COVIVIO

COVIVIO CONSOLIDATED ACCOUNTS AS AT 31 DECEMBER 2019

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3.1 CONSOLIDATED ACCOUNTS AS AT 31 DECEMBER 2019

3.1.1 STATEMENT OF FINANCIAL POSITION

Assets

€ thousand	Note 3.2.5	31/12/19	31/12/18
INTANGIBLE ASSETS	**1.2**		
Goodwill		**143,286**	113,064
Other intangible fixed assets		**23,471**	59,138
TANGIBLE FIXED ASSETS	**1.2**		
Operating properties		**1,409,707**	1,181,280
Other tangible fixed assets		**41,855**	35,443
Fixed assets in progress		**37,880**	24,952
Investment properties	**1.3**	**20,837,882**	20,139,338
Non-current financial Assets	**2.2**	**259,060**	152,847
Investments in equity affiliates	**3.2**	**374,316**	249,746
Deferred tax assets	**4**	**61,932**	67,965
Long-term derivatives	**11.5**	**51,381**	28,752
TOTAL NON-CURRENT ASSETS		**23,240,770**	**22,052,526**
Assets held for sale	**1.3**	324,292	558,848
Loans and receivables	**5**	27,752	6,469
Inventories and work-in-progress	**6.2**	232,548	95,811
Short-term derivatives	**11.5**	26,105	18,200
Trade receivables	**7**	376,730	313,212
Tax receivables		9,195	8,423
Other receivables	**8**	175,316	153,872
Prepaid expenses		4,970	4,393
Cash and cash equivalents	**9**	1,302,084	1,172,450
TOTAL CURRENT ASSETS		**2,478,992**	**2,331,676**
TOTAL ASSETS		**25,719,762**	**24,384,202**

Liabilities

	Note 3.2.5	31/12/19	31/12/18
Capital		261,660	248,709
Share premium account		3,882,299	3,553,687
Treasury shares		-15,255	-18,628
Consolidated reserves		3,421,954	3,028,104
Net income		746,987	749,574
TOTAL GROUP'S SHAREHOLDERS' EQUITY	**10**	**8,297,645**	**7,561,446**
Non-controlling interests		4,060,698	3,796,969
TOTAL SHAREHOLDERS' EQUITY		**12,358,343**	**11,358,414**
Long-term borrowings	**11.2**	9,071,820	9,216,624
Long-term rental liabilities	**11.6**	255,295	163,281
Long-term derivatives	**11.5**	287,319	155,945
Deferred tax liabilities	**4**	983,566	844,005
Staff termination benefits	**12.2**	56,364	49,248
Other long-term liabilities		19,433	21,199
TOTAL NON-CURRENT LIABILITIES		**10,673,797**	**10,450,302**
Liabilities held for sale		0	0
Trade payables		140,670	129,990
Trade payables on fixed assets		88,142	83,189
Short-term borrowings	**11.2**	1,815,746	1,843,103
Short-term rental liabilities	**11.6**	13,797	376
Short-term derivatives	**11.5**	78,523	79,052
Security deposits		5,483	5,557
Advances and pre-payments received		200,336	170,928
Short-term provisions	**12.2**	17,445	22,610
Current taxes		41,054	32,598
Other short-term liabilities	**13**	211,837	149,624
Pre-booked income		74,590	58,461
TOTAL CURRENT LIABILITIES		**2,687,622**	**2,575,486**
TOTAL LIABILITIES		**25,719,762**	**24,384,202**

3.1.2 STATEMENT OF NET INCOME

€ thousand	Note 3.2.	31/12/2019	31/12/2018
Rental income	**6.2.1**	961 320	955 891
Unrecovered rental costs	**6.2.2**	-37 007	-31 945
Expenses on properties	**6.2.2**	-30 951	-36 915
Net losses on unrecoverable receivables	**6.2.2**	-4 550	-3 200
NET RENTAL INCOME		**888 813**	**883 831**
Revenues from hotel operating activity & Flex Office		243 223	257 308
Expenses of hotel operating activity & Flex Office		-168 170	-181 477
EBITDA from hotel operating activity & Flex Office	6.2.3	75 053	75 831
Income from other activities	6.2.3	16 825	4 792
Management and administration income		23 018	20 042
Business expenses		-5 648	-6 140
Overheads (1)		-127 409	-128 393
Development costs (not capitalised)		-1 819	-585
NET OPERATING COSTS	**6.2.4**	**-111 859**	**-115 076**
Depreciation of operating assets	**6.2.5**	-65 004	-60 120
Net change in provisions and other	**6.2.5**	12 830	6 277
CURRENT OPERATING INCOME		**816 658**	**795 535**
Net income from inventory properties		-5 787	-1 087
Income from asset disposals	6.3	1 066	97 423
Income from value adjustments	6.4	1 003 634	620 693
Income from disposal of securities		7 724	119 315
Income from changes in scope	6.5	-22 255	-160 006
OPERATING INCOME		**1 801 040**	**1 471 872**
Income from non-consolidated companies		4	0
Cost of net financial debt (2)	**6.6**	-210 166	-202 453
The interest cost for rental liabilities	**5.11.6**	-13 526	-4 594
Value adjustment on derivatives	**6.7**	-196 383	-16 152
Discounting of liabilities and receivables (1)	**6.7**	-173	-656
Exceptional depreciation of loan issue costs (2)	**6.7**	-10 646	-11 251
Share in income of equity affiliates	**5.3.2**	29 301	22 828
PRE-TAX NET INCOME		**1 399 450**	**1 259 594**
Deferred tax liabilities	**6.8.2**	-113 640	-90 050
Corporate taxes	**6.8.2**	-23 995	-26 081
NET INCOME FOR THE PERIOD		**1 261 815**	**1 143 462**
Net income from non-controlling interests		-514 828	-393 888
NET INCOME FOR THE PERIOD – GROUP SHARE		**746 987**	**749 574**
Group net income per share (€)	**7.2**	**8,76**	**9,99**
Group diluted net income per share (€)	**7.2**	**8,61**	**9,22**

(1) The free share expense included in the item Discounting of liabilities and receivables at 31 December 2018 in the amount of €8,802k is now included with personnel expenses under Overheads (€9,701 k as of 31 December 2019).

