
Other payables	88,207	65,030	23,176
TOTAL	**198,425**	**149,624**	**48,802**

- The change in tax liabilities was +€18 million (of which -€7.6 million for France Offices, +€21.3 million for Hotels in Europe, +€0.9 million for Other and +€0.9 million for Germany Residential)
- The €23.2 million change in other debt includes changes in advances received on asset disposals (+€13.4 million) and advances paid on work on assets under development (+€10.7 million).

2.2.5.14. Recognition of financial assets and liabilities

Categories according to IFRS 9	Item concerned in the statement of financial position	30/06/2019 Net	Amount given in the assessed Statement of Financial Position: Amortised cost	Fair Value through shareholders' equity	Fair Value through profit or loss	Fair value (€K)
Assets at amortised cost	Non-current financial Assets	20,454	20,454			20,454
Loans and receivables	Non-current financial Assets	90,855	90,855			90,855
	Total non-current financial Assets	**111,309**	**111,309**			**111,309**
Loans and receivables	Trade receivables[1]	297,497	297,497			297,497
Assets at fair value through profit or loss	Derivatives at fair value through profit or loss	60,659			60,659	60,659
Assets at fair value through profit or loss	Cash and cash equivalents	529,172			529,172	529,172
TOTAL FINANCIAL ASSETS		**998,637**	**408,806**	**0**	**589,831**	**998,637**
Liabilities at fair value through profit or loss	Ornane	201,087	193,966		7,121	203,456
Liabilities at amortised cost	Financial payables	10,422,073	10,422,073			10,618,474[2]
Liabilities at fair value through profit or loss	Financial instruments (excluding ORNANE)	375,505		12,307	363,198	375,505
Liabilities at amortised cost	Security deposits	25,002	25,002			25,002
Liabilities at amortised cost	Trade payables	259,846	259,846			259,846
TOTAL FINANCIAL LIABILITIES		**11,283,512**	**10,900,887**	**12,307**	**370,319**	**11,482,282**

(1) Excluding incentive.
(2) The difference between the net book value and the fair value of the fixed rate debt is €196,401 thousand.

2.2.5.14.1. Breakdown of financial assets and liabilities at fair value:

The table below presents the financial instruments at fair value broken down by level:

- level 1: financial instruments listed in an active market
- level 2: financial instruments whose fair value is evaluated through comparisons with observable market transactions on similar instruments or based on an evaluation method whose variables include only observable market data
- level 3: financial instruments whose fair value is determined entirely or partly by using an evaluation method using an estimate that is not based on market transaction prices on similar instruments.

(€K)	Level 1	Level 2	Level 3	Total
Derivatives at fair value through profit or loss		60,659		60,659
Money-market securities available for sale		529,172		529,172
TOTAL FINANCIAL ASSETS	**0**	**589,831**	**0**	**589,831**
Ornane	203,456			203,456
Derivatives at fair value through profit or loss		375,505		375,505
TOTAL FINANCIAL LIABILITIES	**203,456**	**375,505**	**0**	**578,961**

2.2.6. Notes to the statement of net income

2.2.6.1. Accounting principles

2.2.6.1.1. Rental income

According to the presentation of the income statement, rental income is treated as revenues. Revenues from hotels under management, car park receipts, property development, and services are now shown in specific lines of the statement of net income, after net rental income.

As a general rule, invoicing is quarterly. The rental income of investment properties is recognised on a straight-line basis over the term of the ongoing leases. Any benefits granted to tenants (rent-free periods, step rental leases) are amortised on a straight-line basis over the duration of the lease agreement, in compliance with IFRS 16.

2.2.6.1.2. Share-based payments (IFRS 2)

The application of IFRS 2 has resulted in the recognition of an expense for benefits granted to employees as share-based payments. This expense is recorded in income for the year under overheads.

Free shares are valued by Covivio at the date of their award according to a binomial valuation model. This model takes into account the features of the plan (price and exercise period), market data upon award (risk free rate, share price, volatility and expected dividends), and assumptions of beneficiary behaviour. The benefits thus granted are recognised as expenses over the vesting period, and offset by an increase in the consolidated reserves.

2.2.6.2. Operating income

2.2.6.2.1. Rental revenues

(€K)	**30/06/2019**	30/06/2018	Change (€K)	Change (%)
France Offices	130,255	137,599	-7,344	-5.3%
Italy Offices	100,400	104,433	-4,033	-3.9%
Total Offices rental income	**230,655**	**242,032**	**-11,377**	**-4.7%**
Hotels in Europe	123,960	107,808	16,152	15.0%
Germany Residential	124,254	118,712	5,542	4.7%
Other (including France Residential)	3,298	4,192	-894	-21.3%
TOTAL RENTAL INCOME	**482,167**	**472,744**	**9,423**	**2.0%**

The rental income consists of rental and similar income (*e.g.* occupancy fees and entry rights) invoiced for investment properties during the period. Rent exemptions, step rental schemes and entry rights are spread out over the fixed term of the lease.

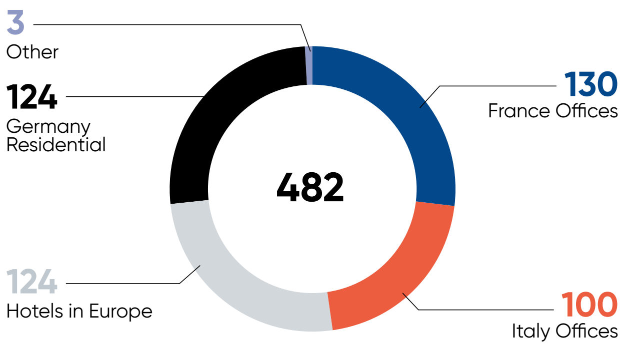
Rental income amounted to €482.2 million at 30 June 2019 compared with €472.7 million at 30 June 2018, an increase of €9.4 million.

