2020
FIRST-HALF FINANCIAL REPORT

COVIVIO

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2020 FIRST-HALF FINANCIAL REPORT

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1.1. BUSINESS ANALYSIS

Changes in scope

The main change is the acquisition of the German offices company Godewind, in early 2020, owned at 89.3%.

1.1.1. Revenues: €302 million as of June 2020

	100%			Group share				
(€M)	H1 2019	**H1 2020**	Change (%)	H1 2019	**H1 2020**	Change (%)	**Change (%) LfL[(1)]**	% of revenue
France Offices	**130.3**	**121.0**	**-7.1%**	**115.1**	**105.7**	**-8.2%**	**+1.0%**	**35%**
Paris	42.6	43.7	+2.6%	40.0	40.8	+2.1%	+3.1%	13%
Greater Paris (excl. Paris)	66.2	57.7	-12.8%	54.4	45.9	-15.6%	-0.2%	15%
Major regional cities	14.2	12.9	-9.1%	13.4	12.1	-9.7%	+4.6%	4%
Other French Regions	7.4	6.8	-7.2%	7.4	6.8	-7.2%	-11.3%	2%
Italy Offices	**94.5**	**84.2**	**-10.9%**	**72.9**	**64.2**	**-12.0%**	**+2.0%**	**21%**
Offices - excl. Telecom Italia	50.4	43.3	-14.1%	50.4	43.3	-14.1%	+2.8%	14%
Offices - Telecom Italia	44.0	40.9	-7.1%	22.5	20.9	-7.1%	+0.5%	7%
German Offices	**5.1**	**27.3**	**n.a**	**3.3**	**18.4**	**n.a**	**+2.8%**	**6%**
Berlin	4.1	5.1	+24.0%	2.7	3.6	+35.6%	+1.9%	1%
Other cities	1.0	22.2	n.a	0.6	14.8	n.a	+6.8%	5%
German Residential	**119.2**	**122.5**	**+2.8%**	**76.5**	**78.6**	**+2.9%**	**+2.9%**	**26%**
Berlin	58.6	59.5	+1.6%	37.8	38.5	+1.7%	+2.3%	13%
Dresden & Leipzig	12.0	12.3	+2.8%	7.6	7.9	+3.1%	+3.6%	3%
Hamburg	7.9	8.1	+2.3%	5.2	5.3	+2.3%	+2.6%	2%
North Rhine-Westphalia	40.7	42.6	+4.6%	25.8	27.0	+4.6%	+3.8%	9%
Hotels in Europe	**148.9**	**73.1**	**-50.9%**	**59.1**	**28.5**	**-51.8%**	**-50.5%**	**9%**
Hotels - Lease Properties	117.7	69.8	-40.7%	46.1	27.1	-41.3%	-41.8%	9%
France	48.2	26.7	-44.5%	16.2	8.6	-47.1%	-47.3%	3%
Germany	16.8	15.9	-5.4%	7.1	6.8	-4.9%	-1.8%	2%
UK	22.1	-	-100.0%	9.5	-	-100.0%	-100.0%	-
Spain	17.1	15.5	-9.6%	7.4	6.7	-9.6%	-9.9%	2%
Belgium	7.3	4.8	-34.3%	3.2	2.1	-35.1%	-34.5%	1%
Others	6.2	6.9	+11.1%	2.7	3.0	+10.5%	-3.4%	1%
Hotels - Operating Properties (EBITDA)	31.2	3.3	-89.3%	13.0	1.4	-89.3%	-78.0%	0%
TOTAL STRATEGIC ACTIVITIES	**497.9**	**428.2**	**-14.0%**	**326.9**	**295.4**	**-9.6%**	**-7.6%**	**98%**
Non-strategic	**15.5**	**10.4**	**-32.8%**	**11.9**	**7.0**	**-41.5%**	**-3.5%**	**2%**
Retail Italy	5.9	4.0	-32.6%	5.9	4.0	-32.6%	-3.6%	1%
Retail France	6.3	6.1	-3.3%	2.7	2.6	-2.3%	-3.2%	1%
Other (France Residential)	3.3	0.3	-89.6%	3.3	0.3	-89.6%	n.a	0%
Total revenues	**513.4**	**438.6**	**-14.6%**	**338.8**	**302.3**	**-10.8%**	**-7.5%**	**100%**

(1) LfL: Like-for-Like

Group share revenues decreased by 10.8% year-on-year (-€36.5 million) primarily under the following effects:

- solid results on Offices and Residential activities, with like-for-like revenues increasing by +1.9% (+€4.6 million):
  - +1.0% in France Offices, thanks to indexation
  - +2.0% in Italy Offices driven by Offices in Milan excluding Telecom Italia (+3.3%)
  - +2.8% in German Offices (excluding the acquired Godewind portfolio)
  - +2.9% in German Residential, driven by North Rhine-Westphalia (+3.8%)
- on Hotels activity, the like-for-like revenues decreased by 50.5% (-€28.7 million) due to:
  - significant decrease in variable revenues, both on variables leases (-67%) and EBITDA from management contracts (-78%)
  - hotels located in the UK leased to IHG, especially impacted by the strict lockdown in the country and the late lifting of restrictions. This should trigger a major underperformance clause (MAC clause) included in this contract. Covivio has decided not to account any rent on this portfolio as of end-June 2020
  - on other leases, agreements reached with 8 operators enabled to limit the decrease to -1.9%

- acquisitions (+€17.2 million) especially in German offices (+€15.0 million), with the acquisition of 10 assets through Godewind acquisition in H1 2020
- deliveries of new assets (+€5.3 million), mainly in France with 3 projects delivered in 2019 in major French cities and in Milan with the first building of The Sign project, fully pre-let
- asset disposals: (-€25.1 million), especially:
  - in France Offices (-€6.7 million), most come from mature assets disposals in Greater Paris in 2019
  - in Italy (-€10.1 million), mostly through the disposal of two portfolios of mature and non-core assets in 2019
  - In German Residential (-€1.2 million)
  - in Hotels (-€2.3 million) with the disposal of non-core assets in 2019 and 2020 (mostly B&B hotels)
  - non-strategic assets (-€4.8 million) mainly retail in Italy and the remainder of our residential portfolio in France
- vacating for redevelopment (-€3.1 million), in Milan on a committed project in the CBD and in France in view of residential development
- other effects (-€6.8 million) mainly early release compensations received in 2019.

1.1.2. Lease expiries and occupancy rates

1.1.2.1. Annualised lease expiries: 7.1 years of average lease term

	By lease end date (1st break)		By lease end date	
(Years) – Group share	2019	**H1 2020**	2019	**H1 2020**
France Offices	4.6	4.5	5.4	5.4
Italy Offices	7.2	7.1	7.8	7.5
Germany Offices	n.a	5.1	n.a	6.0
Hotels in Europe	13.7	14.7	14.9	16.3
TOTAL STRATEGIC ACTIVITIES	**7.1**	**7.1**	**8.0**	**8.0**
Non-strategic	5.2	5.7	6.7	6.7
Total	**7.1**	**7.1**	**7.9**	**8.0**

The average firm residual duration of leases is stable at 7.1 years at end-June 2020. The main changes are:

- the integration of the German office portfolio with a 5.1 firm lease duration
- offset by the agreements reached with 8 hotel operators including lease extension of 3.9 years on average (AccorInvest, B&B, NH, Barcelo, MotelOne, Meininger, Melia, HCI).

(€M) – Group share	**By lease end date** (1st break)	% of total	**By lease end date**	% of total
2020	41	6%	34	5%
2021	53	7%	41	6%
2022	63	9%	48	7%
2023	45	6%	29	4%
2024	26	4%	21	3%
2025	51	7%	49	7%
2026	15	2%	18	3%
2027	30	4%	34	5%
2028	24	3%	42	6%
2029	24	3%	42	6%
Beyond	158	22%	171	24%
Total Offices and Hotels leases	**529**	**73%**	**529**	**73%**
German Residential	**160**	**22%**	**160**	**22%**
Hotel operating properties	**31**	**4%**	**31**	**4%**
Other (Incl. French Residential)	**0.3**	**0%**	**0.3**	**0%**
TOTAL	**721**	**100%**	**721**	**100%**

Out of the €41 million of expiries remaining in 2020, representing 6% of Covivio annualised revenues:

- 1% relate to tenants with no intent to vacate the property
- 1.5% relate to assets to be redeveloped after the tenant departure, including the 12,200 m² Corso Italia building in Milan CBD
- 0.5% relate to non-core assets essentially earmarked for disposal
- 3% to be managed in strategic location:
  - in France: in Paris inner-city and attractive business districts in the 1st ring (such as La Défense)
  - in Italy, in Milan CBD
  - in Germany: in Berlin on assets with >30% reversion potential and in Hamburg.

Out of the €53 million of expiries remaining in 2021, representing 7% of Covivio annualised revenues:

- 2.5% relate to assets to be vacated by Orange for future redevelopments, essentially in Paris CBD
- 0.5% relate to tenants with no intent to vacate the property
- 4% relate to other assets in strategic locations such as Paris, the Inner ring, Milan CBD or German top cities.

1.1.2.2. Occupancy rate: 96.1%

	Occupancy rate	
(%) – Group share	2019	**H1 2020**
France Offices	97.1%	95.8%
Italy Offices	98.7%	97.8%
German Offices	97.0%	79.0%
German Residential	98.6%	98.4%
Hotels in Europe	100.0%	100.0%
TOTAL STRATEGIC ACTIVITIES	**98.3%**	**96.1%**
Non-strategic	96.8%	97.8%
Total	**98.3%**	**96.1%**

The occupancy rate stands at 96.1% for strategic activities given the integration of the German offices portfolio with an occupancy of 79%.

The German offices portfolio is affected by the termination of WeWork's lease contract in Düsseldorf (21,600 m² on Herzog-Terrassen), on which a mutual financial agreement was reached.

This termination has an impact of -12 pts on the German offices occupancy rate.

Excluding the new German offices activity, the occupancy rate stands at 97.5%, -0.8 pt compared to end-2019 taking into account some releases in France offices, where reletting was delayed due to the lockdown.

1.1.2.3. Reserves for unpaid rent

	H1 2019		**H1 2020**	
(€M) – Group share	In €M[1]	As % of rental income	**In €M[1]**	**As % of rental income**
France Offices	1.0	0.9%	0.8	0.7%
Italy Offices	1.5	1.8%	4.1	6.0%
German Residential	0.5	0.5%	1.4	1.7%
German Offices	n.a	n.a	0.1	0.9%
Hotels in Europe	0.0	0.0%	0.6	2.1%
TOTAL	**3.0**	**0.9%**	**7.0**	**2.3%**

(1) Net provision/reversals of provision.

The increase in unpaid rents to 2.3% is mainly driven by the ground floor retail in the office and residential buildings and the non-strategic shopping centers in Italy. Overall cash impact of the granted incentives is €10 million.

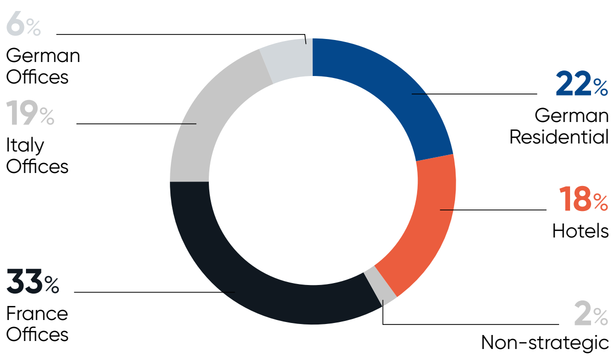
1.1.3. Breakdown of revenues

By major tenants

(€M) – Group share	Annualised revenues[1] H1 2020	%
Orange	62.4	9%
Telecom Italia	41.7	6%
Accor	33.9	5%
Suez	22.6	3%
IHG	21.2	3%
B&B	13.5	2%
Tecnimont	13.5	2%
EDF/Enedis	12.7	2%
Dassault	12.7	2%
Thalès	11.4	2%
Vinci	10.4	1%
NH	8.7	1%
Natixis	7.6	1%
Creval	6.9	1%
Intesa San Paolo	6.2	1%
Fastweb	6.2	1%
Eiffage	5.9	1%
Cisco	5.2	1%
Hotels lease properties	22.6	3%
Other tenants <€5M	235.1	33%
German Residential	159.9	22%
TOTAL	**720.6**	**100%**

(1) The hotels annualised revenues are based on the 2019 revenues.

By activity



Covivio can rely on a strong tenant base, with 91% of large corporates in offices, resilient revenues in German residential and partnerships with major hotel operators in Hotels.

In 2020, Covivio continued its strategy of diversifying its tenant base, even more with the integration of the newly acquired German offices portfolio that enjoys a tenant base composed of 87% of large corporations. As a result, exposure to the three largest tenants decreased to 20% against 21% at end 2019.

1.1.4. Cost to revenue ratio by business

	France Offices	Italy Offices (incl. retail)	German Residential	German Offices	Hotels in Europe (incl. retail)	Total	
(€M) – Group share	**H1 2020**	**H1 2020**	**H1 2020**	**H1 2020**	**H1 2020**	H1 2019	**H1 2020**
Rental Income	105.7	68.1	82.0	15.1	29.7	325.8	300.9
Unrecovered property operating costs	-7.2	-6.8	0.1	-1.2	-0.8	-18.8	-16.2
Expenses on properties	-0.9	-2.2	-5.9	-0.5	-0.1	-10.3	-9.7
Net losses on unrecoverable receivable	-0.8	-4.1	-1.4	-0.1	-0.6	-3.0	-7.0
NET RENTAL INCOME	**96.8**	**55.1**	**74.7**	**13.3**	**28.1**	**293.7**	**268.0**
Cost to revenue ratio[1]	**6.1%**	**19.2%**	**8.8%**	**12.0%**	**4.3%**	**9.0%**	**10.9%**

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

The cost to revenue ratio (10.9%) increased by 1.9 pts compared to H1 2019, mainly due to:

- the integration of the German offices portfolio which has a cost to revenue ratio of 12%, due to current vacancy rate at end-June
- the increase in unpaid rent coming from retail in Italy and in France.

1.1.5. Disposals: €400 million of new disposals agreements in H1 2020 with 15% margin

(€M)		Disposals (agreements as of end of 2019 closed) (1)	Agreements as of end of 2019 to close	**New disposals H1 2020 (2)**	**New agreements H1 2020 (3)**	**Total H1 2020 = (2) + (3)**	**Margin vs 2019 value**	**Yield**	Total Realised Disposals = (1) + (2)
France Offices	100%	1	54	83	156	239	11.0%	4.7%	84
	Group share	1	54	83	156	239	11.0%	4.7%	84
Italy Offices	100%	57	15	-	127	127	18.9%	3.6%	57
	Group share	56	15	-	111	111	22.4%	3.5%	56
Germany Residential	100%	11	1	10	9	19	80.9%	0.9%	21
	Group share	7	1	6	6	12	80.7%	0.9%	13
Hotels in Europe	100%	120	13	-	24	24	15.6%	6.5%	120
	Group share	47	5	-	11	11	15.6%	6.5%	47
Non-strategic (France Residential, Retail in France and Italy)	100%	23	33	0	59	59	-0.3%	6.7%	24
	Group share	23	33	0	26	26	-0.4%	6.6%	23
TOTAL	**100%**	**213**	**116**	**94**	**375**	**469**	**13.4%**	**4.6%**	**306**
	Group share	**134**	**108**	**90**	**309**	**400**	**14.6%**	**4.4%**	**224**

New disposals and agreements were signed for €400 million Group share (€469 million at 100%) with 14.6% average margin on last appraisal values. Covivio notably accelerated the pace of mature office disposal agreements on which the value creation potential has been fully extracted:

- **buildings successfully developed by Covivio** between 2013 and 2017
- **90% value creation** since the delivery of those assets, including 15% margin on disposal.

In details, the disposals agreements include:

- **mature assets**: €343 million Group share (€364 million at 100%):
  - 5 offices in Greater Paris (Nanterre), major French cities (Lyon and Nancy) and Milan: €320 million Group share
  - some privatisations in German residential: €12 million Group share with 81% margin
  - mainly one hotel in Spain: €9 million Group share
- **non-core assets**: €30 million Group share (€46 million at 100%) in secondary locations in France and in Italy outside Milan
- **non-strategic assets**: €26 million Group share, mainly Jardiland stores in France.

1.1.6. Investments: €1.4 billion realised in H1 2020 (€1.2 billion Group share)

	Acquisitions H1 2020 realised			Development Capex H1 2020	
(€M including duties)	Acquisitions 100%	Acquisitions Group Share	Yield Group Share	Capex 100%	Capex Group share
France Offices	-	-	-	100	82
Italy Offices	-	-	-	31	31
Germany Offices	1,215	1,038	3.6%	16	16
Germany Residential	11	7	4.2%	24	16
Hotels in Europe	-	-	-	13	6
TOTAL	**1,226**	**1,044**	**3.6%**	**196**	**162**

€1.4 billion (€1.2 million Group share) of investments were realised in the first half of the year 2020:

- the acquisition of a **German offices** portfolio for €1.0 billion Group share: 10 core office buildings through the takeover of Godewind. The portfolio is totaling 290,000 m² located in the largest German cities: Frankfurt, Düsseldorf, Hamburg, and Munich.

  89% of the share capital has been acquired through a public offer in the first semester and the remainder 11% could be acquired by the end of the year. At full occupancy, the yield reaches 4.7%
- **Germany Residential:** acquisition of two residential assets in Germany (in Berlin and Dresden) worth €11 million. These assets offer an attractive potential yield of 4.2%
- Capex in the **development pipeline** of €196 million (€162 million Group share), mostly related to development projects in Paris and Milan and acquisitions of land banks in Berlin to fuel future Residential and Office developments

  The target yield on this pipeline stands at 6.0%, and the target value creation above 30%.

As a reminder, at year-end 2019, Covivio signed an agreement for the acquisition of 8 hotels located in Rome, Venice, Florence, Prague, and Budapest for €248 million Group share including capex (€573 million at 100%). This 1,115 room-portfolio of high-end hotels, the majority of which hold 5-star-ratings in prime locations, include several iconic hotels such as the Palazzo Naiadi in Rome, the Carlo IV in Prague, the Plaza in Nice and the NY Palace in Budapest.

In parallel, Covivio and NH Hotel Group signed a long-term triple net lease of 15 years firm at a 4.7% yield.

Initially planned for April 2020, the operation was postponed to September 2020 under the same conditions.

1.1.7. Development projects: €8.6 billion (€6.9 billion Group share)

1.1.7.1. Deliveries: 23,000 m² of offices delivered in the first half of 2020

In the first half of 2020, two projects have been delivered:

- the Sign A (9,300 m²) is a redeveloped asset located in the Navigli business district of Milan fully let to AON for their Italian headquarters
- the last part of Corso Ferrucci project in Turin (13,700 m²) was delivered in June. The asset is now fully delivered and 90% let to multiple tenants, including NTT Data who took 3,400 m² in the first half of 2020.

1.1.7.2. Committed projects: €1.8 billion Group share pre-let at 75% for the next 12 months

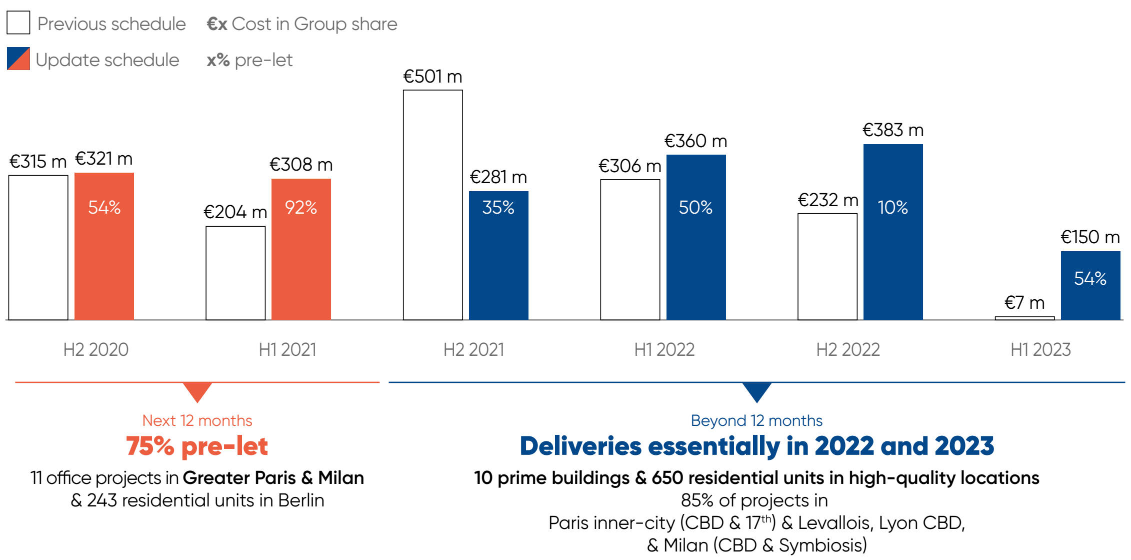
In the first half of 2020, Covivio continued its investment effort on the committed development pipeline, with 41 projects in three European countries, of which 90% in Paris, Berlin and Milan. They will be completed between 2020 and 2023.

The lockdown period lasting from March to June in France, Italy and Germany had a limited impact on the pipeline: +3 months delay on average and a very marginal impact on costs (maximum 1%).

This committed pipeline is composed of:

- €2.0 billion (€1.6 billion in Group share) of Offices in France and Italy
- €256 million (€166 million in Group share) of residential in Germany
- €44 million (€44 million in Group share) of residential project in France, to be transformed from offices into residential assets.

€1.8 bn cost Group share | **6.6%** yield on cost | **51%** pre-let | **>30%** Target margin



Synthesis of Committed projects	Surface[1] *(m²)*	Pre-leased *(%)*	Total Budget[2] *(€M, 100%)*	Total Budget[2] *(€M, Group share)*	Target Yield[3]
France Offices	256,960 m²	48%	1,642	1,255	5.9%
Italy Offices	65,100 m²	59%	338	338	6.4%
German Residential	64,800 m²	n.a	256	166	4.8%
French Residential	12,300 m²	n.a	44	44	n.a
Hotels in Europe	108 rooms	100%	8	2	6.0%
TOTAL	**399,160 M² & 108 ROOMS**	**51%**	**2,288**	**1,804**	**6.0%**

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

Committed projects	Location	Project	Surface[1] (m²)	Delivery	Target rent (€/ m²/year)	Pre-leased (%)	Total Budget[2] (€M, 100%)	Total Budget[2] (€M, Group share)	Target Yield[3]
Meudon Ducasse	Meudon - Greater Paris	Construction	5,100	2020	260	100%	23	23	6.1%
Belaïa (50% share)	Orly - Greater Paris	Construction	22,600	2020	198	47%	66	33	>7%
IRO	Châtillon-Greater Paris	Construction	25,600	2020	325	20%	138	138	6.4%
Total deliveries 2020			**53,300**			**34%**	**227**	**194**	**6.6%**
Flow	Montrouge - Greater Paris	Construction	23,600	2021	327	100%	115	115	6.6%
Gobelins	Paris 5th	Regeneration	4,360	2021	510	100% (Wellio)	50	50	4.3%
Silex II (50% share)	Lyon	Regeneration	30,900	2021	312	53% (15% Wellio)	169	85	5.8%
Montpellier Bâtiment de services	Montpellier	Construction	6,300	2021	224	8%	21	21	6.7%
Montpellier Orange	Montpellier	Construction	16,500	2021	165	100%	49	49	6.7%
Total deliveries 2021			**81,660**			**81%**	**404**	**320**	**6.1%**
Jean Goujon	Paris 8th	Regeneration	8,600	2022	n.a	100% (50% Wellio)	189	189	n.a
Paris So Pop (50% Share)	Paris 17th	Regeneration	31,300	2022	430	0%	230	115	6.1%
N2 (50% share)	Paris 17th	Construction	15,600	2022	575	34% (Wellio)	168	84	4.2%
Levallois Alis	Levallois - Greater Paris	Regeneration	19,800	2022	530	0%	210	210	5.0%
Bordeaux Jardins de l'Ars	Bordeaux	Construction	19,200	2023	220	0%	72	72	6.1%
DS Extension 2 (50% share)	Vélizy - Greater Paris	Regeneration-Extension	27,500	2023	325	100%	141	71	>7%
Total deliveries 2022 and beyond			**122,000**			**35%**	**1,011**	**741**	**5.5%**
Total France Offices			**256,960**			**48%**	**1,642**	**1,255**	**5.9%**
Symbiosis School	Milan	Construction	7,900	2020	230	99%	22	22	>7%
Dante 7	Milan	Regeneration	4,700	2020	560	100% (Wellio)	58	58	4.5%
Duca d'Aosta	Milan	Regeneration	2,600	2020	457	100%	13	13	>7%
Total deliveries 2020			**15,200**			**100%**	**93**	**93**	**5.8%**
The Sign B+C	Milan	Construction	16,900	2021	280	94%	68	68	>7%
Symbiosis D	Milan	Construction	18,500	2021	315	35%	91	91	6.8%
Unione	Milan	Regeneration	4,500	2021	480	0%	44	44	5.4%
Vitae	Milan	Construction	10,000	2022	315	18%	42	42	6.5%
Total 2021 deliveries and beyond			**49,900**			**45%**	**245**	**245**	**6.6%**
Total Italy Offices			**65,100**			**59%**	**338**	**338**	**6.4%**
German residential - deliveries 2020	**Berlin**	**Construction**	**13,800**	**2020**	**n.a**	**n.a**	**53**	**34**	**4.3%**
German residential - deliveries 2021 and beyond	**Berlin**	**Construction**	**51,000**	**2021 & Beyond**	**n.a**	**n.a**	**203**	**132**	**4.8%**
Total German Residential			**64,800**			**n.a**	**256**	**166**	**4.8%**
Total French Residential	**Greater Paris**	**Construction**	**12,300**	**2021 & Beyond**	**n.a**	**n.a**	**44**	**44**	**n.a**
B&B Bagnolet (50% shares)	Greater Paris	Construction	108 rooms	2020	n.a	100%	8	2	6.0%
Total Hotels in Europe			**108 rooms**			**100%**	**8**	**2**	**6.0%**
TOTAL			**399,160 M² & 108 ROOMS**			**51%**	**2,288**	**1,804**	**6.0%**

(1) Surface at 100%.
(2) Including land and financial costs.
(3) Yields in total rents includings car parks, restaurants, etc.

1.1.7.3. Managed projects: €6 billion (€5 billion in Group share)

Following the review of its France office portfolio in 2019, Covivio strengthened its potential for future growth through a large pipeline of construction and redevelopment projects of €6 billion with target value creation >30%. The value potential on these projects will be extracted progressively in the short, medium and long term.

A large part of this pipeline is made-up of obsolete office buildings in Paris inner-city, currently let to Orange (€1.2 billion).

The next office projects are expected to be committed in 2020/2021 in central locations:

Paris CBD

Laborde – Paris CBD
6,200 m²

Anjou – Paris CBD
10,100 m²

Carnot – Paris CBD
11,200 m²

Milan

Corso Italia – Milan CBD
12,200 m²

Berlin

Alexanderplatz
60,000 m²

Additionally, Covivio intends to pursue its development strategy in residential:

- around 235,000 m² of projects in Germany to fuel future growth
- and 120,000 m² of French offices identified for transformation into residential.

Projects	Type	Location	Area	Project	Surface[1] (m²)	Commitment Timeframe
Laborde	Office France	Paris CBD	France	Regeneration	6,200 m²	2021
Villeneuve d'Ascq Flers	Office France	Lille	France	Construction	22,100 m²	2021
Carnot	Office France	Paris CBD	France	Regeneration	11,200 m²	2021-2022
Anjou	Office France	Paris CBD	France	Regeneration	10,100 m²	2021-2022
Opale	Office France	Meudon - Greater Paris	France	Construction	37,200 m²	2021-2022
Cité Numérique - Terres Neuves	Office France	Bordeaux	France	Construction	9,800 m²	2021-2022
Sub-total short-term projects					**96,600 m²**	
Provence	Office France	Paris	France	Regeneration	7,500 m²	2022-2023
Voltaire	Office France	Paris	France	Regeneration	14,000 m²	2022-2023
Keller	Office France	Paris	France	Regeneration	3,400 m²	2022-2023
Bobillot	Office France	Paris	France	Regeneration	3,700 m²	2022-2023
Raspail	Office France	Paris	France	Regeneration	7,100 m²	2022-2023
Jemmapes	Office France	Paris	France	Regeneration	11,600 m²	2022-2023
Levallois Pereire	Office France	Levallois - Greater Paris	France	Regeneration	10,000 m²	2022-2023
Boulogne Molitor	Office France	Boulogne - Greater Paris	France	Regeneration	4,400 m²	2022-2023
Rueil Lesseps	Office France	Rueil-Malmaison - Greater Paris	France	Regeneration - Extension	41,700 m²	2022-2023
Campus New Vélizy extension (50% share)	Office France	Vélizy - Greater Paris	France	Construction	14,000 m²	2022-2023
Sub-total mid-term projects					**117,400 m²**	
Cap 18	Office France	Paris	France	Construction	90,000 m²	>2024
St Denis Pleyel	Office France	Saint Denis - Greater Paris	France	Regeneration	14,400 m²	>2024
Saint Ouen Victor Hugo	Office France	Saint Ouen - Greater Paris	France	Regeneration	36,600 m²	>2024
Dassault Campus extension 3 (50% share)	Office France	Vélizy - Greater Paris	France	Construction	29,000 m²	>2024
Silex 3	Office France	Lyon	France	Construction	5,900 m²	>2024
Lyon Ibis Part-Dieu - Bureaux (43% share)	Office France	Lyon	France	Regeneration	50,000 m²	>2024
Montpellier Pompignane	Office France	Montpellier	France	Construction	72,300 m²	>2024
Toulouse Marquette	Office France	Toulouse	France	Regeneration	7,500 m²	>2024
Sub-total long-term projects					**305,700 m²**	
Total France Offices					**519,700 m²**	
Corso Italia	Office Italy	Milan	Italy	Regeneration	12,200 m²	2020
The Sign D	Office Italy	Milan	Italy	Construction	11,500 m²	2021
Symbiosis - other buildings	Office Italy	Milan	Italy	Construction	77,500 m²	2021 & beyond
Total Italy Offices					**101,200 m²**	
Alexanderplatz - 1st tower	Mixed-use	Berlin	Germany	Construction	60,000 m²	2020
Alexanderplatz - 2nd tower	Mixed-use	Berlin	Germany	Construction	70,000 m²	>2024
Additonal constructibilty (Hotels portfolio)	Mixed-use	France, UK, Germany	Europe	Construction	50,000 m²	>2024
Mixed-Use					**180,000 m²**	
Reno	Office Germany	Berlin	Germany	Regeneration	13,100 m²	2020
Beagle	Office Germany	Berlin	Germany	Construction	7,700 m²	2020-2021
Sunsquare	Office Germany	Munich	Germany	Construction	18,000 m²	2021
German Offices		**Berlin**		**Construction**	**38,800 m²**	**2020-2021**
German Residential	**Residential**	**Berlin**	**Germany**	**Extensions & Constructions**	**235,000 m²**	**2021 & beyond**
French Residential	**Residential**	**Greater Paris**	**France**	**Construction**	**120,000 m²**	**2022 & Beyond**
TOTAL					**1,194,700 M²**	

1.1.8. Portfolio

1.1.8.1. Portfolio value: +1.0% like-for-like growth

(€M) – Excluding Duties	Value 2019 Group Share	Value H1 2020 100%	Value H1 2020 Group share	LfL1 6 months change	Yield(2) 2019	Yield(2) H1 2020	% of portfolio
France Offices	5,759	7,120	5,857	+1.4%	5.1%	5.0%	35%
Italy Offices	2,976	3,643	2,953	-0.3%	5.4%	5.3%	17%
German Offices	251	1,670	1,381	+2.6%	n.a	3.5%	8%
Residential Germany	3,962	6,414	4,123	+4.2%	4.0%	3.9%	24%
Hotels in Europe	2,513	6,218	2,392	-3.1%	5.2%	5.3%	14%
TOTAL STRATEGIC ACTIVITIES	**15,477**	**25,065**	**16,706**	**+1.1%**	**4.9%**	**4.7%**	**99%**
Non-strategic	211	270	179	-5.4%	9.1%	10.9%	1%
Total	**15,688**	**25,335**	**16,885**	**+1.0%**	**4.9%**	**4.7%**	**100%**

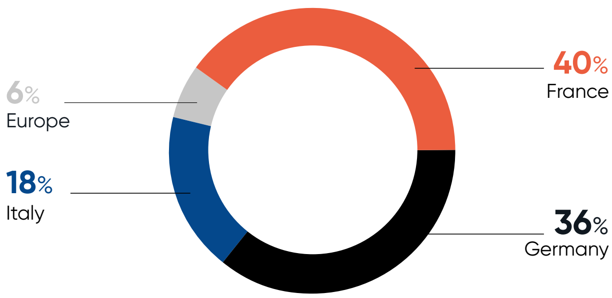
(1) LfL: Like-for-Like.
(2) Yield excluding development projects.

The portfolio grew by €1.2 billion to €16.9 billion Group share (€25.3 billion in 100%) mostly with the acquisition of the German offices portfolio. At constant scope, Covivio proved its solidity with a +1.0% increase despite the difficult environment explained by:

- +6% driven by the development pipeline, showing again the attractiveness of the locations chosen by Covivio for its projects
- +4.2% like-for-like growth on German residential. All German cities where Covivio's residential portfolio is located showed life-for-like growth: in Berlin (+2.2%) despite the challenging regulatory environment, in North Rhine-Westphalia, the second largest exposure (+7.0%), Dresden & Leipzig (+6.8%) and Hamburg (+5.8%)
- -3.1% on Hotels, holding up reasonably well thanks to the rental agreements that have secured with 8 operators and despite uncertainty on future cash-flows.

1.1.8.2. Geographical breakdown of the portfolio at half-year 2020

91% in major European cities



1.1.9. List of main assets

The value of the ten main assets represents almost 15% of the portfolio Group share stable vs end 2019.

Top 10 Assets	Location	Tenants	Surface *(m²)*	Covivio share
CB 21 Tower	La Défense (Greater Paris)	Suez, Verizon, BRS	68,400	75%
Garibaldi Towers	Milan	Maire Tecnimont, LinkedIn, etc.	44,700	100%
Herzogterrassen	Düsseldorf	NRW Bank, Deutsche Bank, Mitsui	55,700	89%
Dassault Campus	Vélizy (Greater Paris)	Dassault Systèmes	97,000	50%
Carré Suffren	Paris 15th	AON, Institut Français, OCDE	25,200	60%
Frankfurt Airport Center (FAC)	Frankfurt	Lufthansa, Fraport, Operational Services	48,100	89%
Art&Co	Paris 12th	Wellio, Adova, Bentley, AFD	13,500	100%
Zeughaus	Hamburg	GMG Generalmietgesellschaft	43,500	89%
IRO	Châtillon	Siemens	25,100	100%
Jean Goujon	Paris 8th	Covivio	8,500	100%

1.2. BUSINESS ANALYSIS BY SEGMENT

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

1.2.1. France Offices

1.2.1.1. Impact of the lockdown on the office market

Covivio's France Offices portfolio of €7.1 billion (€5.9 billion Group share) is located in strategic locations in Paris, in the major business districts of the Greater Paris area and the centers of major regional cities.

- **Take-up** in Paris region stood at 667,500 m² in decline of 39% vs H1 2019. New and refurbished assets proved to be more resilient, in decline of only 18% (229,000 m²).
- **Vacancy rate** increased to 5.1% (vs. 4.9% at end-2019) and remains historically low in all areas.
  - Available new or refurbished space remains scarce and accounts for less than 30% of the immediate supply in every area.
- **Future available supply** at end-March 2020 is up by 9% vs end-September 2019 with 2.4 million m² stock under construction, of which 38% is pre-let:
  - excluding La Défense, the pre-let ratio remains however stable at 45%
  - in Covivio's markets, the future available supply tends to decrease: -38% in Levallois, -7% in Paris North 17th/Clichy/Saint-Ouen, and -15% in Montrouge/Malakoff/Châtillon.
- Average **headline rents on new or restructured space** rose by 3% on average year-on-year in Greater Paris and second-hand space saw a stronger increase (+8%). Prime rents increased by 5% year-on-year in Paris reaching a record of €870 m²/year, and 4% in La Défense (€540/m²).
- **In H1 2020, investments** in Greater Paris offices declined (-32% year-on-year) and totalled €6.0 billion, slightly below the 10-year average. There is still a significant gap between prime yields (decreasing to 2.75% in the CBD of Paris, 3.5% in Lyon) and the OAT 10-year (close to 0.01% in Q2 2020).

In the 2020 first half-year, the France Offices activity was characterised by:

- **Resilient rental income growth** of 1.0% on a like-for-like basis thanks to indexation.
- Acceleration of **mature asset disposals** with €239 million secured, essentially in Greater Paris and major regional cities:
  - assets developed or redeveloped by Covivio between 2013 and 2019, offering strong value creation and confirming the success of Covivio's development strategy
  - disposal margin of 11% illustrating the quality of Covivio's portfolio.
- **+1.4% like-for-like value growth** over 6 months, thanks mainly to value creation on our development projects.

Partially owned assets are the following:

- CB 21 Tower (75% owned) in La Défense
- Carré Suffren (60% owned) in Paris
- 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)
- So Pop project in Paris 17th (50% owned and fully consolidated)
- N2 Batignolles project in Paris 17th (50% owned and fully consolidated)
- The New Vélizy campus for Thales (50.1% owned and accounted for following 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).

Sources: CBRE, JLL, Deloitte, Immostat.

1.2.1.2. Accounted rental income: +1.0% at a like-for-like scope

(€M)	Rental income H1 2019 100%	Rental income H1 2019 Group share	Rental income H1 2020 100%	**Rental income H1 2020 Group share**	**Change** *(%)* **Group share**	Change *(%)* LfL[1] Group share	% of rental income
Paris Centre West	17.0	17.0	17.3	17.3	1.9%	2.1%	16%
Paris South	15.5	12.9	16.0	13.2	1.8%	4.6%	12%
Paris North-East	10.1	10.1	10.4	10.4	3.0%	3.0%	10%
Total Paris	**42.6**	**40.0**	**43.7**	**40.8**	**2.1%**	**3.1%**	**39%**
Western Crescent and La Défense	35.6	31.8	32.4	28.7	-9.7%	-1.5%	27%
Inner ring	28.0	20.0	23.5	15.4	-22.8%	1.8%	15%
Outer ring	2.6	2.6	1.7	1.7	-32.4%	1.2%	2%
Total Paris Region	**108.7**	**94.3**	**101.3**	**86.7**	**-8.1%**	**1.3%**	**82%**
Major regional cities	14.2	13.4	12.9	12.1	-9.7%	4.6%	11%
Other French Regions	7.4	7.4	6.8	6.8	-7.2%	-11.3%	6%
TOTAL	**130.3**	**115.1**	**121.0**	**105.7**	**-8.2%**	**1.0%**	**100%**

(1) LfL: Like-for-Like.

Overall, rental income decreased by 8.2% to €106 million Group share (-€9.4 million) as a result of:

- +€1.2 million from **improved rental performance** with +1.0% growth on a like-for-like basis, mostly driven by the indexation effect
- +€2.1 million from **deliveries** in major regional cities (Toulouse, Bordeaux, Lille)
- -€2.1 million from **releases of assets, essentially for residential redevelopment** in the second half of 2020, especially in the second ring of Paris
- -€6.7 million from **disposals**, mostly of mature assets in the Inner ring and in French regions (mainly Green Corner in Saint-Denis, Respiro in Nanterre and Quatuor in Lille region)
- -€2.5 million due to a **one-shot indemnity** received in H1 2019
- -€1.4 million related to other effects.