(2) €14,484 k in regular depreciation in the costs of debt issuance included in the item Depreciation of debt issuance costs at 31 December 2018 is now included in the line Cost of the net financial debt (€13,920 k at 31 December 2019).

3.1.3 STATEMENT OF COMPREHENSIVE INCOME

	31/12/2019	31/12/2018
NET INCOME FOR THE PERIOD	**1 261 815**	**1 143 462**
Other items in the comprehensive income statement recognised directly in shareholders' equity and:		
- Destined for subsequent reclassification in the "Net income" section of the income statement		
Actuarial losses on employee benefits	0	0
Currency translation differences	8 289	-3 026
Change in the fair value of operating assets held in investments	0	0
Effective portion of gains or losses on hedging instruments	5 025	-7 507
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	**13 314**	**-10 533**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 275 129**	**1 132 929**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE		
To the owners of the parent company	762 052	744 124
To non-controlling interests	513 077	388 805
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 275 129**	**1 132 929**
GROUP NET COMPREHENSIVE PER SHARE	**8,94**	**9,92**
GROUP DILUTED NET INCOME (LOSS) PER SHARE	**8,78**	**9,16**

3.1.4 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

The Covivio share capital was 87,219,906 shares issued and fully paid up each with a par value of €3, i.e. €261.7 million at 31 December 2019. Covivio holds 174,557 treasury shares.

€ thousand	Capital	Share premium account	Treasury shares	Reserves and retained earnings	Gains and losses recognised directly in shareholders' equity	Total Group Shareholders' equity	Non-controlling interests	Total equity
Position at 31 December 2017	**224 490**	**2 853 696**	**-4 743**	**3 311 517**	**-21 653**	**6 363 307**	**3 804 352**	**10 167 659**
Dividends distribution				-337 030		**-337 030**	-235 122	**-572 152**
Capital increase	23 675	702 902				**726 577**		**726 577**
Allocation to the legal reserve	544	-2 911		2 367		**0**		**0**
Other			-13 885	-461		**-14 346**	-280	**-14 626**
Total comprehensive income for the period				**749 574**	**-5 450**	**744 124**	**388 805**	**1 132 929**
Of which currency transaction gains and losses					*-1280*	*-1280*	*-1746*	*-3 026*
Of which effective portion of gains or losses on hedging instruments					*-4 170*	*-4 170*	*-3 337*	*-7 507*
Of which net income (loss)				*749 574*		*749 574*	*393 888*	*1143 462*
Impact of change in shareholding/Capital increase				71 056		**71 056**	-160 786	**-89 730**
Shared-based payments				7 757		**7 757**		**7 757**
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**	-247 668	**-629 744**
Capital increase	12 551	330 268				**342 819**		**342 819**
Allocation to the legal reserve		-1 256		1 256		**0**		**0**
Other	400	-400	3 373	-3 753		**-380**	76	**-304**
Total comprehensive income for the period				**746 987**	**15 065**	**762 052**	**513 077**	**1 275 130**
Of which actuarial gains and losses on retirement benefits						*0*		*0*
Of which currency transaction gains and losses					*5 503*	*5 503*	*2 786*	*8 289*
Of which effective portion of gains or losses on hedging instruments					*9 562*	*9 562*	*-4 537*	*5 025*
Of which net income (loss)				*746 987*		*746 987*	*514 828*	*1261815*
Impact of change in shareholding/Capital increase				5 656		**5 656**	-1 756	**3 900**
Shared-based payments				8 129		**8 129**		**8 129**
Position at 31 December 2019	**261 660**	**3 882 299**	**-15 255**	**4 180 980**	**-12 038**	**8 297 646**	**4 060 698**	**12 358 343**

The dividend of €382 million was paid as €316 million in shares and €66 million in cash and was withheld from net income and charged to retained earnings.

During 2019, Covivio increased its share capital by almost €343 million through the issue of 3,885,719 shares following the payment of the dividend as shares, and the issue of 298,053 new shares following the conversion of 1,670,419 bonds and the allocation of 133,236 vested free shares.

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

Changes in the number of shares during the period

Transaction	Shares issued	Treasury shares	Shares outstanding
Number of shares at 31 December 2018	**82,902,898**	**222,461**	**82,680,437**
Capital increase – delivery of free share plan	133,236		
Capital increase – conversion of ORNANE-type bonds	298,053		
Capital increase - dividend in shares	3,885,719		
Treasury shares – liquidity agreement		-25,672	
Treasury shares – employee award		-22,232	
Number of shares at 31 December 2019	**87,219,906**	**174,557**	**87,045,349**

Change in non-controlling interests (+€263.7 million) was mainly due to the income for minority interests (+€513.1 million) and distributions during the period (-€247.6 million).