The changes by asset-type break down as follows:

- a decrease in rental income from France Offices (-5.3%), mainly due to the impact of asset disposals (-€5.8 million) and vacancies (-€6.0 million) fueling the development pipeline, partially offset by the delivery of assets under development in 2018 and 2019 (+€3.1 million) and reletting/indexing (+€4.8 million)
- a decrease in rental income from Italy Offices (-3.9%) due to disposals (-€10.3 million), reduced by the impact of acquisitions (€2.8 million) as well as reletting/vacancies (+€2.4 million)
- an increase in rental income from Hotels in Europe (+15.0%), mainly due to acquisitions in the United Kingdom and the Netherlands (+€25 million) and deliveries of assets under development (+€1.8 million) minus the impact of disposals (-€13.5 million)
- an increase in rental income from Germany Residential (+4.7%) following acquisitions (+€6.3 million), and reletting (+€4.4 million), mitigated by disposals (-€5.2 million)
- a 21.3% decrease in the Other (France Residential) segment due to disposals and assets made vacant for their disposal.

Note that the tenant Telecom Italia accounts for 44% of total revenues in Italy Offices (€44.0 million). The company holding this asset portfolio is 51% held in partnership by Covivio and fully consolidated.

Rental income for the first half of 2019 by operating segment *(in €M)*



2.2.6.2.2. Property costs

(€K)	30/06/2019	30/06/2018	Change (€K)	Change (%)
Rental income	482,167	472,744	9,423	2.0%
Unrecovered rental costs	-21,817	-18,321	-3,496	19.1%
Taxes and duties	-64,082	-68,009	3,927	-5.8%
Income from rebilling of taxes and duties	36,001	40,027	-4,026	-10.1%
Expenses on properties	14,172	10,075	4,097	40.7%
Net losses on unrecoverable receivables	-3,295	-1,582	-1,713	108.3%
Net Rental Income	**443,146**	**434,934**	**8,212**	**1.9%**
RATE FOR PROPERTY EXPENSES	**-8.1%**	**-8.0%**		

- Unrecovered rental costs: these expenses are net of re-invoicing to tenants, and basically correspond to charges on vacant premises. In the first half, charges to be rebilled to tenants represented €212 million. Rebilling amounted to €212 million given the fact that rebilling was from euro to euro.
- Expenses on properties: these consist of rental expenses that are borne by the owner, expenses related to works and expenses related to property management.
- Net losses on unrecoverable receivables: these consist of losses on unrecoverable receivables and net provisions on doubtful receivables.

2.2.6.2.3. EBITDA from hotel operating activity and coworking and Income from other activities

(€K)	30/06/2019	30/06/2018	Change (€K)	Change (%)
Revenues from hotel operating activity	117,038	123,566	-6,528	-5.3%
Expenses from hotel operating activity and coworking	-83,330	-89,615	6,285	-7.0%
EBITDA from Hotel Operating Activity & Coworking	**33,708**	**33,951**	**-243**	**-0.7%**
Income from other activities	24,815	13,753	11,062	80.4%
Expenses of other activities	-20,180	-11,567	-8,613	74.5%
INCOME FROM OTHER ACTIVITIES	**4,635**	**2,186**	**2,449**	**112%**

- EBITDA from hotel operating activity and coworking consists of the €31.3 million EBITDA of the hotels under operation and the net income from Coworking (+€2.4 million). The €3.5 million reduction in EBITDA from hotel operating activity is related to the disposal of the Westin Dresden and the period of works on the Nice Méridien.
- Income from other activities rose by €2.4 million, primarily as a result of the increase in income from car parks (+€2.8 million). This rise reflects mainly the transfer of rental expenses (+€3.2 million) to the items Depreciation and amortisation charges and Interest costs for rental liabilities (-€3.3 million), following the application of IFRS 16.

2.2.6.2.4. Net cost of operations

These consist of head office expenses and operating costs net of revenues from management and administration activities.

(€K)	30/06/2019	30/06/2018	Change (€K)	Change (%)
Management and administration income	10,957	8,151	2,806	34.4%
Business expenses	-3,080	-3,066	-14	0.4%
Overheads	-61,081	-60,713	-368	0.6%
Development costs (not capitalised)	-504	-148	-356	N/A
TOTAL NET COST OF OPERATIONS	**-53,707**	**-55,776**	**2,069**	**-3.7%**

Net operating costs benefited from the €2.8 million increase in management revenue, driven by the property management activity for third parties, conducted by Revalo in Italy.

2.2.6.2.5. Depreciation of operating assets and net change in provisions and other

The €3.1 million increase in the Depreciation of operating assets item mainly reflects the impact of the depreciation of right-of-use assets for operating properties and other tangible fixed assets in accordance with IFRS 16 (-€6.3 million).

The item Net change in provisions and other includes the rebilling of long-term leases conferring ad rem rights to tenants (+€4.8 million) when the rental expense is restated in accordance with IFRS 16.

2.2.6.3. Income from asset disposals

(€K)	**30/06/2019**	30/06/2018	Change *(€K)*	Change *(%)*
Income from asset disposals	493,931	597,145	-103,214	-17.3%
Carrying value of investment properties sold	-495,320	-541,872	46,552	-8.6%
INCOME FROM ASSET DISPOSALS	**-1,389**	**55,273**	**-56,662**	**-103%**

Income from asset disposals at 30 June 2019 (+€55.3 million) mainly stemmed from the disposal of the Paris assets at 10 and 30 avenue Kléber (Covivio headquarters) (+€57.8 million), recognised at amortised cost in the consolidated financial statements (owner occupied buildings).

Income from disposals in the period (-€1.4 million) relates primarily to disposal costs for assets sold.

2.2.6.4. Change in the Fair Value of assets

(€K)	**30/06/2019**	30/06/2018	Change *(€K)*
France Offices	97,835	76,869	20,966
Italy Offices	-9,045	15,147	-24,192
Hotels Europe	78,384	70,838	7,546
Murs & Fonds	815	0	815
Hotels in Europe	79,199	70,838	8,361
Germany Residential	420,755	292,547	128,208
Other (including France Residential)	-12	1,373	-1,385
Parkings		0	
TOTAL CHANGE IN FAIR VALUE OF PROPERTIES	**588,732**	**456,774**	**131,958**

The +€589 million positive change in the fair value of properties mainly relates to the Germany Residential portfolio for +€420 million (essentially assets located in Berlin).