1.2.1.3. Annualised rents: €238 million Group share

(€M)	Surface *(m²)*	Number of assets	Annualised rents 2019 Group share	**Annualised rents H1 2020 100%**	**Annualised rents H1 2020 Group share**	Change *(%)*	% of rental income
Paris Centre West	123,830	12	35.2	35.5	35.5	0.7%	15%
Paris South	71,761	8	27.3	32.2	26.6	-2.5%	11%
Paris North-East	110,594	6	20.9	20.7	20.7	-0.9%	9%
Total Paris	**306,185**	**26**	**83.4**	**88.4**	**82.8**	**-0.7%**	**35%**
Western Crescent and La Défense	213,335	17	68.1	70.5	62.4	-8.4%	26%
Inner ring	467,743	21	43.0	70.4	42.9	0.0%	18%
Outer ring	50,020	21	5.2	3.0	3.0	-41.3%	1%
Total Paris Region	**1,037,283**	**85**	**199.7**	**232.3**	**191.2**	**-4.2%**	**80%**
Major regional cities	401,598	48	36.4	46.9	36.5	0.3%	15%
Other French Regions	188,259	61	12.9	10.6	10.6	-18.0%	4%
TOTAL	**1,627,140**	**194**	**249.0**	**289.8**	**238.3**	**-4.3%**	**100%**

The weight of strategic locations is unchanged compared to 2019.

1.2.1.4. Indexation

The indexation effect is +€1.1 million (Group share) over six months. For current leases:

- 88% of rental income is indexed to the ILAT (Service Sector rental index)
- 10% to the ICC (French construction cost index)
- The balance is indexed to the ILC or the IRL (rental reference index).

1.2.1.5. Rental activity: more than 46,000 m² renewed or let during the first half of 2020

	Surface *(m²)*	Annualised rents H1 2020 *(€M, Group share)*	Annualised rents H1 2020 *(€/m²,100%)*
Vacating	19,896	4.1	246
Letting	5,901	1.5	336
Pre-letting	-	-	-
Renewals	40,341	10.4	222

Despite the lockdown, Covivio pursued its letting and renewal strategy:

- **40,340 m²** have been **renegotiated or renewed** in the first semester 2020, **including 18,200 m²** of renegotiations to help some tenants to get though the crisis

  They have been realised in line with previous IFRS rents and with +2.6 years lease extension on average
- **5,900 m²** have been let during the first half of 2020, mostly in Bordeaux and Paris
- **19,900 m²** were vacated, mostly in Paris 18th (7,640 m²) and La Défense (6,730 m²).

Significant movements include:

- **IBM** renewals on two assets for 16,000 m² in Montpellier, with a new lease in line with previous IFRS rent
- a new lease was signed on **Cité du Numérique in Bordeaux** with an insurance company (2,000 m², 6 years) achieving prime headline rent (€160/m²). Occupancy rate now reaches 81% on this asset
- **Carré Suffren**'s activity illustrates the success of the renovation plan enhancing the services offer:
  - 2 new leases were signed for 9 years with strong tenants (Equinix and Naval Energies), achieving +8% increase vs previous rent on this building. With these 2 leases, in addition to 2 others signed in 2019, the surface vacated by Aon at end-2019 have been fully relet
  - In parallel, 2 international institutions (Institut Français and OECD) renewed their lease for respectively 2 and 3 years
- **CB21** in La Défense, where occupancy rate remains high at 95% despite some departures:
  - 3 tenants left for a total of 6,700 m²
  - These surfaces have been partially relet at end-June (~40%), with a new lease signed this semester coming in addition to 2 others signed in 2019, that took effect in 2020.

1.2.1.6. Lease expiries and occupancy rate

1.2.1.6.1. Lease expiries: firm residual lease term of 4.5 years

(€M)	By lease end date (1st break)	% of total	By lease end date	% of total
2020	19	8%	17	7%
2021	34	14%	30	13%
2022	41	17%	29	12%
2023	28	12%	16	7%
2024	10	4%	7	3%
2025	40	17%	37	15%
2026	8	3%	8	3%
2027	16	7%	21	9%
2028	8	3%	24	10%
2029	5	2%	19	8%
Beyond	30	13%	32	13%
TOTAL	**238**	**100%**	**238**	**100%**

The firm residual duration of leases is stable vs year-end-2019.

Out of the €19 million of expiries remaining in 2020, representing 8% of France Office rents (and 2.7% of Covivio annualised revenues):

- 2% relate to tenants with no intent to vacate the property
- 1.5% relate to assets with planned redevelopment, including Flers asset in Lille to be released by Orange and redeveloped into a high-quality building
- 0.5% relate to non-core assets with planned disposal
- 4% to be managed, essentially linked to assets in Paris and La Défense.

Out of the €34 million of expiries in 2021, representing 14% of French Office rents (and 4.8% of Covivio's revenues):

- 10% are related to Orange, including 3 assets in Paris with refurbishment or redevelopment to be launched in 2021
- 4% relates to core assets essentially in Paris and La Défense.

1.2.1.6.2. Occupancy rate: a high level of 95.8%

(%)	2019	H1 2020
Paris Centre West	99.5%	99.5%
Southern Paris	100.0%	98.8%
North Eastern Paris	96.6%	95.3%
Total Paris	**98.9%**	**98.2%**
Western Crescent and La Défense	96.6%	93.5%
Inner ring	98.2%	98.4%
Outer ring	91.6%	86.5%
Total Paris Region	**97.8%**	**96.4%**
Major regional cities	96.2%	96.4%
Other French Regions	89.2%	84.6%
TOTAL	**97.1%**	**95.8%**

The occupancy rate remains high at 95.8% despite the lockdown's challenging letting market. It has remained above 95% since 2010, reflecting the Group's very good rental risk profile over the long term.

The slight decline (-1.3 pts) is due to some releases in Paris and La Défense, where surfaces have been partially relet despite the slowdown in the letting market, and to non-core assets in secondary locations.

1.2.1.7. Reserves for unpaid rent

(€M)	H1 2019	H1 2020
As% of rental income	0.9%	0.7%
In value[1]	1.0	0.8

(1) Net provision/reversals of provision.

The level of unpaid rent remains limited despite the Covid context, thanks to Covivio's strong exposure to large corporates. The level is below H1 2019, due a tenant bankruptcy last year on an asset in Boulogne.

1.2.1.8. Disposals and disposal agreements: €239 million secured in the first half of 2020

€239m secured | +11% margin | 4.7% yield

€83m

Realised disposals
Nanterre Respiro in the Westerne Crescent (11,170 m²)

€156m

Disposal agreements
Core assets in major regional cities and non core assets

Covivio has secured, in the first half of 2020, €239 million of disposals and disposal agreements at an overall +11% margin (vs end-2019 appraisal):

- €230 million of secured disposals related to mature assets developed or redeveloped by Covivio between 2013 and 2017:
  - an 11,170 m² office building in Nanterre (Greater Paris), delivered in 2015 at a 7% yield-on-cost, and sold at a 4.8% yield (in line with appraisal value)
  - three assets in major regional cities, let to Covivio's longstanding partners and benefiting from long lease length. The group achieved a +18% margin vs end-2019 value
- €9 million of non-core assets in the first ring and French regions of which €4 million realised and €5 million under agreement.

1.2.1.9. Development pipeline: €4.9 billion of projects (€4.3 billion Group share)

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

1.2.1.9.1. Deliveries

No deliveries were made in the first half of 2020.

1.2.1.9.2. Committed pipeline: €1.6 billion of projects (€1.3 billion Group share)

Currently 14 projects are under way, of which 80% are located in Paris or Greater Paris, representing 256,960 m² of offices.

As a reminder the pre-let on the 11 offices projects in France and Italy to be delivered in the next 12-months is around 75%. It includes 7 assets in France offices:

- 2 projects in the business district of Montrouge/Malakoff/Châtillon: Flow, the future headquarters of Edvance, subsidiary of EDF, fully pre-let, and IRO, 25,600 m² of offices pre-let at 20% to Siemens
- 1 project in Paris: Gobelins, 4,360 m² of offices dedicated to flex-workspace with Wellio
- 2 other projects in Greater Paris: Meudon Ducasse a 5,100 m² asset fully pre-let and Coeur d'Orly Belaia (owned at 50%) and pre-let at 48% to ADP
- 2 projects in Montpellier Pompignane business district: a 16,500 m² turnkey project for Orange and a service building as part of the future business hub in the area.

Deliveries beyond the next 12 months concern essentially projects for 2022 and 2023. The largest projects include:

- Paris So Pop – 31,300 m²: 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)

- Levallois Alis – 19,800 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

- DS Campus extension – 27,500 m²: the second extension project of the Dassault Systems campus in Vélizy to be delivered in 2023.

Detail figures for each project are available on the summary table of the pipeline, page 21 of this document.

1.2.1.10. Portfolio values

1.2.1.10.1. Change in portfolio values: +€98 million in Group Share in first half of 2020

(€M) – Including Duties Group share	Value 2019	Acquis.	Invest.	Disp.	Change in value	Franchise	Transfer	Change in scope	Value H1 2020
Assets in operation	4,781	-	9	-82	3	1	-2	-	4,710
Assets under development	978	-	93	-3	77	-	2	-	1,147
TOTAL	**5,759**	**-**	**101**	**-84**	**80**	**1**	**-**	**-**	**5,857**

The portfolio value has grown by €98 million since year-end-2019:

- +80 million from like-for-like value growth
- +€101 million invested in development projects (+€93 million) and in upgrading work on assets in operations (+€9 million)
- -€84 million from disposals that allowed Covivio to crystallise the value of mature assets and to finance investments in the development pipeline.

1.2.1.10.2. Like-for-like portfolio evolution: +1.4%

(€M) Excluding Duties	Value 2019 100%	Value 2019 Group share	Value H1 2020 100%	Value H1 2020 Group share	LfL *(%)* change[1] 6 months	Yield[2] 2019	Yield[2] H1 2020	% of total
Paris Centre West	1,312	1,197	1,388	1,249	3.2%	3.8%	3.7%	21%
Paris South	834	690	851	704	1.1%	4.2%	4.1%	12%
Paris North-East	412	412	412	412	0.1%	5.1%	5.0%	7%
Total Paris	**2,558**	**2,298**	**2,651**	**2,366**	**2.0%**	**4.2%**	**4.1%**	**40%**
Western Crescent and La Défense	1,590	1,429	1,502	1,345	-0.7%	5.3%	5.2%	23%
Inner ring	1,599	1,100	1,695	1,184	3.1%	5.7%	5.7%	20%
Outer ring	54	54	53	53	-1.1%	9.6%	5.7%	1%
Total Paris Region	**5,801**	**4,881**	**5,902**	**4,948**	**1.5%**	**4.9%**	**4.8%**	**84%**
Major regional cities	1,044	741	1,086	777	1.0%	5.8%	5.7%	13%
Other French Regions	137	137	132	132	0.2%	9.4%	8.0%	2%
TOTAL	**6,982**	**5,759**	**7,120**	**5,857**	**1.4%**	**5.1%**	**5.0%**	**100%**

(1) LfL: Like-for-Like.
(2) Yield excluding assets under development.

Values increased by 1.4% during the semester on a like-for-like basis, further illustrating Covivio's secured profile in France Offices made up of:

- a dynamic development portfolio with significant value increase (+8.3%) explained by its strong and attractive locations. These locations resulted in strong catch-up in terms of capital value, confirming the potential of some of the most promising Greater Paris locations (Levallois, Châtillon, Montrouge, Paris 17th/Saint-Ouen)
- a resilient core portfolio with stable asset values (+0.4%) in tough economic times, thanks to the good asset profile (~5 years WALL and high occupancy) but also the secured disposal agreements of 3 prime assets.

1.2.1.11. Strategic segmentation of the portfolio

- The core portfolio is the strategic segment of key assets, consisting of resilient properties providing long-term income. Mature assets may be disposed of 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 the overall office portfolio, but with smaller, liquid assets in local markets, allowing their possible progressive sale.

	Core Portfolio	Development portfolio	Non-core portfolio	Total
Number of assets	76	46	72	194
Value Excluding Duties Group share *(€M)*	4,569	1,147	141	5,857
Annualised rental income	224	4	11	238
Yield[1]	4.9%	-	7.7%	5.0%
Residual firm duration of leases *(years)*	4.6	0.6	2.1	4.5
Occupancy rate	96.6%	n.a	81.0%	95.8%

(1) Yield excluding development.

- Core assets represent 78% of the portfolio (Group share) at June 2020.
- The development portfolio value has increased sharply since H1 2019 and now represents 20% of the total portfolio, including 2% of residential development.
- Non-core assets now represent 2% of the portfolio, due to the disposals in French regions and the outer suburbs.

1.2.2. Italy Offices

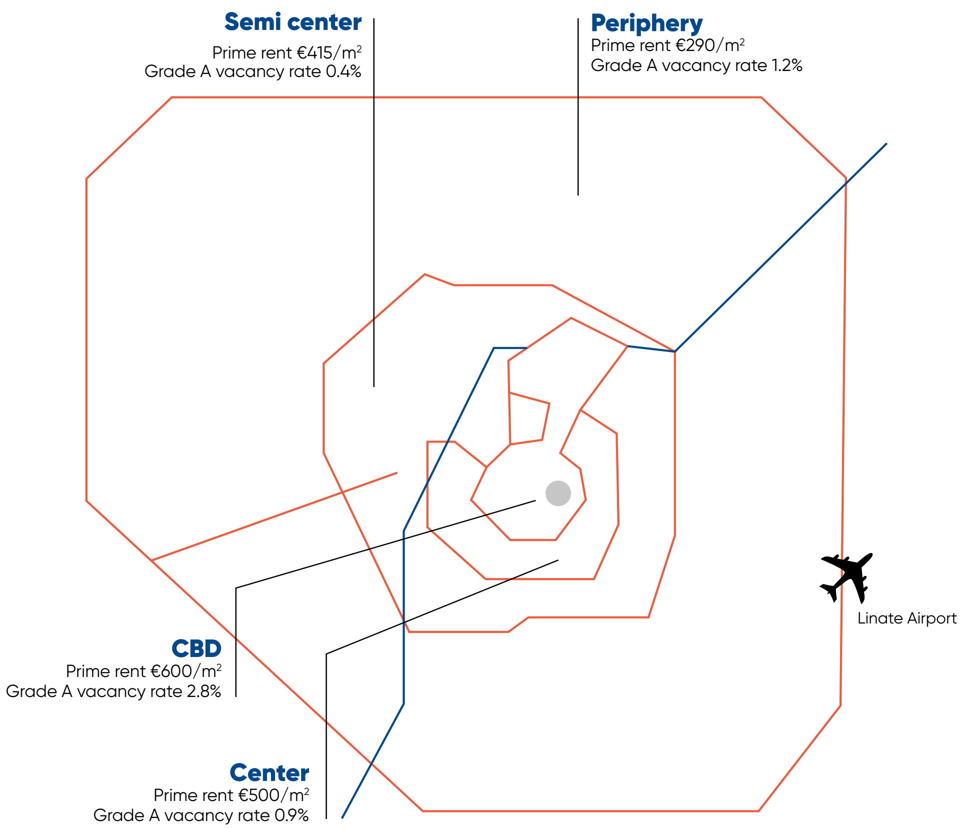
1.2.2.1. Milan office market demonstrates strong resilience

Covivio's Italy strategy is focused on Milan, where the Group's acquisitions and developments are concentrated. At end-June 2020, the Group owned offices worth €3.6 billion (€3.0 billion Group share).

The Milan office leasing and investment market proved to be resilient in the first half of 2020:

- Milan office **take-up** stood at 160,000 m² at end-June 2020, -30% year-on-year but on par with the 10-year average
- the **vacancy rate** in Milan inner-city and semi-centre remained stable at 4.2%, but decreased on Grade A assets to 1.7% (-20 bps since end-2019)
- **prime rents** remain stable at €600/m² in the CBD
- total **investment volumes** in Milan reached ~ €1.3 billion, up by 6.7% vs H1 2019 (€1.2 billion). Prime yields in Milan remain stable at 3.3% and investors have been focusing on core assets.

Milan prime rents and vacancy rates by submarkets



Covivio's activities in the first 6 months of 2020 were marked by:

- good rental growth on a like-for-like basis (+2.0%)
- sustained disposal activity, in line with Covivio's strategy to focus on Milan and crystallise the value creation realised on mature assets, with €111 million of disposals agreements mainly in Milan with a 22% margin
- the delivery of the first building of the Sign project, a 9,300 m^2 redevelopment project in Milan that was fully pre-let in 2019 to Covivio's long-term partner Aon.

1.2.2.2. Accounted rental income: +2.0% like-for-like growth

(€M)	Rental income H1 2019 100%	Rental income H1 2019 Group share	**Rental income H1 2020 100%**	**Rental income H1 2020 Group share**	Change *(%)*	**Change** *(%)* **LfL[1]**	% of total
Offices - excl. Telecom Italia	49.1	49.1	43.3	43.3	-11.8%	2.8%	51%
of which Milan	*41.9*	*41.9*	*34.6*	*34.6*	*-17.3%*	*3.3%*	*41%*
Offices - Telecom Italia	44.0	22.5	40.9	20.9	-7.1%	0.5%	49%
Development portfolio	1.3	1.3	n.a	n.a	n.a	n.a	n.a
TOTAL	**94.5**	**72.9**	**84.2**	**64.2**	**-12.0%**	**2.0%**	**100%**

(1) LfL: Like-for-Like.

The portfolio performed well from a rental perspective, with +2.0% LfL rental growth. Overall, rental income decreased by €8.7 million compared to the first half of 2019 due to:

- the disposal of non-core assets mainly in 2019 (-€10.1 million)
- the like-for-like rental growth of +2.0% (+€1.2 million) thanks to the performance of Milan offices (+3.3%)
- acquisitions realised in 2019 (+€0.2 million) and deliveries (+€2.1 million including The Sign Building A, Milan)
- vacating for development (-€1.2 million), mainly on Via Unione in Milan CBD
- early termination of a retail lease on Via Dante, one the most sought-after areas in Milan (-€1.0 million).

1.2.2.3. Annualised rental income: €137.0 million Group share

(€M)	Surface *(m²)*	Number of assets	Annualised rents 2019 Group share	**Annualised rents H1 2020 100%**	**Annualised rents H1 2020 Group share**	Change *(%)*	**% of total**
Offices - excl. Telecom Italia	374,198	57	91.6	95.3	95.3	4.0%	70%
Offices - Telecom Italia	902,609	126	45.1	81.8	41.7	-7.4%	30%
Development portfolio	158,305	10	2.9	n.a	n.a	n.a	n.a
TOTAL	**1,435,113**	**193**	**139.6**	**177.1**	**137.0**	**-1.8%**	**100%**

(€M)	Surface *(m²)*	Number of assets	Annualised rents 2019 Group share	**Annualised rents H1 2020 100%**	**Annualised rents H1 2020 Group share**	Change *(%)*	**% of total**
Milan	514,585	53	83.2	91.8	84.7	1.8%	62%
Rome	68,058	12	4.7	8.7	4.7	0.0%	3%
Turin	100,778	9	6.3	8.9	7.1	12.6%	5%
North of Italy *(other cities)*	443,305	69	29.9	41.5	26.3	-11.8%	19%
Others	308,386	50	15.5	26.3	14.2	-8.4%	10%
TOTAL	**1,435,113**	**193**	**139.6**	**177.1**	**137.0**	**-1.8%**	**100%**

Annualised rental income decreased by 1.8% mainly due to the disposal of non-core assets outside Milan.

1.2.2.4. Indexation

The annual indexation of rental income is usually calculated by applying the increase in the Consumer Price Index (CPI) on each anniversary of the signing of the agreement.

During the first half of 2020, the average monthly change in the CPI has been +0%.

1.2.2.5. Rental activity

(€M)	Surface *(m²)*	**Annualised rents H1 2020 Group share**	**Annualised rents H1 2020** *(100%, €/m²)*
Vacating	2,248	2.0	897
Lettings on operating portfolio	915	0.6	644
Lettings on development portfolio	6,420	1.0	152
Renewals	20,571	7.1	346

In the first half of 2020, around **8,000 m² of new leases** have been signed:

- 6,420 m² have been let on Corso Ferrucci in Turin
- 1,500 m² were let or renewed in Milan.

2,250 m² were vacated during the first half of 2020 in central locations of Milan:

- around 930 m² relate to the departure of a tenant in Milan, Via Dante, one of Milan's most sought-after retail streets
- 1,290 m² relate to the departure of tenants in assets in Milan, including Via Dell Unione (already re-let).

In addition, **10 leases were renegotiated 20,000 m²** in the context of the Covid pandemic. Rent free periods were granted for the duration of the lockdown in exchange of lease extensions (up to 3 years). Thanks to these lease extensions, the renegotiations had a slightly positive impact on IFRS rent (+0.2%).

1.2.2.6. Lease expiries and occupancy rates

1.2.2.6.1. Lease expiries: 7.1 years of average firm lease term

(€M) – Group share	**By lease end date** (1st break)	% of total	**By lease end date**	% of total
2020	13	9%	10	7%
2021	10	8%	5	4%
2022	13	10%	15	11%
2023	6	4%	6	4%
2024	5	4%	7	5%
2025	4	3%	4	3%
2026	4	3%	8	6%
2027	9	6%	9	7%
2028	16	12%	15	11%
2029	4	3%	4	3%
Beyond	52	38%	55	40%
TOTAL	**137**	**100%**	**137**	**100%**

The firm residual lease term remains stable and high at 7.1 years.

In 2020, the €12.8 million of lease expiries (9% of Italy office rents/1.8% of Covivio annualised revenues) include:

- 5% are on assets to be redeveloped mainly in Milan CBD (Corso Italia)
- 2% are mainly related to break options that the tenant will not exercise
- 2% are to be managed and related to core assets in Milan.

In 2021, the €10.4 million of lease expiries (8% of Italy Office rents/1.4% of Covivio revenues) include:

- 6% are related to core assets in Milan CBD
- 2% are related to non-core assets.

1.2.2.6.2. Occupancy rate: a high-level of 98%

(%)	2019	H1 2020
Offices - excl. Telecom Italia	98.1%	96.8%
Offices - Telecom Italia	100.0%	100.0%
TOTAL	**98.7%**	**97.8%**

The occupancy rate of offices excluding Telecom Italia assets has decreased and stands at 96.8% (-1.3 pts compared to year-end-2019) mainly because of the release of retail tenant in Milan, Via Dante, which benefits from a location in one of Milan's most sought-after retail streets.

1.2.2.7. Reserves for unpaid rent

(€M)	H1 2019	H1 2020
As% of rental income GS	1.8%	3.8%
In value(1)	1.5	2.6

(1) Net provision/reversals of provision.

Most of the provisions relate to high street retail tenants facing a challenging business environment due to the pandemic. Deferred payments or rent free has been agreed with 50% of tenants (usually in exchange of lease extensions) and negotiations are ongoing with the rest of them.

1.2.2.8. Disposal agreements: €111 million secured during H1 2020

(€M) – 100%	Disposals (agreements as of end of 2019 closed) (1)	Agreements as of end of 2019 to close	New disposals H1 2020 (2)	New agreements H1 2020 (3)	Total H1 2020 = (2) + (3)	Margin vs 2019 value	Yield	Total Realised Disposals = (1) + (2)
Milan	39	-	-	94	**94**	**27%**	**3.3%**	39
Rome	-	-	-	-	**-**	**-**	**-**	-
Other	19	15	-	33	**33**	**0%**	**4.5%**	19
TOTAL 100%	**57**	**15**	**-**	**127**	**127**	**19%**	**3.6%**	**57**
TOTAL GROUP SHARE	**56**	**15**	**-**	**111**	**111**	**22%**	**3.5%**	**56**

In H1 2020, Covivio secured €111 million Group share of new disposal agreements. The disposals of non-core assets outside Milan are in line with Covivio's strategy to focus on the city. Covivio is also taking the most out of the asset rotation potential offered by Milan dynamism with the disposal of mature assets:

- it demonstrates Covivio's deep knowledge in redevelopment but also its ability to attract strong tenants and build a unique core portfolio
- the +27% margin (based on end-2019 appraisal) illustrates Milan dynamic market and investors' appetite for core assets in prime locations.

1.2.2.9. Development pipeline: €0.8 billion of projects (€0.8 billion Group share)

Covivio has around €0.8 billion of pipeline in Italy, focused on Milan, facing high demand for new or restructured spaces. The Group has boosted its development capacity since 2015, with seven committed projects as of end June 2020, which will drive the Group's growth in the coming years.

1.2.2.9.1. Delivered projects

In the first half of 2020, two projects have been delivered:

- The Sign – building A in Milan (9,300 m²): the first building of the redevelopment project on Via Schievano area in Milan, fully let to Aon for their Italian headquarters.
- The last part of Corso Ferrucci project in Turin (13,700 m²) was delivered in June. The asset is now fully delivered and 90% let to multiple tenants, including NTT Data which leased 3,400 m² in the first half 2020.

1.2.2.9.2. Committed projects: €338 million

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

65,100 m^2 are under construction in Milan, with 7 projects in the CBD of Milan and the Symbiosis and Schievano area. Thanks to the quality of the locations and of the buildings, the pre-let ratio is close to 100% on the projects to be delivered in the next 12-monts, and at 59% overall.

The projects include:

- Symbiosis Building D – 18,500 m^2: third building of the Symbiosis project scheduled for 2021, 35% pre-let for the future headquarters of Boehringer Ingelheim in Italy

- Symbiosis School – 7,900 m^2: a NACE Schools building, one of the six largest groups of private international schools in the world

- The Sign B&C – 16,900 m^2: redevelopment project on Via Schievano, on the South West fringes of the centre of Milan in the Navigli business district, fully pre-let to NTT Data for their Italian headquarters

- Via Dante – 4,700 m^2: renovation of a trophy building near the Piazza Duomo to host the first Wellio flex-workspace site in Milan

- Reinventing Cities – 10,000 m^2: winner of the Reinventing Cities competition with the Project "VITAE", a prestigious international tender for urban and environmental regeneration.

1.2.2.10. Portfolio values

1.2.2.10.1. Change in portfolio values

(€M) – Group share Excluding Duties	Value 2019	Invest.	Disposals	Change in value	Transfer	**Value 30/06/2020**
Offices - excl. Telecom Italia	1,823	5	-53	-7	130	1,898
Offices - Telecom Italia	721	-	-2	-2	-	718
Development portfolio	432	35	-	-0	-130	337
TOTAL STRATEGIC ACTIVITIES	**2,976**	**41**	**-54**	**-9**	**0**	**2,953**

The portfolio value is stable at €3.0 billion (Group share) at end-June 2020. The disposals and slight decrease in like-for-like value are partially offset by the €41 million investments, mainly in the development pipeline.

1.2.2.10.2. Portfolio in Milan: close to 90% of the portfolio excluding Telecom Italia

(€M) – Excluding Duties	Value 2019 Group share	**Value H1 2020 100%**	**Value H1 2020 Group share**	**LfL[1] change**	Yield[2] 2019	**Yield[2] H1 2020**	% of total
Offices - excl. Telecom Italia	1,823	1,898	1,898	-0.4%	5.0%	5.1%	64%
Offices - Telecom Italia	721	1,407	718	-0.3%	6.2%	5.8%	24%
Development portfolio	432	337	337	0.0%	n.a	n.a	11%
TOTAL	**2,976**	**3,643**	**2,953**	**-0.3%**	**5.4%**	**5.3%**	**100%**

(1) LfL: Like-for-Like.
(2) Yield excluding development projects.

(€M) – Excluding Duties	Value 2019 Group share	**Value H1 2020 100%**	**Value H1 2020 Group share**	**LfL[1] change**	Yield[2] 2019	**Yield[2] H1 2020**	% of total
Milan	2,140	2,302	2,151	0.5%	4.6%	4.7%	72.8%
Turin	125	151	125	-1.8%	8.5%	6.3%	4.2%
Rome	96	179	95	-0.1%	4.9%	4.9%	3.2%
North of Italy	410	619	378	-4.1%	7.4%	7.1%	12.8%
Others	205	391	204	-0.4%	7.3%	6.7%	6.9%
TOTAL	**2,976**	**3,643**	**2,953**	**-0.3%**	**5.4%**	**5.3%**	**100%**

(1) LfL: Like-for-Like.
(2) Yield excluding development projects.

Milan Offices represent close to 90% of the portfolio excl. Telecom Italia assets, stable compared to end-2019. The important share of Milan is in line with Covivio strategy to focus on the city.

- While total Milan values grew only slightly (+0.5%), fundamentals remain healthy:
  - the non-Telecom Italia Milan offices proved again their dynamism and confirmed their strong resilience (+1.1% like-for-like increase)
  - Milan values were slightly affected by the high street retail performance (-2.5%).
- Telecom Italia showed stability again (-0.3%), relying on its strong fundamentals:
  - 11 years average lease term
  - 100% occupancy.
- Non-core office assets (outside Milan) suffered during the semester (-2.4%). Covivio is therefore focusing again on the disposal of these non-core assets.

1.2.3. Germany Offices

Since 2019, Covivio reinforced its presence in German Offices, capitalising on its existing platform with local teams, €200 million of existing assets in Berlin and a flagship development project in Alexanderplatz.

Three acquisitions were realised in Berlin end-2019, and Covivio accelerated its strategy early 2020 by acquiring 10 office assets located in Frankfurt, Düsseldorf, Hamburg and Munich through the public offer and delisting of Godewind Immobilien AG (renamed Covivio Office AG). The acquisition, announced on 13 February, was closed on 14 May with the company's delisting. Today Covivio owns 89.3% of share capital while a 10% put option to outside shareholders was granted.

Today Covivio boasts a strong German office platform of 27 assets worth €1.7 billion (€1.4 billion Group share), located in the top 5 German cities (Berlin, Frankfurt, Düsseldorf, Hamburg and Munich).

1.2.3.1. German offices market: sound fundamentals in the top 7 cities[1]

- Take-up in German's top seven markets fell by 33% in H1 2020 year-on-year to 1.3 million m^2. In all seven cities the trend was negative for this semester: Berlin (-15%), Hamburg (-45%), Munich (-23%).
- Immediate supply remains scarce with a vacancy rate at 3.1%, having increased slightly vs 2019 (+0.2 pt).
- Future supply is also very limited with around 5 million m^2 under construction until 2022:
  - pre-let ratio remains high at 60%, including 80% for the remaining 2020 deliveries
  - consequently, future available space until 2022 represents only 2% of the current existing stock.
- Prime rents remained stable overall but average rent grew in Berlin (+6%) and Munich (+10%).
- Investments in German offices remained stable at €8.8 billion (-1%) compared to H1 2019.

During the first half of 2020, Covivio's German offices activity was characterised by:

- **successful integration of Godewind** portfolio and teams
- **appraisal value** of the portfolio at end-June **3% above the acquisition price**
- **financial agreement reached with WeWork for the termination of a firm lease contract** in Düsseldorf.

1.2.3.2. Accounted rental income: +€15 million Group share in the first semester of 2020

(€M)	Rental income H1 2019 100%	Rental income H1 2019 Group share	**Rental income H1 2020 100%**	**Rental income H1 2020 Group share**	Change (%) Group share	**Change (%) LfL[1] Group share**	% of rental income
Berlin	4.1	2.7	5.1	3.6		1.9%	19.6%
Frankfurt	0.0	0.0	10.6	7.0		n.a	38.0%
Düsseldorf	0.0	0.0	4.0	2.7	n.a	n.a	14.8%
Hamburg	0.1	0.1	5.5	3.7		n.a	19.9%
Munich	0.0	0.0	1.2	0.8		n.a	4.6%
Other	0.9	0.6	0.9	0.6		6.8%	3.1%
TOTAL	**5.1**	**3.3**	**27.3**	**18.4**	**N.A**	**2.8%**	**100%**

(1) LfL: Like-for-Like.

The German offices rental income grew by €15 million in Group share compared to H1 2019, thanks to the acquisition of the 10 offices portfolio. The rental income deriving from this portfolio was consolidated at 44.9% in the first quarter and at 89.3% in the second quarter following the completion of the public offer.

At a like-for-like scope, the performance of +2.8% shows the positive trend of the German office market supported by a low vacancy rate and increasing rents.

(1) Sources: Colliers, JLL. Top 7 cities include Berlin, Düsseldorf, Frankfurt, Cologne, Munich, Hamburg and Stuttgart.

1.2.3.3. Annualised rents: €45.2 million Group share

1.2.3.3.1. Geographic breakdown

(€M)	Surface *(m²)*	Number of assets	Annualised rents 2019 Group share	**Annualised rents H1 2020 100%**	**Annualised rents H1 2020 Group share**	Change Group share *(%)*	% of rental income
Berlin	141,086	15	5.4	10.2	7.2	32.5%	16%
Frankfurt	118,649	4	0.0	20.5	17.4	n.a	38%
Düsseldorf	68,882	2	0.0	9.1	7.7	n.a	17%
Hamburg	70,746	2	0.1	11.3	9.5	n.a	21%
Munich	37,104	2	0.0	2.7	2.3	n.a	5%
Other	21,820	2	1.1	1.9	1.2	3.5%	3%
TOTAL	**458,287**	**27**	**6.7**	**55.8**	**45.2**	**577%**	**100%**

1.2.3.4. Indexation

Rents are indexed on the German consumer price index. At end-June 2020, it showed an increase of +0.9% year-one-year.

1.2.3.5. Rental activity

	Surface *(m²)*	**Annualised rents H1 2020** *(€M, Group share)*
Vacating	6,046	0.8
Letting	17,515	3.5
Pre-letting	0	0.0
Renewals	23,990	4.7

The rental activity in H1 2020 was marked by:

- about 24,000 m² were renewed with +6 years maturity, of which around 11,000 m² on Y2 and around 6,300 m² on ComCon Center in Frankfurt
- 17,515 m² were let during the first half of 2020, including about 5,000 m² on the Sunsquare asset in Munich.

1.2.3.6. Lease expiries and occupancy rate

1.2.3.6.1. Lease expiries: firm residual lease term of 5.1 years

(€M)	**By lease end date** (1st break)	% of total	**By lease end date**	% of total
2020	7.2	16%	7.2	16%
2021	5.2	11%	4.5	10%
2022	4.6	10%	3.6	8%
2023	5.2	12%	3.9	9%
2024	8.1	18%	6.0	13%
2025	3.6	8%	4.0	9%
2026	2.3	5%	2.0	4%
2027	4.0	9%	2.5	6%
2028	0.4	1%	2.5	6%
2029	1.5	3%	4.6	10%
2030 beyond	3.0	7%	4.4	10%
TOTAL	**45.2**	**100%**	**45.2**	**100%**

The firm residual duration of leases stands at 5.1 years.

On the €7.2 million of expiries remaining at end-June 2020 (16% of German Office rents/1.0% of Covivio's rents):

- 8% in Berlin, large number of small short-term leases with more that 30% of reversion potential
- 5.5% in Hamburg, mainly on the Zeughaus, a 43,500 m² asset located in a well-established office area of Hamburg
- 1.5% in Frankfurt and 1% in Düsseldorf.

On the €5.2 million of expiries in 2021 (11% of German Office rents/0.7% of Covivio's rents):

- 7%in Berlin
- 2% in Hamburg
- 2% in Frankfurt.

1.2.3.6.2. Occupancy rate of 79%

(%)	H1 2020
Berlin	86.8%
Frankfurt	87.3%
Düsseldorf	57.6%
Hamburg	96.6%
Munich	49.5%
Other	98.5%
TOTAL	**79.0%**

The occupancy rate fell to 79% at end-June, due to the financial agreement reached with WeWork for the termination their firm lease contract in Düsseldorf (21,600 m² on Herzog-Terrassen). This agreement has an impact of -12 pts on the occupancy rate.

1.2.3.7. Reserves for unpaid rent

(€M) – Group share	H1 2020
As% of rental income	0.9%
In value[(1)]	0.1

(1) Net provision/reversals of provision.

The level of unpaid rent is marginal on the German offices in H1 2020 thanks to the quality of the tenant base despite the impacts of the Covid-19.

1.2.3.8. Acquisition

Early 2020, Covivio consolidated its strategic position on the dynamic German office market by acquiring 10 office assets valued at €1.2 billion (€1.1 billion in Group share). The portfolio is made up of 10 assets totalling 290,000 m² and are located in Frankfurt, Düsseldorf, Hamburg, and Munich. The acquisition was completed through the public offer and delisting of Godewind Immobilien AG (renamed Covivio Office AG). The appraisal value at end-June 2020 is 3% above the acquisition price.

1.2.3.9. Development pipeline: €1.3 billion of managed projects (€0.8 billion Group share)

Capitalising on its development expertise and successful track record in France, Italy and Germany, Covivio is also implementing its development strategy in German offices, relying on its existing development team.

The development projects managed to date represent around €800 million Group share of estimated costs and are made up of 5 projects representing ~168,000 m². They are located essentially in Berlin (80%) and Leipzig and Munich (20%).

The target yield on cost is above 5%.

3 projects in Berlin:

- Alexanderplatz, 60,000 m²: landmark project in the heart of Berlin on a land bank adjacent to the Park Inn hotel. The project will offer ~60,000 m² of mixed-use space (office, residential, retail) and will be delivered in 2024. The prebuilding permit was already obtained in 2019 and the project is expected to be committed around end-2020/2021.

  The land bank also offers an additional 70,000 m² constructability to be exploited in the long term.

- Schöneberg district, 13,100 m²: office project expected to be completed in 2023, on an asset acquired in 2019 with significant redevelopment potential. The prebuilding permit has already been obtained.

- Adlershof district, 7,700 m²: office project to begin around end-2021 or 2022, on a land bank acquired end-2019 as well.

- Munich, 20,000 m²: land bank adjacent to the Munich Sunsquare asset acquired early 2020.

- Leipzig, 30,000 m²: office project to build two office towers on a land bank next to the Westin hotel in Leipzig. The results of the architectural competition were released in June 2020. This project illustrates the synergies between Covivio's products, using its development expertise in offices and its local platform in Germany to extract the maximum value from its portfolio.

1.2.3.10. Portfolio values

1.2.3.10.1. Change in portfolio values

(€M) – Group share, Excluding Duties	Value 2019	Acqu.	Invest.	Disposals	Value creation on Acquis./ Disposals	Change in value	Change of scope	**Value H1 2020**
Berlin	228	11	26	-	0	19.6	-	283
Frankfurt	-	411	0	-	21	-	-	432
Düsseldorf	0	287	0	-	-2	0.0	-	284
Hamburg	4	246	0	-	6	0.2	-	256
Munich	-	84	0	-	21	-	-	105
Other	19	-	0	-	-	1.1	-	21
TOTAL	**251**	**1,038**	**26**	**0**	**46**	**21**	**0**	**1,381**

The portfolio value grew by €1,130 million since year-end 2019. The growth was fuelled by the acquisition of the 10 office assets portfolio from Godewind in February 2020.

1.2.3.10.2. Like-for-like portfolio evolution: +2.6% of growth

(€M) – Excluding Duties	Value 2019 100%	Value 2019 Group share	**Value H1 2020 100%**	**Value H1 2020 Group share**	**LfL[1] change**	Yield 2019	**Yield 2020**	% of total value
Berlin	320	228	361	283	2.2%	n.a	3.6%	21%
Frankfurt	0	0	511	432	n.a	n.a	4.0%	31%
Düsseldorf	0	0	336	284	3.3%	71.7%	2.7%	21%
Hamburg	6	4	304	256	6.1%	30.3%	3.7%	19%
Munich	0	0	124	105	n.a	n.a	2.2%	8%
Other	30	19	32	21	6.5%	0.0%	5.8%	1%
TOTAL	**356**	**251**	**1,670**	**1,381**	**2.6%**	**N.A**	**3.5%**	**100%**

(1) LfL: Like-for-Like.