3.1.5 STATEMENT OF CASH FLOWS

(€K)	Note	31-Dec-2019	31-Dec-2018
Net consolidated income (including minority interests)		1 261 815	1 143 462
Net depreciation and amortisation charges and provisions (1) (excluding those related to current assets)		73 176	194 514
Unrealised gains and losses relating to changes in fair value	3.2.5.11.5 & 3.2.6.4	-807 278	-604 530
Income and expenses calculated on stock options and related share-based payments		9 701	8 802
Other calculated income and expenses		17 100	23 421
Gains or losses on disposals		-8 810	-226 326
Gains or losses from dilution – accretion		0	-0
Share of income from companies accounted for under the equity method		-29 301	-22 828
Cash flow after tax and cost of net financial debt		**516 502**	**516 515**
Cost of net financial debt	3.2.6.6 & 3.2.6.7	209 672	187 970
Income tax expense (including deferred taxes)	3.2.6.8.2	137 635	116 132
Cash flow before tax and cost of net financial debt		**863 810**	**820 617**
Taxes paid		-14 496	-17 375
Change in w orking capital requirements on continuing operations (including employee benefits liabilities)	3.2.5.7.2	-75 876	81 069
NET CASH FLOW GENERATED BY THE ACTIVITY		**773 438**	**884 310**
Impact of changes in the scope (2)		-246 910	-475 832
Disbursements related to acquisition of tangible and intangible fixed assets	3.2.5.1.2	-674 244	-991 339
Proceeds relating to the disposal of tangible and intangible fixed assets	3.2.5.1.2	1 198 601	1 267 019
Disbursements relating to acquisition of financial assets (non-consolidated securities)		-2 684	-0
Proceeds relating to the disposal of financial assets (non-consolidated securities)		5 085	1 185
Dividends received (companies accounted for under the equity method, non-consolidated securities)		15 066	10 656
Change in loans and advances granted		-54 528	71 227
Investment grants received		0	0
Other cash flow from investment activities		3 220	11 218
NET CASH FLOW FROM INVESTMENT OPERATIONS		**243 607**	**-105 866**
Impact of changes in the scope		0	-97 543
Amounts received from shareholders in connection w ith capital increases:			
Paid by parent company shareholders	3.1.4	0	174 183
Paid by minority shareholders of consolidated companies		22 254	0
Purchases and sales of treasury shares		2 544	-15 675
Dividends paid during the reporting period:			
Dividends paid to parent company shareholders	3.1.4	-66 426	-337 030
Dividends paid to non-controlling interests of consolidated companies	3.1.4	-247 668	-235 122
Proceeds related to new borrow ings	3.2.5.11.2	1 612 701	2 427 876
Repayments of borrow ings (including finance lease agreements)	3.2.5.11.2	-1 935 543	-2 507 114
Net interest paid (including finance lease agreements)		-216 191	-208 220
Other cash flow from financing activities		-75 547	-68 958
NET CASH FLOW FROM FINANCING OPERATIONS		**-903 876**	**-867 602**
Impact of changes in the exchange rate		535	-64
Impact of changes in accounting policies		0	0
CHANGE IN NET CASH		**113 705**	**-89 222**
Opening cash position		1 167 517	1 256 739
Closing cash position		1 281 221	1 167 517
Change in cash and cash equivalents		**113 705**	**-89 222**

		31-Dec-2019	31-Dec-2018
Gross cash (a)	3.2.5.9.2	1 302 084	1 172 450
Debit balances and bank overdrafts from continuing operations (b)	3.2.5.11.2	-20 548	-1 398
Net cash and cash equivalents (c) = (a) - (b)		**1 281 536**	**1 171 052**
Of which available net cash and cash equivalents		**1 281 221**	**1 167 517**
Of which unavailable net cash and cash equivalents		**315**	**3 535**
Gross debt (d)	3.2.5.11.2	10 936 766	11 144 032
Amortisation of financing costs (e)	3.2.5.11.2	-69 749	-85 703
Net debt (d) - (c) + (e)		**9 585 482**	**9 887 278**

(1) Net depreciation and amortisation charges and provisions of €73.2 million mainly include €65 million in depreciation and amortisation of tangible and intangible fixed assets.

(2) The impact of changes in the scope of investing activities (section 39 of IAS 7) amounting to -€246.9 million mainly stem from Hotels Europe (-€215.5 million) and Germany Residential (-€31.5 million).

3.2 NOTES TO THE CONSOLIDATED ACCOUNTS

3.2.1 GENERAL PRINCIPLES

3.2.1.1 Accounting standards

The consolidated accounts of the Covivio Group at 31 December 2019 were prepared in accordance with the international accounting standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union as of the preparation date. These standards include the IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards) and their interpretations.

The financial statements were approved by the Board of Directors on 13 February 2020.

- Accounting principles and methods used

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

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

- IFRS 16 “Leases”, adopted by the European Union on 31 October 2017; this standard supersedes IAS 17 “Leases”, as well as the corresponding interpretations (IFRIC 4, SIC 15 and SIC 27). It sets out the principles applicable to the accounting, measurement and presentation of leases.
  The information required as part of the transition to and first-time application of IFRS 16 are presented in section 3.2.1.2.

  The following interpretations and amendments, which are mandatory as of 1 January 2019, did not have any impact on the Group’s consolidated financial statements:
- Amendment to IFRS 9 "Prepayment Features with Negative Compensation", adopted by the European Union on 22 March 2018; this amendment deals with instruments containing a prepayment clause when the exercise of this clause leads to a repayment of less than the amount of the principal and interest on the principal amount outstanding (negative compensation);
- IFRIC 23 "Uncertainty over Income Tax Treatments", adopted by the European Union on 23 October 2018; this interpretation clarifies the application of provisions of IAS 12 "Income Taxes" to the recognition and measurement where there is uncertainty on the income tax treatment;
- Amendments to IAS 28 "Investments in Associates and Joint Ventures", adopted by the European Union on 8 February 2019;
- Annual improvements to IFRS (2015-2017 cycle), adopted by the European Union on 14 March 2019. These improvements amend IFRS 3 “Business Combinations”, IFRS 11 “Partnerships”, IAS 23 “Borrowing Costs” and IAS 12 “Income Taxes”;
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement", adopted by the European Union on 13 March 2019. These limited amendments apply to changes, curtailment or settlement of defined-benefit plans.

The new amendments and standards adopted by the European Union whose application was not mandatory on 1 January 2019 and which are not being applied early by the Covivio Group are the following:

- Amendments to IAS 1 and IAS 8 "Definition of Material", adopted by the European Union on 29 November 2019. According to the IASB, the amendments will come into force on 1 January 2020.

- Amendments to IFRS 9, IAS 39 and IFRS 7 related to the interbank benchmark rate reform, published on 26 September 2019, adopted by the European Union on 15 January 2020; According to the IASB, the amendments will come into force on 1 January 2020.