2.2.6.5. Cost of net financial debt

(€K)	**30/06/2019**	30/06/2018	Change *(€K)*	Change *(%)*
Interest income on cash transactions	4,548	6,967	-2,419	-34.7%
Interest expense on financing operations	-80,090	-85,086	4,996	-5.9%
Net expenses on hedges	-20,137	-17,996	-2,141	11.9%
COST OF NET DEBT	**-95,679**	**-96,115**	**436**	**-0.5%**
Average annual rate of debt	**1.55%**	**1.55%**		

Excluding costs to repurchase fixed-rate debt and penalties (€12.5 million at 30 June 2019 *versus* €12.1 million at 30 June 2018), the cost of debt declined slightly by €0.8 million, under the effect of refinancings and restructured hedges.

2.2.6.6. Net financial income/(charges)

(€K)	30/06/2019	30/06/2018	Change (€K)	Change (%)
Cost of net financial debt	**-95,679**	**-96,115**	**436**	**-0.5%**
Interest cost for rental liabilities	**-6,971**	**0**	**-6,971**	**N/A**
Change in fair value financial instruments	-175,823	-20,492	-155,331	
Change in fair value of ORNANE-type bonds	-14,303	9 675	-23,978	
Changes in the fair value of financial instruments	**-190,126**	**-10,817**	**-179,309**	**N/A**
Net financial expenses from discounting	-173	-161	-12	
Expenses from discounting liabilities and receivables	**-173**	**-161**	**-12**	**7.5%**
Amortisation of loan issue costs	-12,895	-10,419	-2,476	23.8%
Net change in financial and other provisions	-290	-359	69	-19.3%
Amortisation of loan issue costs	**-13,184**	**-10,778**	**-2,406**	**22.3%**
TOTAL NET FINANCIAL INCOME	**-306,134**	**-117,871**	**-188,263**	**159.7%**

2.2.6.7. Taxes payable and deferred tax liabilities

2.2.6.7.1. Accounting principles applicable to current and deferred taxes

2.2.6.7.1.1. SIIC tax regime (French companies)

Opting for the SIIC tax regime involves the immediate liability for an exit tax at the reduced rate of 19% on unrealised capital gains relating to assets and securities of entities not subject to corporation tax. The exit tax is payable over four years, in four instalments, starting with the year the option is taken up. In return, the Company is exempted from income tax on the SIIC business and is subject to distribution obligations.

(1) Exemption of SIIC revenues

The revenues of the SIIC are exempt from taxes concerning:

- income from the leasing of assets
- capital gains realised on asset disposals, investments in companies having opted for the tax treatment or companies not subject to corporation tax in the same business, as well as the rights under a lease contract and real estate rights under certain conditions
- dividends of SIIC subsidiaries.

(2) Distribution obligations

The distribution obligations associated with exemption profits are the following:

- 95% of the earnings derived from asset leasing
- 70% of the capital gains from disposals of assets and shares in subsidiaries having opted for the tax treatment or subsidiaries not subject to corporation tax with a SIIC corporate purpose for two years
- 100% of dividends from subsidiaries that have opted for the tax treatment.

The Exit Tax liability is discounted on the basis of the initial payment schedule determined from the first day the relevant entities adopted SIIC status.

The liability initially recognised is discounted and an interest charge is applied at each closing, allowing the liability to reflect the net discounted value as at the closing date. The discount rate used is based on the yield curve, given the deferred payment.

2.2.6.7.1.2. Ordinary law regime and deferred taxes

Deferred taxes result from temporary differences in taxation or deduction and are calculated using the liability method, and on all temporary differences in the Company financial statements, or resulting from consolidation adjustments. The valuation of the deferred tax assets and liabilities must reflect the tax consequences that would result from the method by which the Company seeks to recover or settle the book value of its assets and liabilities at year-end. Deferred taxes are applicable to Covivio group entities that are not eligible for the SIIC tax regime.

A deferred tax asset is recognised in the case of deferrable tax losses in the likely event that the entity in question, not eligible for the SIIC regime, will have taxable future profits against which the tax losses may be offset.

In the case where a French company intends to opt directly or indirectly for SIIC tax treatment in the near future, an exception under the ordinary law regime is applied by anticipating the application of the reduced rate (Exit Tax) in the valuation of deferred taxes.

2.2.6.7.1.3. SIIQ tax regime (Italian companies)

Following Beni Stabili's merger with Covivio, the tax arrangements for Covivio's permanent establishment in Italy changed after it left the SIIQ tax regime. It will be subject to the 20% tax on real estate companies from 2019.

2.2.6.7.1.4. SOCIMI tax regime (Spanish companies)

The Spanish companies held by Covivio Hotels opted for the SOCIMI tax regime, effective on 1 January 2017. Opting for SOCIMI does not trigger an exit tax upon making the option. However, the capital gains on the period outside of the SOCIMI regime during which assets were held are taxable when disposing of said assets.

The rental income from the leasing of assets and proceeds from disposals of assets held under the SOCIMI regime are exempt, provided 80% of rental profits and 50% of asset disposal profits are distributed. These capital gains are determined by allocating the taxable gains to the period outside the SOCIMI regime in a linear basis, over the total holding period.

2.2.6.7.2. Taxes and theoretical tax rate by geographical area

(€K)	Taxes payable	Deferred tax liabilities	Total	Deferred tax rate
France	-190	6,532	6,342	32.02%(1)
Italy	-2,932	-4,729	-7,661	20.00%(2)
Germany	-9,283	-70,791	-80,074	15.83%(3)
Belgium	-588	-2,729	-3,317	29.58%(4)
Luxembourg	-166	-1,486	-1,652	30.00%
United Kingdom	-1,382	4,874	3,492	17.00%
Netherlands	-610	-20	-630	24.30%(5)
Portugal	-118	-636	-754	23.00%
Spain	0	-364	-364	25.00%
TOTAL	**-15,269**	**-69,349**	**-84,618**	

(-) corresponds to a tax expense; (+) corresponds to a tax income.
(1) In France, the tax rate for fiscal year 2019 is 32.02%. The tax rate will be 28.9% in 2020, 27.4% in 2021 and 25.83% from fiscal year 2022.
(2) Since the merger with Covivio and its exit from the SIIQ regime, Covivio in Italy has been subject to a 20% tax rate.
(3) In Germany, the tax rate on property goodwill is 15.83%, however, for companies in the hotel operations business line, tax rates vary between 30.18% and 32.28%.
(4) In Belgium, the tax rate used for 2019 is 29.58%. It will go down to 25% as of 2021.
(5) In the Netherlands, the tax rate for fiscal year 2019 is 24.3%. The tax rate will be 23.9% in 2020 and 22.25% from fiscal year 2021.