Covivio German office portfolio now reached a critical size with €1.7 billion of assets and boasts strong fundamentals:

- strategic locations in the center of Germany top 5 cities
- a balanced portfolio of existing assets and development projects in Berlin, Leipzig and Munich at yield-on-cost of more than 5%
- a current valuation standing at 4,100 €/m² on existing assets, that appears still below most European office hubs, and still offers catch-up potential even more given the very preliminary stage of developments
- the like-for-like performance (+2.6%) excludes the recently acquired portfolio but gives however a good insight into the dynamism of the office platform. As for acquired assets, the portfolio value has already exceeded the acquisition price and still holds potential via the expected vacancy reduction.

1.2.4. Germany 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. The figures presented also exclude the Germany Offices activity which is presented independently in this report (see section 1.2.3).

Covivio owns around ~41,000 apartments located in Berlin, Hamburg, Dresden, Leipzig and North Rhine-Westphalia, representing €6.4 billion (€4.1 billion Group share) of assets.

1.2.4.1. Widening housing shortage and resilient market

In February 2020, the city of Berlin implemented a law to freeze the housing rents for five years and set rent caps on most residential units. This law is being challenged in court: on 6 May 2020, CDU/CSU and FDP members of the Federal Parliament brought legal action before the Federal Constitutional Court against this new Berlin regulation, considering that it is not compatible with the German constitution. The judicial review in ongoing with a ruling expected within 24 months.

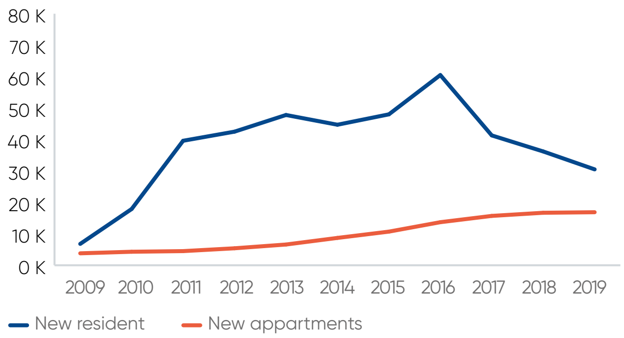
For additional details on the application of this law and its impacts on Covivio's residential activity refer to section 2.4 of this chapter.

- **The housing shortage** continues to widen in Germany: ~400,000 new units are needed each year against 293,000 new deliveries in 2019. The situation is especially dire in Berlin, where the existing housing shortage is estimated at more than 200,000 units and where the constructions remained stable in 2019 at ~16,900 units.
- In Berlin:
  - the average asking price on new buildings spiked by about 10% to 17.6 €/m² in H1 2020 (year-on-year). The existing buildings' asking rents grew by only +1.9% to 11.45 €/m² due to the new regulation
  - the average asking price for new buildings rose by 4.3% to around 6,530 €/m² in H1 2020.

    On the existing buildings segment, the average asking price grew by 8.2% to 4,850 €/m², significantly above the current valuation of Covivio's portfolio (2,860 €/m² in Berlin on residential units)
- Overall, in Germany:
  - rents have slightly risen by an average of 2.6% to 8.3€ (latest available data Q1 2020 vs. Q1 2019)
  - the average asking price grew by 14% (Q1 2020 vs Q1 2019).
- In the first half of 2020, investment volumes in the German residential market grew by +96% compared to H1 2019 to reach €12.5 billion (accounting largely for the acquisition of Adler Real Estate). Despite an overall decline in Q2 2020 (€3.2 billion below the quarterly average volume of €4.1 billion), the investments were already above the 5-year monthly average in June (€1.7 billion vs. €1.4 billion) and rising demand from investors is supporting the investment market.

Housing Gap in Berlin

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



In the first half of 2020, Covivio's activities were marked by:

- a +2.9% increase in rental income on a like-for-life basis, driven by NRW, Hamburg, Dresden & Leipzig (+3.6% on average)
- +4.2% increase in values on a like-for-like basis on the overall portfolio and +2.2% increase in Berlin despite the Mietendeckel and the Covid-19's impact.

1.2.4.2. Accounted rental income: +2.9% at a like-for like scope

(€M)	Rental income H1 2019 100%	Rental income H1 2019 Group share	**Rental income H1 2020 100%**	**Rental income H1 2020 Group share**	Change Group share (%)	**Change Group share (%) LfL[1]**	% of rental income
Berlin	58.6	37.8	59.5	38.5	1.7%	2.3%	49%
of which Residential	*47.6*	*30.7*	*48.5*	*31.4*	*2.0%*	*2.6%*	*40%*
of which Other commercial[2]	*11.0*	*7.1*	*11.0*	*7.1*	*0.2%*	*0.8%*	*9%*
Dresden & Leipzig	12.0	7.6	12.3	7.9	3.1%	3.6%	10%
Hamburg	7.9	5.2	8.1	5.3	2.3%	2.6%	7%
North Rhine-Westphalia	40.7	25.8	42.6	27.0	4.6%	3.8%	34%
Essen	*14.5*	*9.0*	*15.2*	*9.4*	*5.0%*	*3.1%*	*12%*
Duisburg	*7.4*	*4.6*	*7.6*	*4.8*	*3.2%*	*4.6%*	*6%*
Mulheim	*5.0*	*3.2*	*5.1*	*3.2*	*1.8%*	*2.8%*	*4%*
Oberhausen	*4.6*	*3.1*	*4.8*	*3.2*	*5.0%*	*4.7%*	*4%*
Other	*9.3*	*5.9*	*10.0*	*6.3*	*6.8%*	*4.3%*	*8%*
TOTAL	**119.2**	**76.5**	**122.5**	**78.6**	**2.9%**	**2.9%**	**100%**
of which Residential	*104.9*	*67.2*	*107.7*	*69.1*	*2.8%*	*3.3%*	*88%*
of which Other commercia[2]	*14.3*	*9.2*	*14.8*	*9.6*	*3.5%*	*0.7%*	*12%*

(1) LfL: Like-for-Like.
(2) Ground floor retail, car parks, etc.

Rental income amounted to €79 million Group share in H1 2020, up 2.9% (+€2.2 million) due to:

- in Berlin, the like-for-like rental growth continues to be positive at +2.3% at half-year 2020 but slowing vs previous years due to the implementation of the new regulation (Mietendeckel)
- outside Berlin, the like-for-like rental growth was strong in all areas (+3.6% on average) mainly due to the reletting impact and driven mostly by NRW (+3.8%)
- 2019 and 2020 acquisitions (+€1.5 million)
- disposals (-€1.2 million) mainly involving the last portfolios of non-core assets in North Rhine-Westphalia and mature assets in Berlin.

1.2.4.3. Annualised rental income: €160 million Group share

(€M)	Surface (m²)	Number of	Annualised rents 2019 Group share	**Annualised rents H1 2020 100%**	**Annualised rents H1 2020 Group share**	Change Group share (%)	**Average rent €/m²/month**	% of rental income
Berlin	1,229,194	16,684	78.2	120.4	77.9	-0.5%	8.2 €/m²	49%
of which Residential	*1,067,874*	*15,781*	*63.8*	*98.1*	*63.4*	*-0.7%*	*7.7 €/m²*	*39%*
of which Other commercial[1]	*161,320*	*903*	*14.4*	*22.3*	*14.5*	*0.5%*	*11.5 €/m²*	*9%*
Dresden & Leipzig	320,473	5,213	15.8	25.1	16.1	2.1%	6.5 €/m²	10%
Hamburg	141,512	2,340	10.7	16.5	10.8	0.6%	9.7 €/m²	7%
North Rhine-Westphalia	1,108,947	16,656	54.6	87.1	55.1	1.1%	6.5 €/m²	34%
Essen	384,297	5,611	19.1	31.0	19.3	0.9%	6.7 €/m²	12%
Duisburg	205,532	3,164	9.6	15.5	9.7	1.1%	6.3 €/m²	6%
Mulheim	129,853	2,174	6.5	10.4	6.6	0.7%	6.7 €/m²	4%
Oberhausen	133,414	1,955	6.5	9.8	6.6	1.8%	6.1 €/m²	4%
Others	255,851	3,752	12.8	20.4	12.9	1.1%	6.6 €/m²	8%
TOTAL	**2,800,127**	**40,893**	**159.3**	**249.1**	**159.9**	**0.4%**	**7.4 €/M²**	**100%**
of which Residential	*2,587,469*	*39,658*	*140.1*	*219.1*	*140.5*	*0.3%*	*7.1 €/m²*	*88%*
of which Other commercial[1]	*212,658*	*1,235*	*19.2*	*30.0*	*19.4*	*1.0%*	*11.7 €/m²*	*12%*

(1) Ground floor retail, car parks, etc.

The portfolio breakdown has been stable since year-end-2019, with Berlin generating around half of the rental income, through residential units and some commercial units (mainly ground floor retail).

Rental income per m² (€7.4/m²/month on average) offers solid growth potential through reversion, especially in Hamburg (20-25%), in Dresden and Leipzig (15-20%) and in North Rhine-Westphalia (15-20%).

1.2.4.4. Indexation

The 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, cities like Hamburg, Cologne, Düsseldorf have introduced rent caps ("Mietpreisbremse") for re-leased properties. In these cities, rents for re-leased properties cannot exceed the public rent reference ("Mietspiegel") by more than 10%.

If construction works result in an increase in the value of the property (work amounting to more than 1/3 of new construction costs), 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 1/3 of new construction costs), the rent may be increased freely.

For current leases

The current rent may be increased by 15% to 20% depending on the region, however without exceeding the Mietspiegel or another rent benchmark. This increase may only be applied every three years.

For current leases with works carried out

If work has been carried out, rent may be increased by up to 8% of the amount of said work, in addition to the possible increase according to the rent index. This increase is subject to three conditions:

- the works aim at saving energy, increase the utility value, or improve the living conditions in the long run
- the tenant must be notified of this rent increase within three months
- the rent may not increase by more than €3/m^2 for modernisations within a 6 years-period (€2/m^2 if the initial rent is below €7/m^2).

In February, the city of **Berlin implemented a new law** to freeze & cap the rents of most residential units:

- freeze on existing rents for 5 years (i.e. until February 2025). An increase may be possible from 2022, up to the level of the inflation (about 1.3%) without exceeding the rent ceilings. Rent ceilings can be increased by the Berlin Senate in line with real wages increase two years after the law is enacted
- reversal of rent increases since 18 June 2019 back to the rent levels agreed as of that date, except for new leases signed subsequent to that date
- application of a rent cap, for reletting and current leases, defined according to the year of construction of the building and the equipment of the dwelling
- excessive rent above 120% of the rent ceiling to be reduced to the 120% level, adjusted for the quality of the location, probably applicable from the last quarter of 2020
- increase in rents in case of energetic modernisation or upgrading to accessibility standards for people with reduced mobility: +€1/m^2
- housings built after 2014, public housings and subsidised housings are excluded.

The law is being challenged in court: on 6 May 2020, CDU/CSU and FDP members of the Federal Parliament brought legal action before the Federal Constitutional Court against this new Berlin law, considering that this law is not compatible with the German constitution.

The **estimated impacts** for Covivio on the rental income will be fairly limited, as Berlin residential rents accounts for only 9% of Covivio total annualised revenue in Group share:

- freeze of existing rents
- impact of rent decrease:
  - in 2020: -€1.5 million to -€1.9 million Group share
  - in 2021: -€6.0 million vs 2020
  - Cumulative impact representing **~1% of Covivio annualised rent** at end-June 2020.

1.2.4.5. Occupancy rate: a high level of 98.4%

(%)	2019	**H1 2020**
Berlin	98.1%	97.8%
Dresden & Leipzig	99.0%	98.6%
Hamburg	99.8%	99.8%
North Rhine-Westphalia	99.0%	99.0%
TOTAL	**98.6%**	**98.4%**

The occupancy rate remains high, at 98.4%. It has remained above 98% since the end of 2015 and reflects the Group's very high portfolio quality and low rental risk.

1.2.4.6. Reserves for unpaid rent

(€M) – Group share	H1 2019	**H1 2020**
As% of rental income	0.46%	1.70%
In value[1]	0.5	1.4

(1) Net provision/reversals of provision.

There were €1.4 million of rent mainly on ground-floor retail leases due to the impact of the Covid-19 and lockdowns.

1.2.4.7. Disposals and disposals agreements: €12 million with 81% margin on appraisal value

(€M)	Disposals 2019 (agreements as of end-2019 closed) (1)	Agreements as of end-2019 to close	**New disposals H1 2020 (2)**	**New agreements H1 2020 (3)**	**Total H1 2020 = (2) + (3)**	**Margin vs end-2019 value**	**Yield**	Total Realised Disposals = (1) + (2)
Berlin	9	0.3	9	9	18	81%	0.9%	18
Dresden & Leipzig	-	-	0	0	0	0%	0.0%	0
Hamburg	-	-	-	0	-	-	-	-
North Rhine-Westphalia	2	0.7	1	1	1	87%	1.4%	2
TOTAL 100%	**11**	**1**	**10**	**9**	**19**	**81%**	**0.9%**	**21**
TOTAL GROUP SHARE	**7**	**1**	**6**	**6**	**12**	**81%**	**0.9%**	**13**

In the first half of 2020, Covivio sold assets for €12 million, essentially privatised units in Berlin.

- Privatisations: In the first half of 2020, Covivio privatised 52 units almost entirely in Berlin for €18 million (€12 million Group share) for 81% margin. These privatisations at around €4,400/m² reflect the highly unbalanced momentum in Berlin (demand vs supply and new construction).

1.2.4.8. Acquisitions: €11 million realised in H1 2020

			Acquisitions H1 2020 realised		
(€M) – Including Duties	Surface (m²)	Number of units	**Acq. price 100%**	**Acq. price Group share**	**Gross yield**
Berlin	1,391	28	3	2	3.5%
Dresden & Leipzig	3,174	31	7	5	4.5%
Hamburg	-	-	-	-	-
North Rhine-Westphalia	-	-	-	-	-
TOTAL	**4,565**	**59**	**11**	**7**	**4.2%**

In the first half of 2020, Covivio closed 2 residential deals for €11 million (€7 million Group Share):

- 1 transaction in Dresden of 31 units at €2 350/m² with no vacancy and a potential of rent increase of 30%
- 1 transaction in Berlin of 28 units at €2 450/m². This transaction also includes a land bank of 1,600 m² bought at €675/m² on which 24 units may be developed.

1.2.4.9. Development projects: €0.8 billion pipeline

In response to the supply/demand imbalance in new housing in Berlin, Covivio launched a residential development pipeline in 2017. A total of €790 million has been identified for new housing extensions, redevelopments, and new construction projects.

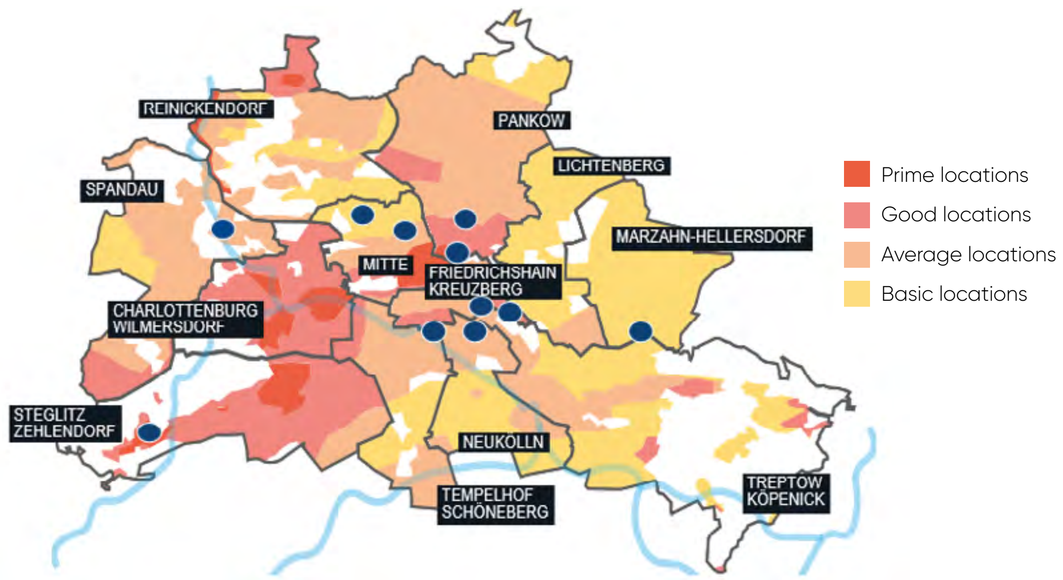
This pipeline will enable Covivio to maximise value creation in its portfolio. Part of the units developed will remain in the portfolio and will be let with a yield on cost of around 5%. The other part will be sold in order to unlock the value creation with an expected margin above 40%.

1.2.4.9.1. Committed projects: €256 million (€166 million Group share)

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

891 units are committed, primarily in Berlin, and developed at a cost of €3,964/m², with a 4.8% yield on cost on units to be let and a target margin of 45% on units to be sold.

Covivio development projects in Berlin



Source: Engel & Völkers Residential.

1.2.4.9.2. Managed projects: ~€530 million of projects (~€377 million Group share)

In all, 44 additional development projects have already been identified, representing about €530 million in developments. They mainly consist of construction projects in the centre of Berlin for more than 3,200 new housing units on around 235,000 m².

1.2.4.10. Portfolio values

1.2.4.10.1. Change in portfolio value: 4.1% growth

(€M) – Group share, Excluding Duties	Value 2019	Acqu.	Invest.	Disposals	Value creation on Acquis./ disposals	Change in value	Change of scope	Value H1 2020
Berlin	2,261	3	11	-9	2	37	-1	2,303
Dresden & Leipzig	377	5	3	-	0	23	-	407
Hamburg	293	-	3	-	-	14	-	310
North Rhine-Westphalia	1,031	-	10	-0	0	62	-	1,103
TOTAL	**3,962**	**8**	**27**	**-10**	**2**	**135**	**-1**	**4,123**

In the first half of 2020, the portfolio's value increased by 4.1% to stand at €4.1 billion Group share. This growth was driven by the like-for-like increase in value (€137 million or 84% of the growth).

1.2.4.10.2. Change on like-for-like basis: +4.2% growth

(€M) – Excluding Duties	Value 2019 Group share	Surface 100% *in m²*	**Value 2020 100%**	**Value 2020** *in €/m²*	**Value 2020 Group share**	LfL(1) change	Yield 2019	**Yield H1 2020**	% of total value
Berlin	2,261	1,229,194	3,562	2,898	2,303	2.2%	3.5%	3.4%	56%
of which Residential	*1,934*	*1,067,874*	*3,055*	*2,861*	*1,974*	*2.4%*	*3.3%*	*3.2%*	*48%*
of which Other commercial(2)	*327*	*161,320*	*506*	*3,140*	*329*	*0.9%*	*4.4%*	*4.4%*	*8%*
Dresden & Leipzig	377	320,473	636	1,985	407	6.8%	4.2%	3.9%	10%
Hamburg	293	141,512	474	3,347	310	5.8%	3.7%	3.5%	8%
North Rhine-Westphalia	1,031	1,108,947	1,743	1,572	1,103	7.0%	5.3%	5.0%	27%
Essen	381	384,297	663	1,726	413	8.4%	5.0%	4.7%	10%
Duisburg	167	205,532	286	1,394	179	7.4%	5.8%	5.4%	4%
Mulheim	118	129,853	198	1,524	126	6.4%	5.5%	5.2%	3%
Oberhausen	103	133,414	158	1,183	107	4.0%	6.4%	6.2%	3%
Other	263	255,851	438	1,710	279	6.2%	4.9%	4.7%	7%
TOTAL	**3,962**	**2,800,127**	**6,414**	**2,291**	**4,123**	**4.2%**	**4.0%**	**3.9%**	**100%**
of which Residential	*3,542*	*2,587,469*	*5,752*	*2,223*	*3,694*	*4.4%*	*4.0%*	*3.8%*	*90%*
of which Other commercial(2)	*420*	*212,658*	*662*	*3,115*	*429*	*2.1%*	*4.6%*	*4.5%*	*10%*

(1) LfL: Like-for-Like.
(2) Ground floor retail, car parks, etc.

Covivio's residential portfolio in Germany is valued at €2,223/m² on average, offering significant growth potential, especially in Berlin where the current valuation of the residential units stands at €2,860/m², significantly below the average asking price of condominiums (€4,850/m² at June-2020).

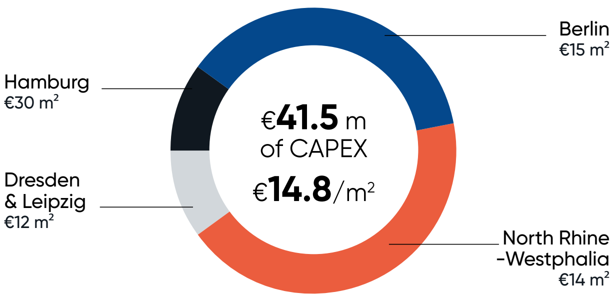
In the first half of 2020, values increased by +4.2% on a like-for-like basis since year-end-2019 which represents yet another dynamic period of growth:

- +2.2% in Berlin after excellent performance in 2019 (+11%), mainly due to the increase in values in highly sought-after locations despite the impact of the Covid-19. The Mietendeckel impact still does not stop the values from growing given the strong Berlin market fundamentals
- Hamburg (+5.8%) and Dresden and Leipzig (+6.8%) generated good performance and growth in value and rental income
- the increase in values in North Rhine-Westphalia (+7.0% vs. +4.6% in H1 2019) shows the improved quality of the portfolio, following the modernisation and non-core asset disposal programmes.

1.2.4.11. Maintenance and modernisation Capex

In the first half 2020, €42 million in Capex (€14.8/m²) and €8.5 million in Opex (€3.0/m²) were realised, in line with the Capex spent in H1 2019.

Modernisation Capex, used to improve asset quality and increase rental income, accounts for 50% of the total. In Berlin, the modernisation Capex was reduced by 11% in €/m² compared to H1 2019 due to the new regulation.



1.2.5. Hotels in Europe

Covivio Hotels, a subsidiary of Covivio held at 43.3% at half-year 2020, 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 at 100% and in Covivio Group share (GS).

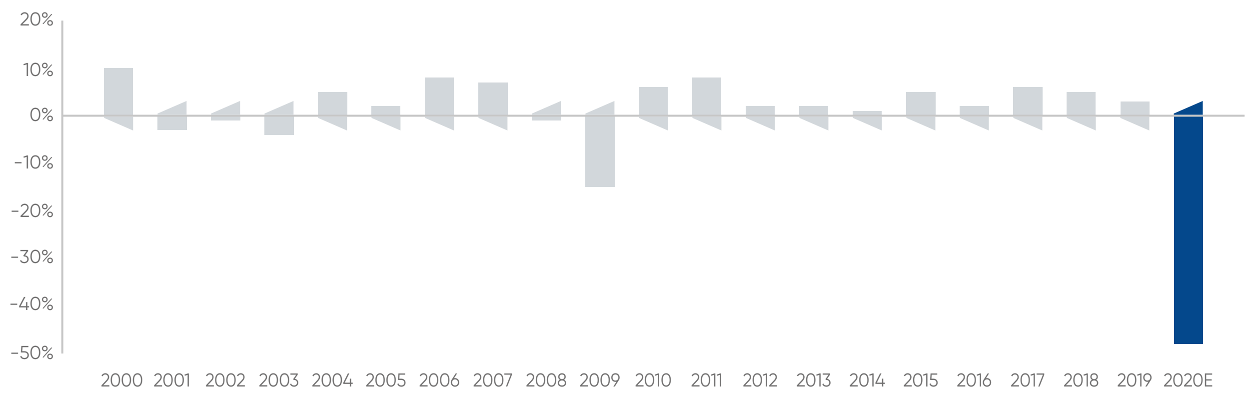
Covivio owns a high-quality hotel portfolio worth €6.2 billion (€2.4 billion in Group share) and focused on major European cities let or operated by 15 major hotel operators such as AccorInvest, B&B, IHG, NH Hotels, etc. This portfolio offers geographic and tenant diversification (across 9 Western European countries) and asset management possibilities via different ownership methods (hotel lease and hotel operating properties).

1.2.5.1. Market: an unprecedented crisis

After a positive year in 2019 (+2.7% in RevPar) for the European hotel market, the Covid-19 outbreak deeply impacted the beginning of 2020. The different lockdown measures and travel restrictions forced many European hotels to close.

- Serious implications of lockdown and travel restrictions across Europe from the month of March to June
- Revenue per available room (RevPar) in Europe fell by -57%[1], driven by a decline in occupancy rate (-36.6 pts). An even further drop of -95% was recorded during April and May.

RevPar evolution since 2000



(Source: MKG/Olakala)

In the first half of 2020, Covivio's hotel activity was strongly impacted by the Covid-19 outbreak:

- at the peak of the crisis, only 22% of the hotel portfolio was open[2]. Since then, the easing of lockdown measures enabled hotels to reopen progressively. As of 30 June, 65% of the portfolio is open but occupancy rates remain limited (between 10% and 20%)
- as a long-term partner of major hotel companies, Covivio accompanied its hotel operators by reaching agreements with 8 hotel operators (on lease contracts) in order to:
  - help them get through the crisis by granting payment facilities to relieve their cash
  - secure lease length: the total lease duration extended to 14.7 years thanks to an agreement reached with 8 hotels operators including an extension of 3.9 years on average
  - limit P&L impact: €-0.2 million IFRS rent Group share
  - protect the value of the assets
- LfL values decreased by only -3.1%, thanks to the quality of the portfolio located for 87% in major regional cities and to the agreements secured with the hotel operators.

Assets not wholly owned by Covivio Hotels include:

- 8 operating properties in Germany (94.9% owned)
- 90 B&B hotels in France (50.2%)
- 11 B&B assets in Germany (93.0%)
- 8 B&B assets in Germany, 5 of them held at 84.6% and the other 3 at 90.0%
- 2 Motel One assets in Germany (94.0%)
- Club Med Samoëns (50.1%)
- 32 AccorInvest assets in France (30 assets) and Belgium (2 assets), owned at respectively 31.2% (26 assets) and 33.3% (6 assets).

(1) MKG Data as of end of May 2020.
(2) Based on the number of rooms.

1.2.5.2. Recognised revenues: -51% on a like-for-like basis

(€M)	Revenues H1 2019 100%	Revenues H1 2019 Group share	**Revenues H1 2020 100%**	**Revenues H1 2020 Group share**	Change (%) Group share	Change Group share (%) LfL[(1)]
Hotel Lease properties (Variable rents)	29.5	12.8	9.7	4.2	-67%	-67%
Hotel Lease properties (Rents) - UK	22.1	9.5	0.0	0.0	-100%	-100%
Hotel Lease properties - Others	66.1	23.8	60.1	22.9	-4%	-2%
Hotel Operating properties (EBITDA)	31.2	13.0	3.3	1.4	-89%	-78%
TOTAL REVENUES HOTELS	**148.9**	**59.1**	**73.1**	**28.5**	**-52%**	**-51%**

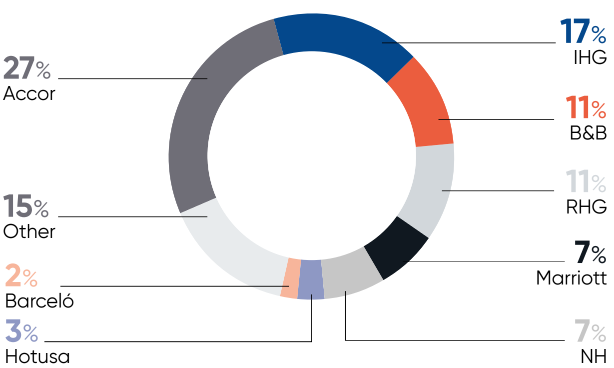
(1) LfL: Like-for-Like.

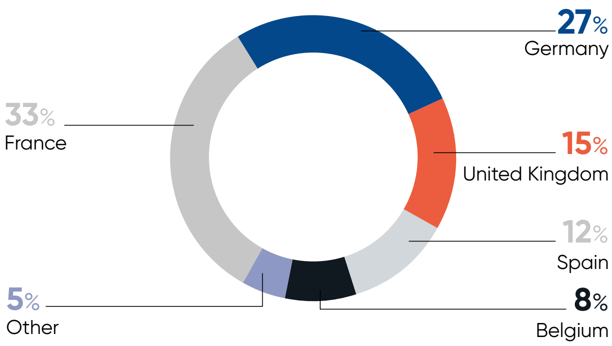
Hotel revenue decreases by €30.6 million Group share compared to 2019, due to:

- **leased hotels:**
  - the **AccorInvest hotel portfolio** (24% of the hotel portfolio), which are indexed on hotels turnover degraded by 66% compared to half-2019, due to the complete shutdown of a large part of the hotel properties from mid-March until the end of May. These midscale and economy hotels are located in France and Belgium
  - **hotels located in the UK** (15% of the hotel portfolio), leased to IHG were directly impacted by the administrative closure of hotels from 25 March to 4 July in Great Britain and 15 July in Scotland. Only 4 of the 12 hotels owned by Covivio are expected to reopen in July. These exceptional events and major loss in turnover for the hotels should trigger an underperformance (MAC) clause included in this contract. This clause reduces the rent when the loss of the NOI of the hotels is higher than 1/3 of the annual rent. Notwithstanding €10 million of rents received in Q1 and considering the performances expectations of this portfolio, Covivio has decided not to account for any rent on this portfolio as of end-June 2020
  - **other leases:** agreements with operators enabled to limit the decrease to €-0,2 million. This decrease is also explained by a transition period between two tenants for a hotel in Madrid
- **operating hotels**: mainly located in Germany and in the North of France. The majority of the hotels were closed during the lockdown and lost consequently 78% of EBITDA compared to half-2019. The first semester also includes a €3.2 million reversal of provisions made on past accounting periods given the signature of an amendment to the management contract of the Pullman Roissy Airport hotel
- **disposals**, both in 2019 and 2020, including the B&B Portfolio in France (€-1.7 million) and in Germany (€-0.4 million)
- **acquisitions** in 2019 of B&B hotels in Poland (+€0.3 million)
- **delivery** of 2 Meininger hotels in France (+€0.9 million) and one in Germany (+€0.2 million).

1.2.5.3. Annualised revenue: €125.7 million Group share

1.2.5.3.1. Breakdown by operators and by country (based on 2019 revenues)





1.2.5.4. Indexation

Fixed-indexed leases are indexed to benchmark indices (ICC and ILC in France and consumer price index for foreign assets).

1.2.5.5. Lease expiries: 14.7 years of firm residual lease term

(€M) – Group share	By lease end date (1st break)	% of total	By lease end date	% of total
2020	0	0%	0	0%
2021	1	2%	0	0%
2022	2	3%	0	0%
2023	5	5%	2	2%
2024	1	1%	1	1%
2025	2	2%	2	3%
2026	0	0%	0	0%
2027	1	1%	1	1%
2028	0	0%	0	0%
2029	14	15%	15	16%
Beyond	68	72%	74	78%
TOTAL HOTELS IN LEASE	**95**	**100%**	**95**	**100%**

The firm lease duration reached a record high at 14.7 years (+1 year vs end-2019), thanks to agreements reached with 8 hotel operators including lease extension of 3.9 years on average (AccorInvest, B&B, NH, Barcelo, MotelOne, Meininger, Melia, HCI).

The occupancy rate remained at 100% on the hotels in leases.

1.2.5.6. Reserves for unpaid rent

At end-June 2020, no additional amounts were set aside for unpaid rents in the portfolio.

1.2.5.7. Disposals and disposal agreements: €24 million of new commitments

(€M)	Disposals (agreements as of end of 2019 closed) (1)	Agreements as of end of 2019 to close	New disposals H1 2020 (2)	New agreements H1 2020 (3)	Total H1 2020 = (2) + (3)	Margin vs 2019 value	Yield	Total Realised Disposals = (1) + (2)
Hotel Lease properties	120	13	0	24	24	15.6%	6.5%	120
TOTAL HOTELS - 100%	**120**	**13**	**0**	**24**	**24**	**15.6%**	**6.5%**	**120**
TOTAL HOTELS - GROUP SHARE	**47**	**5**	**0**	**11**	**11**	**15.6%**	**6.5%**	**47**

Covivio continued its policy of rotating assets with €24 million (€11 million Group share) of new commitments in the first half of 2020 with an average margin of 15.6% on last appraisal values.

Covivio secured the disposal of one hotel located in Spain for €22 million (€9.4 million Group share) and a 6.4% yield. The effective transfer of asset is expected in 2021.

In addition, €120 million (€47 million Group share) of B&B hotels disposals signed in 2019 were realised during the first half-year. The latter mainly consists of 11 B&B hotels in Germany, sold at a yield of 4.2% and with a 39% margin.

1.2.5.8. Acquisitions

No acquisition was realised during the first half of 2020.

As a reminder, at year-end 2019, Covivio signed an agreement for the acquisition of 8 hotels located in Rome, Venice, Florence, Prague, and Budapest for €573 million. This 1,115 room-portfolio of high-end hotels, the majority of which hold 5-star-ratings in prime locations, include several iconic hotels such as the Palazzo Naiadi in Rome, the Carlo IV in Prague, the Plaza in Nice and the NY Palace in Budapest. Initially planned for April 2020, the operation was postponed to September 2020 under the same conditions. In parallel, Covivio and NH Hotel Group signed a long-term triple net lease of 15 years firm.

1.2.5.9. Development project

Covivio continues to support the development of B&B, with one more hotel in construction in Greater Paris (Bagnolet), with 108 rooms for a total cost of €8 million (€2 million Group share). The asset is scheduled to be delivered in September 2020.

1.2.5.10. Portfolio values

1.2.5.10.1. Change in portfolio values

(€M) – Excluding Duties, Group share	Value 2019	Acquis.	Invest.	Disposals	Change in value	Others	**Value H1 2020**
Hotels - Lease properties	1,975	-	2	-47	-57	-9	1,864
Hotels - Operating properties	536	-	7	-	-18	1	526
Assets under development	2	-	-	-	0	0	2
TOTAL HOTELS	**2,513**	**-**	**9**	**-47**	**-75**	**-8**	**2,392**

At the end of June 2020, the portfolio reached €2.4 billion Group share, down by €121 million compared to year end 2019, mainly due to the like-for-like value impact (-€75 million) and of the disposals of the B&B hotels (-€47 million).

1.2.5.10.2. Change on like-for-like basis: -3.1%

(€M) – Excluding Duties	Value 2019 Group share	**Value H1 2020 100%**	**Value H1 2020 Group share**	**LfL[1] change**	Yield[2] 2019	**Yield[3] H1 2020**	% of total value
France	**724**	**2,253**	**709**	**-2.6%**	**4.9%**	**4.9%**	**30%**
Paris	318	857	312				13%
Greater Paris (excl. Paris)	139	508	136				6%
Major regional cities	171	535	168				7%
Other cities	96	353	94				4%
Germany	**319**	**640**	**274**	**-0.9%**	**4.7%**	**4.8%**	**11%**
Franckfurt	31	74	31				1%
Munich	31	49	21				1%
Berlin	31	73	31				1%
Other cities	226	445	190				8%
Belgium	**116**	**292**	**114**	**-2.3%**	**5.8%**	**6.0%**	**5%**
Brussels	36	101	35				1%
Other cities	80	191	79				3%
Spain	**289**	**664**	**287**	**-0.8%**	**5.1%**	**5.1%**	**12%**
Madrid	123	283	122				5%
Barcelona	103	237	103				4%
Other cities	62	144	62				3%
UK	**417**	**853**	**369**	**-7.6%**	**4.9%**	**5.3%**	**15%**
Other countries	**111**	**259**	**112**	**-0.3%**	**5.3%**	**5.5%**	**5%**
Total Hotel lease properties	**1,977**	**4,960**	**1,866**	**-3.0%**	**5.0%**	**5.1%**	**78%**
France	**118**	**264**	**114**	**-4.7%**	**5.3%**	**5.7%**	**5%**
Lille	50	112	48				2%
Other cities	68	152	66				3%
Germany[4]	**362**	**869**	**357**	**-2.8%**	**6.2%**	**6.5%**	**15%**
Berlin	251	607	249				10%
Dresden & Leipzig	89	208	86				4%
Other cities	22	54	22				1%
Other countries	**56**	**125**	**54**	**-4.1%**	**6.8%**	**7.0%**	**2%**
Total Hotel Operating properties	**536**	**1,258**	**526**	**-3.4%**	**6.1%**	**6.2%**	**22%**
TOTAL HOTELS	**2,513**	**6,218**	**2,392**	**-3.1%**	**5.2%**	**5.3%**	**100%**

(1) LfL: Like-for-Like.
(2) Yield excluding assets under development; EBIDTA yield for hotel operating properties.
(3) Yields calculated on the basis of 2019 revenues.
(4) Yields excluding retail surfaces in the German hotels.

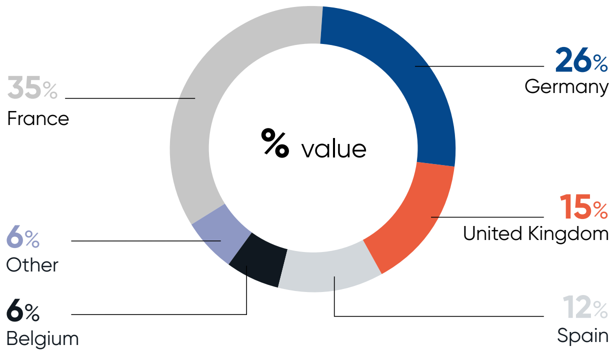
At the end of June 2020, Covivio held a unique hotel portfolio of €2,392 million (€6,218 million at 100%) in Europe. This strategic portfolio is characterised by:

- high-quality locations: 87% in the centre of major European cities
- major hotel operators with long-term leases: 15 hotel operators with 14.7 years average lease duration
- hotels with a good profitability profile: 1.8x rent coverage in 2019.

These strong operating fundamentals supported the slight LfL value decrease of -3.1%. The decrease splits between:

- variable income assets fell by 3.3.% due to rents fully based on hotel turnover and hence strongly impacted for the next couple of years:
  - -3.3% on the AccorInvest portfolio located in France and Belgium
  - -2.8% on operating assets in Germany
- fixed leased hotels: value remained relatively stable (-0.8%) mainly thanks to the negotiated extension of the leases' duration which supports the value of the assets for a longer period
- UK portfolio: -7.6% on these 12 assets leased to IHG. Due to the longer lockdown period and impact on the rent forecasts.

Portfolio breakdown by value and geography



87% in major European cities

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, Italy and Germany, 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 2020, 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	30 June 2020
Covivio Hotels	43.3%
Covivio Immobilien	61.7%
Covivio Office AG (Godewind)	89.3%
Sicaf (Telecom Italia portfolio)	51.0%
OPCI CB 21 (CB 21 Tower)	75.0%
Fédérimmo (Carré Suffren)	60.0%
SCI Latécoëre (DS Campus)	50.1%
SCI Latécoëre 2 (DS Campus extension)	50.1%
SCI 15 rue des Cuirassiers (Silex 1)	50.1%
SCI 9 rue des Cuirassiers (Silex 2)	50.1%
Sas 6 Rue Fructidor (So Pop)	50.1%
SCI 11, Place de l'Europe (Campus Eiffage)	50.1%
SCI N2 Batignolles (Paris N2)	50.0%

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 21 July 2020.