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

- Amendment to IFRS 3 "Definition of a Business", published on 22 October 2018; according to the IASB, the amendments will come into force on 1 January 2020;
- Amendments to IFRS 10 and IAS 28 “Sales or contributions of assets made between the Group and equity affiliates”, published on 11 September 2014.

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

- Amendments to References to the conceptual framework in IFRS Standards issued on 29 March 2018; these were adopted by the European Union on 29 November 2019. According to the IASB, the amendments will come into force on 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 2021. 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.

3.2.1.2 First-time application of IFRS 16

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

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

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

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

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

The average yield rate weighted for rental liabilities at 1 January 2019 is 4.20%.

The Group has used the following presentation in the Statement of financial position:
- right-of-use assets meeting the definition of investment properties under IAS 40, for which the Group applies the fair value model, are included under Investment properties;
- right-of-use assets that do not meet the definition of investment properties under IAS40, are included under the items where the corresponding underlying assets are presented if they belonged thereto, namely the items Operating properties and Other tangible fixed assets;
- rental liabilities are presented separately from other liabilities under Long-term rental liabilities and Short-term rental liabilities.

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

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

The IAS 17 rental commitments at 31 December 2018 and rental debt recognised at 1 January 2019 are reconciled in the table below (in €K):

Operating lease commitments as tenant at 31 December 2018		**81,801**
Contracts not accounted for under exemptions	-	12,623
Unidentified contracts at 31 December 2018		98,989
Undiscounted rental commitments under IFRS 16 at 1 January 2019		**168,167**
Effect of discounting	-	78,739
Discounted rental liabilities under IFRS 16 at 1 January 2019		**89,428**
Rental liabilities recognised under IFRS 40 at 31 December 2018		**163,657**
Rental liabilities under IFRS 16 at 1 January 2019		**253,085**

The impact of the first-time application of IFRS 16 on Statement of financial position items at 31 December 2019 is presented in the following tables:

	Total impact 1st application IFRS 16								
K€	France Offices	Italy Offices	Hotels in Europe	Germany Residential	France Residential	Corporate and not attributable	Total 1st jan.-19	31/12/2018	31/12/2019
Tangible fixed assets	**8 339**	**3 505**	**29 034**	**601**	**21**	**35 907**	**77 407**	**0**	**65 838**
Operating properties	8 235	3 340	27 585	0	12	35 881	75 053	0	63 749
Other tangible fixed assets	104	165	1 449	601	9	26	2 354	0	2 089
Investment properties	**0**	**0**	**12 035**	**0**	**0**	**0**	**12 035**	**163 660**	**202 636**
TOTAL ASSETS	**8 339**	**3 505**	**41 069**	**601**	**21**	**35 907**	**89 442**	**163 660**	**268 474**

	Total impact 1st application IFRS 16								
K€	France Offices	Italy Offices	Hotels in Europe	Germany Residential	France Residential	Corporate and not attributable	Total 1st jan.-19	31/12/2018	31/12/2019
Rental liabilities	**8,336**	**3,500**	**41,063**	**601**	**21**	**35,907**	**89,428**	**163,657**	**268,977**
Long-term rental liabilities	4,687	2,769	39,436	375	12	29,835	77,114	163,281	255,295
Short-term rental liabilities	3,649	731	1,627	226	9	6,072	12,314	376	13,682
TOTAL LIABILITIES	**8,336**	**3,500**	**41,063**	**601**	**21**	**35,907**	**89,428**	**163,657**	**268,977**

The impact of the first-time application of IFRS 16 on Statement of net income items at 31 December 2019 is presented in the following table:

K€	31/12/2019
Net change in provisions and other	9 198
Expenses of hotel operating activity	2 548
Net cost of operations	6 375
Net operating costs	5 062
Amortisation and depreciation of tangible assets	-12 699
Changes in FV of use rights/investment properties	3 107
Interest cost for rental liabilities	-13 528
IFRS 16 impact on net income	**63**

3.2.1.3 Estimates and judgements

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

The significant estimates made by the Covivio 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.

3.2.1.4 Operating segments

The operating segments of the Covivio Group are detailed in paragraph 3.2.8.1.

3.2.1.5 IFRS 7 – Reference table

Liquidity risk	§ 3.2.2.2
Financial expense sensitivity	§ 3.2.2.3
Credit risk	§ 3.2.2.4
Market risk	§ 3.2.2.6
Exchange rate risk	§ 3.2.2.7
Sensitivity of the fair value of investment properties	§ 3.2.5.1.3
Covenants	§ 3.2.5.11.7

3.2.2 FINANCIAL RISK MANAGEMENT

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

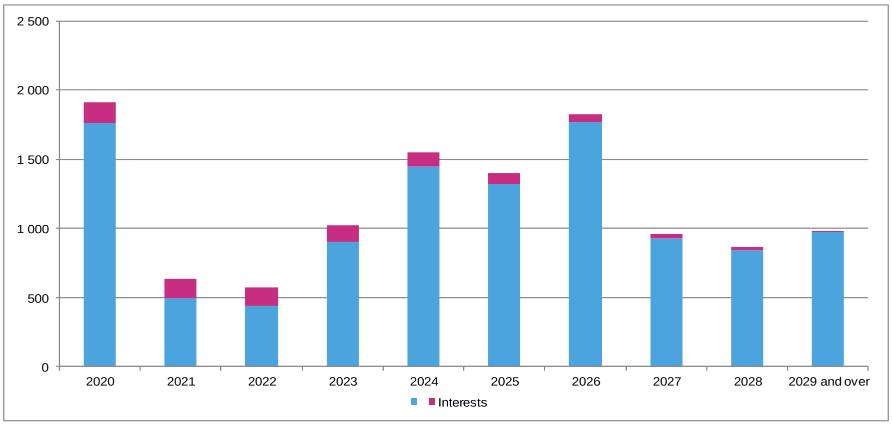
3.2.2.1 Marketing risk for properties under development

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 § 3.2.5.1.5).