The income tax payable on disposals amounts to €5.3 million, including €4.3 million for companies in the Operating Properties business line (Germany portfolio) and €1.0 million for the Germany Residential segment.

Impact of deferred taxes on income

(€K)	30/06/2019	30/06/2018	Change
France Offices	0	0	0
Italy Offices	-4,729	-60	-4,669
Hotels in Europe	6,390	-5,316	11,706
Germany Residential	-71,071	-54,981	-16,090
Other	61	70	-9
TOTAL	**-69,349**	**-60,287**	**-9,062**

- In Italy Offices, the deferred tax expense mainly relates to an increase in the value of assets.
- The deferred tax income from Hotels in Europe relates primarily to the Operating Properties business (+€8.0 million) following the reduction in tax rates in France (25.83% against 28.93%), less a deferred tax expense of -€1.7 million relating to the rise in appraisal values in the hotel segment abroad.
- The deferred tax expense of Germany Residential mainly relates to an increase in the value of assets.

2.2.7. Other information

2.2.7.1. Personnel remuneration and benefits

2.2.7.1.1. Staff costs

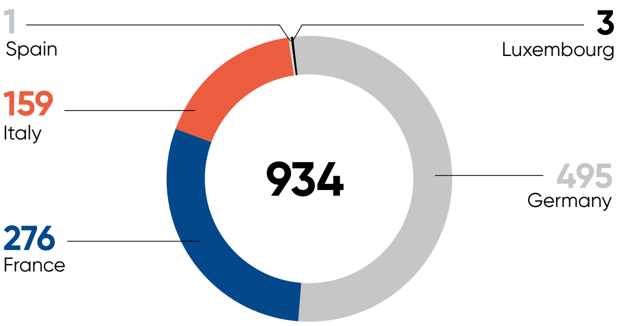
At 30 June 2019, personnel expenses amounted to €72.8 million (compared with €69.2 million at 30 June 2018), breaking down as follows:

(€K)	**30/06/2019**
EBITDA from Hotel Operating Properties & Coworking	-29,530
Overheads	-36,588
Income from asset disposals	-1,820
Bonus share charges	-4,839
TOTAL PERSONNEL EXPENSES IN THE STATEMENT OF NET INCOME	**-72,777**
Development projects	-6,433
TOTAL CAPITALISED PERSONNEL EXPENSES	**-6,433**

2.2.7.1.1.1. Headcount

At 30 June 2019, the headcount of fully consolidated companies, excluding companies in the Operating Properties business line, was 934 compared with 882 at 30 June 2018.

Headcount by country in number of employees



The average headcount during the first half of 2019 was 920 employees.

For the period, the companies in the Operating Properties business line had an average headcount of 1,398 people. The decrease compared with 31 December 2018 (1,467 employees) is mainly due to the disposal of the Westin Dresden on 29 March 2019.

2.2.7.1.2. Description of share-based payments

Covivio distributed free shares in the first half of 2019. The following assumptions were made for the free shares:

Plan of 20 February 2019	Employees – without performance condition	Corporate officers – with performance condition – performance scenario	Corporate officers – with performance condition – internal Covivio target
Date awarded	20/02/2019	20/02/2019	20/02/2019
Number of shares awarded	14,708	13,750	13,750
Share price on the date awarded	€87.80	€87.80	€87.80
Exercise period for rights	3 years	3 years	3 years
Cost of forfeiture of dividends	-€14.18	-€14.18	-€14.18
Actuarial value of the share net of dividends not collected during the vesting period	€73.62	€73.62	€73.62
Revenue-related discount:			
In number of shares	1,759	1,644	1,644
As percentage of share price on the date awarded	12%	12%	12%
Value of the benefit per share	€63.12	€48.84	€47.34

In the first half of 2019, a total of 42,208 free shares were awarded (the number was unchanged at 30 June 2019 – no cancellations due to employee departures). As stated elsewhere, the corresponding expense is recognised in income over the entire vesting period.

The cost of the free share awards recognised at 30 June 2019 amounted to €3.927 thousand, while the related social security contribution (URSSAF) totalled €912 thousand. These expenses are presented in the income statement on the "Overheads" line.

The cost of the free share awards includes the impact of the 2015 plan for €15 thousand, the 2016 plan for €625 thousand, the 2017 plan for €1,423 thousand, the 2018 plan for €1,597 thousand, and the 2019 plan for €267 thousand.

2.2.7.2. Earnings per share and diluted earnings per share

2.2.7.2.1. Earnings per share (IAS 33)

Basic earnings per share are calculated by dividing the income attributable to holders of ordinary Covivio shares (the numerator) by the average weighted number of ordinary shares outstanding (the denominator) over the period.

To calculate the diluted earnings per share, the average number of shares outstanding is adjusted to reflect the conversion of all dilutive potential ordinary shares, including free shares being vested and convertible bonds (ORNANE) type.

The impact of the dilution is only taken into account if it is dilutive.

The dilutive effect is calculated using the treasury stock method. The number calculated using this method is added to the average number of shares outstanding and becomes the denominator. To calculate the diluted earnings, the income attributable to the holders of ordinary Covivio shares is adjusted by:

- all dividends or other items under potentially dilutive ordinary shares that were deducted to arrive at the income attributable to the holders of ordinary shares
- interest recognised during the fiscal year to the potentially dilutive ordinary shares
- any change in the income and expenses resulting from the conversion of the dilutive potential ordinary shares.