1.3.3. Simplified income statement – Group share

(€M) – Group share	H1 2019	H1 2020	var.	%
Net rental income	293.7	268.0	-25.7	-8.7%
EBITDA from hotel operating activity & flex-office	15.5	4.7	-10.8	-69.6%
Income from other activities (incl. Property development)	8.5	7.2	-1.3	-15.3%
NET REVENUE	**317.7**	**279.9**	**-37.7**	**-11.9%**
Net operating costs	-36.8	-38.9	-2.1	+5.6%
Amortisations of operating assets	-19.5	-19.8	-0.3	+1.5%
Net change in provisions and other	3.5	2.3	-1.2	n.a
CURRENT OPERATING INCOME	**264.8**	**223.5**	**-41.3**	**-15.6%**
Net income from inventory properties	-2.9	-0.1	+2.8	n.a
Income from value adjustments	371.9	142.8	-229.1	n.a
Income from asset disposals	-1.4	-6.2	-4.8	n.a
Income from disposal of securities	2.5	-0.1	-2.6	n.a
Income from changes in scope & other	-3.9	-12.0	-8.2	n.a
OPERATING INCOME	**631.1**	**347.9**	**-283.2**	**-44.9%**
Cost of net financial debt	-65.0	-50.8	+14.2	-21.9%
Interest charges linked to financial lease liability	-3.2	-3.3	-0.1	+3.7%
Value adjustment on derivatives	-147.3	-66.8	+80.6	n.a
Discounting of liabilities-receivables, and Result of change	-0.8	-0.2	+0.6	-73.6%
Early amortisation of borrowings' cost	-3.8	-0.3	+3.5	-93.1%
Share in earnings of affiliates	0.7	-1.7	-2.4	-342.4%
INCOME FROM CONTINUING OPERATIONS	**411.6**	**224.8**	**-186.9**	**-45.4%**
Deferred tax	-47.7	-23.4	+24.3	-50.9%
Corporate income tax	-8.9	-7.3	+1.6	-18.2%
NET INCOME FOR THE PERIOD	**355.1**	**194.2**	**-160.9**	**-45.3%**

1.3.3.1. -12% decrease in net revenue

Net rental income in Group share decreased mainly due to the Hotels activities.

(€M) – Group share	H1 2019	H1 2020	var.	%
France Offices	106.3	96.8	-9.5	-8.9%
Italy Offices (incl. retail)	65.1	55.1	-10.0	-15.4%
German Residential	72.3	74.7	+2.4	+3.4%
Hotels in Europe (incl. retail)	48.1	28.1	-20.0	-41.6%
German Offices	0.0	13.3	+13.3	n.a
Other (incl. France Residential)	1.8	0.0	-1.8	-100.0%
TOTAL NET RENTAL INCOME	**293.7**	**268.0**	**-25.7**	**-8.7%**
EBITDA from hotel operating activity & flex-office	15.5	4.7	-10.9	-70.3%
Income from other activities	8.5	7.2	-1.3	n.a
NET REVENUE	**317.7**	**279.9**	**-37.7**	**-11.9%**

France Offices: decrease mainly due to the sale of assets in 2019.

Italy Offices: decrease due to the disposals in secondary locations outside Milan and non-strategic retail assets in 2019.

Germany Offices: €13.3 million of additional net rental income on the new German activity, driven mainly by the acquired portfolio.

German Residential: increase driven by rental growth (+€3 million) partly offset by disposals of assets (-€1 million).

Hotels in Europe: activity significantly hit by the coronavirus crisis, with a €20 million drop in revenues.

1.3.3.2. EBITDA from the hotel operating activity and flex-office

€4.7 million contains flex-office activity (€3.2 million of EBITDA), and hotel operating activity (€1.4 million). EBITDA from flex activity increases slightly thanks to the ramp up of this activity, while hotel operating activities declined significantly (-89%) because of the Hotels closure during general lockdowns.

1.3.3.3. Income from other activities

Net income from other activities comes from the income generated by car park companies (€2 million) and property development activity (€5 million).

The decrease of -€1.3 million is mainly due to car park activity which has been impacted by the lockdown.

1.3.3.4. Net operating costs

-€38.9 million including +€12.3 million of property management fees.

Net operating costs increase (+5.6%) under the effect of:

- the integration of the former Godewind teams in German offices
- a decrease of staff costs on the other activities
- a decrease of property fees re-invoicing, following the fees on the disposal of the B&B assets in 2019.

1.3.3.5. Amortisation of operating assets

Note that this item includes the amortisation linked to the right of use according to the standard IFRS 16. This amortisation of right of use is mainly related to the owner-occupied buildings and headquarters.

1.3.3.6. Net change in provision and other

Before application of the standard IFRS 16, ground lease expenses and ground lease recharge were reported inside the net rental income. Because of the application of IFRS16-Leases, there is no longer ground lease expense (this expense is replaced by interests charge), therefore the ground lease recharge is reported in the caption "Net change in provision and other" so as to not increase artificially the Net rental income.

1.3.3.7. Net income from inventory properties

This item refers to the trading activity mainly in Italy.

1.3.3.8. Income from asset disposals & disposal of securities

Income from asset disposals (in asset or share transactions) contributed -€6.2 million during the year. This loss is mainly due to a guarantee to pay in connection with a sale of retail asset made in 2018, in connection with the impacts of the lockdown.

1.3.3.9. Change in the fair value of assets

The income statement recognises changes in the fair value (+€155 million) of assets based on appraisals conducted on the portfolio.

This line item does not include the change in fair value of assets recognised at amortised cost under IFRS but are taken into account in the EPRA NAV calculation (hotel operating properties, flex-office assets and other own-occupied buildings).

For more details on the evolution of the portfolio by activity, see section 1.1 of this document.

1.3.3.10. Income from changes in scope and other

This item negatively impacted the income statement by -€12 million. It includes costs linked to the acquisition a German offices, listed company.

1.3.3.11. Cost of net financial debt

The cost of net financial debt decreased thanks to the continuous debt restructuring efforts. This line was impacted last year by €11.5 million of early reimbursement, while this year these costs are equal to €4.8 million.

1.3.3.12. Interest charges linked to finance lease liability

The Group rents some lands. According to the IFRS 16 standards, such rental costs are stated as interest charges. The interest charges mainly refer to Hotel activity -€2.8 million.

1.3.3.13. Value adjustment on derivatives

The fair value of financial instruments (hedging instruments and ORNANE) was negatively impacted by decreasing interest rates. For the first half year of 2020, the P&L impact is a charge of -€67 million while first half year 2019 it was -€147 million.

1.3.3.14. Share of income of equity affiliates

Group share	% interest	Contribution to earnings *(€M)*	Value H1 2020	Change in equity value *(%)*
OPCI Covivio Hotels	8.60%	0.5	36.9	-7.5%
Lénovilla (New Vélizy)	50.10%	2.6	59.6	-1.2%
Euromed	50.00%	1.7	50.1	0.4%
Cœur d'Orly	50.00%	1.0	27.8	-6.7%
Bordeaux Armagnac (Orianz/Factor E)	34.69%	0.9	14.7	5.8%
Phoenix (Hotels)	14.40%	0.4	47.1	-4.5%
Other equity interests		0.0	13.0	-6.5%
TOTAL		**7.1**	**249.2**	**-3.1%**

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

- OPCI Covivio Hotels: two hotel portfolios, Campanile (32 hotels) and AccorHotels (39 hotels) owned at 80% by Crédit Agricole Assurances
- Lénovilla: the New Vélizy campus (47,000 m^2), let to Thalès and co-owned with Crédit Agricole Assurances
- Euromed in Marseille: two office buildings (Astrolabe and Calypso) and a hotel (Golden Tulip) in partnership with Crédit Agricole Assurances
- Coeur d'Orly in Greater Paris: one building (Askia) and development project for new offices in the business district of Orly airport in partnership with ADP
- Bordeaux Armagnac: development project delivered in 2019 in partnership with Icade of three buildings near the new high-speed train station. Covivio will retain one building at 100% in the course of the second half 2020
- Phoenix hotel portfolio: 32% stake held by Covivio Hotels in a portfolio of 32 Accor Invest hotels in France & Belgium.

1.3.3.15. 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 -€7.3 million, including taxes on sales (-€5.9 million).

1.3.3.16. EPRA Earnings decreased by -12.4% to €192.4 million (-€27.3 million vs H1 2019)

	Net income Group share	Restatements	EPRA E. H1 2020	EPRA E. H1 2019	Change
NET RENTAL INCOME	**268.0**	**2.7**	**270.7**	**296.4**	**-8.7%**
EBITDA from hotel operating activity & flex-office	4.7	0.7	5.4	16.2	-66.7%
Income from other activities (incl. Property development)	7.2	0.3	7.5	8.8	-14.8%
NET REVENUE	**279.9**	**3.7**	**283.6**	**321.4**	**-11.8%**
Net operating costs	-38.9	-	-38.9	-36.8	5.6%
Amortisations of operating assets	-19.8	8.4	-11.4	-10.7	6.4%
Net change in provisions and other	2.3	-1.4	0.9	2.2	-58.7%
OPERATING INCOME	**223.5**	**10.7**	**234.2**	**276.0**	**-15.1%**
Net income from inventory properties	-0.1	0.1	0.0	**0.0**	n.a
Income from asset disposals	-6.2	6.2	0.0	**0.0**	n.a
Income from value adjustments	142.8	-142.8	0.0	**0.0**	n.a
Income from disposal of securities	-0.1	0.1	0.0	**0.0**	n.a
Income from changes in scope & other	-12.0	12.0	0.0	**0.0**	n.a
OPERATING RESULT	**347.9**	**-113.6**	**234.2**	**276.1**	**-15.2%**
COST OF NET FINANCIAL DEBT	**-50.8**	**4.8**	**-46.0**	**-53.5**	**-14.0%**
Interest charges linked to finance lease liability	-3.3	2.0	-1.3	-1.2	4.7%
Value adjustment on derivatives	-66.8	66.8	0.0	0.0	n.a
Discounting of liabilities-receivables and Foreign Exchange Result	-0.2	-	-0.2	-0.8	-75.0%
Early amortisation of borrowings' costs	-0.3	0.3	0.0	-0.4	n.a
Share in earnings of affiliates	-1.7	8.9	7.1	6.0	18.3%
PRE-TAX NET INCOME	**224.8**	**-31.0**	**193.8**	**226.2**	**-14.3%**
Deferred tax	-23.4	23.4	0	0.0	n.a
Corporate income tax	-7.3	5.9	-1.4	-6.5	-78.3%
NET INCOME FOR THE PERIOD	**194.2**	**-1.7**	**192.4**	**219.7**	**-12.4%**
Average number of shares			88,541,092	83,476,180	
NET INCOME PER SHARE			**2.17**	**2.63**	**-17.5%**

- The restatement on Net Revenues (+€3.7 million) concerns the effect of IFRIC 21 on property taxes, amortised over the year rather than fully taken account in the first half of 2020.
- The restatement of amortisation of operating assets (+€8.4 million) offsets the real estate amortisation of flex-office and hotel operating activities.
- The restatement of net change in provisions (-€1.4 million) consists of the ground lease expenses linked to the UK leasehold.
- There was an €4.8 million impact on the cost of debt due to early debt restructuring costs.
- 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 (-€1.4 million). The lease expenses paid are included in the restatement of Net change in provisions and other.
- The restatement of corporate income tax (+€5.9 million) is linked to the tax on disposals.

1.3.3.17. EPRA Earnings by activity

(€M) – Group share	France offices	Italy offices (incl. retail)	German Residential	German offices	Hotels in lease (incl. retail)	Hotel operating properties	Corporate or non-attributable sector (incl. French resi.)	H1 2020
Net rental income	99.2	55.1	74.7	13.3	28.4	0.0	0.0	270.7
EBITDA from Hotel operating activity & flex-office	3.3	0.0	0.0	0.0	0.0	2.1	0.0	5.4
Income from other activities (incl. Property development)	3.8	0.0	0.7	0.3	0.0	0.0	2.8	7.5
NET REVENUE	**106.3**	**55.1**	**75.4**	**13.6**	**28.4**	**2.1**	**2.8**	**283.6**
Net operating costs	-14.6	-5.8	-12.6	-2.0	-1.2	-0.6	-2.0	-38.9
Amortisation of operating assets	-3.4	-0.9	-0.9	-0.4	0.0	-1.6	-4.2	-11.4
Net change in provisions and other	3.8	-0.6	-0.5	-1.0	-1.1	0.6	-0.4	0.9
OPERATING RESULT	**92.1**	**47.8**	**61.4**	**10.2**	**26.1**	**0.5**	**-3.8**	**234.2**
Cost of net financial debt	-10.8	-8.5	-11.8	-2.0	-9.5	-2.5	-0.9	-46.0
Other financial charges	-0.4	0.0	0.0	-0.2	-0.4	-0.4	-0.2	-1.5
Share in earnings of affiliates	6.3	0.0	0.0	0.0	0.9	0.0	0.0	7.1
Corporate income tax	0.1	0.0	-0.4	-0.4	-0.5	-0.2	-0.1	-1.4
EPRA EARNINGS	**87.4**	**39.1**	**49.3**	**7.6**	**16.6**	**-2.6**	**-5.0**	**192.4**

1.3.3.18. EPRA Earnings of affiliates

EPRA Earnings of affiliates consolidated under the equity method

(€M) – Group share	France Offices	Hotels (in lease)	H1 2020
Net rental income	7.1	1.6	8.7
Net operating costs	-0.3	-0.3	-0.6
Amortisation of operating properties	–	–	–
Cost of net financial debt	-0.6	-0.5	-1.1
Corporate income tax	–	–	–
SHARE IN EPRA EARNINGS OF AFFILIATES	**6.3**	**0.9**	**7.1**

1.3.4. Simplified consolidated income statement (at 100%)

(€M) – 100%	H1 2019	H1 2020	var.	%
Net rental income	443.1	392.9	-50.2	-11.3%
EBITDA from hotel operating activity & flex-office	33.7	6.6	-27.1	n.a
Income from other activities (incl. Property development)	4.6	4.2	-0.4	-9.4%
NET REVENUE	**481.5**	**403.7**	**-77.8**	**-16.2%**
Net operating costs	-53.7	-55.8	-2.1	+3.9%
Amortisation of operating assets	-31.8	-31.9	-0.1	n.a
Net change in provisions and other	7.1	6.5	-0.6	n.a
CURRENT OPERATING INCOME	**403.0**	**322.6**	**-80.4**	**-20.0%**
Net income from inventory properties	-3.4	0.1	+3.5	-102.9%
Income from asset disposals	-1.4	-6.1	-4.7	+339.2%
Income from value adjustments	588.7	164.8	-423.9	-72.0%
Income from disposal of securities	5.9	-0.1	-6.0	n.a
Income from changes in scope	-8.0	-14.2	-6.2	n.a
OPERATING INCOME	**984.8**	**467.0**	**-517.8**	**-52.6%**
Income from non-consolidated companies	0.0	0.0	0.0	n.a
Cost of net financial debt	-101.5	-86.7	+14.8	-14.6%
Interest charge related to finance lease liability	-7.0	-7.1	-0.1	n.a
Value adjustment on derivatives	-190.1	-98.6	+91.5	n.a
Discounting of liabilities and receivables	-0.2	0.0	+0.2	-100.0%
Early amortisation of borrowings' costs	-5.9	-0.5	+5.4	-91.5%
Share in earnings of affiliates	3.9	-5.6	-9.5	-244.7%
INCOME BEFORE TAX	**682.6**	**268.6**	**-414.0**	**-60.6%**
Deferred tax	-69.3	-27.3	+42.0	-60.6%
Corporate income tax	-15.3	-15.9	-0.6	+4.1%
NET INCOME FOR THE PERIOD	**598.0**	**225.4**	**-372.6**	**-62.3%**
Non-controlling interests	-242.9	-31.1	+211.8	-87.2%
NET INCOME FOR THE PERIOD - GROUP SHARE	**355.1**	**194.2**	**-160.9**	**-45.3%**

1.3.4.1. -€77.8 million (-16.2%) decrease in net revenue

Net revenue decreased by €77.8 million, mainly due to the decrease in Hotels activity (-€50.3 million).

(€M) – 100%	H1 2019	H1 2020	var.	%
France Offices	121.3	111.6	-9.7	-8.0%
Italy Offices (incl. Retail)	84.8	73.4	-11.4	-13.4%
German Residential	112.8	116.6	+3.8	+3.4%
German Offices	0.0	19.1	+19.1	n.a
Hotels in Europe (incl. Retail)	122.5	72.2	-50.3	-41.1%
Other (mainly France Residential)	1.8		-1.8	-100.0%
TOTAL NET RENTAL INCOME	**443.2**	**392.9**	**-50.3**	**-11.3%**
EBITDA from hotel operating activity & flex-office	33.7	6.6	-27.1	-80.4%
Income from other activities	4.6	4.3	-0.3	-7.2%
NET REVENUE	**481.5**	**403.7**	**-77.8**	**-16.2%**

1.3.5. Simplified consolidated balance sheet (Group share)

(€M) – Group share *Assets*	2019	H1 2020	Liabilities	2019	H1 2020
Investment properties	12,973	13,938			
Investment properties under development	1,131	1,199			
Other fixed assets	949	963			
Equity affiliates	257	249			
Financial assets	322	387			
Deferred tax assets	57	72			
Financial instruments	65	79	**Shareholders' equity**	**8,298**	**8,407**
Assets held for sale	239	390	Borrowings	7,842	8,769
Cash	1,155	983	Financial instruments	277	308
Inventory (Trading & Construction activities)	184	176	Deferred tax liabilities	594	665
Other	514	514	Other liabilities	835	803
TOTAL	**17,847**	**18,952**	**TOTAL**	**17,847**	**18,952**

1.3.5.1. Investment properties, Properties under development and Other fixed assets

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

(€M) – Group share	2019	H1 2020	var.
France Offices	5,376	5,448	72
Italy Offices (incl. Retail)	3,041	3,014	-27
German Offices	108	1,234	n.a
German Residential	4,134	4,301	168
Hotels in Europe (incl. Retail)	2,568	2,453	-115
Car parks (and other)	66	40	-26
TOTAL FIXED ASSETS	**15,293**	**16,491**	**1,198**

The increase in **France Offices** (+€72 million) is mainly due to the investment in development capex (+€86 million) and the change in fair value (+€69 million), partly offset by the disposal of the year for (-€85 million including a mature asset in Greater Paris, Nanterre Respiro).

In Italy Offices, the change (-€27 million) is mainly due to the disposals of the year (-€54 million), the decrease in fair value (-€16 million) due to negative performance on assets outside Milan and non-strategic retail assets, offset by the capex & acquisition of the year (+€44 million).

The increase in **German Residential** (+€168 million) is mainly due to the change in fair value (+€142 million), the acquisitions, Capex and acquisition (+€38 million), offset by the disposal of the year (-€12 million).

The negative change in the **Hotels in Europe portfolio** (-€115 million) is mainly driven by the decrease in fair value (-€57 million), the disposal (-€48 million) and the change in foreign currency in the UK portfolio (-€21 million), offset by the Capex (+€16 million).

The change in the Car parks and other activities (-€26 million) is mainly due to sale of the remaining Residential French portfolio.

1.3.5.2. Assets held for sale (included in the total fixed assets above), €390 million at the end of June 2020

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

- 50% offices in France
- 37% offices in Italy.

1.3.5.3. Total Group shareholders' equity

Shareholders' equity increased from €8,298 million at the end of 2019 to €8,407 million at 30 June 2020, i.e. an increase of €109 million, mainly due to:

- income for the period: +€194 million
- the impact of the dividend distribution: -€418 million
- capital increase through the scrip dividend option chosen by 82% of the shareholders: +€343 million
- other movements including the change linked to own shares and the conversion reserve -€10 million.

The issuance of 7,268,146 new shares was related to the payment of the dividend payment option in shares, chosen by 82% of shareholders (7,185,223), and the free share plan (82,923).

1.3.5.4. Deferred tax liabilities

Net deferred taxes represent €593 million in liabilities versus €537 million on 31 December 2019. This €56 million increase is mainly due to acquisition of new entities in German Offices (+€37 million) and the growth of appraisal values in Germany (+€25 million), partly offset by the change in fair value in Hotels activity (-€9 million).

1.3.6. Simplified consolidated balance sheet (at 100%)

(€M) – 100% Assets	2019	H1 2020	Liabilities	2019	H1 2020
Investment properties	19,504	20,603			
Investment properties under development	1,334	1,439			
Other fixed assets	1,656	1,669			
Equity affiliates	374	359			
Financial assets	259	324	Shareholders' equity	8,298	8,407
Deferred tax assets	62	80	Non-controlling interests	4,061	4,093
Financial instruments	78	102	**Shareholders' equity**	**12,358**	**12,500**
Assets held for sale	324	462	Borrowings	10,891	11,941
Cash	1,302	1,165	Financial instruments	362	426
Inventory (Trading & Construction activity)	233	229	Deferred tax liabilities	984	1,067
Other	594	613	Other liabilities	1,124	1,111
TOTAL	**25,720**	**27,045**	**TOTAL**	**25,720**	**27,045**

1.4. FINANCIAL RESOURCES

Summary of the financial activity

Covivio is rated BBB+ stable outlook by S&P. After the annual review, S&P confirmed the rating in early May.

At end-June 2020, the Loan-to-Value ratio of Covivio stood at 41.1% close to its 40% policy, well under control thanks to active asset rotation and financial discipline with a capital increase (scrip dividend). Main effects on LTV:

- acquisition realised in German offices this semester (€1.1 billion Group share) and continued investment in the development pipeline (€162 million)
- €400 million of disposals signed this semester with 15% margin above appraisal values. Further disposals are expected in the second semester with a target of >€600 million Group share for 2020.
- the success of the dividend payment in shares, chosen by 82% of shareholders (€343 million capital increase).

The liquidity position is also strong, with €2.0 billion available at end-June on COVIVIO SA, including €1.4 billion of undrawn credit lines and €0.6 billion of cash.

To further improve its financial profile, Covivio issued a €500 million bond in May with a 10 years maturity, dedicated to refinance short term maturities. It was issued with a 1.625% coupon and was close to 5 times oversubscribed.

1.4.1. Main debt characteristics

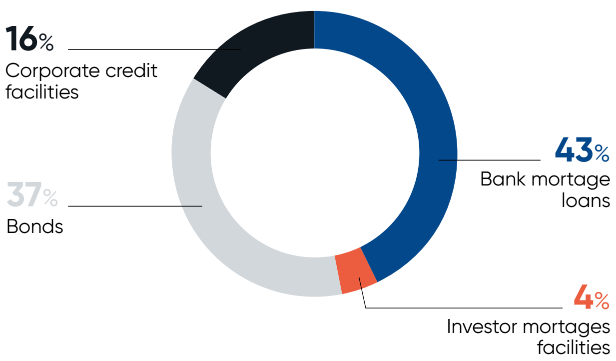
Group share	2019	H1 2020
Net debt, Group share *(€M)*	6,688	7,786
Average annual rate of debt	1.55%	1.31%
Average maturity of debt *(in years)*	6.1	6.1
Debt active hedging spot rate	84%	82%
Average maturity of hedging	7.7	7.3
LTV Including Duties	38.3%	41.1%
ICR	5.73	6.10

1.4.2. Debt by type

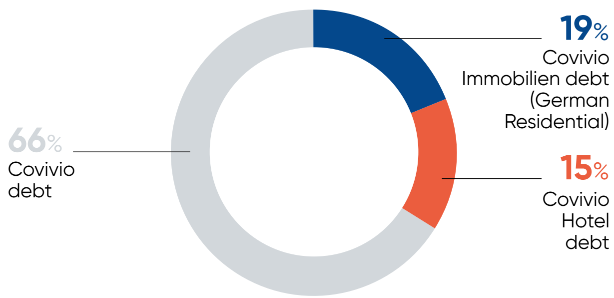
Covivio's net debt stands at €7.8 billion in Group share at end June-2020 (€10.8 billion on a consolidated basis), €1.2 million higher compared to end-2019 due to the acquisition of the German office portfolio.

As regards the commitments attributable to the Group, the share of corporate debts (bonds and loans) remained stable at 54% at end-June 2020 compared to end-2019. Additionally, Covivio had €1.3 billion in commercial paper outstanding at 30 June 2020.

Group share commitments by type



Group share commitments by company

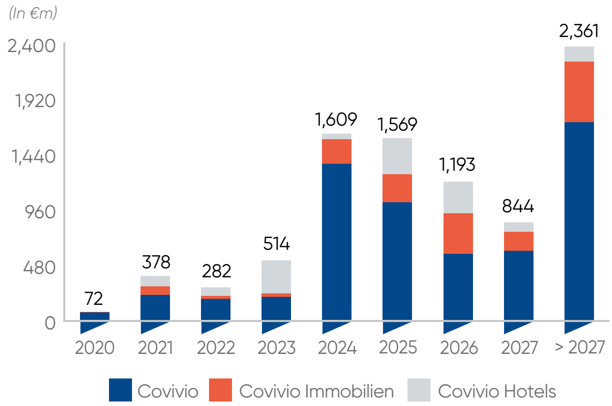


1.4.3. Debt maturity

The average maturity of Covivio's debt remained relatively stable at 6.1 years at end-June 2020 (excluding commercial paper). Until 2024, there is no major maturity that has not already been covered or is already under renegotiation.

The next biggest maturities occur in 2024 and are mainly composed of a bond of €300 million (issue in 2017 with a coupon rate of 1.625%) and a mortgage debt of €285 million Group share linked to the Telecom Italia portfolio.

Debt amortisation schedule by company € million (Group share)

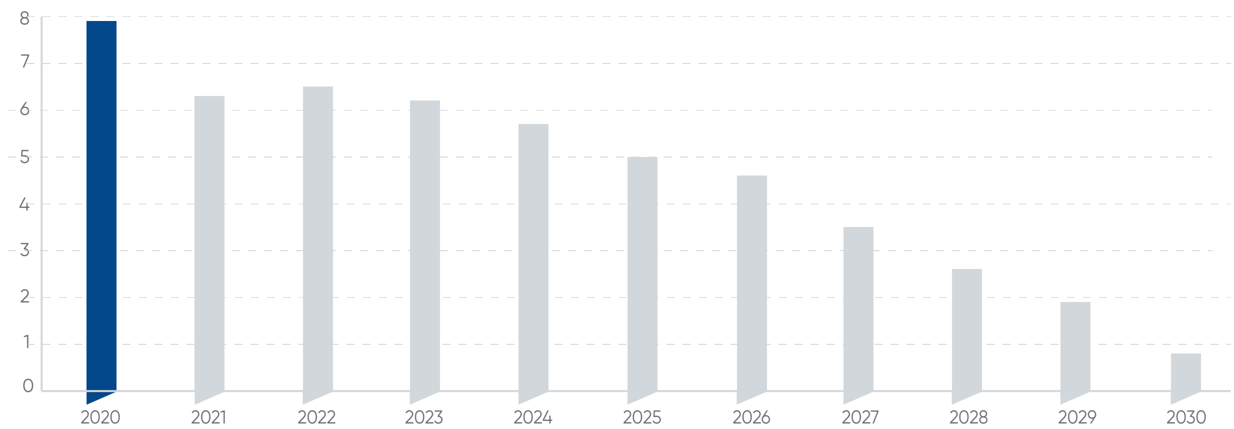


1.4.4. Hedging profile

At end-June 2020, 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 2020, Covivio is hedged at 82% with an average term of the hedges of 7.3 years Group share.

Hedging maturities € billion, Group share



1.4.5. Average interest rate on the debt and sensitivity

The average interest rate on Covivio's debt decreased significantly by 24 bps at 1.31% in Group share. For information purposes, an increase of 25 basis points in the three-month Euribor rate would have a negative impact of 0.6% 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 31 December 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	H1 2020
LTV	60.0%	44.5%[1]
ICR	200%	610%
Secured debt ratio	25.0%	4.6%

(1) Excluding duties and sales agreements.

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	2019	H1 2020
Net book debt	6,688	7,786
Receivables linked to associates (full consolidated)	-132	-141
Receivables on disposals	-239	-400
Security deposits received	-82	-122
Purchase debt	75	97
NET DEBT	**6,310**	**7,220**
Appraised value of real estate assets (Including Duties)	16,319	17,586
Preliminary sale agreements	-239	-400
Financial assets	27	33
Receivables linked to associates (equity method)	111	113
Share of equity affiliates	257	249
Value of assets	**16,474**	**17,581**
LTV EXCLUDING DUTIES	**40.3%**	**43.2%**
LTV INCLUDING DUTIES	**38.3%**	**41.1%**

1.4.6. Reconciliation with consolidated accounts

1.4.6.1. Net debt

(€M)	Consolidated accounts	Minority interests	Group share
Bank debt	11,941	-3,172	8,769
Cash and cash-equivalents	1,165	-182	983
NET DEBT	**10,776**	**-2,989**	**7,786**

1.4.6.2. Portfolio

(€M)	Consolidated accounts	Portfolio of companies under equity method	Fair value of operating properties	Fair value of trading activities	Right of use of Investment properties	Minority interests	Group share
Investment & development properties	22,061	1,274	1,767	-	-210	-8,383	16,509
Assets held for sale	459					-71	388
TOTAL PORTFOLIO	**22,520**	**1,274**	**1,767**	**-**	**-210**	**-8,454**	**16,897**

1.4.6.3. Interest Coverage Ratio

	Consolidated accounts	Minority interests	Group share
EBITDA (Net rents (-) operating expenses (+) results of other activities)	350.5	-101.0	249.6
Cost of debt	71.5	-30.6	40.9
ICR			**6.10**

1.5. EPRA REPORTING

1.5.1. Change in net rental income (Group share)

(€M)	H1 2019	Acquisitions	Disposals	Developments (deliveries & vacating for redevelopment)	Indexation, asset management & occupancy	Rent provisions & other effects	**H1 2020**
France Offices (incl. Retail)	106	0	-6	0	1	-5	97
Italy Offices (incl. retail)	65	0	-10	1	1	-3	55
German Residential	72	1	-1	0	2	0	75
German Offices		13	0	0	0	0	13
Hotels in Europe (incl. Retail & excl. EBITDA from operating properties)	48	1	-2	1	-18	-2	28
Other (France Residential)	2	-	-2	-	-	-	0
TOTAL	**293.8**	**15.3**	**-20.7**	**2.0**	**-13.5**	**-8.5**	**268.3**

Reconciliation with financial data

(€M)	**H1 2020**
Total from the table of changes in Net rental Income (GS)	268
Adjustments	-
TOTAL NET RENTAL INCOME (FINANCIAL DATA § 1.3.3)	**268**
Minority interests	125
TOTAL NET RENTAL INCOME (FINANCIAL DATA § 1.3.4)	**393**

1.5.2. Investment assets – Information on leases

Annualised 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)	Annualised rents (€M)	Surface (m²)	Average rent (€/m²)	Vacancy rate (%)	EPRA vacancy rate (%)
France Offices	106	97	238	1,627,140	178	95.8%	95.8%
Italy Offices (incl. retail)	68	55	146	1,486,403	125	97.7%	97.8%
German Residential	82	75	160	2,800,127	89	98.4%	98.4%
German Offices	15	13	45	458,287	122	79.0%	79.0%
Hotels in Europe (incl. Retail & excl. EBITDA from operating properties)	30	28	129	n.a	n.a	0.0%	0.0%
TOTAL	**301**	**268**	**719**	**6,373,574**	**113**	**96.1%**	**96.1%**

Average metric rents are computed on total surfaces, including land banks and vacancy on development projects.

1.5.3. Investment assets - Asset values

(€M) – Group share	Market value	Change in fair value over the year	Duties	EPRA NIY
France Offices	5,857	69	290	4.1%
Italy Offices (incl. Retail)	3,010	-16	101	3.8%
German Residential	4,123	142	299	3.3%
German Offices	1,381	5	67	2.6%
Hotels in Europe (incl. Retail)	2,461	-58	113	5.0%
Other (France Resi. and car parks)	53	0	0	n.a
TOTAL 2019	**16,885**	**143**	**869**	**3.8%**

The EPRA net initial yield is the ratio of:

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

Reconciliation with IFRS statements

(€M)	H1 2020
Total portfolio value (Group share, market value)	**16,885**
Fair value of the operating properties	-984
Fair value of companies under equity method	-421
Right of use on investment assets	96
Fair value of car parks facilities	-49
INVESTMENT ASSETS GROUP SHARE[1] (FINANCIAL DATA§ 1.3.5)	**15,527**
Minority interests	6,977
INVESTMENT ASSETS 100%[1] (FINANCIAL DATA§ 1.3.5)	**22,504**

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

1.5.4. Information on leases

	Firm residual lease term *(years)*	Residual lease term *(years)*	Lease expiration by date of 1st exit option Annualised rental income of leases expiring N+1	N+2	N+3 to 5	Beyond	Total *(€M)*	Section
France Offices	4.5	5.4	8%	14%	33%	44%	238	2.A.6
Italy Offices (incl. retail)	6.9	7.3	10%	8%	20%	62%	146	2.B.6
Germany Offices	5.1	6.0	16%	11%	40%	33%	45	2.C.6
Hotels in Europe (incl. retail)	14.5	16.0	0%	1%	8%	90%	100	2.E.6
Others (German Residential, Hotels Ebitda, others)	n.a	n.a	n.a	n.a	n.a	n.a	191	n.a
TOTAL(1)	**7.1**	**8.0**	**6%**	**7%**	**19%**	**42%**	**721**	

(1) Percentage of lease expiries on total revenues.

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:

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

- EPRA net initial yield is the ratio of:

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

(€M) – Group share Excluding French Residential and car parks	Total 2019	France Offices	Italy Offices (incl. Retail)	German Residential	German Offices	Hotels in Europe (incl. Retail)	**Total H1 2020**
Investment, saleable and operating properties	15,638	5,857	3,010	4,123	1,381	2,461	16,885
Restatement of assets under development	-1,055	-841	-281	-	-82	-2	-1,206
Restatement of undeveloped land and other assets under development	-320	-234	-57	-	-	-26	-316
Duties	805	290	101	299	67	113	869
Value of assets including duties (1)	**15,068**	**5,073**	**2,773**	**4,422**	**1,365**	**2,546**	**16,231**
Gross annualised IFRS revenues	671	219	131	160	41	131	682
Irrecoverable property charge	-54	-13	-25	-14	-5	-4	-62
Annualised net revenues (2)	**618**	**206**	**106**	**146**	**36**	**127**	**620**
Rent charges upon expiration of rent free periods or other reductions in rental rates	24	19	15	-	4	-	39
Annualised topped-up net revenues (3)	**642**	**225**	**121**	**146**	**40**	**127**	**659**
EPRA NET INITIAL YIELD (2)/(1)	**4.1%**	**4.1%**	**3.8%**	**3.3%**	**2.6%**	**5.0%**	**3.8%**
EPRA "TOPPED-UP" NET INITIAL YIELD (3)/(1)	**4.3%**	**4.4%**	**4.4%**	**3.3%**	**3.0%**	**5.0%**	**4.1%**
Transition from EPRA topped-up NIY to Covivio yield							
Impact of adjustments of EPRA rents	0.4%	0.3%	0.9%	0.3%	0.4%	0.2%	0.4%
Impact of restatement of duties	0.3%	0.3%	0.2%	0.3%	0.2%	0.2%	0.3%
COVIVIO REPORTED YIELD RATE	**4.9%**	**5.0%**	**5.5%**	**3.9%**	**3.5%**	**5.4%**	**4.7%**

1.5.6. EPRA cost ratio

(€M) – Group share	H1 2019	H1 2020
Cost of other activities and fair value	-11.5	-13.5
Expenses on properties	-14.9	-9.7
Net losses on unrecoverable receivables	-3.0	-7.0
Other expenses	-2.1	-1.7
Overhead	-48.7	-49.1
Amortisation, impairment and net provisions	2.2	1.0
Income covering overheads	14.4	12.4
Cost of other activities and fair value	-4.2	-3.4
Property expenses	0.2	0.2
EPRA costs (including vacancy costs) (A)	-67.5	-70.8
Vacancy cost	5.7	5.6
EPRA costs (excluding vacancy costs) (B)	-61.8	-65.3
Gross rental income less property expenses	325.6	300.7
EBITDA from hotel operating properties & coworking, income from other activities and fair value	32.5	21.9
Gross rental income (C)	358.2	322.6
EPRA COSTS RATIO (INCLUDING VACANCY COSTS) (A/C)	**-18.8%**	**-22.0%**
EPRA COSTS RATIO (EXCLUDING VACANCY COSTS) (B/C)	**-17.3%**	**-20.2%**

The Epra cost ratio is increasing due to the decrease of revenue in hotels and the integration of the German offices portfolio (with the acquisition of Godewind), of which the occupancy rate stands at 79% at end-June 2020.

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

1.5.7. EPRA Earnings: €192.4 million in H1 2020

(€M)	H1 2019	H1 2020
Net income Group share (Financial data §1.3.3)	355.1	194.2
Change in asset values	-371.9	-142.8
Income from disposal	1.8	6.4
Acquisition costs for shares of consolidated companies	3.9	12.0
Changes in the value of financial instruments	147.3	66.8
Interest charges related to finance lease liabilities	1.9	2.0
Rental costs (leasehold > 100 years)	-1.3	-1.4
Deferred tax liabilities	47.6	23.4
Taxes on disposals	2.4	5.9
Adjustment to amortisation	8.8	8.4
Adjustments from early repayments of financial instruments	14.9	5.1
Adjustment IFRIC 21	3.8	3.7
EPRA Earnings adjustments for associates	5.3	8.9
EPRA EARNINGS	**219.7**	**192.4**
EPRA EARNINGS IN €/SHARE	**2.63**	**2.17**

1.5.8. EPRA NAV and EPRA NNNAV

	2019	H1 2020	Var.	Var. (%)
EPRA NAV *(€M)*	**9,256**	**9,444**	**188**	**+2.0%**
EPRA NAV/share *(€)*	**105.8**	**99.8**	**-6.0**	**-5.7%**
EPRA NNNAV *(€M)*	8,375	**8,423**	49	+0.6%
EPRA NNNAV/share *(€)*	95.7	**89.0**	-6.7	-7.0%
Number of shares	87,499,953	**94,662,951**	7,162,998	+8.2%

Evolution of EPRA NAV

	M€
Shareholders' equity	**8,406.9**
Fair value assessment of operating properties	86.4
Fair value assessment of car parks facilities	26.4
Fair value assessment of hotel operating properties	30.6
Fair value assessment of fixed-rate debts	-171.7
Restatement of value Excluding Duties on some assets	44.9
EPRA NNNAV	**8,423.5**
Financial instruments and fixed-rate debt	404.6
Deferred tax liabilities	616.2
ORNANE	0.0
EPRA NAV	**9,444.3**
IFRS NAV	**8,406.9**

1.5.8.1. Reconciliation between shareholder's equity and EPRA NAV

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 2020 by independent real estate experts such as Cushman, REAG, CBRE, HVS, JLL, BNPP Real Estate, MKG 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.

1.5.8.2. 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 €86.4 million value adjustment was recognised in EPRA NNNAV.

1.5.8.3. 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 €26.4 million on the 30 June 2020.

1.5.8.4. 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 €30.6 million. The market value of these assets is determined by independent experts.

1.5.8.5. 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 -€171,7 million at 30 June 2020.

1.5.8.6. 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 €44.9 million at 30 June 2020.