3.2.2.2 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 31 December 2019, the Covivio Group's available cash and cash equivalents amounted to €2,963 million, including €1,505 million in usable unconditional credit lines, €1,302 million in investments and €156 million in unused overdraft facilities.

The graph below summarises the maturities of borrowings (in €M) existing as at 31 December 2019:



The maturities at 31 December 2019 in the graph above include €1,363.9 million in treasury bills.

The amount of interest payable until the maturity of the debt, estimated on the basis of the outstanding amount at 31 December 2019 and the average interest rate on debt, totalled €841 million.

Details of the debt maturities are provided in note 3.2.5.11.3, and a description of the banking covenants and accelerated payment clauses included in the loan agreements is presented in note 3.2.5.11.7.

Throughout 2019, the Group continued its policy of reducing the cost of its debt whilst extending the term, particularly by refinancing or renegotiating some of its debts following the merging of its French and Italian scopes.

- In 2019, Covivio raised or renegotiated €550 million in loans on improved financial and maturity terms, for example, €500 million via a 12-year green bond issued in September 2019, with a 1.125% coupon. At the same time, Covivio cancelled or redeemed early €817.5 million in credit lines, short and medium-term borrowings or bonds, mainly in Italy.

- Covivio Hotels raised, secured or renegotiated €577 million in long-term mortgage debt (average 9-year term) backed by Hotels in Spain, Germany and France, while repaying €400 million in medium-term mortgage financing.

- In Germany, Covivio Immobilien SE raised or renegotiated €529 million in loans with average terms of around 10 years.

3.2.2.3 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 § 3.2.5.11.5). At 31 December 2019, after taking interest rate swaps into account, approximately 96% 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 a 100 bps rate increase as at 31 December 2019 is a loss of €18,733k on the 2020 Group Share of net income.
The impact of a 50 bps rate increase as at 31 December 2019 is a loss of €8,622k on the 2020 Group Share of net income.
The impact of a 50 bps rate reduction as at 31 December 2019 is an increase of €8,356k on the 2020 Group Share of net income.

3.2.2.4 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. It totalled €5,275k in 2019.

3.2.2.5 Leasing counterparty risk

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

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

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

The Group has not recorded any significant overdue payments.

3.2.2.6 Risks related to changes in the value of the portfolio

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

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

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

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

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

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

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

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

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

The holding of real estate assets intended for leasing exposes 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 3.2.5.1.3.

3.2.2.7 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

	31/12/2019 (M£)	5% decrease in GBP/EUR exchange rate (€M)	10% decrease in GBP/EUR exchange rate (€M)
Portfolio	825	-45.7	-91.7
Debt	400	22.3	44.5
Cross currency swap	250	13.9	27.8
Impact on shareholders' equity		**-9.6**	**-19.3**

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

3.2.2.8 Brexit risk

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

3.2.2.9 Risks related to changes in the value of shares and bonds

The Group is exposed to risks for two classes of shares (see § 3.2.5.2.2).

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

Furthermore, Covivio issued bonds (ORNANE type) valued at their fair value in the income statement at each reporting date for ORNANE France 2019 and by distinguishing a financial debt and amortised cost and a derivative value at fair value for ORNANE Italy 2021. The fair value corresponds to the bond's closing price, exposing the Group to changes in the bond's value. The specific features of the ORNANE are described in note 3.2.5.11.4. The France 2019 ORNANE was fully redeemed in early 2019.

3.2.2.10 Tax environment

3.2.2.10.1 Changes in the French tax environment

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

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

3.2.2.10.2 Changes in the Italian tax environment

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

3.2.2.10.3 Changes in the German tax environment

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

3.2.2.10.4 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 Hotels' tax audit

  Covivio Hotels' financial statements were audited for the 2010/2011 and 2012/2013/2014 fiscal years, which resulted in a reassessment proposal for the CVAE in the amount of €2.4 million and €2.2 million respectively. These reassessments were partially withdrawn by the tax administration in the first quarter of 2018 and refunds of €1.2 million and €1.1 million were obtained. The remaining balance of the reassessment of €1.2 million and €1.1 million is being contested before the Administrative Court following the court's two rulings against the Company. Based on the analysis by the company's legal counsel, these disputes were not provisioned as at 31 December 2019.

  The financial statements of Covivio Hotels were also audited for the 2015 fiscal year which resulted in a reassessment proposal for corporate value-added tax (CVAE), on the same grounds as the previous reassessment proposals for €0.2 million. This proposal was contested at the Administrative Court and, based on the analysis by the Company's advisers, is not recognised in the accounts at 31 December 2019.

- Foncière Otello tax audit (subsidiary of Covivio Hotels)

  Foncière Otello's financial statements were audited for the 2011, 2012 and 2013 fiscal years, which resulted in a reassessment proposal for the CVAE in the amount of €0.5 million. This proposal is being contested before the Administrative Court following this court's ruling against the Company. Based on the analysis by the company's legal counsel, no provision has been recorded for this dispute as at 31 December 2019.

  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 31 December 2019.

- Tax audit of LHM Propco Lux (subsidiary of Covivio Hotels)
  A company with assets in Germany is being audited for the 2015-2017 fiscal years, which remains ongoing at 31 December 2019.

- 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 €31k, which is contested in part. This VAT reassessment has not been recognised at 31 December 2019.

  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 subsidiaries were subject to a tax audit for financial years 2011 to 2016.

  At 31 December 2019, the audit is still ongoing, with the exception of the Golddust portfolio which resulted in a reassessment of around €1 million as the level of interest rates on pre-existing partner loans on acquisition of the companies' securities was questioned. This reassessment, which resulted in a provision of €1.5 million, was accepted and was permanently closed at 31 December 2019.

- Tax audits on Beni Stabili, which merged with Covivio

  Comit Fund tax dispute – Beni Stabili:

  On 17 April 2012, following a court decision, the Italian tax administration refunded the debt borne by Beni Stabili for the Comit Fund dispute (principal: €58.2 million and interest: €2.3 million). In April 2012, the Tax Administration appealed this decision. The Court of Appeal ruled in favour of the Tax Administration on 18 December 2015.
  The dispute with the tax 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 May 2019, an appeal was heard, resulting in a new hearing being scheduled for November 2019. Beni Stabili's management, supported by its advisers, believes there is little risk of having to repay Comit Fund, and no provision has therefore been made for this appeal as of 31 December 2019.