	Net income
Group share *(€K)*	**355,098**
Interest on Ornane-type bonds	875
Changes in the fair value of Ornane-type bonds	1,824
Group share after conversion of the Ornane-type bonds *(€K)*	**357,797**
Average number of undiluted shares	**83,476,180**
Impact of dilution – free shares[1]	**485,294**
Number of free shares[1]	485,294
Average number of shares diluted by free shares	**83,961,474**
Dilution impact of conversion of Italy 2021 Ornane-type bonds	**1,783,647**
Conversion of Ornane-type bonds	1,783,647
Average number of diluted shares after conversion of Ornane-type bonds	**85,745,121**
NET PROFIT (LOSS) PER NON-DILUTED SHARE *(€)*	**4.25**
IMPACT OF DILUTION – FREE SHARES *(€)*	**-0.02**
DILUTED EARNINGS PER SHARE OF FREE SHARES *(€)*	**4.23**
DILUTED EARNINGS PER SHARE OF FREE SHARES AND ORNANE-TYPE BONDS *(€)*	**4.17**

(1) The number of shares being vested is broken down according to the following plans:

2016 Plan	*99,240*
2017 Plan	*127,113*
2018 Plan	*216,733*
2019 Plan	*42,208*
Total	***485,294***

In accordance with IAS 33 § 49 "Earnings per share", the impact from the dilution related to the conversion as at 1 January 2019 of the Italy ORNANE-type bonds maturing in 2021 is taken into account, because the latter is dilutive.

2.2.7.3. Related-party transactions

The information mentioned below concerns the main related-parties, namely equity affiliates.

Details of related-party transactions *(€K)*

Partner	Type of partner	Operating income	Net financial income/ (charges)	Balance sheet	Comments
Cœur d'Orly	Equity affiliates	277	0	13,714	Monitoring of projects and investments, Loans, Asset and property fees
Euromed	Equity affiliates	257	0	28,596	Loans, Asset and property fees
Lenovilla	Equity affiliates	174	0	24,762	Loans, Asset and property fees
SCI Factor E and SCI Orianz	Equity affiliates	53	120	16,717	Loans

2.2.8. Segment reporting

2.2.8.1. Accounting principles as regards operating segments – IFRS 8

The Covivio group holds a wide range of real estate assets to collect rental income and benefit from appreciation in the assets held. Segment reporting is organised by asset type.

The operating segments are as follows:

- France Offices: office real estate assets located in France
- Italy Offices: real estate office and retail assets located in Italy
- Hotels in Europe: commercial buildings in the hotel segment, retail and hotel operating properties held by Covivio Hotels
- Germany Residential: real estate assets in Germany held by Covivio group through its subsidiary Covivio Immobilien SE.

These segments are reported on and analysed regularly by Group management in order to make decisions on what resources to allocate to the segment and to evaluate their performance.

The France Residential business line is no longer an operating segment since 1 January 2018. It is now classed in Other with car parks and services

2.2.8.2. Intangible assets

2019 (€K)	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Intangible fixed assets and goodwill	2,113	3,279	142,332	608	17,589	165,922
NET	**2,113**	**3,279**	**142,332**	**608**	**17,589**	**165,922**

2018 (€K)	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Intangible fixed assets and goodwill	2,034	2,940	146,444	1,952	18,832	172,203
NET	**2,034**	**2,940**	**146,444**	**1,952**	**18,832**	**172,203**

The column "Other" includes the intangible fixed assets of the remaining car park companies.

2.2.8.3. Tangible fixed assets

2019 (€K)	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Operating properties	255,629	20,102	980,880	5,303	32,803	1,294,717
Other fixed assets	3,141	1,379	22,027	8,490	171	35,208
Fixed assets in progress	15,244	0	6,742	6,162	0	28,148
NET	**274,014**	**21,481**	**1,009,649**	**19,955**	**32,974**	**1,358,073**

2018 (€K)	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Operating properties	146,468	17,452	1,011,948	5,412	0	1,181,280
Other fixed assets	3,166	1,320	23,914	6,888	155	35,443
Fixed assets in progress	8,456	5,625	4,710	6,161	0	24,952
NET	**158,090**	**24,397**	**1,040,572**	**18,461**	**155**	**1,241,675**

The increase (+€32.8 million) in Other mainly corresponds to the impact of the first-time application of IFRS 16 (€32.4 million net of depreciation in the period).

The reduction (-€30.9 million) in Hotels in Europe includes the impact of the first-time application of IFRS 16 (+28.2 million net of depreciation in the period), the disposal of the Westin Dresden asset (-€38.8 million), the transfer of the Nice Méridien asset from the France Offices segment (+€32.2 million) and the transfer of the Alexanderplatz land to investment properties (-€44.2 million).

The change in fixed assets in progress (-€5.6 million) in Italy Offices mainly relates to the instalment paid on the acquisition of a building in Milan.

The increase in France Offices (+€115.9 million) was mainly related to the reclassification and work on Covivio's future headquarters under Operating properties (+€138.1 million) and the reclassification of the Nice Méridien asset under Hotels in Europe (-€32.2 million).

2.2.8.4. Investment properties/Assets held for sale

2019 (€K)	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Investment properties	4,973,182	3,317,529	4,722,325	6,255,124	0	19,268,160
Operating assets held for sale	244,032	276,010	113,119	27,755	92,246	753,162
Properties under development	611,394	437,030	78,800	0	0	1,127,224
TOTAL	**5,828,608**	**4,030,569**	**4,914,244**	**6,282,879**	**92,246**	**21,148,546**

2018 (€K)	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Investment properties	5,411,745	3,602,273	4,532,777	5,722,956	0	19,269,751
Operating assets held for sale	35,392	43	288,072	29,664	205,677	558,848
Properties under development	373,752	380,502	115,333	0	0	869,587
TOTAL	**5,820,889**	**3,982,818**	**4,936,182**	**5,752,620**	**205,677**	**20,698,186**

In France Offices, the change in investment properties (€4,973 million in 2019 as compared to €5,412 million in 2018) is due to the reclassification under Assets held for sale (-€242.0 million), the transfer of two new projects to Properties under development (-€151 million), the reclassification under Operating properties of the future Parisian head office on Rue Jean Goujon (-€134.3 million), the transfer of the Nice Méridien asset to Hotels in Europe (-€11.6 million), deliveries of assets under development (+€66.6 million), the change in fair value (+€17 million), work done during the period (+€15.9 million), and acquisitions (+€8 million).