1.5.9. New EPRA NAV metrics

According to Epra Best Practices Recommendations, Covivio Group presents new Net Assets Value metrics that will replace EPRA NAV and NNNAV in the publication of the 2020 full year results, in early 2021:

- the EPRA net Reinstatement Value: assumes that entities never sell assets and aims to represent the value required to rebuild the entity, including duties
- the EPRA Net tangible Assets: assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

  For this purpose the Group uses the following method:

  - **offices**: takes into account 50% of deferred tax considering the regular asset rotation policy
  - **hotels**: takes into account deferred tax on the non-core part of the portfolio, expected to be sold within the next few years
  - **residential**: includes the deferred tax linked to the building classified as Assets available held for sale, considering the low level of asset rotation in this activity
- the EPRA Net Disposal Value: represents the shareholder's value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

	H1 2020
EPRA NRV *(€M)*	10,268
EPRA NRV/share *(€)*	108.5
EPRA NTA *(€M)*	9,317
EPRA NTA/share *(€)*	98.4
EPRA NDV *(€M)*	8,319
EPRA NDV/share *(€)*	87.9
Number of shares	94,662,951

	€M	€/share
SHAREHOLDERS' EQUITY	**8,407**	
Fair value assessment of operating properties	143	
Duties	869	
Financial instruments and ORNANE	233	
Deferred tax liabilities	616	
EPRA NRV	**10,268**	**108.5**
Restatement of value Excluding Duties on some assets	-825	
Goodwill and intangible assets	-82	
Deferred tax liabilities	-44	
EPRA NTA	**9,317**	**98.4**
Optimisation of duties	-44	
Intangible assets	23	
Fixed-rate debts	-172	
Financial instruments and ORNANE	-233	
Deferred tax liabilities	-572	
EPRA NDV	**8,319**	**87.9**

1.5.10. EPRA performance indicator reference table

EPRA information	Section	In %	Amount in €	Amount in €/share
EPRA Earnings	1.5.8	–	€192 M	2.17 €/share
EPRA NAV	1.5.9	–	€9,444 M	99.8 €/share
EPRA NNNAV	1.5.9	–	€8,423 M	89.0 €/share
EPRA NAV/IFRS NAV reconciliation	1.5.9	–	–	–
EPRA net initial yield	1.5.6	3.8%	–	–
EPRA topped-up net initial yield	1.5.6	4.1%	–	–
EPRA vacancy rate at year-end	1.5.2	96.1%	–	–
EPRA costs ratio (including vacancy costs)	1.5.7	-22.0%	–	–
EPRA costs ratio (excluding vacancy costs)	1.5.7	-20.2%	–	–
EPRA indicators of main subsidiaries	1.5.2 & 1.5.6	–	–	–

1.6. FINANCIAL INDICATORS OF THE MAIN ACTIVITIES

	Covivio Hotels			Covivio Immobilien		
	2019	H1 2020	Var. (%)	2019	H1 2020	Var. (%)
EPRA Earnings - Half year *(M€)*	101.2	32.3	-68.1%	67.8	72.8	+7.4%
EPRA NAV *(€M)*	3,816	3,607	-5.5%	3,744	3,913	+4.5%
EPRA NNNAV *(€M)*	3,401	3,202	-5.9%	3,078	3,181	+3.3%
EPRA NRV	n.a	3,815	n.a	n.a	4,349	n.a
EPRA NTA	n.a	3,430	n.a	n.a	3,193	n.a
EPRA NDV	n.a	3,013	n.a	n.a	3,181	n.a
% of capital held by Covivio	43.2%	43.3%	+0.1 pts	61.7%	61.7%	+0.0 pts
LTV Including Duties	34.9%	35.6%	+0.7 pts	35.0%	35.7%	+0.7 pts
ICR	5.1	2.6	-247 bps	5.2	5.5	+30 bps

COVIVIO'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

2

2.1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

2.1.1. Statement of financial position

Assets

(€K)	Note 2.2.5	30/06/2020	31/12/2019
Intangible assets	**1.2**		
Goodwill		140,719	143,286
Other intangible fixed assets		23,806	23,471
Tangible fixed assets	**1.2**		
Operating properties		1,411,875	1,409,707
Other tangible fixed assets		41,669	41,855
Fixed assets in progress		50,787	37,880
Investment properties	1.3	22,042,333	20,837,882
Non-current financial Assets	2.2	323,632	259,060
Investments in equity affiliates	3.2	359,335	374,316
Deferred tax assets	4	80,276	61,932
Long-term derivative instruments	11.5	76,362	51,381
Total non-current assets		**24,550,794**	**23,240,770**
Assets held for sale	1.3	462,029	324,292
Loans and receivables	5	8,245	27,752
Inventories and work-in-progress	6.2	228,817	232,548
Short-term derivative instruments	11.5	25,470	26,105
Trade receivables	7	399,610	376,730
Tax receivables		12,387	9,195
Other receivables	8	178,919	175,317
Prepaid expenses		13,541	4,970
Cash and cash equivalents	9	1,165,395	1,302,084
Total current assets		**2,494,412**	**2,478,993**
TOTAL ASSETS		**27,045,206**	**25,719,763**

Liabilities and shareholders' equity

(€K)	Note 2.2.5	**30/06/2020**	31/12/2019
Capital		283,464	261,660
Share premium account		4,140,460	3,882,299
Treasury shares		-15,878	-15,255
Consolidated reserves		3,804,555	3,421,956
Net income		194,264	746,987
Total shareholders' equity, Group share	**10**	**8,406,865**	**8,297,647**
Non-controlling interests		4,092,964	4,060,698
Total shareholders' equity		**12,499,829**	**12,358,344**
Long-term borrowings	11.2	9,879,116	9,071,820
Long-term rental liabilities	11.6	264,473	255,295
Long-term derivative instruments	11.5	362,778	287,319
Deferred tax payables	4	1,067,186	983,566
Staff termination benefits	12.2	56,658	56,364
Other long-term liabilities		19,385	19,433
Total non-current liabilities		**11,649,597**	**10,673,797**
Liabilities held for sale		0	0
Trade payables		152,275	140,670
Trade payables on fixed assets		104,861	88,142
Short-term borrowings	11.2	2,061,924	1,815,746
Short-term rental liabilities	11.6	13,919	13,797
Short-term derivative instruments	11.5	63,179	78,523
Security deposits		6,314	5,483
Advances and pre-payments received		236,087	200,336
Short-term provisions	12.2	15,908	17,445
Current taxes		35,298	41,054
Other short-term liabilities	13	153,702	211,837
Pre-booked income		52,313	74,590
Total current liabilities		**2,895,781**	**2,687,622**
TOTAL LIABILITIES		**27,045,206**	**25,719,763**

2.1.2. Statement of net income

(€K)	Note 2.2	**30/06/2020**	30/06/2019
Rental income	6.2.1	435,213	482,167
Unrecovered property operating costs	6.2.2	-19,949	-21,817
Expenses on properties	6.2.2	-13,693	-13,909
Net losses on unrecoverable receivable	6.2.2	-8,705	-3,295
Net rental income		**392,866**	**443,146**
Revenues from hotel operating activity and Flex Office		52,391	117,038
Expenses of hotel operating activity & Flex Office		-45,778	-83,330
EBITDA from hotel operating activity & Flex Office	**6.2.3**	**6,613**	**33,708**
Income from other activities	**6.2.3**	**4,241**	**4,635**
Management and administration income		10,227	10,957
Business expenses		-2,302	-3,080
Overheads		-63,001	-61,081
Development costs (not capitalised)		-691	-504
Net operating costs	**6.2.4**	**-55,766**	**-53,707**
Depreciation of operating assets	6.2.5	-31,872	-31,841
Net change in provision and other	6.2.5	6,481	7,090
OPERATING INCOME		**322,563**	**403,030**
Net income from inventory properties		**56**	**-3,425**
Income from asset disposals	**6.3**	**-6,141**	**-1,389**
Income from value adjustments	**6.4**	**164,811**	**588,732**
Income from disposal of securities		**-68**	**5,889**
Income from changes in scope & other	**6.5**	**-14,216**	**-8,005**
OPERATING RESULT		**467,006**	**984,832**
Cost of net financial debt(1)(2)	6.6	-86,688	-101,512
The interest cost for rental liabilities	5.11.6	-7,060	-6,971
Value adjustment on derivatives	6.7	-98,553	-190,126
Discounting and foreign exchange gains or losses(2)	6.7	-25	-1,626
Exceptional amortisation of loan issue costs(1)	6.7	-489	-5,899
Share in earnings of affiliates	5.3.2	-5,639	3,869
PRE-TAX NET INCOME		**268,556**	**682,569**
Deferred tax liabilities	6.8.2	-27,278	-69,349
Corporate income tax	6.8.2	-15,905	-15,269
NET INCOME FOR THE PERIOD		**225,373**	**597,951**
Net income from non-controlling interests		-31,110	-242,852
NET INCOME FOR THE PERIOD – GROUP SHARE		**194,264**	**355,098**
Group net earnings per share *(€)*	**7.2**	**2.19**	**4.25**
Group diluted net earnings per share *(€)*	**7.2**	**2.10**	**4.17**

(1) -€7,286 thousand in regular amortisation of loan issue costs included in the item Amortisation of loan issue costs as at 30 June 2019 is now included in the line Cost of net financial debt (-€7,357 thousand at 30 June 2020). The item Amortisation of loan issue costs has been renamed Exceptional amortisation of loan issue costs.

(2) Foreign exchange gains and losses included in the item Cost of net financial debt at 30 June 2019 for a net amount of -€1,453 thousand are now included in the line Discounting and foreign exchange gains or losses (+€328 thousand at 30 June 2020).

2.1.3. Statement of comprehensive income

(€K)	**30/06/2020**	30/06/2019
NET INCOME FOR THE PERIOD	**225,373**	**597,951**
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 differences on employee benefits	0	0
Currency translation differences	-5,984	7,235
Effective portion of gains or losses on hedging instruments	-3,472	869
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	**-9,456**	**8,104**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**215,918**	**606,055**
Total comprehensive income attributable		
To the owners of the parent company	191,426	364,630
To non-controlling interests	24,492	241,424
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**215,918**	**606,055**
Group net earnings per share	**2.16**	**4.37**
Group diluted net earnings per share	**2.07**	**4.28**

2.1.4. Statement of changes in shareholders' equity

The Covivio share capital was 94,488,052 shares issued and fully paid up each with a par value of €3, i.e. €283.5 million at 30 June 2020. Covivio holds 282,828 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 2018	**248,709**	**3,553,687**	**-18,628**	**3,804,781**	**-27,103**	**7,561,446**	**3,796,969**	**11,358,414**
Dividends distribution				-382,076		**-382,076**	-166,675	**-548,751**
Capital increase	12,551	330,452				343,003		343,003
Allocation to the legal reserve		-1,256		1,256		0		0
Others	165	-165	4,011	-460		3,551		3,551
Total comprehensive income for the period				**355,098**	**9,532**	**364,630**	**241,424**	**606,054**
Of which actuarial gains and losses on retirement benefits						0		0
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**	**7,898,394**	**3,840,184**	**11,738,577**
Dividends distribution						0	-80,993	-80,993
Capital increase		-184				-184		-184
Allocation to the legal reserve						0		0
Others	235	-235	-638	-3,293		-3,931	76	-3,855
Total comprehensive income for the period				**391,889**	**5,533**	397,422	271,653	669,075
Of which actuarial gains and losses on retirement benefits						*0*		*0*
Of which currency transaction gains and losses					2,408	2,408	-1,354	1,054
Of which effective portion of gains or losses on hedging instruments					3,125	3,125	1,031	4,156
Of which net income (loss)				391,889		391,889	271,976	663,865
Impact of change in shareholding/ Capital increase				1,743		1,743	29,778	31,521
Shared-based payments				4,202		4,202		4,202
Position at 31 December 2019	**261,660**	**3,882,299**	**-15,255**	**4,180,980**	**-12,038**	**8,297,647**	**4,060,698**	**12,358,344**
Dividends distribution		-61,151		-356,366		-417,517	-53,892	-471,409
Capital increase	21,555	321,717				343,272	-17,332	325,940
Allocation to the legal reserve	249	-2,405		2,156		0		0
Others			-623	-10,808		-11,431	-568	-11,999
Total comprehensive income for the period				**194,264**	**-2,838**	**191,426**	**24,492**	**215,918**
Of which actuarial gains and losses on retirement benefits						0		0
Of which currency transaction gains and losses					-1,067	-1,067	-4,917	-5,984
Of which effective portion of gains or losses on hedging instruments					-1,771	-1,771	-1,701	-3,472
Of which net income (loss)				194,264		194,264	31,110	225,374
Impact of change in shareholding/ Capital increase				-727		-727	79,566	78,839
Shared-based payments				4,196		4,196		4,196
POSITION AT 30 JUNE 2020	**283,464**	**4,140,460**	**-15,878**	**4,013,695**	**-14,876**	**8,406,865**	**4,092,964**	**12,499,829**

During the 1st half of 2020, Covivio increased its share capital by €343 million through the issue of 7,185,223 shares following the payment of the dividend in shares and the allocation of 82,923 vested free shares.

The dividend of €417 million was paid as €343 million in shares and €74 million in cash and was taken from the premiums and the 2019 net income and retained earnings.

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

The line Other mainly includes movements in treasury shares for the period (-€11.4 million).

Changes in the number of shares during the period

Transaction	Shares issued	Treasury shares	Shares outstanding
Number of shares at 31 December 2019	**87,219,906**	**174,557**	**87,045,349**
Capital increase – delivery of free share plan	82,923		
Capital increase – dividend in shares	7,185,223		
Treasury shares – liquidity agreement		47,448	
Treasury shares – employee award		60,823	
NUMBER OF SHARES AT 30 JUNE 2020	**94,488,052**	**282,828**	**94,205,224**

The change in non-controlling interests (+€32.3 million) was mainly due to the consolidation of Covivio Office (formerly Godewind Immobilien), in which the company holds an 89.26% stake (+€81.3 million), income for the period attributable to non-controlling interests (+€24.5 million), the OPCI B2 capital reduction (-€17.3 million) and distributions during the period (-€53.9 million).

2.1.5. Statement of cash flows

(€K)	Note	30/06/2020	31/12/2019	30/06/2019
Net consolidated result (including minority interests)		225,373	1,261,815	597,951
Net depreciation and amortisation charges and provisions[1] (excluding those related to current assets)		33,537	73,176	39,000
Unrealised gains and losses relating to changes in fair value	2.2.5.11.5 & 2.2.6.4	-66,256	-807,278	-398,447
Income and expenses calculated on stock options and related share-based payments		2,150	9,701	4,839
Other calculated income and expenses		-13,355	17,100	9,798
Gains or losses on disposals		4,485	-8,810	-6,868
Gains or losses from dilution – accretion		0	0	0
Share of income from companies accounted for under the equity method		5,639	-29,301	-3,869
Dividends (non-consolidated securities)		0		
Internal financing capacity after cost of debt and taxes		**191,574**	**516,402**	**242,403**
Cost of net financial debt	2.2.6.6 & 2.2.6.7	86,063	209,772	102,650
Income tax expense (including deferred taxes)	2.2.6.8.2	43,183	137,635	84,618
Internal financing capacity before cost of debt and taxes		**320,819**	**863,810**	**429,671**
Taxes paid		-26,905	-14,496	-3,820
Change in working capital requirements on continuing operations (including employee benefits liabilities)	2.2.5.7.2	-101,967	-75,876	-22,617
Net cash-flow generated by operating activities		**191,947**	**773,438**	**403,235**
Impact of changes in the scope[2]		-620,377	-246,910	-65,314
Disbursements related to acquisition of tangible and intangible fixed assets	2.2.5.1.2	-230,091	-674,244	-282,896
Proceeds relating to the disposal of tangible and intangible fixed assets	2.2.5.1.2	254,767	1,198,601	491,521
Disbursements relating to acquisition of financial assets (non-consolidated securities)		-240	-2,684	-974
Proceeds relating to the disposal of financial assets (non-consolidated securities)		4	5,085	4,543
Dividends received (companies accounted for under the equity method, non-consolidated securities)		8,967	15,066	13,724
Change in loans and advances granted		-2,658	-54,528	-1,075
Investment grants received		0	0	0
Other cash flow from investment activities		307	3,220	2,812
Net cash-flow from investment activities		**-589,320**	**243,607**	**162,342**
Impact of changes in the scope		-4,291	0	0
Amounts received from shareholders in connection with capital increases:				
Paid by parent company shareholders		-180	0	0
Paid by minority shareholders of consolidated companies	2.1.4	-17,332	22,254	-10,081
Purchases and sales of treasury shares		-11,506	2,544	2,766
Dividends paid during the reporting period:				
Dividends paid to parent company shareholders	2.1.4	-74,065	-66,426	-66,281
Dividends paid to non-controlling interests of consolidated companies	2.1.4	-53,892	-247,668	-166,675
Proceeds related to new borrowings	2.2.5.11.2	1,611,686	1,612,701	904,287
Repayments of borrowings (including finance lease agreements)	2.2.5.11.2	-1,232,566	-1,935,543	-1,413,780
Net interest paid (including finance lease agreements)		-93,254	-216,191	-117,374
Other cash flow from financing activities		-55,919	-75,547	-32,221
Net cash-flow from financing activities		**68,681**	**-903,876**	**-899,359**
Impact of changes in the exchange rate		-830	535	190
Impact of changes in accounting policies		0	0	0
CHANGE IN NET CASH		**-329,522**	**113,705**	**-333,593**
Opening cash position		1,281,221	1,167,517	1,167,517
Closing cash position		951,700	1,281,221	833,924
NET VARIATION OF CASH-FLOW		**-329,522**	**113,705**	**-333,593**

(1) Net depreciation and amortisation charges and provisions of €33.5 million mainly include €31.9 million in depreciation and amortisation of operating assets.
(2) The impact of changes in the scope of investing activities (section 39 of IAS 7) amounting to -€620.4 million mainly stem from the acquisition of Covivio Office (formerly Godewind Immobilien) for -€606.8 million and the payment of an additional deposit on the Roco project for -€15 million.

(€K)	Note	30/06/2020	31/12/2019	30/06/2019
Gross cash (a)	2.2.5.9.2	1,165,395	1,302,084	1,121,030
Debit balances and bank overdrafts from continuing operations (b)	2.2.5.11.2	-213,687	-20,548	-286,383
Net cash and cash equivalents (c) = (a) - (b)		**951,708**	**1,281,536**	**834,647**
Of which available net cash and cash equivalents		**951,700**	**1,281,221**	**833,924**
Of which unavailable net cash and cash equivalents		**8**	**315**	**723**
Gross debt (d)	2.2.5.11.2	11,797,190	10,936,766	10,652,030
Amortisation of financing costs (e)	2.2.5.11.2	-69,838	-69,749	-76,177
NET DEBT (D) - (C) + (E)		**10,775,645**	**9,585,482**	**9,741,207**

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 2020 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 21 July 2020.

Accounting principles and methods used

The accounting principles applied for the condensed consolidated financial statements as at 30 June 2020 are identical to those used for the consolidated financial statements as at 31 December 2019, except for new standards and amendments whose application was mandatory on or after 1 January 2020 and which were not applied early by the Group.

The following amendments, which are mandatory as of 1 January 2020, did not have any impact on the Group's consolidated financial statements:

- amendments to references to the IFRS conceptual framework, adopted by the European Union, took place on 29 November 2019
- amendments to IAS 1 and IAS 8 "Definition of Material", adopted by the European Union on 29 November 2019
- amendments to IFRS 9, IAS 39 and IFRS 7 related to the "interbank benchmark rate reform", adopted by the European Union on 15 January 2020
- amendment to IFRS 3 "Definition of a business", adopted on 21 April 2020.

The following amendments, awaiting adoption by the European Union, but for which early application is possible as at 1 June 2020, did not have any impact on the Group's consolidated financial statements:

- amendments to IFRS 16 "Covid 19-related rent concessions", published on 28 May 2020. This amendment offers lessees, and only lessees, exemption from assessing whether Covid 19-related rent concessions are lease modifications. This practical exemption enables tenants to account for Covid 19-related rent concessions as if they are not lease modifications, and to recognise the impact of rent concessions in net income for the period.

New standards awaiting adoption by the European Union, for which application is possible as of 1 January 2020, but which have not been early adopted by the Group:

- amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture", published on 11 September 2014
- amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract", published on 14 May 2020; the effective date is 1 January 2022 according to the IASB. These amendments standardise practices in terms of identifying and measuring provisions for onerous contracts, in particular with regard to losses on completion recognised on contracts concluded with customers pursuant to IFRS 15.

IFRS standards and amendments published by the IASB not authorised for financial years beginning on or after 1 January 2020:

- IFRS 17 "Insurance contracts", published on 18 May 2017; According to the IASB, the amendments will come into force on 1 January 2023. 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 IAS 1 "Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current", published on 23 January 2020; the effective date is 1 January 2022 according to the IASB
- amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use", published on 14 May 2020; the effective date is 1 January 2022 according to the IASB
- amendments to IFRS 3 "Reference to the Conceptual Framework", published on 14 May 2020; the effective date is 1 January 2022 according to the IASB
- annual improvements (2018-2020 cycle) "Annual Improvements to IFRSs 2018-2020 Cycle), published on 14 May 2020; the effective date is 1 January 2022 according to the IASB.

2.2.1.2. 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 Group 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.

2.2.1.3. Operating segments

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

2.2.1.4. 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:

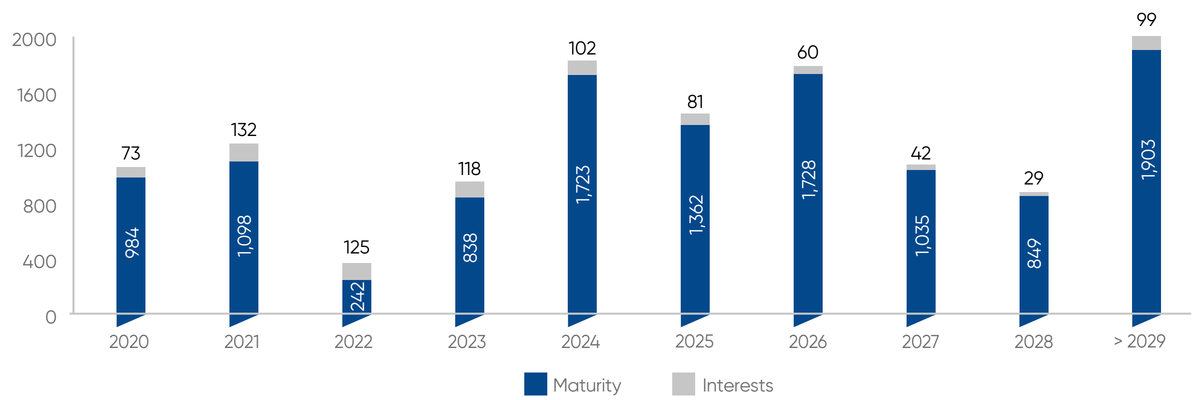
2.2.2.1. Marketing risk for properties under development

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 properties 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 2020, the Covivio Group's available cash and cash equivalents amounted to €3,199 million, including €2,073 million in usable unconditional credit lines, €952 million in investments and €174 million in unused overdraft facilities.

The graph below summarises the maturities of borrowings (in €M) existing as at 30 June 2020:



The 2020 and 2021 maturities in the graph above include €1,296.9 million in treasury bills.

The amount of interest payable until the maturity of the debt, estimated on the basis of the outstanding amount at 30 June 2020 and the average interest rate on the debt, totalled €861 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.

In the 1st half of 2020, the Group raised medium and long-term loans, mainly to secure the acquisition of Covivio Office (formerly Godewind Immobilien), as well as the acquisition of a hotel portfolio in France, Italy, Hungary, and the Czech Republic.

- Covivio raised, secured, or renegotiated €588.6 million in loans on improved financial and maturity terms, for example, €500 million via a 10-year green bond issued in June 2020, with a 1.625% coupon.
- Covivio Hotels raised medium and long-term loans of €325 million, including a €250 million debt to secure the acquisition of the aforementioned hotel portfolio.
- In Germany, Covivio Immobilien SE raised, secured, or renegotiated €461 million in loans with average terms of around 10 years.

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 2020, after taking interest rate swaps into account, approximately 81% 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 as at 30 June 2020 was -€12,438 thousand on net income Group share in 2020
- the impact of an increase of 50 bps on rates as at 30 June 2020 was -€5,733 thousand on net income Group share in 2020
- the impact of a reduction of 50 bps on rates as at 30 June 2020 was +€5,534 thousand on net income Group share in 2020.

2.2.2.4. Financial counterparty risk

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

This risk primarily involves the hedging instruments subscribed 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. At 30 June 2020, the amount is €18,193 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 is not 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.

Regulatory environment in Berlin

On 23 February 2020, a draft law came into force providing for a rent cap in Berlin.

This law consists of a 5-year freeze on rents and the introduction of a cap based on criteria of location, the age of buildings and the standard of apartments. These regulations do not concern subsidised housing units (regulated rents) delivered after 1 January 2014. The law is being challenged before the Karlsruhe Constitutional Court. Under its current terms, the law has no material impact on appraisal values. For the Group, in 2020 the impact of the rental cap will be limited owing to the fact that rent from existing leases will not fall until November 2020.

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 the 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.

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 and in Poland. The Group wanted to hedge against certain currency fluctuations (GBP) 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

	30/06/2020 *(£M)*	5% decrease in GBP/EUR exchange rate *(€M)*	10% decrease in GBP/EUR exchange rate *(€M)*
Portfolio	763	-45.8	-90.3
Debt	400	23.4	46.7
Cross currency swap	250	14.6	29.2
IMPACT ON SHAREHOLDER'S EQUITY		**-7.9**	**-14.4**

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

2.2.2.8. Brexit risk

Brexit could have an impact on real estate valuations of assets in the United Kingdom related to economic uncertainties, fluctuations in the value of the pound sterling and hotel visits.

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 convertible bonds (ORNANE type) valued at their fair value in the income statement at each reporting date, except for the ORNANE Italy 2021, which was valued by distinguishing a financial debt at amortised cost and a derivative component measured at fair value through profit or loss. 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 Italy 2021 are described in Note 2.2.5.11.4.

2.2.2.10. Tax environment

2.2.2.10.1. Changes in the French tax environment

The French tax environment has undergone changes relating to the corporate income tax rate, which has been reduced to 28% from 1 January 2020 (versus 31% as at 1 January 2019) for all 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

Due to the complexity and bureaucracy characteristic of the environment in which the Covivio Group operates, the Group is exposed to tax risks. 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:

Covivio tax audit

The financial statements of Covivio were audited for the 2012 and 2013 fiscal years, resulting, in December 2015, in a corporate income tax reassessment proposal, now officially closed, and a CVAE reassessment proposal, which is still the subject of a tax dispute before the Administrative Court of Appeal, for an amount of €0.2 million. Based on analysis by the legal counsel, no provision has been recorded for this dispute as at 30 June 2020.

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 half of 2018 for €1.2 million and €1.1 million. The remaining balances of the reassessment of €1.2 million and €1.1 million were contested, which led to a ruling by the Administrative Court of Appeal in June 2020. This ruling, in favour of Covivio Hotels, quashed the Administrative Court's judgement and convicted the tax authority. No provision has been recorded for this dispute as at 30 June 2020.

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 was contested at the Administrative Court and based on the analysis by the Company's legal counsel, has not been provisioned in the financial statements as at 30 June 2020.

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 reassessment was contested, which led to a ruling of the Administrative Court of Appeal in June 2020. This ruling, in favour of Foncière Otello, quashed the Court's judgement and convicted the tax authority. No provision has been recorded for this dispute as at 30 June 2020.

The financial statements of Foncière Otello were also audited for the 2014, 2015 and 2016 fiscal years, which resulted in a reassessment proposal 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 2020.

Tax audits of Operating properties in Germany (subsidiaries of Covivio Hotels)

A company with assets in Germany was audited for the 2015-2017 fiscal years. The audit was closed in the first half of 2020 without any significant adjustment.

A tax audit was also opened in early 2020 at MO Berlin KG for the 2015-2017 fiscal years.

An audit of companies in the B&B portfolio has been announced for the second half of 2020, covering the years 2016 to 2018.

Tax audit of an Operating property company in Belgium (subsidiary of Covivio Hotels)

In 2020, Foncière Vielsalm was audited for accounting years 2017 and 2018.

Tax audits of Operating properties

Nice-M was audited for fiscal years 2015 and 2016, which resulted in a VAT reassessment in the amount of €31 thousand, which is contested in part. This VAT reassessment has not been provisioned as at 30 June 2020.

Two German companies (Rock portfolio) are subject to a tax audit for the 2012 through 2015 financial years, concerning corporate tax and VAT.

Another tax audit relating to VAT for 2018 was begun in early 2019 and remains ongoing.

Tax audits of Germany Residential

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

As at 30 June 2020, audits for fiscal years 2011 to 2013 have been completed for most companies. The overall impact is estimated at less than €1.7 million in terms of corporate income tax, with a reduction of €22 million in losses carried forward. These impacts were already taken into account in the financial statements of previous years. The audits for the years 2014 to 2016 are still ongoing, with the exception of that on companies based in Berlin, where tax authorities have decided not to pursue the audit.

Tax audits on Beni Stabili, which merged with Covivio

Tax dispute Comit Fund – 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 authorities on 18 December 2015.

The dispute with the tax authorities 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 March 2020, the Court of Appeal confirmed the decision. The dispute was therefore definitively closed at 30 June 2020.

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. Covivio's permanent establishment in Italy has been subject to a 20% tax on real estate companies since 1 January 2019. The impact of deferred tax liabilities is therefore essentially present in Germany Residential and Italy Offices and linked to investments in Hotels in Europe for which the SIIC regime is not applicable (Germany, Spain, Belgium, Ireland, Netherlands, Portugal, the United Kingdom and Poland). 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.

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 and Germany Offices.

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 segment concerned is that of France Offices.

2.2.3.4. Change in holding and/or in consolidation method

None.

2.2.3.5. List of consolidated companies

98 companies in the France Offices segment	Country	Consolidation method in 2020	Percentage held in 2020	Percentage held in 2019
Covivio	**France**	**Parent company**		
Saint-Germain Hennemont	France	FC	100.00	
Antony Avenue de Gaulle	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/JV	50.00	50.00
SAS Cœur d'Orly Promotion	France	EM/JV	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 1 rue de Châteaudun	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
SARL du 106-110 rue des Troènes	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
Palmer Plage SNC	France	FC	100.00	100.00
Dual Center	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 Rhone Alpes	France	FC	100.00	100.00
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
11 place de l'Europe	France	FC	50.09	50.09
OPCI Office CB21	France	FC	75.00	75.00
Lenovilla	France	EM/JV	50.10	50.10

France Offices Segment	Country	Consolidation method in 2020	Percentage held in 2020	Percentage held in 2019
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 Rueil B2	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 St-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
N2 Batignolles Promo	France	FC	50.00	50.00
6 rue Fructidor	France	FC	50.10	50.10
Fructipromo	France	FC	100.00	100.00
Jean Jacques Bosc	France	FC	100.00	100.00
Terres Neuves	France	FC	100.00	100.00
André Lavignolle	France	FC	100.00	100.00
SCCV Chartres avenue de Sully	France	FC	50.00	50.00
SCI de la Louisiane	France	FC	100.00	100.00
SCCV Bobigny Le 9e Art	France	FC	60.00	60.00
SCCV Fontenay-sous-Bois Rabelais	France	FC	50.00	50.00
SCI du 8 rue M. Paul	France	Merger		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.

20 companies in the Italy Offices segment	Country	Consolidation method in 2020	Percentage held in 2020	Percentage held in 2019
Covivio 7 SpA	Italy	FC	100.00	100.00
Central Società di Investimento per Azioni a capitalo fisso Central SICAF SpA	Italy	FC	51.00	51.00
Beni Stabili Retail Srl	Italy	FC	55.00	55.00
Covivio Development SpA	Italy	FC	100.00	100.00
RGD Gestioni Srl	Italy	FC	100.00	100.00
Real Estate Roma Olgiata Srl	Italy	FC	75.00	75.00
Covivio Immobiliare 9 SINQ SpA	Italy	FC	100.00	100.00
Covivio Projects & Innovation	Italy	FC	100.00	100.00
Wellio Italy	Italy	FC	100.00	100.00
Imser Securitisation Srl	Italy	FC	100.00	100.00
Imser Securitisation 2 Srl	Italy	FC	100.00	100.00
Revalo SpA	Italy	FC	100.00	100.00
Real Estate Solution & Technology	Italy	EM	30.00	30.00
Investire SpA SGR	Italy	EM	17.90	17.90
Attivita Commerciali Montenero Srl	Italy	FC	100.00	100.00
Attivita Commerciali Beinasco Srl	Italy	FC	100.00	100.00
Attivita Commerciali Vigevano Srl	Italy	FC	100.00	100.00
Covivio Attività Immobiliari 1 Srl	Italy	FC	100.00	100.00
Covivio Attività Immobiliari 2 Srl	Italy	FC	100.00	100.00
Covivio Attività Immobiliari 3 Srl	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.

162 companies Hotels in Europe segment	Country	Consolidation method in 2020	Percentage held in 2020	Percentage held in 2019
SCA Covivio Hotels (Parent company) 100% controlled	**France**	**FC**	**43.30**	**43.22**
SARL Loire	France	FC	43.30	43.22
Ruhl Côte d'Azur	France	FC	43.30	43.22
Foncière Otello	France	FC	43.30	43.22
Hôtel René Clair	France	FC	43.30	43.22
Foncière Ulysse	France	FC	43.30	43.22
Ulysse Belgique	Belgium	FC	43.30	43.22
Ulysse Trefonds	Belgium	FC	43.30	43.22
Foncière No Bruxelles Grand Place	Belgium	FC	43.30	43.22
Foncière No Bruxelles Aéroport	Belgium	FC	43.30	43.22
Foncière No Bruges Centre	Belgium	FC	43.30	43.22
Foncière Gand Centre	Belgium	FC	43.30	43.22
Foncière Gand Opéra	Belgium	FC	43.30	43.22
Foncière IB Bruxelles Grand-Place	Belgium	FC	43.30	43.22
Foncière IB Bruxelles Aéroport	Belgium	FC	43.30	43.22
Foncière IB Bruges Centre	Belgium	FC	43.30	43.22
Foncière Antwerp Centre	Belgium	FC	43.30	43.22
Foncière Bruxelles Expo Atomium	Belgium	FC	43.30	43.22
Foncière Manon	France	FC	43.30	43.22
Murdelux	Luxembourg	FC	43.30	43.22
Portmurs	Portugal	FC	43.30	43.22
Sunparks Oostduinkerke	Belgium	FC	43.30	43.22
Foncière Vielsam	Belgium	FC	43.30	43.22
Sunparks Trefonds	Belgium	FC	43.30	43.22
Foncière Kempense Meren	Belgium	FC	43.30	43.22
Iris Holding France	France	EM/EA	8.61	8.60
Foncière Iris SAS	France	EM/EA	8.62	8.60
Sables d'Olonne SAS	France	EM/EA	8.62	8.60
OPCI Iris Invest 2010	France	EM/EA	8.62	8.60
Covivio Hotels Gestion Immobilière	France	FC	43.30	43.22
Tulipe Holding Belgique	Belgium	EM/EA	8.62	8.60

Hotels in Europe segment	Country	Consolidation method in 2020	Percentage held in 2020	Percentage held in 2019
Iris Tréfonds	Belgium	EM/EA	8.62	8.60
Foncière Louvain Centre	Belgium	EM/EA	8.62	8.60
Foncière Liège	Belgium	EM/EA	8.62	8.60
Foncière Bruxelles Aéroport	Belgium	EM/EA	8.62	8.60
Foncière Bruxelles Sud	Belgium	EM/EA	8.62	8.60
Foncière Bruge Station	Belgium	EM/EA	8.62	8.60
Narcisse Holding Belgique	Belgium	EM/EA	8.62	8.60
Foncière Bruxelles Tour Noire	Belgium	EM/EA	8.62	8.60
Foncière Louvain	Belgium	EM/EA	8.62	8.60
Foncière Malines	Belgium	EM/EA	8.62	8.60
Foncière Bruxelles Centre Gare	Belgium	EM/EA	8.62	8.60
Foncière Namur	Belgium	EM/EA	8.62	8.60
Iris investor Holding GmbH	Germany	EM/EA	8.61	8.60
Iris General Partner GmbH	Germany	EM/EA	4.33	4.32
Iris Berlin GmbH	Germany	EM/EA	8.61	8.60
Iris Bochum & Essen	Germany	EM/EA	8.61	8.60
Iris Frankfurt GmbH	Germany	EM/EA	8.61	8.60
Iris Verwaltungs GmbH & co KG	Germany	EM/EA	8.61	8.60
Iris Nurnberg GmbH	Germany	EM/EA	8.61	8.60
Iris Stuttgart GmbH	Germany	EM/EA	8.61	8.60
B&B Invest Lux 1	Germany	FC	43.30	43.22
B&B Invest Lux 2	Germany	FC	43.30	43.22
B&B Invest Lux 3	Germany	FC	43.30	43.22
Campeli	France	EM/EA	8.62	8.60
OPCI Camp Invest	France	EM/EA	8.62	8.60
Dahlia	France	EM/EA	8.66	8.64
Foncière B2 Hôtel Invest	France	FC	21.74	21.70
OPCI B2 Hôtel Invest	France	FC	21.74	21.70
Foncière B3 Hôtel Invest	France	FC	21.74	21.70
B&B Invest Lux 4	Germany	FC	43.30	43.22
NH Amsterdam Center Hotel HLD	Netherlands	FC	43.30	43.22
Hotel Amsterdam Centre Propco	Netherlands	FC	43.30	43.22
Mo Lux 1	Luxembourg	FC	43.30	43.22
LHM Holding Lux SARL	Luxembourg	FC	43.30	43.22
LHM ProCo Lux SARL	Germany	FC	45.14	45.07
SCI Rosace	France	FC	43.30	43.22
Mo Drelinden, Niederrad, Düsseldorf	Germany	FC	40.70	40.62
Mo Berlin	Germany	FC	40.70	40.62
Mo First Five	Germany	FC	42.43	42.36
Ringer	Germany	FC	43.30	43.22
B&B Invest Lux 5	Germany	FC	40.27	40.19
B&B Invest Lux 6	Germany	FC	40.27	40.19
SCI Hôtel Porte Dorée	France	FC	43.30	43.22
FDM M Lux	Luxembourg	FC	43.30	43.22
OPCO Rosace	France	FC	43.30	43.22
Exco Hôtel	Belgium	FC	43.30	43.22
Invest Hôtel	Belgium	FC	43.30	43.22
H Invest Lux	Luxembourg	FC	43.30	43.22
Hermitage Holdco	France	FC	43.30	43.22
Samoens SAS	France	FC	21.69	21.65
Foncière B4 Hôtel Invest	France	FC	21.74	21.70
B&B Invest Espagne SLU	Spain	FC	43.30	43.22
Rock-Lux	Luxembourg	FC	43.30	43.22
Société Liloise Investissement Immobilier Hôtelier SA	France	FC	43.30	43.22
Alliance et Compagnie SAS	France	FC	43.30	43.22
Berlin I (Propco Westin Grand Berlin)	Germany	FC	41.09	41.01