3.2.2.10.5 Deferred tax liabilities

Most of the Group's real estate companies have opted for the SIIC regime in France, and the SOCIMI regime in Spain. Beni Stabili, which opted for the SIIQ regime, changed its tax regime when it merged with Covivio at 31 December 2018 and the Covivio permanent establishment in Italy will be subject to real estate corporate tax of 20% as of 1 January 2019. The impact of deferred tax liabilities is therefore essentially present in Germany Residential and Italy Offices and linked to investments in Hotels in Europe for which the SIIC regime is not applicable (Germany, Spain, Belgium, 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.

3.2.3 SCOPE OF CONSOLIDATION

3.2.3.1 Accounting principles applicable to the scope of consolidation

✓ 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.

✓ 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.

✓ 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.

3.2.3.2 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, Italy Offices, Hotels in Europe and Germany Residential.

3.2.3.3 Internal restructuring/Disposals

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

3.2.3.4 Change in holding and/or in consolidation method

✓ Contributions of Covivio shares to SCI Ruhl – Impact on shareholding ratio

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

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

✓ Repurchase of 25% of shares in Samoens – Impact on shareholding ratio

At the end of March 2019, Covivio Hotels proceeded with a capital increase through the creation of 613,244 new shares as compensation for 25% of shares in Samoens held by Caisse des Dépôts et Consignations. At 31 December 2019, Samoens was 50.10% directly held by Covivio Hotels, a Covivio subsidiary, compared with 25.10% at 31 December 2018.

3.2.3.5 List of consolidated companies

97 companies in the France Offices segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
Covivio	**France**	**Parent company**		
N2 Batignolles Promo	France	FC	50.00	
6 rue Fructidor	France	FC	50.10	
Fructipromo	France	FC	100.00	
Jean Jacques Bosc	France	FC	100.00	
Terres Neuves	France	FC	100.00	
André Lavignolle	France	FC	100.00	
SCCV Chartres avenue de Sully	France	FC	50.00	
SCI de la Louisiane	France	FC	100.00	
SCCV Bobigny Le 9ème Art	France	FC	60.00	
SCCV Fontenay sous Bois Rabelais	France	FC	50.00	
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 du 8 rue M. Paul	France	FC	100.00	100.00
SCI 1 rue de Chateaudun	France	FC	100.00	100.00
SCI du 1630 Avenue de la Croix Rouge	France	FC	100.00	100.00
SCI du 125 avenue du Brancolar	France	FC	100.00	100.00
SARL du 106-110 rue des Troënes	France	FC	100.00	100.00
SCI du 2 rue de L'Ill	France	FC	100.00	100.00
SCI du 20 avenue Victor Hugo	France	FC	100.00	100.00
SARL du 2 rue Saint Charles	France	FC	100.00	100.00
SNC Télimob Paris	France	FC	100.00	100.00
SNC Télimob Nord	France	FC	100.00	100.00
SNC Télimob Rhône Alpes	France	FC	100.00	100.00
SNC Télimob Sud Ouest	France	FC	100.00	100.00
SNC Télimob Est	France	FC	100.00	100.00
SNC Télimob Paca	France	FC	100.00	100.00
SNC Télimob Ouest	France	FC	100.00	100.00
SARL Télimob Paris	France	FC	100.00	100.00
Pompidou	France	FC	100.00	100.00
OPCI Office CB21	France	FC	75.00	75.00
11 place de l'Europe	France	FC	50.09	50.09
Lenovilla	France	EM/JV	50.10	50.10
Lenopromo	France	FC	100.00	100.00
SCI Latécoère 2	France	FC	50.10	50.10
Meudon Saulnier	France	FC	100.00	100.00
Charenton	France	FC	100.00	100.00
Latepromo	France	FC	100.00	100.00
SNC Promomurs	France	FC	100.00	100.00
FDR Participation	France	FC	100.00	100.00
SCI Avenue de la Marne	France	FC	100.00	100.00
Omega B	France	FC	100.00	100.00
SCI RUEL B2	France	FC	100.00	100.00
SCI Factor E	France	EM/EA	34.69	34.69
SCI Orianz	France	EM/EA	34.69	34.69

Companies France Offices Segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
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
Palmer Plage SNC	France	FC	100,00	100,00
Dual Center	France	FC	100,00	100,00
25-27 quai Félix Faure	France	Merger	-	100,00
SCI du 682 cours de la Libération	France	Merger	-	100,00
SNC Commerces Cœur d'Orly	France	merged	-	50,00
Palmer Montpellier	France	merged	-	100,00
SCI RUEIL B3 B4	France	merged	-	100,00

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

20 companies in the Italy Offices segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
Covivio Attività Immobiliari 2 S.r.L.	Italy	FC	100.00	
Covivio Attività Immobiliari 3 S.r.L.	Italy	FC	100.00	
Beni Stabili 7 S.p.A.	Italy	FC	100.00	100.00
Central Società di Investimento per Azioni a capitalo fisso Central SICAF S.p.A.	Italy	FC	51.00	51.00
Beni Stabili Retail S.r.l.	Italy	FC	55.00	55.00
Covivio Development S.p.A.	Italy	FC	100.00	100.00
RGD Gestioni S.r.L.	Italy	FC	100.00	100.00
Real Estate Roma Olgiata S.r.L.	Italy	FC	75.00	75.00
Covivio Immobiliare 9 SINQ S.p.A.	Italy	FC	100.00	100.00
B.S. Engineering S.r.l.	Italy	FC	100.00	100.00
Wellio Italy	Italy	FC	100.00	100.00
Imser Securitisation S.r.L.	Italy	FC	100.00	100.00
Imser Securitisation 2 S.r.L.	Italy	FC	100.00	100.00
Revalo SpA	Italy	FC	100.00	100.00
Real Estate Solution & Technology	Italy	EM	30.00	30.00
Investire S.p.A. SGR	Italy	EM	17.90	17.90
Attivita Commerciali Montenero S.r.L.	Italy	FC	100.00	100.00
Attivita Commerciali Beinasco S.r.L.	Italy	FC	100.00	100.00
Attivita Commerciali Vigevano S.r.L.	Italy	FC	100.00	100.00
Covivio Attività Immobiliari 1 S.r.L.	Italy	FC	100.00	100.00
RGD Ferrara 2013 S.r.L.	Italy	disposed of	-	50.00