In Italy Offices, the change (-€284.7 million) in Investment properties is due to the reclassification under assets held for sale (-€273.4 million), the change in fair value (-€16.2 million), the launch of a new development project (-€6.9 million), the sale of one asset (-€2.6 million) and work done (+€14.3 million).

In Germany Residential, the total investment properties rose significantly (+€532.2 million), mainly due to changes in asset values (+€412.3 million), acquisitions of asset-holding companies (+€43 million), construction work (+€42.9 million) and acquisitions of assets (+€5.7 million).

In Hotels in Europe, the increase in investment properties (+€189.5 million) is mainly due to the effect of the reclassification into assets held for sale (-€94.3 million), investments in the United Kingdom (+€94.3 million) and Amsterdam (+€12.5 million), the change in the fair value of assets (+€53.5 million), and the delivery of two development projects (+€52.1 million). It also corresponds to fluctuations in exchange rates (+€20.1 million), right-of-use assets on long-term leases conferring ad rem rights in the United Kingdom (+€19.8 million) and on properties (+€15.7 million), the transfer of the Mercure Nice asset from France Offices (+€11.6 million) and works (+€4.3 million).

2.2.8.5. Financial Assets

2019 (€K)	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Loans	66,586	95	13,312	9	1,400	81,402
Other financial assets	650	5,798	8,200	5,800	4	20,452
Receivables on financial assets	0	6,800	2,167	488	0	9,455
Sub total financial assets	**67,236**	**12,693**	**23,679**	**6,297**	**1,404**	**111,309**
Investments in equity affiliates	142,953	16,321	85,617	0	0	244,890
NET	**210,189**	**29,014**	**109,296**	**6,297**	**1,404**	**356,200**

2018 (€K)	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Loans	89,197	95	11,487	8	239	101,026
Other financial assets	651	5,915	27,735	10,300	4	44,605
Receivables on financial assets	0	6,727	0	488	0	7,215
Sub total financial assets	**89,848**	**12,737**	**39,222**	**10,796**	**243**	**152,846**
Investments in equity affiliates	148,658	17,191	83,896	0	0	249,746
NET	**238,506**	**29,928**	**123,119**	**10,796**	**243**	**402,592**

The decrease in financial assets in France Offices reflects the transfer of the loan granted to Lenovilla to short-term loans (-€20 million), the increase in Euromed's capital (+€5 million), the appropriation of 2018 net income from equity associates (-€13.7 million) and net income from equity associates (+€3.9 million).

The drop in financial assets in Hotels in Europe was due mainly to the decrease in the share capital of Foncière Développement Tourisme subscribed by Caisse de Dépôt and not called (-€20 million) following the acquisition of all its shares and the increase in securities of equity affiliates (+€1.7 million).

2.2.8.6. Inventories and work-in-progress

2019 *(€K)*	**France Offices**	**Italy Offices**	**Hotels in Europe**	**Germany Residential**	**Other (including France Residential)**	**Total**
Inventories and work-in-progress	20,748	29,880	2,087	101,250	425	154,390
TOTAL	**20,748**	**29,880**	**2,087**	**101,250**	**425**	**154,390**

2018 *(€K)*	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Inventories and work-in-progress	16,091	19,853	2,236	57,036	595	95,811
TOTAL	**16,091**	**19,853**	**2,236**	**57,036**	**595**	**95,811**

The increase in inventories in Residential Germany is related to asset acquisitions for which a programme of redevelopment for sale is due to be launched (+€44.1 million).

The change (+€4.6 million) in France Offices is due to the work carried out on Residential development assets (+€3.3 million).

The rise in inventories in Italy Offices relates mainly to the acquisition of trading assets in Rome (+€11.6 million).

2.2.8.7. Contribution to shareholders' equity

2019 *(€K)*	**France Offices**	**Hotels in Europe**	**Germany Residential**	**Other (including France Residential)**	**Total**
Shareholders' equity Group Share before elimination of securities	6,836,030	1,313,460	1,955,499	1,190,844	11,295,833
Elimination of securities	0	-1,110,485	-1,025,966	-1,260,986	-3,397,437
Shareholders' equity Group Share	**6,836,030**	**202,975**	**929,533**	**-70,142**	**7,898,396**
Minority interests	735,957	1,973,536	1,128,499	2,192	3,840,184
SHAREHOLDERS' EQUITY	**7,571,987**	**2,176,511**	**2,058,032**	**-67,950**	**11,738,580**

2018 *(€K)*	France Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Shareholders' equity Group Share before elimination of securities	6,613,649	1,289,993	1,769,429	1,361,082	11,034,153
Elimination of securities	0	-1,070,401	-1,025,966	-1,376,340	-3,472,707
Shareholders' equity Group Share	**6,613,649**	**219,592**	**743,463**	**-15,258**	**7,561,446**
Minority interests	739,208	2,022,120	1,033,493	2,148	3,796,969
SHAREHOLDERS' EQUITY	**7,352,857**	**2,241,712**	**1,776,956**	**-13,110**	**11,358,414**

In France Offices, non-controlling interests in 2019 include €368.9 million in minority interests for the Italian establishment compared with €385.3 million at 31 December 2018.

For the first half of 2019, the change in shareholders' equity was due to:

- distribution of dividends
- capital increases
- net income for the period and the change in derivatives in shareholders' equity
- currency translation differences.