Hotels in Europe segment	Country	Consolidation method in 2020	Percentage held in 2020	Percentage held in 2019
Opco Grand Hôtel Berlin Betriebs (Westin berlin)	Germany	FC	41.09	41.01
Berlin II (Propco Park Inn Alexanderplatz)	Germany	FC	41.09	41.01
Opco Hôtel Stadt Berlin Betriebs (Park-Inn)	Germany	FC	41.09	41.01
Berlin III (Propco Mercure Potsdam)	Germany	FC	41.09	41.01
Opco Hôtel Potsdam Betriebs (Mercure Potsdam)	Germany	FC	41.09	41.01
Dresden II (Propco Ibis Hôtel Dresden)	Germany	FC	41.09	41.01
Dresden III (Propco Ibis Hôtel Dresden)	Germany	FC	41.09	41.01
Dresden IV (Propco Ibis Hôtel Dresden)	Germany	FC	41.09	41.01
Opco BKL Hotelbetriebsgesellschaft (Dresden II to IV)	Germany	FC	41.09	41.01
Dresden V (Propco Pullman Newa Dresden)	Germany	FC	41.09	41.01
Opco Hôtel Newa Dresden Betriebs (Pullman)	Germany	FC	41.09	41.01
Leipzig I (Propco Westin Leipzig)	Germany	FC	41.09	41.01
Opco HotelgesellschaftGeberst, Betriebs (Westin Leipzig)	Germany	FC	41.09	41.01
Leipzig II (Propco Radisson Blu Leipzig)	Germany	FC	41.09	41.01
Opco Hôtel Deutschland Leipzig Betriebs (Radisson Blu)	Germany	FC	41.09	41.01
Erfurt I (Propco Radisson Blu Erfurt)	Germany	FC	41.09	41.01
Opco Hôtel Kosmos Erfurt (Radisson Blu)	Germany	FC	41.09	41.01
Airport Garden Hotel NV	Belgium	FC	43.30	43.22
H Invest Lux 2	Luxembourg	FC	43.30	43.22
Constance	France	FC	43.30	43.22
Hotel Amsterdam Noord FDM	Netherlands	FC	43.30	43.22
Hotel Amersfoort FDM	Netherlands	FC	43.30	43.22
Constance Lux 1	Luxembourg	FC	43.30	43.22
Constance Lux 2	Luxembourg	FC	43.30	43.22
So Hospitality	France	FC	43.30	43.22
Nice-M	France	FC	43.30	43.22
Investment FDM Rocatiera	Spain	FC	43.30	43.22
Bardiomar	Spain	FC	43.30	43.22
Trade Center Hotel	Spain	FC	43.30	43.22
Rock-Lux OPCO	Luxembourg	FC	43.30	43.22
Blythswood Square Hotel Holdco	United Kingdom	FC	43.30	43.22
George Hotel Investments Holdco	United Kingdom	FC	43.30	43.22
Grand Central Hotel Company Holdco	United Kingdom	FC	43.30	43.22
Grand Principal Birmingham Holdco	United Kingdom	FC	43.30	43.22
Lagonda Leeds Holdco	United Kingdom	FC	43.30	43.22
Lagonda Palace Holdco	United Kingdom	FC	43.30	43.22
Lagonda Russell Holdco	United Kingdom	FC	43.30	43.22
Lagonda York Holdco	United Kingdom	FC	43.30	43.22
Oxford Spires Hotel Holdco	United Kingdom	FC	43.30	43.22
Oxford Thames Holdco	United Kingdom	FC	43.30	43.22
Roxburghe Investments Holdco	United Kingdom	FC	43.30	43.22
The St David's Hotel Cardiff Holdco	United Kingdom	FC	43.30	43.22
Wotton House Properties Holdco	United Kingdom	FC	43.30	43.22
Blythswood Square Hotel Glasgow	United Kingdom	FC	43.30	43.22
George Hotel Investments	United Kingdom	FC	43.30	43.22
Grand Central Hotel Company	United Kingdom	FC	43.30	43.22
Lagonda Leeds PropCo	United Kingdom	FC	43.30	43.22
Lagonda Palace PropCo	United Kingdom	FC	43.30	43.22
Lagonda Russell PropCo	United Kingdom	FC	43.30	43.22
Lagonda York PropCo	United Kingdom	FC	43.30	43.22
Oxford Spires Ltd (Propco)	United Kingdom	FC	43.30	43.22
Oxford Thames Hotel Ltd (Propco)	United Kingdom	FC	43.30	43.22
Roxburghe Investments PropCo	United Kingdom	FC	43.30	43.22
The St David's Hotel Cardiff	United Kingdom	FC	43.30	43.22
Wotton House Properties	United Kingdom	FC	43.30	43.22
Roxburghe Investments Lux	Luxembourg	FC	43.30	43.22

Hotels in Europe segment	Country	Consolidation method in 2020	Percentage held in 2020	Percentage held in 2019
HEM Diesterlkade Amsterdam BV	Netherlands	FC	43.30	43.22
Dresden Dev	Luxembourg	FC	41.09	41.01
Delta Hotel Amersfoort	Netherlands	FC	43.30	43.22
Opci Oteli	France	EM/EA	13.49	13.46
Orient SAS financial lease	France	EM/EA	13.49	13.46
Express SAS financial lease	France	EM/EA	13.49	13.46
Kombon	France	EM/EA	14.43	14.41
Jouron	Belgium	EM/EA	14.43	14.41
Foncière Gand Cathédrale	Belgium	EM/EA	14.43	14.41
Foncière Bruxelles Sainte Catherine	Belgium	EM/EA	14.43	14.41
Foncière IGK	Belgium	EM/EA	14.43	14.41
Forsmint Investments	Poland	FC	43.30	43.22
Cerstook Investments	Poland	FC	43.30	43.22
Noxwood Investments	Poland	FC	43.30	43.22
Redwen Investments	Poland	FC	43.30	43.22
Sardobal Investments	Poland	FC	43.30	43.22
Kilmainham Property Holding	Ireland	FC	43.30	43.22
Thommont Ltd	Ireland	FC	43.30	43.22
Honeypool	Ireland	FC	43.30	43.22

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

114 companies Germany Residential segment	Country	Consolidation method in 2020	Percentage held in 2020	Percentage held in 2019
Covivio Immobilien SE (Parent company) 99.74% controlled	**Germany**	**FC**	**61.70**	**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
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	63.66
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

Germany Residential segment	Country	Consolidation method in 2020	Percentage held in 2020	Percentage held in 2019
Covivio Berlin C GMBH	Germany	FC	63.66	63.66
Covivio Dansk Holding Aps	Denmark	FC	61.70	61.70
Covivio Dansk L Aps	Germany	FC	63.66	63.66
Covivio Berlin Prime	Germany	FC	65.53	65.53
Berlin Prime Commercial	Germany	FC	63.66	63.66
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
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

Germany Residential segment	Country	Consolidation method in 2020	Percentage held in 2020	Percentage held in 2019
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 Portfolio 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
Covivio Selectimmo.de	Germany	FC	65.57	65.57
Covivio Prenzlauer Promenade 49 Besitzgesellschaft	Germany	FC	65.53	65.53
Meco Bau	Germany	FC	61.70	52.45
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 Hathor Berlin	Germany	FC	65.57	65.57
Covivio Hansastraße 253	Germany	FC	65.57	65.57
Covivio Rhenania 1	Germany	FC	65.57	65.57
Covivio Rhenania 2	Germany	FC	65.57	65.57
Covivio Prime Financing	Germany	FC	61.70	61.70
Küchenwelt Berlin GmbH	Germany	FC	61.70	61.70
Realius Grundbesitz NRW	Germany	FC	67.49	67.49
Covivio Eiger 1	Germany	FC	67.49	67.49
Covivio Eiger II	Germany	FC	67.49	67.49

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

24 companies Germany Offices segment	Country	Consolidation method in 2020	Percentage held in 2020	Percentage held in 2019
Covivio Office Holding	**Germany**	**FC**	**100.00**	**100.00**
Covivio X-Tend	Germany	FC	100.00	
Covivio Office (formerly Godewind Immobilien)	Germany	FC	89.26	
Covivio Office 1	Germany	FC	89.26	
Covivio Beteilingungs	Germany	FC	85.10	
Covivio Office 2	Germany	FC	85.10	
Covivio Office 3	Germany	FC	85.10	
Covivio Office 4	Germany	FC	85.10	
Covivio Office 5	Germany	FC	85.10	
Covivio Office 7	Germany	FC	85.10	
Covivio Office 6	Germany	FC	80.25	
Covivio Technical Services 1	Germany	FC	89.26	
Covivio Technical Services 2	Germany	FC	85.10	
Covivio Technical Services 3	Germany	FC	85.10	
Covivio Technical Services 4	Germany	FC	85.10	
Covivio Verwaltungs 1	Germany	FC	89.26	
Covivio Verwaltungs 2	Germany	FC	85.10	
Covivio Verwaltungs 3	Germany	FC	85.10	
Covivio Verwaltungs 4	Germany	FC	85.10	
Covivio Alexanderplatz	Luxembourg	FC	100.00	100.00
Covivio Alexanderplatz	Germany	FC	100.00	100.00
Covivio Office Berlin	Germany	FC	100.00	100.00
Rev Tino Schwierzina Strasse 32 Grundbezitz	Germany	FC	94.22	94.22
Covivio Gross-Berliner-Damm	Germany	FC	100.00	100.00

The registered office of the parent company Covivio Office Holding is at Knesebeckstrasse 3, 10623 Berlin.

16 companies in Other segment (France Residential, Car parks, Services)	Country	Consolidation method in 2020	Percentage held in 2020	Percentage held in 2019
4 companies in France Residential:				
Foncière Développement Logements (Parent company) 100% controlled	France	FC	100.00	100.00
Batisica	Luxembourg	FC	100.00	100.00
Dulud	France	FC	100.00	100.00
Iméfa 95	France	FC	100.00	100.00
6 Car parks 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 434 companies in the Group, including 384 fully consolidated companies and 50 equity affiliates.

2.2.3.6. Evaluation of control

Considering the rules of governance that grant Covivio powers giving it the ability to affect asset yields, the following companies are fully consolidated.

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

As at 30 June 2020, 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 2013 as part of the Campus Eiffage project in Vélizy.

2.2.3.6.2. SNC Latécoère and Latécoère 2 (consolidated structured entities)

As at 30 June 2020, SCI Latécoère and Latécoère 2 were 50.1% held by Covivio and fully consolidated. The partnership with the Crédit Agricole Assurances Group (49.9%) was established in 2012 and 2015 as part of the Dassault Systèmes Campus and Dassault Extension projects in Vélizy.

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

As at 30 June 2020, 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 (49.9%) was created in early December 2017 as part of the Silex 1 and Silex 2 office projects in Lyon, Part-Dieu.

2.2.3.6.4. SAS 6 rue Fructidor (consolidated structured entities)

On 29 October 2019, a partnership was signed by Covivio and Crédit Agricole Assurances with a view to sharing the Saint Ouen SO POP development project, held by the company 6, rue Fructidor. This company, the owner of a plot in St Ouen, intends to construct a new office building (31,600 m^2 in floor space for offices and services, seven storeys, 249 parking spaces). The building permit was obtained on 20 May 2019 and construction is due to be finalised in the third quarter of 2022.

Construction work was completed on a building as part of a CPI signed on 29 October 2019 by Fructidor and Fructipromo.

As at 30 June 2020, the company 6 rue Fructidor was 50.1% held by Covivio and fully consolidated.

2.2.3.6.5. SCI N2 Batignolles and SNC Batignolles Promo (consolidated structured entities)

As at 30 June 2020, SCI N2 Batignolles and SNC Batignolles Promo are 50% held by Covivio and fully consolidated. The partnership with Assurances du Crédit Mutuel (50%) was established in 2018 as part of the N2 Batignolles development project.

2.2.3.6.6. SAS Samoëns (consolidated structured entity)

As at 30 June 2020, SAS Samoëns was 50.10% held by Covivio Hotels and fully consolidated. The partnership with Assurances du Crédit Mutuel (49.9%) 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.

The partnership meets the criteria of a joint venture when the parties exercising joint control have rights to net assets of the partnership arrangement. The following companies are consolidated by the equity method.

2.2.3.6.7. SCI Lenovilla (joint venture)

As at 30 June 2020, Lenovilla was 50.09% held by Covivio and 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.

2.2.3.6.8. SCI Cœur d'Orly Bureaux (joint venture)

As at 30 June 2020, SCI Cœur d'Orly Bureaux was 50% held by Covivio and 50% by Aéroports de Paris and was consolidated by 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.

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.

2.2.4. Significant events during the period

Significant events during the period were as follows:

2.2.4.1. Major impacts of the Covid-19 health crisis

2.2.4.1.1. Drop in hotel revenues

The majority of hotels in Europe were closed during the period from March to June: 78% of hotels were closed during the peak of the crisis. They gradually started reopening from the beginning of June, with a very low occupancy rate: 65% of hotels are open as at 30 June 2020.

Rental income of Hotels in Europe amounted to €75.9 million at 30 June 2020 compared with €124.0 million at 30 June 2019. This significant slump of -€48.1 million (i.e. -38.8%) is mainly due to the drop in Accor's variable rents (-€18.5 million) and a drop in fixed rents in the United Kingdom linked to the activation of the major under-performance clause (-€22 million).

Rent-free periods were granted to some tenants against extension of the lease period (average residual term of 12 years) amounting to €16.5 million. In accordance with IFRS 16, these benefits are treated as lease modifications and are linearised over the residual term of the leases. Linearisation did not have a significant impact on the financial statements at 30 June 2020.

EBITDA of Hotels operated stood at €3.4 million at 30 June 2020 versus €31.3 million at 30 June 2019. The hotels benefited from government furlough aid of €5.2 million.

2.2.4.1.2. Decline in the value of hotel assets

The Hotels in Europe segment recorded a decline of -€135 million in value, mainly in Accor's assets (under variable rents), assets in the United Kingdom and retail. For hotel assets, this decline reflects a revenue effect for 70%, linked to the deterioration of cash flows until the end of 2021/in 2022 on assets for which revenue is correlated with the performance of the hotels, and a rate effect for 30%, linked to the increase of +15 bps in discount rates.

At 30 June 2020, impairment tests led to the impairment of goodwill on two hotels operated as Operating properties in Germany for an amount of €2.5 million. A 2.5% drop in the values of hotels in Operating properties would generate additional impairment of €5 million and a 5% drop would generate an impairment of €15 million.

2.2.4.1.3. Impairment of trade receivables

The lockdown period in Europe led to an increase in bad debts in the 2nd quarter of 2020, which led the Group to strengthen its provisioning rules.

Additional impairments were recorded, mainly for retail tenants in Italy and Germany, for tenants whose situation was already difficult pre-Covid, and when the size of the bad debt was less than €100 thousand with a lease term of less than three years (see section 2.2.6.2.2).

2.2.4.2. Creation of a Germany Offices segment

2.2.4.2.1. Acquisition of Covivio Office (formerly Godewind Immobilien) – portfolio of €1.2 billion

Following the launch of a takeover bid in February 2020, Covivio acquired 89.26% of the securities of Godewind Immobilien, a listed REIT specialising in office real estate in Germany. The acquisition price was €6.40 per security, i.e. €619 million. The company was delisted from the German stock exchange on 14 May 2020. It was renamed Covivio Office.

Covivio Office holds a portfolio of €1.2 billion consisting of 10 office buildings (290,000 m²), located in Frankfurt (40% of the portfolio), Düsseldorf (28%), Hamburg (24%) and Munich (8%).

The acquisition price of Godewind Immobilien breaks down as follows:

Allocation of the acquisition price *(€K)*	Acquisition values
Acquisition price (96,672,096 securities at €6.40)	**618,701**
Intangible assets	130
Investment properties	1,266,372
Tangible assets	7,687
Non-current financial Assets	70
Deferred tax assets	31,646
Other current assets	4,619
Cash and cash equivalents (available and restricted)	24,769
Assets	**1,335,293**
Bank borrowings	500,241
Rental liabilities	20,520
Deferred tax liabilities	74,581
Other non-current liabilities	859
Other current liabilities	24,862
Liabilities	**621,063**
Net assets identified at fair value	**714,230**
Indirect non-controlling interests	-8,166
TOTAL NET ASSETS IDENTIFIED AT FAIR VALUE (100%)	**706,064**
Share of net assets identified at fair value acquired (87.63%[1])	**618,701**

(1) Godewind Immobilien's buyback of its own shares in June 2020 had an accretive effect on the ownership position at the end of the period (89.26%).

These values are based on the accounting principles and methods defined in IFRS 3 Business combinations, which stipulates that assets and liabilities are measured at fair value on the acquisition date.

2.2.4.3. France Offices

2.2.4.2.1. Disposals (€84 million – profit or loss on disposals net of fees: -€1 million) and assets under preliminary sale agreements (€195 million)

In the 1st half of 2020, Covivio notably sold the Nanterre Respiro asset for a sale price of €79.5 million. These disposals resulted in net loss of €1 million.

At 30 June 2020, the amount of assets under preliminary sale agreements totalled €195 million.

2.2.4.2.2. Development projects

The asset development programme is presented in Note 2.2.5.1.5.

2.2.4.2.3. Refinancing and redemption

On 30 April 2020, the 2013 bond was redeemed at maturity for -€180 million.

In June, Covivio issued a €500 million bond, maturing in 2030, offering a fixed coupon of 1.625%.

2.2.4.4. Italy Offices

2.2.4.4.1. Disposals (€56 million – profit or loss on disposals net of fees: -€5 million) and assets under preliminary agreement (€162 million)

In the 1st half of 2020, non-strategic assets were sold for a total sale price of €56 million. The income from disposal was negatively impacted by the inclusion of compensation of €4.4 million under contractual guarantees granted during the disposal of an asset in Milan in 2018.

At 30 June 2020, the amount of assets under preliminary sale agreement totalled €162 million.

2.2.4.4.2. Development projects

The asset development programme is presented in Note 2.2.5.1.5.

The 1st half of 2020 was marked by the delivery of two development projects: Milan The Sign A and Turin Ferrucci.

2.2.4.5. Hotels in Europe

2.2.4.5.1. Acquisition – ROCO Project

Covivio Hotels has signed an agreement for the acquisition of a portfolio of eight hotels, mainly five-star hotels located in the centres of major European cities: Rome, Florence, Venice (two assets), Budapest (two assets), Prague and Nice.

The portfolio value amounts to €573 million. A deposit of €27 million was paid in December 2019 and €15 million in April 2020.

These hotels will be operated by NH Hotel Group, which has entered into long-term net triple leases with a guaranteed minimum variable rent. The agreement is for an initial term of 16 years, extendible to 30 years at the request of NH Hotel Group.

The acquisition is due to be signed in September 2020.

2.2.4.5.2. Disposals of assets (€121 million – profit or loss on disposals net of fees: €0 million) and assets under preliminary sale agreement (€94 million)

In the 1st half of 2020, Covivio Hotels sold four B&B assets in France held in partnership, for €5.2 million, a portfolio of 11 B&B assets in Germany for €115 million and a Courtepaille asset for €1 million.

At 30 June 2020, preliminary sale agreements amounted to €94 million, including the Playa Capricho asset in Spain for €22.2 million, 15 non-strategic assets for €57.5 million and two Accor assets for €14.7 million.

2.2.4.5.3. Refinancing and redemption

A new loan of €258 million was taken out for the Operating properties portfolio in Germany in December 2019, which was drawn in early 2020.

2.2.4.6. Germany Residential

2.2.4.6.1. Asset disposals (€20 million – income from disposals net of fees: +€1 million) and assets under preliminary sale agreements (€6 million)

Disposals worth €20 million were completed in the first half of 2020, mainly in Berlin.

At 30 June 2020, the amount of assets under preliminary sale agreement totalled €6 million (net of fees).

2.2.4.6.2. Acquisitions (assets: €12 million)

The Group acquired a portfolio of directly held assets in Dresden for €7.5 million and in Berlin for €4.5 million.

2.2.4.6.3. Refinancing and redemption

The Group proceeded to refinance the KG4 portfolio with a financing commitment of €288 million over 10 years.

2.2.4.7. Other (Including French Residential)

2.2.4.7.1. Asset disposals (€22 million net of fees) and assets under preliminary sale agreement (€4 million)

In France, Foncière Développement Logements continued its sales plan and completed disposals for a sale price of €22 million (net of fees).

At 30 June 2020, the majority of the portfolio was classified under assets held for sale and represented €4 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.

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.

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.

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. The buildings occupied or operated by the Covivio Group employees – owner occupied buildings – are recognised under tangible fixed assets (office properties occupied by employees, spaces used for own Flex Office, 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 2020 by independent real estate experts including BNP Real Estate, JLL, CBRE, Cushman, CFE, MKG, REAG 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, Italy and Germany 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.

The appraisal of real-estate-assets accounted for as investment properties was conducted in the context of a changing situation affected by the unprecedented Covid-19 crisis, for which the impact and outlook remained difficult to predict at the time the appraisals took place.

The context of the health crisis has created uncertainty about the estimates used for appraisal values. These estimates include assumptions about resumption of activity (reopening of hotels and gradual return of visitors, use of office buildings, etc.) which may not be realised.

Without calling into question the reliability of the appraisal valuations, experts have included a "material valuation uncertainty" in accordance with VPS 3 and VPGA 10 of the RICS Red Book Global. This indication is designed to bring clarity and transparency to the fact that, given the current circumstances, there is less certainty than usual regarding the valuation.

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 Flex Office 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:

Building	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 are 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 fixed 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)	31/12/2019	Scope change & change in accounting method	Increase / Allocation	Disposal / Reversal	Change in fair value	Transfers	Change in exchange rate	30/06/2020
Goodwill	**143,286**	**6**	**-2,573**	**0**	**0**	**0**	**0**	**140,719**
Intangible assets	**23,471**	**124**	**36**	**0**	**0**	**175**	**0**	**23,806**[1]
Gross amounts	92,621	162	2,180	-2	0	167	0	95,128
Depreciation	-69,150	-38	-2,144	2	0	8	0	-71,322
Tangible assets	**1,489,442**	**7,588**	**10,018**	**-227**	**-1**	**-2,488**	**-2**	**1,504,331**
Operating properties	1,409,707	6,455	-5,974	-120	0	1,807	0	1,411,875
Gross amounts	1,698,449	6,455	18,371[2]	-150	0	812	0	1,723,937
Depreciation	-288,742	0	-24,345	30	0	995	0	-312,062
Other tangible fixed assets	41,855	1,133	-1,381	-3	0	65	0	41,669
Gross amounts	169,248	1,280	4,005	-91	0	7	0	174,449
Depreciation	-127,393	-147	-5,386	88	0	58	0	-132,780
Fixed assets in progress	37,880	0	17,373[3]	-104	-1	-4,360	-2	50,787
Gross amounts	37,880	0	17,373	-104	-1	-4,360	-2	50,787
Depreciation	0	0	0	0	0	0	0	0
Investment properties	**20,837,882**	**1,265,563**	**246,391**	**-84,213**	**133,495**	**-308,325**	**-48,460**	**22,042,333**
Operating properties	19,504,306	1,265,563	121,522	-84,213	42,480	-198,205	-48,460	20,602,993
Investment properties under development	1,333,576	0	124,869	0	91,015	-110,120	0	1,439,340
Assets held for sale	**324,292**	**0**	**-4,862**	**-214,050**	**31,316**	**325,333**	**0**	**462,029**
Assets held for sale	324,292	0	-4,862	-214,050	31,316	325,333	0	462,029
TOTAL	**22,818,374**	**1,273,281**	**249,010**	**-298,490**	**164,810**	**14,695**	**-48,461**	**24,173,218**

(1) The "Intangible fixed assets" line includes in particular the car park concession assets and leases in the amount of €17 million.
(2) Including the acquisition of land (Alexanderplatz +€8.6 million) and carrying out work on the Italy Offices (+€5.1 million) and Hotels in Europe (+€4 million) assets.
(3) Including work on Germany Residential assets (€3.5 million), Operating Property assets (€4.8 million), the future Covivio headquarters (€4.7 million) and Paris Gobelins (€3.4 million).
Fixed assets in progress also includes instalments paid on asset acquisitions in Italy Offices (€1.6 million) and France Offices (€1 million).

Changes in the scope of tangible fixed assets are mainly related to lease rights-of-use for Covivio Office (formerly Godewind Immobilien) business premises for €6.2 million.

Changes in the scope of investment properties include in particular the entry into the scope of Covivio Office, which has assets in Hamburg, Munich, Düsseldorf and Frankfurt (+€1,252.5 million) and rights-of-use on a long-term lease (+€13.8 million).

The transfer column total (+€14.7 million) mainly corresponds to the reclassification of a Germany Office real estate trading property located in Berlin as property under development.

The portfolio of hotels held as Operating Properties totalled €1,047.9 million at 30 June 2020. In accordance with IAS 16, it is recognised under "Tangible fixed assets".

The "Disbursements related to acquisition of tangible and intangible fixed assets" line in the Statement of Cash Flows (€230.1 million) refers mainly to increases in the statement of changes in the portfolio excluding the effect of depreciation (-€283.5 million), restated for advances and down-payments already paid on properties under development (+€11.4 million), to changes in inventories of real estate trading and development companies (-€1.6 million) adjusted for changes in fixed asset trade payables (+€16.5 million) and restatements for step rental schemes and rent incentives (+€26.6 million).

The "Proceeds relating to the disposal of tangible and intangible fixed assets" line in the Statement of Cash Flows (€254.8 million) primarily corresponds to income from disposals as presented in section 2.2.6.3. Income from asset disposals (€292.3 million), and to the proceeds from the disposal of assets in inventory (€3.0 million), restated for the change in receivables on asset disposals (-€40.4 million).

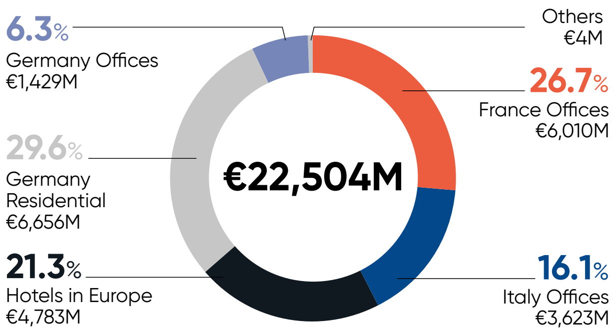
2.2.5.1.3. Investment properties

(€K)	31/12/2019	Scope change & change in accounting method	Increase	Disposal	Change in fair value	Transfers and disposals	Change in exchange rate	30/06/2020
Investment properties	**20,837,882**	**1,265,563**	**246,391**	**-84,213**	**133,495**	**-308,325**	**-48,460**	**22,042,333**
Operating properties	19,504,306	1,265,563	121,522	-84,213	42,480	-198,205	-48,460	20,602,993
France Offices	4,984,139	0	15,601	-83,830	-16,498	-132,215	0	4,767,197
Italy Offices	3,179,865	0	7,809	0	-28,844	21,185	0	3,180,015
Hotels in Europe	4,921,894	0	22,178	-383	-137,615	-78,964	-48,460	4,678,650
Residential Germany	6,384,608	-809	54,734	0	219,131	-8,211	0	6,649,453
German Offices	33,800	1,266,372	21,200	0	6,306	0	0	1,327,678
Investment properties under development	1,333,576	0	124,869	0	91,015	-110,120	0	1,439,340
France Offices	868,320	0	88,007	0	91,281	0	0	1,047,608
Italy Offices	379,269	0	29,397	0	-11	-127,685	0	280,970
Hotels in Europe	9,930	0	104	0	-254	0	0	9,780
Residential Germany	0	0	0	0	0	0	0	0
German Offices	76,057	0	7,361	0	-1	17,565	0	100,982
Assets held for sale	**324,292**	**0**	**-4,862**	**-214,050**	**31,316**	**325,333**	**0**	**462,029**
France Offices	55,029	0	-5,076	-960	14,545	131,771	0	195,309
Italy Offices	100,205	0	194	-56,027	11,222	106,500	0	162,094
Hotels in Europe	132,638	0	0	-120,032	2,834	78,950	0	94,390
Residential Germany	10,516	0	0	-15,071	2,735	8,112	0	6,292
German Offices	0	0	0	0	0	0	0	0
Others	25,904	0	20	-21,960	-20	0	0	3,944
TOTAL	**21,162,174**	**1,265,563[1]**	**241,529[1]**	**-298,263**	**164,811**	**17,008**	**-48,460**	**22,504,362**

(1) Details of the increases and changes in the scope of the investment properties and assets held for sale are shown in section 2.2.5.1.4.

The amounts in the "disposals" column correspond to the appraisal figures published on 31 December 2019.

Consolidated portfolio of assets at 30 June 2020 (€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 assets.

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 Germany Offices

Grouping of similar assets	Level	Portfolio (€M)	Yield rate excluding duties (min.-max.)	Yield rate excluding duties (weighted average)	Discounted cash flow rate	Discounted cash flow rate (weighted average)
Paris Centre West	Level 3	1,147	3.2%-6.1%	3.1%	3.5%-7.0%	5.0%
North Eastern Paris	Level 3	412	4,0%-4,5%	5.0%	3,8%-5,0%	4.5%
Paris South	Level 3	721	3,1%-5,0%	4.5%	3,5%-5,8%	4.4%
Western Crescent	Level 3	1,502	3,6%-7,3%	4.7%	3,8%-7,5%	5.2%
Inner suburbs	Level 3	1,302	5,0%-6,5%	5.4%	3,8%-7,3%	5.2%
Outer suburbs	Level 3	53	4,8%-12,8%	5.7%	4,0%-9,5%	4.5%
Total Paris Regions		**5,137**	**3,1%-12,8%**		**3,5%-9,5%**	
Major Regional Cities	Level 3	741	3,7%-11,8%	6.3%	4,0%-11,5%	5.2%
Area	Level 3	132	5,0%-14,1%	8.0%	4,3%-12,0%	5.5%
Total Regions		**873**	**3,7%-14,1%**		**4,0%-12,0%**	
TOTAL FRANCE OFFICES		**6,010**	**3,1%-14,1%**		**3,5%-12%**	
Milan	Level 3	1,945	2,8%-6,3%	4.6%	4,5%-6,4%	4.6%
Rome	Level 3	212	3,0%-5,0%	3.9%	5,2%-6,2%	5.6%
Others	Level 3	1,185	3,4%-7,2%	6.0%	5,4%-6,9%	6.4%
Total in operation		**3,342**				
Development projects	Level 3	281			6,1%-9,0%	
TOTAL ITALY OFFICES		**3,623**				
Berlin	Level 3	45	2,9%-5,4%	3.5%	4,9%-7,4%	5.5%
Düsseldorf	Level 3	336	3,7%-4,1%	4.0%	4,3%-4,7%	4.6%
Frankfurt	Level 3	511	4,1%-4,9%	4.4%	4,6%-5,6%	5.0%
Hamburg	Level 3	298	3,8%-4,2%	3.9%	4,4%-4,7%	4.4%
Munich	Level 3	124	4,2%-4,5%	4.3%	4,8%-5,2%	4.9%
Total in operation		**1,314**	**2,9%-5,4%**	**4.2%**	**4,3%-7,4%**	**4.8%**
Development projects	Level 3	101				
Use rights	Level 3	14				
GERMANY OFFICES TOTAL		**1,429**				
OFFICES TOTAL		**11,062**				

Hotels in Europe:

Grouping of similar assets	Level	Portfolio (€M)	Yield rate excluding duties (min.-max.)	Yield rate excluding duties (weighted average)	Discounted cash flow rate	Discounted cash flow rate (weighted average)
Germany	Level 3	640	3,8%-5,3%	4.5%	4,0%-6,3%	5.3%
Belgium	Level 3	251	5,4%-6,2%	5.9%	7,0%-7,8%	7.5%
Spain	Level 3	664	4,8%-7,4%	4.9%	4,8%-7,4%	5.4%
France	Level 3	1,743	3,5%-5,5%	4.5%	4,4%-7,9%	5.8%
Netherlands	Level 3	155	4,2%-5,9%	4.8%	5,2%-8%	5.9%
United Kingdom	Level 3	853	4,0%-5,8%	4.6%	6,5%-8,1%	7.2%
Others	Level 3	111	5,4%-6,2%		7,4%-8,1%	
Hotel lease properties	**Level 3**	**4,416**	**3,5%-7,4%**	**4.7%**	**4,0%-8,1%**	**6.1%**
Retail	Level 3	161	6,1%-7,5%	6.9%	7,4%-9,3%	8.9%
Total in operation		**4,577**				
Development projects	Level 3	10			5.9%	5.9%
Use rights	Level 3	196				
TOTAL HOTELS IN EUROPE		**4,783**				

Germany Residential

Grouping of similar assets	Level	Portfolio (€M)	Yield rate[1] Total portfolio	Yield rate[1] Block valued properties	Discounted cash flow rate	Average value *(€/m2)*
Duisburg	Level 3	287	3,7%-4,9%	3,7%-4,9%	4,5%-5,9%	1,393
Essen	Level 3	665	3,1%-5,4%	3,1%-5,4%	4,3%-6,7%	1,726
Mülheim	Level 3	198	3,7%-5,1%	3,7%-5,1%	4,7%-6,1%	1,521
Oberhausen	Level 3	158	4,0%-6,4%	4,0%-6,4%	4,5%-7,4%	1,174
Datteln	Level 3	129	3,4%-4,9%	3,4%-4,9%	4,4%-5,9%	1,132
Berlin	Level 3	3,778	1,1%-5,4%	1,1%-5,4%	3,1%-7,4%	2,918
Düsseldorf	Level 3	169	2,5%-3,6%	2,5%-3,6%	4,0%-5,1%	2,620
Dresden	Level 3	434	2,8%-4,2%	2,8%-4,2%	4,0%-5,7%	2,209
Leipzig	Level 3	209	2,5%-4,5%	2,5%-4,5%	4,0%-6,0%	1,623
Hamburg	Level 3	480	1,9%-4,0%	1,9%-4,0%	3,4%-5,5%	3,346
Others	Level 3	151	2,5%-4,7%	2,5%-4,7%	4,0%-5,7%	1,827
TOTAL GERMAN RESIDENTIAL		**6,656**				

(1) Yield rates: 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

(€K)	Yield[2]	Yield rate -50 bps	Yield rate +50 bps
France Offices[1]	5.0%	552.3	-451.8
Italy Offices	5.5%	335.4	-279.3
Hotels in Europe[1]	5.3%	547.8	-453.8
Residential Germany	3.9%	988.5	-762.1
German Offices	3.4%	226.9	-168.6
TOTAL[1]	**4.7%**	**2,650.9**	**-2,115.6**

(1) Including assets held by equity affiliates, excl. operating property assets.
(2) Yield on operating portfolio – excl. 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 €2,651 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 €2,115 million.

2.2.5.1.4. Acquisitions and works

(€K)	Scope change & change in accounting method	Acquis.	Works	Total increase
France Offices	**0**	**0**	**15,601**	**15,601**
Italy Offices	**0**	**0**	**7,809**	**7,809**
Ibis Strasbourg plot leasehold rights		4,273		
Hotels in Europe	**0**	**4,273**	**17,905**	**22,178**
Investments in Hamburg, Frankfurt, Düsseldorf, Munich	1,252,521			
Use rights for investment properties	13,851			
Assets in Berlin		10,519		
German Offices	**1,266,372**	**10,519**	**10,681**	**21,200**
Others	-809			
Assets in Dresden		7,395		
Assets in Berlin		4,499		
Residential Germany	**-809**	**11,894**	**42,840**	**54,734**
Total operating properties	**1,265,563**	**26,686**	**94,836**	**121,522**
France Offices	**0**	**0**	**88,007**	**88,007**
Italy Offices	**0**	**0**	**29,397**	**29,397**
Hotels in Europe	**0**	**0**	**104**	**104**
German Offices	**0**	**0**	**7,361**	**7,361**
Total properties under development	**0**	**0**	**124,869**	**124,869**
France Offices			**-5,076**	**-5,076**
Italy Offices			**194**	**194**
Others			**20**	**20**
Total assets held for sale	**0**	**0**	**-4,862**	**-4,862**
TOTAL	**1,265,563**	**26,686**	**214,843**	**241,529**

The work of (-€5 million) in France Offices corresponds to the rebate on taxes paid on the Meudon Canopée project, which was transferred in 2019 to assets held for sale.

2.2.5.1.5. Investment properties under development

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

(€K)	31/12/2019	Acquisitions and works	Capitalised interest	Change in fair value	Transfers and disposals	30/06/2020
Levallois Alis	149,000	1,739	1,229	10,132		162,100
N2 Batignolles	76,055	4,473	1,153	17,119		98,800
Lyon Silex 2nd tranche	141,300	12,080	1,677	743		155,800
Montrouge Flow	124,500	13,540	935	9,425		148,400
Paris So Pop	154,100	6,687	1,132	17,581		179,500
Châtillon Iro	120,200	18,640	1,755	24,205		164,800
Meudon Opale	32,344	132		-3,476		29,000
DS Campus extension	18,601	1,833	94	11,972		32,500
Meudon Ducasse	14,640	7,195	186	-751		21,270
Terres Neuves	2,430	46		-46		2,430
Lyon Silex 3rd tranche	8,000			1,000		9,000
Montpellier	27,150	13,236	245	3,377		44,008
Total France Offices	**868,320**	**79,601**	**8,406**	**91,281**	**0**	**1,047,608**
Milan, via Unione/via Torino	35,300	451	497	52		36,300
Milan, via Schievano/via Santander	15,300	470	226	-296		15,700
Milan, piazza Duca d'Aosta	14,070	2,731	112	-743		16,170
Milan, Symbiosis – Buildings C and E	35,829	-87	688	1,870		38,300
Milan, Symbiosis – Building D	39,900	9,124	606	370		50,000
Milan, Symbiosis – Buildings G and H	44,371	-56	841	-1,456		43,700
Building Milan, Symbiosis – Edificio School	15,000	5,675	162	163		21,000
Milan, via Schievano – The Sign B	38,900	3,938	547	515		43,900
Milan, via Schievano – The Sign C	13,000	1,932	163	805		15,900
Milan, via Schievano – The Sign A	42,500	657	187		-43,344	0
Turin, Corso Ferrucci	85,099	533		-1,291	-84,341	0
Total Italy Offices	**379,269**	**25,368**	**4,029**	**-11**	**-127,685**	**280,970**
B&B Bagnolet	9,930	15	89	-254		9,780
Total Hotels in Europe	**9,930**	**15**	**89**	**-254**	**0**	**9,780**
Alexanderplatz	76,057	4,996	1,440	-1		82,492
Reno Wilhelm-Kabus-Strasse	0	622	303		17,565	18,490
Germany Offices total	**76,057**	**5,618**	**1,743**	**-1**	**17,565**	**100,982**
CONSOLIDATED TOTAL	**1,333,576**	**110,602**	**14,267**	**91,015**	**-110,120**	**1,439,340**

The "transfers and disposals" column includes in particular the delivery of the Turin Ferrucci (-€84.3 million) and The Sign A (-€43.3 million) assets and the transfer of a real estate trading property asset (Germany Offices) to property under development (+€17.6 million).

The pandemic has caused a delay of around three months in the progress of work. There are no additional costs generated by the health crisis other than those related to securing construction sites.