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 2019	Percentage held in 2019	Percentage held in 2018
SCA Covivio Hotels (Parent company) 100% controlled	**France**	**FC**	**43.22**	**42.30**
Oxford Spires Ltd (Propco)	UK	FC	43.22	
Oxford Thames Hotel Ltd (Propco)	UK	FC	43.22	
Dresden Dev	Luxembourg	FC	41.01	
Delta Hotel Amersfoort	Netherlands	FC	43.22	
Opci Oteli	France	EMEA	13.46	
Orient SAS financial lease	France	EMEA	13.46	
Express SAS financial lease	France	EMEA	13.46	
Kombon	France	EMEA	14.41	
Jouron	Belgium	EMEA	14.41	
Foncière Gand Cathédrale	Belgium	EMEA	14.41	
Brussels Sainte Catherine REITs	Belgium	EMEA	14.41	
Foncière IGK	Belgium	EMEA	14.41	
Forsmint Investments	Poland	FC	43.22	
Cerstook Investments	Poland	FC	43.22	
Noxwood Investments	Poland	FC	43.22	
Redwen Investments	Poland	FC	43.22	
Sardobal Investments	Poland	FC	43.22	
Kilmainham Property Holding	Ireland	FC	43.22	
Thommont Ltd	Ireland	FC	43.22	
Honeypool	Ireland	FC	43.22	
Ruhl Côte d'Azur	France	FC	43.22	100.00
SARL Loire	France	FC	43.22	42.30
Foncière Otello	France	FC	43.22	42.30
Hôtel René Clair	France	FC	43.22	42.30
Foncière Ulysse	France	FC	43.22	42.30
Ulysse Belgique	Belgium	FC	43.22	42.30
Ulysse Trefonds	Belgium	FC	43.22	42.30
Foncière No Bruxelles Grand Place	Belgium	FC	43.22	42.30
No Brussels Airport REITs	Belgium	FC	43.22	42.30
Foncière No Bruges Centre	Belgium	FC	43.22	42.30
Foncière Gand Centre	Belgium	FC	43.22	42.30
Foncière Gand Opéra	Belgium	FC	43.22	42.30
Foncière IB Bruxelles Grand-Place	Belgium	FC	43.22	42.30
Foncière IB Bruxelles Aéroport	Belgium	FC	43.22	42.30
Foncière IB Bruges Centre	Belgium	FC	43.22	42.30
Foncière Antwerp Centre	Belgium	FC	43.22	42.30
Foncière Bruxelles Expo Atomium	Belgium	FC	43.22	42.30
Foncière Manon	France	FC	43.22	42.30
Murdelux	Luxembourg	FC	43.22	42.30
Portmurs	Portugal	FC	43.22	42.30
Sunparks Oostduinkerke	Belgium	FC	43.22	42.30
Foncière Vielsam	Belgium	FC	43.22	42.30
Sunparks Trefonds	Belgium	FC	43.22	42.30
Foncière Kempense Meren	Belgium	FC	43.22	42.30
Iris Holding France	France	EMEA	8.60	8.42
Foncière Iris SAS	France	EMEA	8.60	8.42
Sables d'Olonne SAS	France	EMEA	8.60	8.42
OPCI Iris Invest 2010	France	EMEA	8.60	8.42
Covivio Hotels Gestion Immobilière	France	FC	43.22	42.30
Tulipe Holding Belgique	Belgium	EMEA	8.60	8.42
Iris Tréfonds	Belgium	EMEA	8.60	8.42
Foncière Louvain Centre	Belgium	EMEA	8.60	8.42
Foncière Liège	Belgium	EMEA	8.60	8.42
Foncière Bruxelles Aéroport	Belgium	EMEA	8.60	8.42
Foncière Bruxelles Sud	Belgium	EMEA	8.60	8.42
Foncière Bruge Station	Belgium	EMEA	8.60	8.42
Narcisse Holding Belgique	Belgium	EMEA	8.60	8.42
Foncière Bruxelles Tour Noire	Belgium	EMEA	8.60	8.42
Foncière Louvain	Belgium	EMEA	8.60	8.42
Foncière Malines	Belgium	EMEA	8.60	8.42
Foncière Bruxelles Centre Gare	Belgium	EMEA	8.60	8.42
Foncière Namur	Belgium	EMEA	8.60	8.42
Iris investor Holding GmbH	Germany	EMEA	8.60	8.42
Iris General Partner GmbH	Germany	EMEA	4.32	4.23
Iris Berlin GmbH	Germany	EMEA	8.60	8.42
Iris Bochum & Essen	Germany	EMEA	8.60	8.42
Iris Frankfurt GmbH	Germany	EMEA	8.60	8.42
Iris Verwaltungs GmbH & co KG	Germany	EMEA	8.60	8.42
Iris Nurnberg GmbH	Germany	EMEA	8.60	8.42
Iris Stuttgart GmbH	Germany	EMEA	8.60	8.42
B&B Invest Lux 1	Germany	FC	43.22	42.30
B&B Invest Lux 2	Germany	FC	43.22	42.30
B&B Invest Lux 3	Germany	FC	43.22	42.30
Campeli	France	EMEA	8.60	8.42
OPCI Camp Invest	France	EMEA	8.60	8.42
Dahlia	France	EMEA	8.64	8.46
Foncière B2 Hôtel Invest	France	FC	21.70	21.24
OPCI B2 Hôtel Invest	France	FC	21.70	21.24
Foncière B3 Hôtel Invest	France	FC	21.70	21.24
B&B Invest Lux 4	Germany	FC	43.22	42.30
NH Amsterdam Center Hotel HLD	Netherlands	FC	43.22	42.30
Hotel Amsterdam Centre Propco	Netherlands	FC	43.22	42.30
Mo Lux 1	Luxembourg	FC	43.22	42.30
LHM Holding Lux SARL	Luxembourg	FC	43.22	42.30
LHM ProCo Lux SARL	Germany	FC	45.07	44.24
SCI Rosace	France	FC	43.22	42.30
Mo Drelinden, Niederrad, Düsseldorf	Germany	FC	40.62	39.77
Mo Berlin	Germany	FC	40.62	39.77
Mo First Five	Germany	FC	42.36	41.59
Ringer	Germany	FC	43.22	42.30
B&B Invest Lux 5	Germany	FC	40.19	39.34