2.2.8.8. Borrowings

2019 *(€K)*	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Total long-term interest-bearing loans	2,235,550	1,789,088	2,440,293	2,290,559	0	8,755,490
Total short-term interest-bearing loans	1,902,470	23,194	80,179	59,480	41,423	2,106,746
TOTAL LT AND ST LOANS	**4,138,020**	**1,812,282**	**2,520,473**	**2,350,039**	**41,423**	**10,862,237**

2018 *(€K)*	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Total long-term interest-bearing loans	1,109,149	1,902,802	2,568,075	2,147,925	1,488,673	9,216,624
Total short-term interest-bearing loans	8,644	26,702	256,590	117,793	1,433,374	1,843,103
TOTAL LT AND ST LOANS	**1,117,793**	**1,929,504**	**2,824,665**	**2,265,718**	**2,922,047**	**11,059,727**

2.2.8.9. Derivatives

2019 *(€K)*	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Financial instruments – Assets	19,756	8	35,309	5,586	0	60,659
Financial instruments – Liabilities	193,716	24,895	109,509	48,472	0	376,592
NET FINANCIAL INSTRUMENTS	**173,960**	**24,887**	**74,200**	**42,886**	**0**	**315,933**

2018 *(€K)*	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Financial instruments – Assets	192	3,871	14,432	9,475	18,982	46,952
Financial instruments – Liabilities	17,062	6,064	45,181	24,751	141,939	234,997
NET FINANCIAL INSTRUMENTS	**16,870**	**2,193**	**30,749**	**15,276**	**122,957**	**188,045**

2.2.8.10. Statement of net income by operating segments

In accordance with IFRS 12, paragraph B11, inter-segment transactions, in particular management fees, are indicated separately in this presentation.

2018 *(€K)*	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (incl. France Residential)	Intercos Inter-Sector	30/06/2018
Rental income	138,933	104,433	107,808	118,712	4,192	-1,334	472,744
Unrecovered rental costs	-6,040	-7,837	-1,870	-1,029	-1,549	4	-18,321
Expenses on properties	-4,753	-7,264	-1,864	-8,173	-429	4,576	-17,907
Net losses on unrecoverable receivables	103	-918	-18	-756	7	0	-1,582
Net rental income	**128,243**	**88,414**	**104,056**	**108,754**	**2,221**	**3,246**	**434,934**
Revenues from hotel operating activity and coworking	1,123	0	122,443	0	0	0	123,566
Expenses of hotel operating activity and coworking	-1,926	0	-87,689	0	0	0	-89,615
EBITDA from hotel operating activity & coworking	**-803**	**0**	**34,754**	**0**	**0**	**0**	**33,951**
Income from other activities	**-80**	**-1**	**-7**	**763**	**1,516**	**-5**	**2,186**
Management and administration income	7,029	2,176	3,489	2,219	4,683	-11,445	8,151
Business expenses	-1,294	-372	-3,002	-470	-124	2,196	-3,066
Overheads[1]	-18,090	-11,251	-9,077	-21,284	-7,017	6,006	-60,713
Development expenses	18	0	-6	-154	-6	0	-148
Net cost of operations	**-12,337**	**-9,447**	**-8,596**	**-19,689**	**-2,464**	**-3,243**	**-55,776**
Depreciation of operating assets	-4,750	-504	-20,553	-755	-2,222	0	-28,784
Net change in provisions and other	-886	-839	823	72	669	2	-159
CURRENT OPERATING INCOME	**109,387**	**77,623**	**110,477**	**89,145**	**-280**	**0**	**386,352**
Net income from inventory properties	**-36**	**-536**	**0**	**27**	**5**	**0**	**-540**
Income from asset disposals	**55,819**	**-573**	**-472**	**681**	**-182**	**0**	**55,273**
Income from value adjustments	**76,869**	**15,147**	**70,838**	**292,547**	**1,373**	**0**	**456,774**
Income from disposal of securities	**0**	**22**	**103,000**	**0**	**0**	**0**	**103,022**
Income from changes in scope	**-1,002**	**-1,242**	**-131,316**	**-1,672**	**-757**	**0**	**-135,989**
OPERATING INCOME	**241,037**	**90,441**	**152,527**	**380,728**	**159**	**0**	**864,892**
Income from non-consolidated companies	0	0	0	0	0	0	0
Cost of net financial debt	-29,711	-24,325	-22,968	-18,757	-354	0	-96,115
The interest cost for rental liabilities	0	0	0	0	0	0	0
Value adjustment on derivatives	-1,210	2,155	-8,966	-2,795	-1	0	-10,817
Discounting of liabilities and receivables[1]	120	0	-281	0	0	0	-161
Amortisation of loan issue costs	-2,305	-3,822	-3,142	-1,362	-147	0	-10,778
Share in income of equity affiliates	9,121	-18	3,490	0	0	0	12,593
PRE-TAX NET INCOME	**217,052**	**64,431**	**120,660**	**357,814**	**-343**	**0**	**759,614**
Deferred tax liabilities	0	-60	-5,316	-54,981	70	0	-60,287
Corporate income tax	-517	-130	-4,718	-4,852	61	0	-10,156
NET INCOME FOR THE PERIOD	**216,535**	**64,241**	**110,626**	**297,981**	**-212**	**0**	**689,171**
Non-controlling interests	-5,533	-36,122	-72,583	-109,590	-49	0	-223,877
NET INCOME FOR THE PERIOD – GROUP SHARE	**211,001**	**28,119**	**38,044**	**188,391**	**-261**	**0**	**465,294**

(1) The free share expense included in the item Discounting of liabilities and receivables at 30 June 2018 in the amount of €4,666 thousand is now included with personnel expenses under Overheads.

The cost of net financial debt and adjustment to the value of Covivio's derivatives, which were presented under Other (including France Residential) at 30 June 2018, are now included under France Offices for -€10,360 thousand and -€377 thousand respectively.

Net income Group share for the period from the France Offices business amounted to €211,001 thousand (compared with €221,738 thousand reported at 30 June 2018) while that of the Corporate business totalled -€261 thousand (compared with -€10,998 thousand at 30 June 2018).