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)	31/12/2019	Increase	Decrease	Change in fair value	Scope change	Transfers	Change in exchange rate	30/06/2020
Ordinary loans[1]	130,572	2,765	-100	0	0	19,939	0	153,176
Total loans and current accounts	**130,572**	**2,765**	**-100**	**0**	**0**	**19,939**	**0**	**153,176**
Advances and pre-payments on acquisition of shares	27,000	15,000	0	0	0	0	0	42,000
Securities at historic cost	28,465	236	0	0	0	-38	0	28,663
Dividends to be received	0	1	0	0	0	0	0	1
Subscribed capital not paid up	0	0	0	0	0	0	0	0
Total other financial assets[2]	**55,465**	**15,237**	**0**	**0**	**0**	**-38**	**0**	**70,664**
Receivables on financial assets	89,613	0	27,996	0	70	-1,288	-3	116,389
Total receivables on financial assets	**89,613**	**0**	**27,996**	**0**	**70**	**-1,288**	**-3**	**116,389**
TOTAL	**275,651**	**18,002**	**27,896**	**0**	**70**	**18,613**	**-3**	**340,229**
Amortisations and provisions[3]	-16,591	-68	24	0	0	38	0	-16,597
NET TOTAL	**259,060**	**17,934**	**27,920**	**0**	**70**	**18,651**	**-3**	**323,632**

(1) Ordinary loans include receivables from equity investments in equity affiliates. The increase in the period is related mainly to the reclassification of the loan granted to Lenovilla as a long-term loan (+€20 million), loans granted to companies acquired in July 2019 with 32 hotels in France and Belgium (+€1 million) and to Cœur d'Orly for a Belaïa development project (+€1 million).
(2) Total other financial assets are broken down as follows:
- Advances and deposits made to acquire securities in companies:
An additional deposit of €15 million was paid for the acquisition of a portfolio of hotels located in the centres of major European cities (Rome, Florence, Venice, Budapest, Prague and Nice).
- Securities at historic cost:
The investments held by Covivio in Italy in real estate funds (€17 million) are valued at their historical cost. Potential impairments are recorded in the income statement.
- Receivables on financial assets: The increase in receivables on financial assets mainly corresponds to receivables on disposals in Italy Offices (+€28 million).
(3) Includes impairment losses on securities at historical cost held by Covivio in Italy (€11.4 million) and impairment losses on receivables for disposals of more than one year (€3.3 million) and for receivables related to financial assets (€1.9 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)	% ownership	Operating segment	Country	31/12/2019	**30/06/2020**	Change Group	Of which share of net income	Of which distribution and change in scope
SCI Factor E and SCI Orianz	34.69%	France Offices	France	13,968	14,700	731	731	0
Lenovilla (New Velizy)	50.10%	France Offices	France	60,291	59,562	-729	1,776	-2,505
Euromarseille (Euromed)	50.00%	France Offices	France	49,880	50,054	174	174	0
Cœur d'Orly (Askia and Belaïa)	50.00%	France Offices[1]	France	29,765	27,768	-1,996	-1,623	-373
Investire Immobiliare and others		Italy Offices	Italy	13,879	13,034	-846	201	-1,047
Iris Holding France	19.90%	Hotels in Europe	Belgium, Germany	19,256	17,679	-1,577	-1,577	0
OPCI IRIS Invest 2010	19.90%	Hotels in Europe	France	32,007	27,283	-4,724	-3,356	-1,368
OPCI Camp Invest	19.90%	Hotels in Europe	France	21,097	22,004	906	2,022	-1,116
Dahlia	20.00%	Hotels in Europe	France	20,012	18,322	-1,690	-1,690	0
Phoenix	31.15% and 33.33%	Hotels in Europe	France, Belgium	114,159	108,929	-5,230	-2,296	-2,933
TOTAL				**374,316**	**359,335**	**-14,980**	**-5,639**	**-9,341**

(1) Including Belaïa building under development.

The investments in equity affiliates at 30 June 2020 amounted to €359.3 million, compared with €374.3 million as at 31 December 2019, i.e. a decrease of -€15 million.

The change over the period is mainly due to the appropriation of 2019 net income (-€8.9 million) and net income for the period (-€5.6 million).

2.2.5.3.3. Breakdown of shareholdings in the main associates and joint ventures

Ownership	Cœur d'Orly	Renovation Euromed	SCI Lenovilla (New Velizy)	SCI Factor E/ 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%	
Aéroports 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	OPCI Otelli (Phoenix)	Konbon (Phoenix)	Jouron (Phoenix)
Covivio Hotels	**19.9%**	**19.9%**	**19.9%**	**20.0%**	**31.2%**	**33.3%**	**33.3%**
Non-Group third parties	**80.1%**	**80.1%**	**80.1%**	**80.0%**	**68.9%**	**66.7%**	**66.7%**
Sogecap					31.2%	33.3%	33.3%
Caisse de dépôt et consignation					37.7%	33.3%	33.3%
Crédit Agricole Assurances	80.1%	80.1%	68.8%	80.0%			
Pacifica			11.3%				
TOTAL	**100%**	**100%**	**100%**	**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	145,596	133,130	7,519	613	12,654	83,031	2,061	-333	-3,326
Lenovilla (New Velizy)	New Velizy and extension	282,654	274,920	6,385	0	1,365	162,394	6,070	-689	3,544
Euromarseille (Euromed)	Euromed Center	216,827	198,888	10,788	1,266	6,142	109,309	4,274	-449	348
SCI Factor E and SCI Orianz	Bordeaux, Armagnac	148,326	137,714	6,088	586	7,917	97,450	3,972	-696	2,108
Iris Holding France	Hotels: AccorHotels	224,373	198,455	23,301	19,363	5,365	110,694	1,398	-1,467	-7,926
OPCI IRIS Invest 2010	Hotels: AccorHotels	260,895	238,120	15,092	2,632	9,429	111,734	1,988	-1,031	-16,865
OPCI Camp Invest	Campanile Hotels	193,128	179,920	8,828	0	1,900	80,658	5,943	-827	10,160
Dahlia	Hotels: AccorHotels	172,333	164,521	4,275	0	3,515	77,208	959	-843	-8,448
OPCI Oteli, Jouron, Kombon	Hotels: AccorHotels	569,768	541,286	10,950	22,508	26,617	179,468	3,687	-1,126	-7,126

2.2.5.4. Deferred tax liabilities on the reporting date

		Increases					Decreases				
(€K) DTA	Balance sheet at 31/12/2019	First time consolida-tion scope	Net income for the period	Diffe-rence in rates	Sharehol-der's equity	Other changes and transfers	Net income for the period	Difference in rates	Change in exchange rate	Removals from the scope of consolidation	**Balance sheet at 30/06/2020**
Losses carried forward	60,039	28,768	3,153				-3,562	-224			88,174
Fair value of properties	49,231		3,113	204			-677		-140		51,731
Derivatives	11,087		3,167				-30				14,224
Temporary differences	17,372	2,879	2,450				-693		-50		21,958
	137,729										176,087
DTA/DTL offset	-75,797										-95,811
TOTAL DTA	**61,932**	**31,647**	**11,883**	**204**	**0**	**0**	**-4,962**	**-224**	**-190**	**0**	**80,276**

		Increases					Decreases				
(€K) DTL	Balance sheet at 31/12/2019	First time consolida-tion scope	Net income for the period	Diffe-rence in rates	Sharehol-der's equity	Other changes and transfers	Net income for the period	Difference in rates	Change in exchange rate	Removals from the scope of consolidation	**Balance sheet at 30/06/2020**
Fair value of properties	1,014,992	73,525	54,634	5,832		4,263	-26,254	-217	-2,052		1,124,723
Derivatives	1,799		2				-1,583				218
Temporary differences	42,572		1,571			-4,263	-1,761	-7	-56		38,056
	1,059,363										1,162,997
DTA/DTL offset	-75,797										-95,811
TOTAL DTL	**983,566**	**73,525**	**56,207**	**5,832**	**0**	**0**	**-29,598**	**-224**	**-2,108**	**0**	**1,067,186**
NET TOTAL	**-921,634**	**-41,878**	**-44,324**	**-5,628**	**0**	**0**	**24,636**	**0**	**1,918**	**0**	**-986,910**
			Total impact on the income statement:			-25,316	Negative net balance = liabilities				
			Of which DTA on the corporation tax line			1,962					

As at 30 June 2020, the consolidated unrealised tax position showed a deferred tax asset of €80 million (versus €62 million as at 31 December 2019) and a deferred tax liability of €1,067 million (versus €983 million as at 31 December 2019).

The primary contributors to the net balance of deferred tax liabilities are:

- Residential Germany: €679 million
- Hotels in Europe: €248 million
- Germany Offices: €50 million
- Italy Offices: €12 million.

The increase in net deferred tax liabilities (+€65.3 million) is mainly due to the acquisition of the company Covivio Office in Germany Offices (+€45.9 million), the impact of the deferred tax liabilities relating to increases in the appraisal values of the Germany Residential portfolio (+€39.1 million), offset by the decline in asset values and the disposal of the Germany B&B assets under Hotels in Europe (-€22.0 million).

The impact on 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)	31/12/2019	Change of scope	Increase	Decrease	Transfers	**30/06/2020**
Short-term loans	27,752	0	8,245	-7,813	-19,939	8,245
TOTAL	**27,752**	**0**	**8,245**	**-7,813**	**-19,939**	**8,245**
Write-downs	0	0	0	0	0	0
NET TOTAL	**27,752**	**0**	**8,245**	**-7,813**	**-19,939**	**8,245**

The change in short-term loans (+€19.5 million) primarily reflects the reclassification as short term of the loan granted to the equity affiliate Lenovilla (-€20 million) and the change in accrued interest not yet due (+€0.4 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).

Inventories are composed of two classification types: Property dealers (mainly in Italy, purchase/sale) and real estate development (housing and offices). They are assessed at cost.

2.2.5.6.2. Inventories and work-in-progress

(€K)	**30/06/2020 Net**	31/12/2019 Net	Change *(€K)*
Real estate company trading properties	**26,950**	**28,833**	**-1,883**
France Offices	0	273	-273
Hotels in Europe	2,056	2,261	-205
Residential Germany	141	96	45
German Offices	0	0	0
Miscellaneous inventories (raw materials, goods)	**2,197**	**2,630**	**-433**
Extension property Germany Residential	21,329	13,745	7,584
France Offices	23,835	20,290	3,545
Italy Offices	35,466	34,016	1,450
Residential Germany	117,269	113,720	3,549
Germany Offices	1,771	19,314	-17,543
Real estate trading properties	**199,670**	**201,085**	**-1,415**
TOTAL INVENTORIES AND WORK-IN PROGRESS	**228,817**	**232,548**	**-3,731**

The balance sheet item "Inventories and work-in-progress" groups together inventories from trading activities in Italy Offices (€26.4 million), and assets dedicated to the real estate development business for €199.7 million.

The change in France Offices (+€3.2 million) and Italy Offices (+€1 million) reflects the work carried out on development assets.

The increase in inventories in Germany Residential (+€9.8 million) is related to the work on development assets (+€20.6 million) and the disposal of trading (-€1.1 million) and development (-€12.8 million) assets.

The decrease in inventories in Germany Offices (-€17.5 million) is linked to the reclassification of a development project under properties under development (Reno Wilhelm-Kabus-Strasse project).

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.

The usual impairment rules have been tightened in the context of the Covid-19 health crisis. For unpaid rents for the 2nd quarter of 2020, impairments were recorded according to the size of the tenant, his business, and the ongoing lease negotiations (see section 2.2.4.1).

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)	30/06/2020	31/12/2019	Change (€K)
Expenses to be reinvoiced to tenants	229,051	151,537	77,514
Rent-free periods	38,419	44,405	-5,986
Trade receivables	168,812	209,217	-40,405
TOTAL TRADE RECEIVABLES	**436,282**	**405,159**	**31,123**
Impairment of receivables	-36,672	-28,429	-8,243
NET TOTAL TRADE RECEIVABLES	**399,610**	**376,730**	**22,880**

- The change in trade receivables (+€22.9 million) is explained mainly by the increase in expenses to be invoiced to tenants (+€77.5 million) and the decline in net trade receivables (-€48.6 million). The decrease in trade receivables (-€40.5 million) is linked mainly to an off-setting not carried out in 2019 (real estate development) with the item Other liabilities (-€77.5 million).
- Impairment of trade receivables increased by €8 million, of which €5.6 million was recorded following the Covid-19 crisis, mainly under Italy Offices (€2.6 million), Hotels in Europe (€1.5 million) and Germany Residential (€1.3 million).

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

(€K)	30/06/2020	31/12/2019
Impact of changes in inventories and work in progress	-12,609	-81,726
Impact of changes in trade & other receivables	-81,627	-122,323
Impact of changes in trade & other payables	-7,731	128,173
CHANGE IN WORKING CAPITAL REQUIREMENTS ON CONTINUING OPERATIONS (INCLUDING EMPLOYEE BENEFITS LIABILITIES)	**-101,967**	**-75,876**

2.2.5.8. Other receivables

(€K)	30/06/2020	31/12/2019	Change (€K)
Government receivables	89,718	91,145	-1,427
Other receivables	53,904	63,623	-9,719
Security deposits received (short-term)	31,982	19,620	12,362
Current accounts	3,315	929	2,386
TOTAL	**178,919**	**175,317**	**3,602**

- €89.7 million in government receivables comprise mainly VAT receivables. It should be noted that this item includes €3.2 million in government receivables following the payment of tax adjustments of which we dispute the validity (see section 2.2.2.10.4).
- The changes in receivables on disposals were mainly from the Other (Including France Residential +€10.3 million), Italy Offices (+€1.7 million), France Offices (+€0.9 million) and Germany Residential (+€0.6 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)	**30/06/2020**	31/12/2019
Money-market securities available for sale	510,578	626,477
Cash at bank	654,817	675,607
TOTAL	**1,165,395**	**1,302,084**

At 30 June 2020, 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

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 debt

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.

The fair value is determined according to the closing bond price.

The Group companies hold movable and immovable assets through rental contracts (construction leases and long-term leases, premises, company vehicles, car parks). 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.

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.

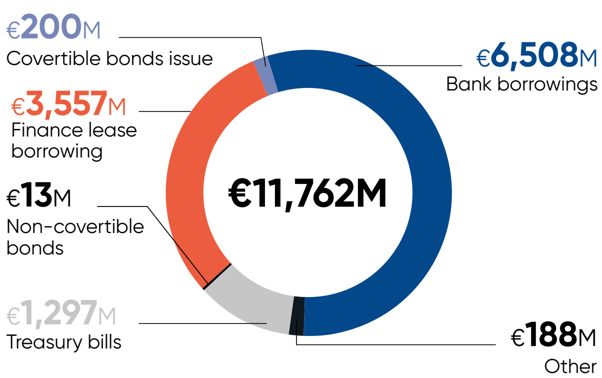
2.2.5.11.2. Table of debt

(€K)	31/12/2019	Increase	Decrease	Change of scope	Change in exchange rate	Other changes	30/06/2020
Bank borrowings	5,892,716	1,105,540	-972,970	498,762	-16,120	0	6,507,928
Finance lease borrowing	13,900	0	-1,347	0	0	0	12,553
Other borrowings	179,383	6,107	-1,690	555	0	0	184,355
Treasury bills	1,363,900	0	-67,000	0	0	0	1,296,900
Securitised loans	3,977	0	0	0	0	0	3,977
Non-convertible bonds	3,236,554	500,000	-180,000	0	0	0	3,556,554
Convertible bond issue[1]	200,000	0	0	0	0	0	200,000
Subtotal interest-bearing loans	**10,890,430**	**1,611,647**	**-1,223,007**	**499,317**	**-16,120**	**0**	**11,762,267**
Accrued interest	46,336	32,234	-43,660	14	0	-1	34,923
Deferral of loan expenses	-69,749	7,289	-5,738	-1,595	-45	0	-69,838
Creditor banks	20,548	0	0	0	-2	193,141	213,687
Total borrowings (LT/ST) excl. fair value of ORNANE-type bonds	**10,887,566**	**1,651,170**	**-1,272,405**	**497,736**	**-16,167**	**193,140**	**11,941,040**
of which long-term	*9,071,820*						*9,879,116*
of which short-term	*1,815,746*						*2,061,924*
Valuation of financial instruments	284,920	0	0	3,074	0	36,895	324,889
Convertible bond derivatives	3,436	0	0	0	0	-4,200	-764
Total derivatives	**288,356**	**0**	**0**	**3,074**	**0**	**32,695**	**324,125**
Of which assets	*-77,486*						*-101,832*
Of which liabilities	*365,842*						*425,957*
TOTAL BANK DEBT	**11,175,922**	**1,651,170**	**-1,272,405**	**500,810**	**-16,167**	**225,835**	**12,265,165**

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

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

Debt by type as at 30 June 2020 (in €M):



The "Proceeds related to new borrowings" line item of the Statement of Cash Flows (+€1,611.7 million) refers mainly to:

- increases in interest-bearing borrowings (+€1,611.6 million)
- increases in rental liabilities (+€5.8 million)
- less new loan issue costs (-€5.7 million).

The "Repayments of borrowings" line item of the Statement of Cash Flows (-€1,232.6 million) corresponds mainly to decreases in interest-bearing borrowings (-€1,223.0 million) and reductions in rental liabilities (-€9.9 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 < €100M)	Debt	Appraisal value at 30/06/2020[1]	Outstanding debt at 30/06/2020	Date of signature	Nominal Initial	Maturity
France Offices		€280 M and €145 M – Tour CB21 and Carré Suffren		405,175	29/07/2015 and 01/12/2015	280,000 and 145,000	29/07/2025 and 30/11/2023
		€167.5 M – DS Campus		156,612	23/03/2015	167,500	20/04/2023
		€300 M – Orange		300,000	18/02/2016	300,000	30/06/2028
	> €100M		**2,245,670**	**861,787**			
	< €100M		**354,800**	**166,633**			
		Total France Offices	**2,600,470**	**1,028,420**			
Italy Offices		€760 M – Central		635,656	15/09/2016	652,732	14/09/2024
	> €100M	**Total Italy Offices**	**1,406,913**	**635,656**			
Hotels in Europe		€447 M		130,354	25/10/2013	447,000	31/01/2023
		€255 M – Mortgage bond		186,553	14/11/2012	255,000	16/11/2021
		€278 M – Roca		188,718	29/03/2017	277,188	29/03/2025
		€290 M – OPCI B2 HI (B&B)		123,323	10/05/2017	290,000	10/05/2024
		£400 M – Rocky		447,302	24/07/2018	475,145	24/07/2026
		€178 M -ParkInn Alexanderplatz Berlin		177,733	**01/01/2020**	**178,000**	**30/12/2029**
	> €100M		**3,022,852**	**1,253,983**			
	< €100M		**1,614,157**	**590,411**			
		Total Hotels Europe	**4,637,009**	**1,844,394**			
Residential Germany		Lyndon Immeo 01		107,066	12/12/2011	140,000	29/01/2027
		Cornerstone		149,720	01/10/2014	136,737	30/06/2025
		Refinancing Wohnbau/ Dümpten/Aurélia/Duomo		108,078	20/01/2015	150,000	30/01/2025
		Refinancing Amadeus/ Herbstlaub/Valore/Valartis/ Sunflower		145,399	28/10/2015	176,842	30/04/2026
		Quadriga		160,439	16/06/2015	211,540	31/03/2026
		Golddust		108,826	23/03/2016	115,000	30/04/2027
		Lego		163,633	24/06/2016	195,003	30/09/2024
		Lyndon Immeo 02		242,192	26/01/2017	230,000	14/03/2022
		Refinancing Indigo, Prime		257,563	09/07/2019	260,000	30/09/2029
		Refinancing KG1		124,375	20/09/2019	125,000	30/09/2029
	> €100M		**3,964,090**	**1,567,292**			
	< €100M		**2,358,320**	**1,055,020**			
		Total German Residential	**6,322,410**	**2,622,311**			
German Offices	**> €100M**	Godewind- Frankfurt Airport Center	255,600	130,000	17/12/2019	130,000	30/12/2025
	< €100M		1,013,800	368,462			
		Germany Offices total	**1,269,400**	**498,462**			
Total pledged			**16,236,202**	**6,629,243**			

(€K)	Outstanding debt (> or < €100M)	Debt	Appraisal value at 30/06/2020(1)	Outstanding debt at 30/06/2020	Date of signature	Nominal Initial	Maturity
France Offices		Treasury bills		1,296,900			
		€500 M – Green bond		500,000	20/05/2016	500,000	20/05/2026
		€500 M – Bond		595,000	21/06/2017	500,000	21/06/2027
		€500 M – Green Bond		500,000	17/09/2019	500,000	17/09/2031
		€500 M – Bond		500,000	**23/06/2020**	**500,000**	**23/06/2030**
		Italy Offices reallocation		-336,620			
	> €100M			**3,055,280**			
		Total France Offices	**3,786,327**	**3,055,280**			
Italy Offices		€250 M – Bond		125,000	30/03/2015	125,000	30/03/2022
		€200 M – Convertible bond		200,000	03/08/2015	200,000	31/01/2021
		€300 M – Bond		300,000	17/10/2017	300,000	17/10/2024
		€300 M – Bond		300,000	20/02/2018	300,000	20/02/2028
		France Offices reallocation		336,620			
	> €100M		**2,292,214**	**1,261,620**			
	< €100M			**3,978**			
		Total Italy Offices	**2,292,214**	**1,265,598**			
Hotels in Europe		€200 M – Private placement		200,000	29/05/2015	200,000	29/05/2023
		€350 M – Edinburgh		350,000	24/09/2018	350,000	24/09/2025
	> €100M			**550,000**			
	< €100M			**77,857**			
		Total Hotels Europe	**1,200,648**	**627,857**			
Residential Germany	**< €100M**	**Total German Residential**	**346,972**				
German Offices	**< €100M**	**Germany Offices total**	**145,496**				
Others	**< €100M**	**French Residential**	**3,944**	**0**			
		Car parks	**48,918**	**0**			
		Total Other	**52,862**	**0**			
Total unencumbered			**7,824,518**	**4,948,735**			
		Other liabilities		184,289			
GRAND TOTAL			**24,060,720**	**11,762,267**			

(1) The portfolio includes the fair value of assets directly used by the company (head office, Flex Office) but does not include real estate inventories (trading, development) and the share of fair value of consolidated assets accounted for by the equity method.

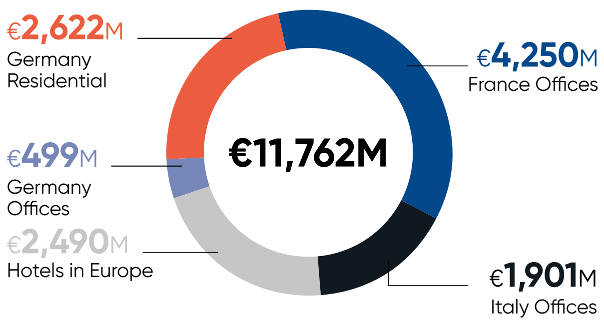
The borrowings are valued after their initial recognition at cost, amortised based on the effective interest rate.

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

(€K)	Balance at 30/06/2020	Delivery date at - 1 year	Balance at 30/06/2021	Maturity from 2 to 5 years	Balance at 30/06/2025 (over 5 years)
Fixed-rate financial liabilities	**5,941,752**	**242,795**	**5,698,956**	**1,696,921**	**4,002,035**
France Offices – Bank borrowings	145,837	2,050	143,788	93,788	50,000
France Offices – Other	165,983	17,461	148,522	0	148,522
Italy Offices – Convertible bonds(1)	200,000	200,000	0	0	0
Germany Offices – Bank borrowings	498,462	600	497,862	311,862	186,000
Germany Offices – Other	555	0	555	555	0
Hotels in Europe – Bank borrowings	169,406	1,698	167,708	87,820	79,889
Hotels in Europe – Other	17,752	0	17,752	17,579	172
Germany Residential – Bank borrowings	1,183,160	16,991	1,166,169	373,756	792,413
Germany Residential – Other	66	19	47	9	39
Total borrowings and convertible bonds	**2,381,221**	**238,818**	**2,142,403**	**885,368**	**1,257,035**
France Offices – Bonds	1,758,380	0	1,758,380	0	1,758,380
France Offices – Treasury bills	0	0	0	0	0
Italy Offices – Bonds	1,061,620	0	1,061,620	425,000	636,620
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	**3,560,531**	**3,978**	**3,556,553**	**811,553**	**2,745,000**
Floating-rate financial liabilities	**5,820,516**	**1,582,460**	**4,238,055**	**1,293,898**	**2,944,157**
France Offices – Bank borrowings	882,583	94,183	788,400	252,700	535,700
Italy Offices – Bank borrowings	635,656	10,378	625,278	48,518	576,761
Hotels in Europe – Bank borrowings	1,566,292	19,784	1,546,508	620,158	926,349
Germany Residential – Bank borrowings	1,439,085	161,216	1,277,869	372,522	905,347
Total borrowings and convertible bonds	**4,523,616**	**285,560**	**4,238,055**	**1,293,898**	**2,944,157**
France Offices – Treasury bills	1,296,900	1,296,900	0	0	0
Total debts represented by securities	**1,296,900**	**1,296,900**	**0**	**0**	**0**
TOTAL	**11,762,267**	**1,825,256**	**9,937,012**	**2,990,820**	**6,946,192**

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

Debt by operating segment as at 30 June 2020 (in €M)



2.2.5.11.4. Convertible bonds

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 2020, the ORNANE derivative maturing in 2021 of Covivio in Italy was valued at €1.5 million.

The features of the convertible bond issue are as follows:

Features	ORNANE-type Bonds Italy Offices
Issue date	08/2015
Issue amount *(€M)*	200
Issue price *(€)*	100
Conversion price	107.289
Nominal rate	0.875%
Maturity	02/2021
Number of convertible bonds issued	2,000,000
Number of convertible bonds at 31 December 2019	2,000,000
Number of convertible bonds at 30 June 2020	2,000,000
Number of potential shares	1,864,129

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)	31/12/2019 Net	First time consolidation – Change in consolidation method	Premiums – Restructuring balances	Impact on P&L	Impact on shareholders' equity	**30/06/2020 Net**
France Offices	-141,224		44,959	-37,259		-133,524
Italy Offices	-20,845			-3,379	-3,472	-27,696
German Offices		-3,074		356		-2,718
ORNANE-type bonds Italy Offices	-3,436			4,201		765
Hotels in Europe	-89,026		10,675	-40,076	13,696	-104,731
Residential Germany	-33,825			-22,396		-56,221
TOTAL	**-288,356**	**-3,074**	**55,634**	**-98,553**	**10,224**	**-324,125**
					Including forward financial instrument liabilities	**-425,957**
					Including forward financial instrument assets	**101,832**

The total impact of the value adjustments on the derivatives on the income statement was -€98.6 million.

It mainly consists of changes in the value of IFTs (-€102.8 million) and the change in value of ORNANEs (+€4.2 million). In accordance with IFRS 13, the fair values include the counterparty default risk (€18.2 million).

The Germany Offices line corresponds to the fair value measurement of fixed-rate debts on the acquisition date in accordance with IFRS 3.

The impact on equity of +€13.7 million on the Hotels in Europe line corresponds to the change in the exchange rate of Cross Currency Swaps used to hedge the investments in the United Kingdom.

The "Unrealised gains and losses relating to changes in fair value" line item in the Statement of Cash Flows (-€66.3 million), which makes it possible to calculate cash flows from operating activities, mainly incorporates the impact of changes in the value of cash instruments and ORNANEs (+€98.5 million), and the change in the value of the portfolio (-€164.8 million).

Breakdown of hedging instruments by maturity of notional values

(€K)	At 30/06/2020	AT less than one year	From 1 to 5 years	AT more than 5 years
Fixed hedge				
Fixed rate payer swap	5,189,073	-158,409	1,358,968	3,988,514
Fixed rate receiver swap	2,908,344	200,000	1,075,000	1,633,344
Total swap	**2,280,729**	**-358,409**	**283,968**	**2,355,170**
Optional hedge				
Cap purchase	887,052	207,920	561,858	117,274
Floor purchase	52,891	732	24,159	28,000
Floor sale	51,000	0	18,000	33,000
TOTAL	**9,088,360**	**250,243**	**3,037,985**	**5,800,132**

Hedge balance as at 30 June 2020

(€K)	Fixed rate	Floating rate
Loans and borrowings (including creditor banks)	5,941,752	4,868,808
NET FINANCIAL LIABILITIES BEFORE HEDGING	**5,941,752**	**4,868,808**
Fixed hedge – Swaps		-2,280,729
Optional hedge – Caps		-887,052
Total hedges		**-3,167,781**
NET FINANCIAL LIABILITIES AFTER HEDGING	**5,941,752**	**1,701,027**

2.2.5.11.6. Rental liabilities

The balance of rental liabilities as at 30 June 2020 stood at €278.4 million, up from €269.1 million at 31 December 2019, an increase of €9.3 million. This increase was mainly due to the recognition of a lease liability of €20.5 million on the Germany Offices segment following the acquisition of Covivio Office (long-term lease of the Frankfurt Airport Center assets measured at fair value and premises and company vehicle leases).

At 30 June 2020, the interest expense relating to these rental liabilities was €7.1 million.

Breakdown of rental liabilities by maturity

(€K)	At 30/06/2020	At less than one year	From 1 to 5 years	From 5 to 25 years	At more than 25 years
Rental liabilities	278,392	13,919	28,325	35,241	200,907

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 2020.

The most restrictive consolidated ICR covenants amounted to 200% for Covivio and Covivio Hotels at 30 June 2020.

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 2020, which stood at 44.5% for Group share LTV, and 610% for Group share ICR. Furthermore, for Covivio and its wholly owned subsidiaries, the ratio of pledged debt amounted to 4.6%.

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

Consolidated LTV	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

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)	31/12/2019	Scope change	Charges	Reclustering	Change in actuarial gains and losses	Reversal of provision		30/06/2020
						Used	Unused	
Other provisions for disputes	2,727	0	25	0		-401	0	2,351
Provisions for guarantees	0	0	0			0	0	0
Provisions for taxes	8,325	0	68	0		-3	0	8,390
Provisions for renovating sites	2,566	0	0	0		0	0	2,566
Other provisions	3,827	0	5	0		-1,071	-160	2,601
Provisions sub-total – current liabilities	**17,445**	**0**	**98**	**0**	**0**	**-1,475**	**-160**	**15,908**
Provisions for retirement benefit	54,918	304	681	0	0	-808	0	55,095
Provisions for long-service awards	1,446	0	117				0	1,563
Provisions sub-total – non-current liabilities	**56,364**	**304**	**798**	**0**	**0**	**-808**	**0**	**56,658**
TOTAL PROVISIONS	**73,809**	**304**	**896**	**0**	**0**	**-2,283**	**-160**	**72,566**

The provisions for litigation are broken down into €1.9 million for France Offices, €0.3 million for Italy Offices, and €0.2 million for Hotels in Europe.

Provisions for taxes concern Hotels in Europe for €7.8 million (tax risks on the German portfolio of the Operating Properties business) and Italy Offices for €0.6 million.

The provision for retirement indemnities totalled €55.1 million at 30 June 2020 (including €50.7 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: 0.5% (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	30/06/2020	31/12/2019
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	-307	-541
Financial cost	-250	-872
Effects of plan reductions/settlements		0
TOTAL IMPACT ON THE INCOME STATEMENT	**-557**	**-1,413**

2.2.5.13. Other short-term liabilities

(€K)	30/06/2020	31/12/2019	Change *(€K)*
Social debt	35,114	33,408	1,706
Tax payables	62,359	136,365	-74,006
Current accounts – liabilities	169	173	-4
Dividends to be paid	46	44	2
Other liabilities	56,014	41,847	14,167
TOTAL	**153,702**	**211,837**	**-58,135**

- The change in tax liabilities of -€74 million is mainly linked to the off-setting (not carried out in 2019) of VAT collected in relation to the development business with the item Trade receivables (-€77.5 million).
- The +€14.2 million change in other debt includes the advances paid on work on assets under development and the costs linked to the sales in Italy Offices (+€8.9 million).

2.2.5.14. Recognition of financial assets and liabilities

Categories according to IFRS 9	Item concerned in the statement of financial position	30/06/2020 Net	Amount in the Statement of Financial Position measured: At amortised cost	At fair value through shareholders' equity	At fair value through the income statement	At fair value *(€K)*
Assets at amortised cost	Non-current financial Assets	59,297	59,297			59,297
Loans and receivables	Non-current financial Assets	264,335	264,335			264,335
	Total non-current financial Assets	**323,632**	**323,632**			**323,632**
Loans and receivables	Trade receivables[1]	361,191	361,191			361,191
Assets at fair value through profit or loss	Derivatives at fair value through profit or loss	101,832			101,832	101,832
Assets at fair value through profit or loss	Cash and cash equivalents	510,578			510,578	510,578
TOTAL FINANCIAL ASSETS		**1,297,234**	**684,823**	**0**	**612,410**	**1,297,234**
Liabilities at fair value through profit or loss	ORNANE-type Bonds	199,236	197,743		1,493	200,175
Liabilities at amortised cost	Financial payables	11,562,267	11,562,267			11,792,631[2]
Liabilities at fair value through profit or loss	Financial instruments (excluding ORNANE)	426,721		11,625	415,096	426,721
Liabilities at amortised cost	Security deposits	25,699	25,699			25,699
Liabilities at amortised cost	Trade payables	257,135	257,135			257,135
TOTAL FINANCIAL LIABILITIES		**12,471,059**	**12,042,845**	**11,625**	**416,589**	**12,702,362**

(1) Excluding incentives.
(2) The difference between the net book value and the fair value of the fixed rate debt is €230,364 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		101,832		101,832
Money-market securities available for sale		510,578		510,578
TOTAL FINANCIAL ASSETS	**0**	**612,410**	**0**	**612,410**
ORNANE-type Bonds	200,175			200,175
Derivatives at fair value through profit or loss		426,721		426,721
TOTAL FINANCIAL LIABILITIES	**200,175**	**426,721**	**0**	**626,896**

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 and Flex Office, 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, and offset against investment properties

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 income

Rental income amounted to €435.2 million at 30 June 2020 compared with €482.2 million at 30 June 2019, a decrease of -€47.0 million.

(€K)	30/06/2020	30/06/2019	Change *(€K)*	Change *(%)*
France Offices	121,045	130,255	-9,210	-7.1%
Italy Offices	88,177	100,400	-12,223	-12.2%
Germany Offices	22,111	0	22,111	n.a
TOTAL OFFICES RENTAL INCOME	**231,333**	**230,655**	**678**	**0.3%**
Hotels in Europe	75,872	123,960	-48,088	-38.8%
Residential Germany	127,666	124,254	3,412	2.7%
Other (including France Residential)	342	3,298	-2,956	-89.6%
TOTAL RENTAL INCOME	**435,213**	**482,167**	**-46,954**	**-9.7%**

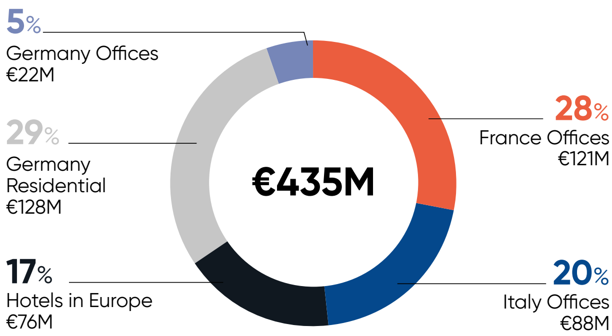
The rental income consists of rental and similar income (e.g. occupancy fees and entry rights) invoiced for investment properties during the period. Rent exemptions, step rental schemes and entry rights are spread out over the fixed term of the lease.

The changes in rents by asset-type break down as follows:

- a decrease in rental income from France Offices (-7.1%), mainly due to the impact of asset disposals (-€6.7 million) and vacancies (-€6.3 million) fuelling the development pipeline, partially offset by the delivery of assets under development in 2019 (+€3.6 million)

- a decrease in rental income from Italy Offices (-12.2%), mainly due to disposals (-€13.1 million) and releases (-€1.6 million), reduced by the impact of deliveries (+€2.1 million)
- an increase in rents for Germany Offices following the acquisition of Covivio Office in 2020 (+€22.1 million)
- a decrease in rents for Hotels in Europe (-€48.1 million, or -38.8%), which is mainly explained by the impact of the Covid-19 crisis (closure of hotels) on Accor's variable rents and the fixed rents in the United Kingdom (-€41.0 million) as well as the disposal of B&B assets in France in 2019 (-€9.2 million). This decrease is reduced slightly by acquisitions and deliveries of development projects (+€3.1 million)
- an increase in rental income from Germany Residential (+2.7%) following acquisitions (+€2.3 million), and reletting/indexing (+€4.3 million), mitigated by disposals (-€1.9 million)
- an 89.6% decrease in the Other (France Residential) segment due to disposals and assets made vacant for their disposal.

Rental income for the first half of 2020 by operating segment (€M)



2.2.6.2.2. Property costs

(€K)	30/06/2020	30/06/2019	Change (€K)	Change (%)
Rental income	435,213	482,167	-46,954	-9.7%
Rebillable expenses	-87,227	-81,164	-6,063	7.5%
Income from rebilling of expenses	87,227	81,164	6,063	7.5%
Unrecovered property operating costs	-19,949	-21,817	1,869	-8.6%
Expenses on properties	-13,693	-13,909	216	-1.6%
Net losses on unrecoverable receivable	-8,705	-3,295	-5,410	164.2%
Net rental Income	**392,866**	**443,146**	**-50,280**	**-11.3%**
RATE FOR PROPERTY EXPENSES	**-9.7%**	**-8.1%**		

- Unrecovered rental costs: These expenses correspond to charges on vacant premises.
- 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. Fiscal year 2020 is impacted by impairments on doubtful receivables related to the Covid-19 crisis for an amount of -€2.6 million in Italy Offices, -€1.5 million in Hotels in Europe and -€1.3 million in Germany Residential.

2.2.6.2.3. EBITDA from hotel operating activity and Flex Office and Income from other activities

(€K)	30/06/2020	30/06/2019	Change (€K)	Change (%)
Revenues from hotel operating activity and Flex Office	52,391	117,038	-64,647	-55.2%
Operating expenses of hotel operating activity and Flex Office	-45,778	-83,330	37,552	-45.1%
EBITDA from hotel operating activity and Flex Office	**6,613**	**33,708**	**-27,095**	**-80.4%**
Income from other activities (incl. Property development)	22,163	24,815	-2,652	-10.7%
Expenses of other activities	-17,922	-20,180	2,258	-11.2%
Income from other activities	**4,241**	**4,635**	**-394**	**-9%**

- EBITDA from hotel operating activity and Flex Office consists of the EBITDA of the hotels under operation (€3.4 million versus €31.3 million as at 30 June 2019) and the income from Flex Office (€3.2 million versus €2.4 million as at 30 June 2019). The -€27.9 million slump in EBITDA from hotel operating activity is related to the closure of most of the hotel operating activity during the Covid-19 pandemic.
- Income from other activities includes income from property development (€1.5 million) in particular in Germany and income from car parks (+€2.8 million). The decline of -€1.8 million in Parking income compared to 30 June 2019 reflects the decline in activity during the Covid-19 crisis.

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)	30/06/2020	30/06/2019	Change (€K)	Change (%)
Management and administration income	10,227	10,957	-730	-6.7%
Business expenses	-2,302	-3,080	778	-25.3%
Overhead	-63,001	-61,081	-1,920	3.1%
Development costs (not capitalised)	-691	-504	-187	n.a
TOTAL NET OPERATING COSTS	**-55,766**	**-53,707**	**-2,059**	**3.8%**

Net operating costs were up €2.1 million, mainly due to the increase in IT and consulting costs (-€1.9 million) included in the item Overheads.

Overheads include staff costs, which are described in a specific analysis under section 2.2.7.1.1.

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

(€K)	30/06/2020	30/06/2019	Change (€K)
Depreciation of operating assets	-31,872	-31,841	-31
Net change in provision and other	6,481	7,090	-608

The Net change in provisions and other item includes the rebilling of long-term leases conferring *ad rem* rights to tenants (€5.2 million as at 30 June 2020 versus €4.9 million as at 30 June 2019) when the rental expense is restated. Indeed, in order not to distort the property expense ratio and following the cancellation of the rental expense in accordance with IFRS 16, the income from rebilling to tenants is presented as a net change in provisions and other.

2.2.6.3. Income from asset disposals

(€K)	30/06/2020	30/06/2019	Change (€K)	Change (%)
Income from asset disposals[1]	292,272	493,931	-201,659	-40.8%
Carrying value of investment properties sold[2]	-298,413	-495,320	196,907	-39.8%
INCOME FROM ASSET DISPOSALS	**-6,141**	**-1,389**	**-4,752**	**342%**

(1) Sale price net of disposal costs.
(2) Corresponds to the appraisal values published at 31 December 2019.

Income from asset disposals by activity segment is shown in section 2.2.8.9. It should be noted that the income from the disposal of Italy Offices assets includes a price adjustment on the Galleria Excelsior asset sold in 2018 for -€4.4 million.

2.2.6.4. Change in the fair value of assets

(€K)	30/06/2020	30/06/2019	Change (€K)
France Offices	89,328	97,835	-8,507
Italy Offices	-17,633	-9,045	-8,588
Hotels in Europe	-135,035	79,199	-214,233
Residential Germany	221,866	405,947	-184,081
Germany Offices	6,305	14,808	-8,503
Other (including France Residential)	-20	-12	-8
TOTAL CHANGE IN FAIR VALUE OF PROPERTIES	**164,811**	**588,732**	**-423,920**

The +€165 million positive change in the fair value of properties mainly relates to the Germany Residential portfolio for +€222 million (essentially assets located in Berlin) and France Offices for +€89 million. The Hotels in Europe segment recorded a decline of -€135 million in value mainly on assets in the United Kingdom and retail.

2.2.6.5. Income from changes in scope & other

Income from changes in scope corresponds mainly to the acquisition costs of consolidated equity investments, which, in accordance with IFRS 3 Business Combinations, must be recognised as expenses for the year. At 30 June 2020, these mainly concern the acquisition cost of the company Covivio Office for -€11.3 million.

Income from changes in scope also includes goodwill impairment of two hotels operated in under Operating properties in the amount of -€2.5 million to reduce the net book value to the appraisal value.

2.2.6.6. Cost of net financial debt

(€K)	30/06/2020	30/06/2019	Change (€K)	Change (%)
Interest income on cash transactions	3,542	4,206	-664	-15.8%
Interest expense on financing operations	-69,334	-78,295	8,961	-11.4%
Regular amortisations of loan issue costs	-7,357	-7,286	-72	1.0%
Net expenses on hedges	-13,538	-20,137	6,599	-32.8%
COST OF NET DEBT	**-86,688**	**-101,512**	**14,824**	**-14.6%**
Average annual rate of debt	**1.31%**	**1.55%**		

Excluding costs to repurchase fixed-rate debt and penalties (€7.8 million at 30 June 2020 versus €12.5 million at 30 June 2019), the cost of debt declined slightly by €10.1 million, under the effect of refinancings and restructured hedges.

2.2.6.7. Net financial income

(€K)	30/06/2020	30/06/2019	Change (€K)	Change (%)
Cost of net financial debt	**-86,688**	**-101,512**	**14,823**	**-14.6%**
Interest cost for rental liabilities	**-7,060**	**-6,971**	**-89**	**n.a**
Change in the fair value of financial instruments	-102,754	-175,823	73,069	
Change in the fair value of ORNANEs	4,201	-14,303	18,504	
Changes in the fair value of financial instruments	**-98,553**	**-190,126**	**91,573**	**n.a**
Net financial expenses from discounting	-353	-173	-180	
Foreign exchange gains and losses	328	-1,453	1,781	
Discounting and foreign exchange gains or losses	**-25**	**-1,626**	**1,601**	**-98.5%**
Exceptional amortisation of loan issue costs	-501	-5,609	5,108	-91.1%
Others	12	-290	302	-104.1%
Exceptional amortisation of loan issue costs	**-489**	**-5,899**	**5,410**	**-91.7%**
TOTAL FINANCIAL INCOME	**-192,815**	**-306,134**	**113,318**	**-37.0%**

The drop-in interest rates impacted the fair value of financial instruments by nearly -€100 million. Thus, at 30 June 2020, net financial income amounted to a net expense of -€192.8 million against -€306.1 million at 30 June 2019.

2.2.6.8. Taxes payable and deferred tax liabilities

2.2.6.8.1. Accounting principles applicable to current and deferred taxes

2.2.6.8.1.1. 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.

As at 30 June 2020, there are no exit tax liabilities on the balance sheet.

2.2.6.8.1.2. 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.

2.2.6.8.1.3. 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 is now subject to the 20% tax on real estate companies.

2.2.6.8.1.4. 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 tax 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.

2.2.6.8.2. Taxes and theoretical tax rate by geographical area

(€K)	Taxes payable	Deferred tax liabilities	Total	Deferred tax rate
France	69	-30	39	25.83%[(1)]
Italy	0	-4,604	-4,604	20.00%[(2)]
Germany	-14,650	-30,989	-45,639	15.83%[(3)]
Belgium	-362	1,027	665	25.00%[(4)]
Luxembourg	-196	-724	-920	30.00%
United Kingdom	-3	7,108	7,105	19.00%
Netherlands	-566	553	-13	21.70%[(5)]
Portugal	-166	-101	-267	23.00%
Spain	0	146	146	25.00%
Ireland	0	205	205	32.00%[(6)]
Poland	-30	130	100	9.00%
TOTAL	**-15,905**	**-27,278**	**-43,488**	

(-) corresponds to an income tax expense; (+) corresponds to an income tax benefit.
(1) In France, the tax rate for fiscal year 2020 is 28.9%. The tax rate will be 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 for fiscal year 2020 is 25%.
(5) In the Netherlands, the tax rate for fiscal year 2020 is 25%. The tax rate will be 21.7% from fiscal year 2021.
(6) In Ireland, the tax rate for fiscal year 2020 is 12.5% for operating activities, 25% for holding companies and 32% for capital gains on disposals.

The income tax payable on disposals amounts to €13.3 million, including €11.1 million for the Hotels in Europe companies (Germany portfolio) and €2.2 million for the Germany Residential segment.

Impact of deferred taxes on income

(€K)	30/06/2020	30/06/2019	Change (€K)
France Offices	0	0	0
Italy Offices	-4,604	-4,729	125
Germany Offices	-3,001	14	-3,015
Hotels in Europe	20,072	6,390	13,682
Germany Residential	-42,162	-71,085	28,923
Others	2,417	61	2,356
TOTAL	**-27,278**	**-69,349**	**42,071**

- In Italy Offices, the deferred tax expense mainly relates to a change in the value of assets and SIINQ income that will become taxable when they are distributed to Covivio.
- Deferred tax income from Hotels in Europe relates to the decrease in the appraisal value of the overseas hotel segment and the disposal of assets in Germany.
- The deferred tax expense of Germany Residential and Offices 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 2020, personnel expenses amounted to €69.3 million (compared with €79.2 million at 30 June 2019), breaking down as follows:

(€K)	30/06/2020	30/06/2019
EBITDA from hotel operating activity and Flex Office	-18,130	-29,530
Overhead	-41,510	-41,427
Income from asset disposals	-1,964	-1,820
Total Personnel expenses in the Statement of net income	**-61,604**	**-72,777**
Development projects	-7,704	-6,433
Total capitalised personnel expenses	**-7,704**	**-6,433**
TOTAL PERSONNEL EXPENSES	**-69,308**	**-79,210**

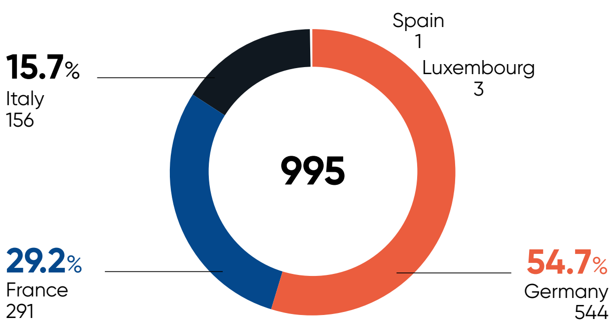
Personnel expenses included in the EBITDA from hotel operating activity and Flex Office item recorded a decrease of -€11.4 million related to the closure of some hotels during most of the second quarter and to the recourse to furlough measures.

The item Overheads includes personnel expenses in the amount of €41.5 million, stable compared to 30 June 2019. However, the entry of Covivio Office had an impact of -€1.9 million on personnel expenses, offset by a decrease in free share expenses of +€2.0 million (expense calculated on the stock market price, down since 31 December 2019).

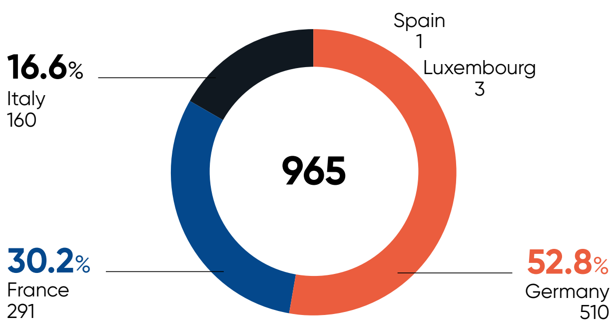
Headcount

At 30 June 2019, the headcount of fully consolidated companies, excluding companies in the Operating Properties business line, was 995 compared with 965 at 31 December 2019.

Headcount by country in number of employees



Headcount in 2020



Headcount in 2019

The average headcount during the first half of 2020 was 982 employees.

For the period, the companies in the Operating Properties business line had an average headcount of 931 people versus 1,481 as at 31 December 2019.

2.2.7.1.2. Description of share-based payments

Covivio awarded free shares in 2020. The following assumptions were made for the free shares:

Plan of 13 February 2020	French corporate officers – with performance conditions	French corporate officers – with performance conditions – internal Covivio criteria	German, Italian and French corporate officers and employees – without performance conditions	European corporate officers and employees – with performance conditions	European corporate officers– with performance conditions – internal Covivio criteria
Date awarded	13/02/2020	13/02/2020	13/02/2020	13/02/2020	13/02/2020
Number of shares awarded	14,874	14,874	16,103	21,750	21,750
Share price on the date awarded	€110.30	€110.30	€110.30	€110.30	€110.30
Exercise period for rights	3 years	3 years	3 years	4 years	4 years
Cost of forfeiture of dividends	-€20.00	-€20.00	-€20.00	-€20.00	-€20.00
Actuarial value of the share net of dividends not collected during the vesting period	€90.30	€90.30	€90.30	€90.30	€90.30
Revenue-related discount:					
In number of shares	2,382	2,382	2,579	4,486	4,486
As percentage of share price on the date awarded	16%	16%	16%	21%	21%
Value of the benefit per share	€59.14	€54.48	€72.63	€51.24	€50.66

In the first half of 2020, a total of 89,351 free shares were awarded (the number was unchanged at 30 June 2020 – 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 2020 amounted to €4,196 thousand, while the related social security contribution (URSSAF) totalled -€2,046 thousand. The decrease in social security (URSSAF) expenses is explained by the decrease in Covivio stock market price between 31 December 2019 (€101.20) and 30 June 2020 (€64.50), which serves as reference in the calculation. In addition, the URSSAF expenses paid in March 2020 for the 2016 plan shares acquired was reclassified as free share expenses in the amount of €720 thousand. These expenses are presented in the income statement on the "Overheads" line.

The cost of the free shares includes the impact of the 2016 plan for €127 thousand, the 2017 plan for €746 thousand, the 2018 plan for €1,571 thousand, the 2019 plan for €1,178 thousand, and the 2020 plan for €574 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)*	194,264
Interest on ORNANE-type bonds	875
Changes in the fair value of ORNANE-type bonds	-4,201
Group share after conversion of the ORNANE-type bonds *(€K)*	190,938
Average number of undiluted shares	88,541,092
Impact of dilution – free shares(1)	457,727
Number of free shares(1)	457,727
Average number of shares diluted by free shares	88,998,819
Dilution impact of conversion of Italy 2021 ORNANE-type bonds	1,864,129
Conversion of ORNANE-type bonds	1,864,129
Average number of diluted shares after conversion of ORNANE-type bonds	90,862,948
NET EARNINGS PER UNDILUTED SHARE *(€)*	**2.19**
IMPACT OF DILUTION – FREE SHARES *(€)*	**-0.01**
DILUTED EARNINGS PER SHARE OF FREE SHARES *(€)*	**2.18**
EARNINGS PER SHARE DILUTED BY FREE SHARES AND ORNANE-TYPE BONDS *(€)*	**2.10**

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

2017 Plan	*58,560*
2018 Plan	*197,323*
2019 Plan	*112,493*
2020 Plan	*89,351*
Total	***457,727***

In accordance with IAS 33 section 49 "Earnings per share", the impact from the dilution related to the conversion as at 1 January 2020 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	Balance sheet	Comments
Cœur d'Orly	Equity affiliates	299	0	15,058	Monitoring of projects and investments, Loans, Asset and property fees
Euromed	Equity affiliates	268	0	28,596	Loans, Asset and property fees
Lenovilla	Equity affiliates	178	0	24,763	Loans, Asset and property fees
SCI Factor E and SCI Orianz	Equity affiliates	64	129	17,204	Loans, Asset and property fees

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: office real estate and retail assets located in Italy
- Germany Offices: office real estate assets located in Germany held by the Covivio Group via its subsidiary Covivio Office Holding
- Hotels in Europe: commercial buildings largely in the hotel segment and hotel operating properties held by Covivio Hotels
- Germany Residential: real estate assets in Germany held by the 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 Other segment includes non-significant activities such as car park rentals and the France Residential business.

Following the acquisition of Covivio Office, a subsidiary of Covivio Office Holding, in 2020, the office real estate assets that were in the Germany Residential segment at 31 December 2019 were transferred to the Germany Offices segment.

2.2.8.2. Intangible assets

2020 (€K)	France Offices	Italy Offices	Hotels in Europe	Residential Germany	German Offices	Other (Incl. French Residential)	Total
Intangible fixed assets and goodwill	3,480	2,692	140,231	948	129	17,044	164,525
NET	**3,480**	**2,692**	**140,231**	**948**	**129**	**17,044**	**164,525**

2019 (€K)	France Offices	Italy Offices	Hotels in Europe	Residential Germany	Germany Offices	Other (Incl. French Residential)	Total
Intangible fixed assets and goodwill	2,954	2,496	142,517	818	6	17,966	166,758
NET	**2,954**	**2,496**	**142,517**	**818**	**6**	**17,966**	**166,758**

The column "Other" includes the intangible fixed assets held under concession (Public Service Delegations) of the remaining car park companies.

2.2.8.3. Tangible assets

2020 (€K)	France Offices	Italy Offices	Hotels in Europe	Residential Germany	German Offices	Other (Incl. French Residential)	Total
Operating properties	279,227	74,235	1,019,728	5,454	6,187	27,044	1,411,875
Other fixed assets	4,603	2,146	22,127	11,544	1,049	200	41,669
Fixed assets in progress	25,819	1,642	6,576	16,750	0	0	50,787
NET	**309,649**	**78,023**	**1,048,431**	**33,748**	**7,236**	**27,244**	**1,504,331**

2019 (€K)	France Offices	Italy Offices	Hotels in Europe	Residential Germany	Germany Offices	Other (Incl. French Residential)	Total
Operating properties	282,238	69,797	1,022,570	5,187	0	29,915	1,409,707
Other fixed assets	4,899	1,441	24,296	10,981	12	226	41,855
Fixed assets in progress	17,692	1,299	2,951	15,938	0	0	37,880
NET	**304,829**	**72,537**	**1,049,817**	**32,106**	**12**	**30,141**	**1,489,442**

The change in tangible fixed assets (+€15 million) corresponds to the acquisition of a plot of land in the Hotels in Europe segment (Alexanderplatz +€8.6 million), the entry of Covivio Office in the scope of Germany Offices (+€7.7 million including +€6.7 million in user rights), construction work for the period (+€12.9 million) less depreciation and amortisation for the period.

The construction work relates to the future headquarters of Jean Goujon (+€4.7 million) and the Paris Gobelin Flex office asset (+€3 million) under France Offices and the Nice Méridien office (+€4.3 million) for Hotels in Europe.

2.2.8.4. Investment properties/Assets held for sale

2020 (€K)	France Offices	Italy Offices	Hotels in Europe	Residential Germany	German Offices	Other (Incl. French Residential)	Total
Investment properties	4,767,197	3,180,015	4,678,650	6,649,453	1,327,678	0	20,602,993
Assets held for sale	195,309	162,094	94,390	6,292	0	3,944	462,029
Investment properties under development	1,047,608	280,970	9,780	0	100,982	0	1,439,340
TOTAL	**6,010,114**	**3,623,079**	**4,782,820**	**6,655,745**	**1,428,660**	**3,944**	**22,504,362**

2019 (€K)	France Offices	Italy Offices	Hotels in Europe	Residential Germany	Germany Offices	Other (Incl. French Residential)	Total
Investment properties	4,984,139	3,179,865	4,921,894	6,384,608	33,800	0	19,504,306
Assets held for sale	55,029	100,205	132,638	10,516	0	25,904	324,292
Investment properties under development	868,320	379,269	9,930	0	76,057	0	1,333,576
TOTAL	**5,907,488**	**3,659,339**	**5,064,462**	**6,395,124**	**109,857**	**25,904**	**21,162,174**

In France Offices, the change in the portfolio (€6,010 million in 2020 compared to €5,907 million in 2019) reflects the disposal of seven assets (-€84.8 million) including Nanterre Respiro (-€79.8 million), the change in fair value (+€89.3 million) and construction work (+€98.5 million).

In Italy Offices, the change (-€36 million) is due to the disposal of four assets (-€56 million), including Milan via Bernina (-€37.8 million), the change in fair value (-€17.6 million) mitigated by the construction work in the period (+€37.2 million). Two development projects were delivered for €127.7 million (€84.3 million for Turin Corso Ferrucci and €43.4 million for Milan The Sign A).

The growth in Germany Residential (+€260.6 million) is mainly due to the impact of changes in asset values (+€221.9 million), construction work (+€42.8 million), acquisition of assets in Dresden and Berlin (+€11.9 million) and disposals during the period (-€15.1 million).

In the Germany Offices, the significant change in the portfolio (+€1,318.8 million) is related to the entry of a portfolio of assets in Frankfurt, Düsseldorf, Munich and Hamburg (+€1,252.5 million) into the scope and the rights of use on a long-term lease (+€13.9 million), the acquisition of assets in Berlin (+€10.5 million), the change in the fair value of assets (+€6.3 million), construction work (+€18.0 million) and the impact of the reclassification of a real estate trading property located in Berlin (+€17.6 million) as property under development.

The decrease in Hotels in Europe (-€281.6 million) is mainly due to the change in the fair value of assets (-€136.1 million) and rights of use on long-term leases in the United Kingdom (+€1.1 million), the fall of the British Pound resulting in a change in exchange rates (-€48.5 million) and the impact of disposals (-€120.4 million). It also corresponds to the acquisition of the Ibis Strasbourg plot leasehold rights (+€4.3 million) and construction work (+€18 million).

2.2.8.5. Financial assets

2020 *(€K)*	**France Offices**	**Italy Offices**	**Hotels in Europe**	**Residential Germany**	**German Offices**	**Other (Incl. French Residential)**	**Total**
Loans	85,946	0	67,129	12	0	89	153,176
Other financial assets	652	5,562	42,201	8,928	0	1,954	59,297
Receivables on financial assets	0	110,532	56	501	70	0	111,159
Sub-total non-current financial assets	**86,598**	**116,094**	**109,386**	**9,441**	**70**	**2,043**	**323,632**
Investments in equity affiliates	152,084	13,034	194,217	0	0	0	359,335
TOTAL FINANCIAL ASSETS	**238,683**	**129,128**	**303,603**	**9,441**	**70**	**2,043**	**682,967**

2019 *(€K)*	France Offices	Italy Offices	Hotels in Europe	Residential Germany	Germany Offices	Other (Incl. French Residential)	Total
Loans	64,678	0	65,791	10	0	93	130,572
Other financial assets	652	5,610	27,200	8,928	0	1,714	44,104
Receivables on financial assets	0	83,824	58	501	0	0	84,383
Sub-total non-current financial assets	**65,330**	**89,434**	**93,050**	**9,439**	**0**	**1,807**	**259,060**
Investments in equity affiliates	153,905	13,879	206,531	0	0	0	374,316
TOTAL FINANCIAL ASSETS	**219,235**	**103,313**	**299,581**	**9,439**	**0**	**1,807**	**633,375**

The rise in financial assets in France Offices reflects the transfer of the loan granted to Lenovilla as long-term loans (+€20 million), the loan granted to Cœur d'Orly (+€1 million), the appropriation of 2019 net income from equity associates (-€2.5 million) and income from equity associates (+€1 million).

Financial assets in the Italy Offices segment were up due to an increase in receivables on disposals (+€28 million), the appropriation of 2019 net income from equity associates (-€1 million) and income from equity associates (+€0.2 million).

The rise in financial assets in Hotels in Europe was due mainly to the increase in loans (+€1 million), the additional payment of a deposit for the acquisition of hotels in Italy, Czech Republic and Hungary (+€15 million), the appropriation of 2019 net income from equity associates (-€5.4 million) and income from equity associates (+€6.9 million).

2.2.8.6. Contribution to shareholders' equity

2020 (€K)	France and Italy Offices	Hotels in Europe	Residential Germany	Germany Offices	Other (Incl. French Residential)	Total
Shareholders' equity Group Share before elimination of securities	7,254,931	1,352,120	2,142,844	645,784	981,055	12,376,734
Elimination of securities	0	-1,194,448	-1,025,966	-641,159	-1,108,296	-3,969,869
Shareholders' equity Group Share	**7,254,931**	**157,672**	**1,116,878**	**4,625**	**-127,241**	**8,406,865**
Minority interests	824,644	1,953,362	1,228,165	84,584	2,209	4,092,964
SHAREHOLDERS' EQUITY	**8,079,575**	**2,111,034**	**2,345,043**	**89,209**	**-125,032**	**12,499,829**

2019 (€K)	France and Italy Offices	Hotels in Europe	Residential Germany	Germany Offices	Other (Incl. French Residential)	Total
Shareholders' equity Group Share before elimination of securities	7,136,710	1,422,444	2,056,613	-193	1,089,534	11,705,108
Elimination of securities	0	-1,110,485	-1,025,967		-1,271,009	-3,407,461
Shareholders' equity Group Share	**7,136,710**	**311,959**	**1,030,646**	**-193**	**-181,475**	**8,297,647**
Minority interests	801,736	2,070,514	1,186,198	17	2,233	4,060,698
SHAREHOLDERS' EQUITY	**7,938,446**	**2,382,473**	**2,216,844**	**-176**	**-179,242**	**12,358,344**

Following the distribution of the dividend in the form of shares, Covivio's stake in Covivio Hotels increased by €84 million.

2.2.8.7. Borrowings

2020 (€K)	France Offices	Italy Offices	Hotels in Europe	Residential Germany	Germany Offices	Other (Incl. French Residential)	Total
Total long-term interest-bearing loans	2,818,608	1,677,009	2,452,221	2,433,923	497,355	0	9,879,116
Total short-term interest-bearing loans	1,565,145	223,017	94,187	177,719	284	1,572	2,061,924
TOTAL LT AND ST LOANS	**4,383,753**	**1,900,026**	**2,546,408**	**2,611,642**	**497,639**	**1,572**	**11,941,040**

2019 (€K)	France Offices	Italy Offices	Hotels in Europe	Residential Germany	Germany Offices	Other (Incl. French Residential)	Total
Total long-term interest-bearing loans	2,653,027	1,546,847	2,533,765	2,338,181	0	0	9,071,820
Total short-term interest-bearing loans	1,675,299	25,825	49,051	65,563	0	8	1,815,746
TOTAL LT AND ST LOANS	**4,328,326**	**1,572,672**	**2,582,816**	**2,403,744**	**0**	**8**	**10,887,566**

In 2020, part of the uncollateralised bank debt for France Offices was reallocated to Italy Offices (+€336 million).

2.2.8.8. Derivatives

2020 (€K)	France Offices	Italy Offices	Hotels in Europe	Residential Germany	Germany Offices	Other (Incl. French Residential)	Total
Financial instruments – Assets	62,143	0	39,159	530	0	0	101,832
Financial instruments – Liabilities	195,667	26,931	143,890	56,751	2,718	0	425,957
NET FINANCIAL INSTRUMENTS	**133,524**	**26,931**	**104,731**	**56,221**	**2,718**	**0**	**324,125**

2019 (€K)	France Offices	Italy Offices	Hotels in Europe	Residential Germany	Germany Offices	Other (Incl. French Residential)	Total
Financial instruments – Assets	52,519	4	16,849	8,114	0	0	77,486
Financial instruments – Liabilities	193,742	24,285	105,875	41,939	0	0	365,842
NET FINANCIAL INSTRUMENTS	**141,224**	**24,281**	**89,026**	**33,825**	**0**	**0**	**288,356**

Net financial instruments in Germany Offices relate to the fair value measurement of fixed-rate debts on the acquisition date in accordance with IFRS 3, amortised by straight-line method over their residual term.

2.2.8.9. 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.

2020 (€K)	France Offices	Italy Offices	German Offices	Hotels in Europe	Residential Germany	Other (incl. France Residential)	Intercos Inter-sector	30/06/2020
Rental income	121,128	88,177	22,111	75,867	127,692	347	-109	435,213
Unrecovered property operating costs	-7,617	-8,485	-1,990	-1,891	284	-247	-3	-19,949
Expenses on properties	-3,532	-2,231	-845	-1,191	-9,237	-177	3,520	-13,693
Net losses on unrecoverable receivable	-918	-4,092	-153	-1,488	-2,089	35	0	-8,705
Net rental income	**109,061**	**73,369**	**19,123**	**71,297**	**116,650**	**-42**	**3,408**	**392,866**
Revenues from hotel operating activity and Flex Office	6,652	0	0	45,738	0	1	0	52,391
Expenses of hotel operating activity & Flex Office	-3,340	-66	0	-42,372	0	0	0	-45,778
EBITDA from hotel operating activity & Flex Office	**3,312**	**-66**	**0**	**3,366**	**0**	**1**	**0**	**6,613**
Income from other activities	**322**	**0**	**270**	**-11**	**1,233**	**2,427**	**0**	**4,241**
Management and administration income	7,768	2,489	4	7,546	4,182	4,215	-15,977	10,227
Business expenses	-841	-194	-150	-6,225	-426	-66	5,600	-2,302
Overhead	-15,754	-9,824	-3,779	-9,234	-23,914	-6,980	6,484	-63,001
Development costs (not capitalised)	0	0	-91	-54	-546	0	0	-691
Net operating costs	**-8,827**	**-7,529**	**-4,016**	**-7,966**	**-20,704**	**-2,831**	**-3,893**	**-55,766**
Depreciation of operating assets	-5,058	-910	-481	-19,815	-1,428	-4,180	0	-31,872
Net change in provision and other:	-129	37	-631	6,308	12	529	355	6,481
OPERATING INCOME	**98,681**	**64,901**	**14,265**	**53,179**	**95,763**	**-4,096**	**-130**	**322,563**
Net income from inventory properties	**-2**	**-760**	**0**	**0**	**818**	**0**	**0**	**56**
Income from asset disposals	**-1,198**	**-5,456**	**0**	**-443**	**870**	**-44**	**130**	**-6,141**
Income from value adjustments	**89,328**	**-17,633**	**6,305**	**-135,035**	**221,866**	**-20**	**0**	**164,811**
Income from disposal of securities	**0**	**-125**	**0**	**97**	**-36**	**-4**	**0**	**-68**
Income from changes in scope & other	**-3,903**	**-103**	**-7,356**	**-2,366**	**-449**	**-39**	**0**	**-14,216**
OPERATING RESULT	**182,906**	**40,824**	**13,214**	**-84,567**	**318,832**	**-4,203**	**0**	**467,006**
Income from non-consolidated companies	6	0	0	-1	0	0	0	5
Cost of net financial debt	-15,963	-11,822	-3,145	-28,952	-25,894	-912	0	-86,688
The interest cost for rental liabilities	-26	-19	-259	-6,540	-3	-213	0	-7,060
Value adjustment on derivatives	-30,134	-6,303	356	-40,076	-22,396	0	0	-98,553
Discounting and foreign exchange gains or losses	-353	0	0	328	0	0	0	-25
Exceptional amortisation of loan issue costs	0	-68	0	-246	-175	0	0	-489
Share in earnings of affiliates	1,057	201	0	-6,897	0	0	0	-5,639
PRE-TAX NET INCOME	**137,493**	**22,813**	**10,166**	**-166,952**	**270,364**	**-5,328**	**0**	**268,556**
Deferred tax	0	-4,604	-3,001	20,072	-42,162	2,417	0	-27,278
Corporate income tax	147	0	-384	-13,040	-2,548	-80	0	-15,905
NET INCOME FOR THE PERIOD	**137,640**	**18,209**	**6,781**	**-159,920**	**225,654**	**-2,991**	**0**	**225,373**
Net income from non-controlling interests	-24,678	-11,673	-3,277	89,505	-80,997	11	0	-31,110
NET INCOME FOR THE PERIOD – GROUP SHARE	**112,962**	**6,536**	**3,504**	**-70,415**	**144,657**	**-2,980**	**0**	**194,264**

2019 (€K)	France Offices	Italy Offices	German Offices	Hotels in Europe	Residential Germany	Other (incl. France Residential)	Intercos Inter-sector	30/06/2019
Rental income	130,296	100,400	0	123,960	124,254	3,298	-41	482,167
Unrecovered property operating costs	-7,039	-11,146	0	-1,380	-1,129	-1,084	-39	-21,817
Expenses on properties	-3,823	-3,021	0	-4,454	-9,512	-347	7,248	-13,909
Net losses on unrecoverable receivable	-1,002	-1,453	0	-18	-829	7	0	-3,295
Net rental income	**118,432**	**84,780**	**0**	**118,108**	**112,784**	**1,874**	**7,168**	**443,146**
EBITDA from hotel operating activity & Flex Office	**2,447**	**0**	**0**	**31,261**	**0**	**0**	**0**	**33,708**
Income from other activities	**147**	**0**	**0**	**-17**	**195**	**4,314**	**-4**	**4,635**
Management and administration income	11,302	2,777	0	8,936	3,936	4,769	-20,763	10,957
Business expenses	-827	-547	0	-3,544	-394	-137	2,369	-3,080
Overhead	-17,410	-10,491	-23	-9,692	-22,195	-7,122	5,852	-61,081
Development costs (not capitalised)	-36	0	-33	-22	-329	-99	15	-504
Net operating costs	**-6,971**	**-8,261**	**-56**	**-4,321**	**-18,982**	**-2,589**	**-12,527**	**-53,707**
Depreciation of operating assets	-4,572	-1,019	0	-20,564	-1,089	-4,597	0	-31,841
Net change in provision and other:	-93	1,709	0	4,495	67	846	66	7,090
OPERATING INCOME	**109,390**	**77,209**	**-56**	**128,961**	**92,975**	**-152**	**-5,297**	**403,030**
Net income from inventory properties:	**0**	**-3,991**	**0**	**0**	**547**	**19**	**0**	**-3,425**
Income from asset disposals	**-1,157**	**-148**	**-44**	**-5,868**	**377**	**154**	**5,297**	**-1,389**
Income from value adjustments	**97,835**	**-9,045**	**14,808**	**79,199**	**405,947**	**-12**	**0**	**588,732**
Income from disposal of securities	**0**	**1**	**0**	**5,869**	**-12**	**31**	**0**	**5,889**
Income from changes in scope & other	**-53**	**-278**	**0**	**-3,061**	**-4,558**	**-55**	**0**	**-8,005**
OPERATING RESULT	**206,015**	**63,748**	**14,708**	**205,100**	**495,276**	**-15**	**0**	**984,832**
Income from non-consolidated companies	0	0	0	0	0	1	0	1
Cost of net financial debt[(1)(2)]	-30,844	-17,477	-74	-33,053	-19,477	-587	0	-101,512
The interest cost for rental liabilities	-53	-25	0	-6,634	-4	-255	0	-6,971
Value adjustment on derivatives	-80,266	-32,009	0	-50,179	-27,672	0	0	-190,126
Discounting and foreign exchange gains or losses[(2)]	-207	0	0	-1,419	0	0	0	-1,626
Exceptional amortisation of loan issue costs[(1)]	-2,086	-566	0	-3,151	-96	0	0	-5,899
Share in earnings of affiliates	-1,696	7	0	5,558	0	0	0	3,869
PRE-TAX NET INCOME	**90,863**	**13,678**	**14,634**	**116,223**	**448,027**	**-856**	**0**	**682,569**
Deferred tax	0	-4,729	14	6,390	-71,085	61	0	-69,349
Corporate income tax	-150	-2,932	0	-9,114	-3,028	-45	0	-15,269
NET INCOME FOR THE PERIOD	**90,713**	**6,017**	**14,648**	**113,499**	**373,914**	**-840**	**0**	**597,951**
Net income from non-controlling interests	-13,011	-15,355	0	-81,723	-132,701	-61	0	-242,852
NET INCOME FOR THE PERIOD – GROUP SHARE	**77,701**	**-9,338**	**14,648**	**31,776**	**241,213**	**-901**	**0**	**355,098**

(1) €7,286 thousand in regular amortisation of loan issue costs included in the item Amortisation of loan issue costs as at 30 June 2019 is now included in the line Cost of net financial debt. The item Amortisation of loan issue costs has been renamed Exceptional amortisation of loan issue costs.

(2) Foreign exchange gains and losses included in the item Cost of net financial debt as at 30 June 2019 for a net amount of -€1,453 thousand are now included in the line Discounting and foreign exchange gains or losses.

Net income – Group share of the Germany Residential activity published for the period amounted to €255,861 thousand at 30 June 2019. This income included a share in the Office activity income which was not significant enough to be presented separately. Following the acquisition of an office portfolio in 2020, a new segment was created. The 2019 data was divided between Germany Residential for €241,213 thousand and Germany Offices for €14,648 thousand.

2.2.9. Subsequent events

None

2.3. RISK FACTORS

Covivio encourages readers to refer to the risk factors chapter in the 2019 Universal Registration Document (URD). The main risks and control factors to which the company is exposed are ranked by category and net criticality (after the management steps in place have been taken into account).

The Covid-19 pandemic has had a major impact on the Issuer and its risk factors as presented in Section 1.11.1 of the 2019 Universal Registration Document. Therefore, Covivio released a new 2020 guidance upon the publication of its half-year results, in July 2020.

The risk mapping underwent a full review, which began in mid-2020; the main results will be presented in the 2020 Universal Registration Document. However, the company has outlined below the developments and trends in the main risk factors that appear in the 2019 URD in light of the Covid-19 situation. As Covivio fully consolidates the public company Covivio Hotels, readers are encouraged to refer to that company's publications for further detail on the impacts and risk factors specific to the hotel portfolio.

2.3.1. Risks related to the environment in which Covivio operates

Given the current situation and the severely damaged economic environment we currently find ourselves in, this risk is increasing appreciably and the impacts for Covivio are at present significant, mainly given its exposure to the hotel segment (15% of Covivio's portfolio). Lockdowns, travel restrictions and border closures forced hoteliers to close most of their establishments. At 30 June, Covivio's income was down 7.5% on a like-for-like basis (with a 51% drop for hotels and a 1.9% increase for offices and residential).

The **risk relating to changes in the real estate market** is increasing. The period of uncertainty following the outbreak of the Covid-19 pandemic has resulted in decreased investment volumes over the period, which could have consequences on the real estate market in Europe. In the first half, investment volumes on Covivio's markets, although down, remained dynamic compared to historical trends. Covivio also signed disposal agreements for €400 million Group share in the first half, with an average margin of 14.6% on the latest appraisal values.

2.3.2. Risks related to information systems and cyber-crime

There is a heightened risk of cybercrime as a result of the remote working measures being implemented within the Group. Periods of instability are a good time for cybercriminals.

2.3.3. Risks related to changes in regulations

The current health crisis has highlighted an increased risk **related to changes in regulations**. During the first half, numerous regulations were introduced which had negative impacts on Covivio's business. Administrative closures of establishments in some geographic regions generated operating losses for the tenants affected.

Uncertainty surrounding the appearance of new *clusters* could result in new short- or medium-term closure orders. The Hotels activity is particularly affected by these mesures.

The health and safety risks have risen since the appearance of Covid-19. Additional health and safety measures have been introduced to limit the risk of transmission within premises, in the hotels and also on construction and development sites.

2.3.4. Risks related to Covivio's real estate assets

Rental risk: Given the Covid situation, the risk related to tenants has risen. Covivio is affected by a risk of the financial soundness of its tenants deteriorating, even up to the point of insolvency. This would affect the company's results.

Events during the half-year: On the offices and residential portfolio (84% of the portfolio in H1), 96.4% of rental income was collected, reflecting the quality of Covivio's rental base.

At 30 June, Covivio made provision for €7 million in losses on unrecoverable receivables, concerning principally €5.5 million in unpaid rent on non-strategic ground-floor retail units, restaurants and shopping centres.

The measures introduced by Covivio include supporting its tenants which are encountering difficulties. Covivio has approached those of its VSE and SME tenants which have been struggling and affected by closure orders, and has applied the recommendations made by the French government and the Federation of real estate companies and REITs (FSIF). This is taking the form of the automatic application of the cancellation of three months' rent for VSEs.

The risk relating to asset valuations has risen as a result of Covid-19. Changes in value, which can occur following an adjustment of the main assumptions used (yield rate, rental values), have a major impact on Covivio's net asset value.

Events during the half-year: At 30 June, as every year, Covivio had its assets valued by independent experts. The experts issued their report based on the available information and the changing Covid-19 situation, which is making it difficult to understand the future prospects. The appraisal values on the residential and office portfolio are rising, which reflects the quality of the portfolio and of the leases in place.

During the half year, Covivio disposed of assets for €400 million, generating a margin of 14.6% on appraisal values, despite the fact that most of the sale processes began after the outbreak of the Covid-19 pandemic.

2.3.5. Risks related to Covivio's growth

Development of real estate assets: One of the impacts of the health crisis has been delays, or even stoppages, affecting many construction sites. Therefore, the risk linked to the development of real estate assets has risen as a result of this crisis, and the main consequences are:

- delivery times for assets under construction are three months longer on average
- higher construction costs as a result of the new health measures in place on the sites
- higher vacancy rates on assets delivered due to economic uncertainty and the lack of visits to assets during the lockdown.

2.3.6. Risks related to interest rates and liquidity

The financial risks are covered in more detail in the appendices to the accounts. However, given the current economic crisis as a result of Covid-19, it appears that interest rate and liquidity risks are more likely.

The most restrictive covenants in Covivio's credit agreements stipulate:

- a maximum LTV of 60%. This ratio has been largely adhered to
- a minimum ICR of 2. This covenant has also been adhered to.

Control factors introduced during the first half:

The company strengthened its balance sheet during the half year by conducting a €343 million capital increase by paying the dividend in shares, and a €500 million bond; this improved the group's liquidity and its financial soundness. The average maturity of Covivio's debt is 6.1 years. The rating BBB+ stable outlook confirmed by S&P in May 2020 bears witness to Covivio's stability.

2.3.7. Risks related to failure to attract and retain talent

The unfavourable environment following the Covid-19 crisis resulted in an increase in unemployment in France, Germany and Italy. Therefore, the risk of failure to attract and retain talent has decreased as a result of Covid-19, although it does remain high.

2.3.8. Risks related to image and reputation

The current Covid-19 situation has not to date had any aggravating impact on this risk, which remains stable compared to the information provided in the URD.

STATUTORY AUDITORS' REPORT

3

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

For the period from 1 January to 30 June 2020

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and 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 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 2020 to 30 June 2020
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors on 21 July 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. 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.

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 prepared on 21 July 2020.

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, 24 July 2020

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.

30 July 2020,

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

GLOSSARY

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:

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

- **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:

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

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)
(-) Depreciation of operating assets
(-) Net change in provisions and other
(-) Cost of the net financial debt
(-) Interest charges linked to finance lease liability
(-) Net change in financial provisions
(+) EPRA Earnings of companies consolidated under the equity method
(-) 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 Like-for-Like change is computed based on the rent in €/m² spot N versus N-1 (without vacancy impact) on the basis of accounted rents.

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

Restatement done:

- deconsolidation of acquisitions and disposals realised on the N and N-1 periods
- restatements of assets under works, *i.e.*:
  - restatement of released assets for work (realised on N and N-1 years)
  - restatement of deliveries of assets under works (realised 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 realised on the period
- restatement of work realised 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:

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

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

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 equity method. For offices in France, the portfolio includes asset valuations of Euromed and New Vélizy, which are consolidated under the equity method.

Projects

- **Committed projects:** these are projects for which promotion or construction contracts have been signed and/or work has begun and has not yet been completed at the closing date. The delivery date for the relevant asset has already been scheduled. They might pertain to VEFA (pre-construction) projects or to the repositioning of existing assets.
- **Managed 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 annualised 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.

Annualised "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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