2019 (€K)	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (incl. France Residential)	Intercos Inter-Sector	30/06/2019
Rental income	130,296	100,400	123,960	124,254	3,298	-41	482,167
Unrecovered rental costs	-7,039	-11,146	-1,380	-1,129	-1,084	-39	-21,817
Expenses on properties	-3,823	-3,021	-4,454	-9,512	-347	7,248	-13,909
Net losses on unrecoverable receivables	-1,002	-1,453	-18	-829	7	0	-3,295
Net rental income	**118,432**	**84,780**	**118,108**	**112,784**	**1,874**	**7,168**	**443,146**
Revenues from hotel operating activity and coworking	4,814	0	112,224	0	0	0	117,038
Expenses of hotel operating activity and coworking	-2,367	0	-80,963	0	0	0	-83,330
EBITDA from hotel operating activity & coworking	**2,447**	**0**	**31,261**	**0**	**0**	**0**	**33,708**
Income from other activities	**147**	**0**	**-17**	**195**	**4,314**	**-4**	**4,635**
Management and administration income	11,302	2,777	8,936	3,936	4,769	-20,763	10,957
Business expenses	-827	-547	-3,544	-394	-137	2,369	-3,080
Overheads[1]	-17,410	-10,491	-9,692	-22,218	-7,122	5,852	-61,081
Development expenses	-36	0	-22	-362	-99	15	-504
Net cost of operations	**-6,971**	**-8,261**	**-4,321**	**-19,038**	**-2,589**	**-12,527**	**-53,707**
Depreciation of operating assets	-4,572	-1,019	-20,564	-1,089	-4,597	0	-31,841
Net change in provisions and other	-93	1,709	4,495	67	846	66	7,090
CURRENT OPERATING INCOME	**109,390**	**77,209**	**128,961**	**92,919**	**-152**	**-5,297**	**403,030**
Net income from inventory properties	**0**	**-3,991**	**0**	**547**	**19**	**0**	**-3,425**
Income from asset disposals	**-1,157**	**-148**	**-5,868**	**333**	**154**	**5,297**	**-1,389**
Income from value adjustments	**97,835**	**-9,045**	**79,199**	**420,755**	**-12**	**0**	**588,732**
Income from disposal of securities	**0**	**1**	**5,869**	**-12**	**31**	**0**	**5,889**
Income from changes in scope	**-53**	**-278**	**-3,061**	**-4,558**	**-55**	**0**	**-8,005**
OPERATING INCOME	**206,015**	**63,748**	**205,100**	**509,984**	**-15**	**0**	**984,832**
Income from non-consolidated companies	0	0	0	0	1	0	1
Cost of net financial debt	-28,900	-15,504	-31,997	-18,691	-587	-0	-95,679
The interest cost for rental liabilities	-53	-25	-6,634	-4	-255	0	-6,971
Value adjustment on derivatives	-80,266	-32,009	-50,179	-27,672	-0	0	-181,680
Discounting of liabilities and receivables[1]	-207	0	34	0	0	0	-173
Amortisation of loan issue costs	-4,030	-2,539	-5,659	-956	0	0	-14,611
Share in income of equity affiliates	-1,696	7	5,558	0	0	0	3,869
PRE-TAX NET INCOME	**90,863**	**13,678**	**116,223**	**462,661**	**-856**	**0**	**682,569**
Deferred tax liabilities	0	-4,729	6,390	-71,071	61	0	-69,349
Corporate income tax	-150	-2,932	-9,114	-3,028	-45	0	-15,269
NET INCOME FOR THE PERIOD	**90,713**	**6,017**	**113,499**	**388,562**	**-840**	**0**	**597,951**
Non-controlling interests	-13,011	-15,355	-81,723	-132,701	-61	0	-242,852
NET INCOME FOR THE PERIOD – GROUP SHARE	**77,701**	**-9,338**	**31,776**	**255,861**	**-901**	**0**	**355,098**

(1) The free share expense included in the item Discounting of liabilities and receivables at 30 June 2018 in the amount of €4,666 thousand is now included with personnel expenses under Overheads.

2.2.9. Subsequent events

2.2.9.1. Hotels in Europe

On 1 July 2019, Covivio Hotels acquired Axa France's 32% share in a portfolio of hotel real estate for €176 million (including an €8 million deposit paid to an escrow account in June 2019). It comprises 32 hotels leased to Accor, located in major French cities, and two hotels in Belgium for €176 million.

STATUTORY AUDITORS' REPORT

3

STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION

For the period from 1 January to 30 June 2019

This is a free translation into English of the Statutory Auditors' review report on the half-yearly financial information issued in French and it is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Covivio, for the period from 1 January to 30 June 2019
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the note 3.2.1.2 to the condensed half-yearly consolidated financial statements which describes the change in accounting policy resulting from the first application of the new standard IFRS 16 "Leases".

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

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

Courbevoie and Paris-La Défense, 26 July 2019

The Statutory Auditors

French original signed by

MAZARS	ERNST & YOUNG et Autres
Claire Gueydan	Anne Herbein

CERTIFICATION OF THE PREPARER

4

CERTIFICATION OF THE PREPARER

I certify that, to my knowledge, the abridged accounts for this past semi-annual period have been prepared in accordance with the applicable accounting standards and give a faithful image of the assets, of the financial position and of the results of the company as well as of all of the companies included in the consolidation, and that the attached semi-annual business report presents a faithful picture of the important events occurring during the first six months of the financial year, of their impact on the accounts, of the major transactions between related parties, as well as a description of the main risks and main uncertainties for the remaining six months of the financial year.

6 August 2019,

Monsieur Christophe Kullmann
Chief Executive Officer
Person in Charge of the Financial Information

DEFINITIONS, ACRONYMS AND ABREVIATIONS USED

5

Cost of development projects

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

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.

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

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

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.

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 Lile-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, *i.e.*:
  - 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.

Loan To Value (LTV)

The LTV calculation is detailed in Part 4 "Financial Resources".

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.

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:

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

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

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

Operating assets

Properties leased or available for rent and actively marketed.

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 quity 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.

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".

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.

Surface

- **SHON:** Gross surface
- **SUB:** Gross used surface.

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).

Yields/return

The portfolio returns are calculated according to the following formula:

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

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

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

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