Companies Hotels in Europe segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
B&B Invest Lux 6	Germany	FC	40.19	39.34
SCI Hôtel Porte Dorée	France	FC	43.22	42.30
FDM M Lux	Luxembourg	FC	43.22	42.30
OPCO Rosace	France	FC	43.22	42.30
Exco Hôtel	Belgium	FC	43.22	42.30
Invest Hôtel	Belgium	FC	43.22	42.30
H Invest Lux	Luxembourg	FC	43.22	42.30
Hermitage Holdco	France	FC	43.22	42.30
Samoens SAS	France	FC	21.65	10.62
Foncière B4 Hôtel Invest	France	FC	21.70	21.24
B&B Invest Espagne SLU	Spain	FC	43.22	42.30
Rock-Lux	Luxembourg	FC	43.22	42.30
Société Liloise Investissement Immobilier Hôtelier SA	France	FC	43.22	42.30
Alliance et Compagnie SAS	France	FC	43.22	42.30
Berlin I (Propco Westin Grand Berlin)	Germany	FC	41.01	40.15
Opco Grand Hôtel Berlin Betriebs (Westin berlin)	Germany	FC	41.01	40.15
Berlin II (Propco Park Inn Alexanderplatz)	Germany	FC	41.01	40.15
Opco Hôtel Stadt Berlin Betriebs (Park-Inn)	Germany	FC	41.01	40.15
Berlin III (Propco Mercure Potsdam)	Germany	FC	41.01	40.15
Opco Hôtel Potsdam Betriebs (Mercure Potsdam)	Germany	FC	41.01	40.15
Dresden II (Propco Ibis Hôtel Dresden)	Germany	FC	41.01	40.15
Dresden III (Propco Ibis Hôtel Dresden)	Germany	FC	41.01	40.15
Dresden IV (Propco Ibis Hôtel Dresden)	Germany	FC	41.01	40.15
Opco BKL Hotelbetriebsgesellschaft (Dresden II to IV)	Germany	FC	41.01	40.15
Dresden V (Propco Pullman New a Dresden)	Germany	FC	41.01	40.15
Opco Hôtel New a Dresden Betriebs (Pullman)	Germany	FC	41.01	40.15
Leipzig I (Propco Westin Leipzig)	Germany	FC	41.01	40.15
Opco HotelgesellschaftGeberst, Betriebs (Westin Leipzig)	Germany	FC	41.01	40.15
Leipzig II (Propco Radisson Blu Leipzig)	Germany	FC	41.01	40.15
Opco Hôtel Deutschland Leipzig Betriebs (Radisson Blu)	Germany	FC	41.01	40.15
Erfurt I (Propco Radisson Blu Erfurt)	Germany	FC	41.01	40.15
Opco Hôtel Kosmos Erfurt (Radisson Blu)	Germany	FC	41.01	40.15
Airport Garden Hotel NV	Belgium	FC	43.22	42.30
H Invest Lux 2	Luxembourg	FC	43.22	42.30
Constance	France	FC	43.22	42.30
Hotel Amsterdam Noord FDM	Netherlands	FC	43.22	42.30
Hotel Amersfoort FDM	Netherlands	FC	43.22	42.30
Constance Lux 1	Luxembourg	FC	43.22	42.30
Constance Lux 2	Luxembourg	FC	43.22	42.30
So Hospitality	France	FC	43.22	42.30
Nice-M	France	FC	43.22	42.30
Investment FDM Rocatiera	Spain	FC	43.22	42.30
Bardiomar	Spain	FC	43.22	42.30
Trade Center Hotel	Spain	FC	43.22	42.30
Rock-Lux OPCO	Luxembourg	FC	43.22	42.30
Blythsw ood Square Hotel Holdco	UK	FC	43.22	42.30
George Hotel Investments Holdco	UK	FC	43.22	42.30
Grand Central Hotel Company Holdco	UK	FC	43.22	42.30
Grand Principal Birmingham Holdco	UK	FC	43.22	42.30
Lagonda Leeds Holdco	UK	FC	43.22	42.30
Lagonda Palace Holdco	UK	FC	43.22	42.30
Lagonda Russell Holdco	UK	FC	43.22	42.30
Lagonda York Holdco	UK	FC	43.22	42.30
Oxford Spires Hotel Holdco	UK	FC	43.22	42.30
Oxford Thames Holdco	UK	FC	43.22	42.30
Roxburghe Investments Holdco	UK	FC	43.22	42.30
The St David's Hotel Cardiff Holdco	UK	FC	43.22	42.30
Wotton House Properties Holdco	UK	FC	43.22	42.30
Blythsw ood Square Hotel Glasgow	UK	FC	43.22	42.30
George Hotel Investments	UK	FC	43.22	42.30
Grand Central Hotel Company	UK	FC	43.22	42.30
Lagonda Leeds PropCo	UK	FC	43.22	42.30
Lagonda Palace PropCo	UK	FC	43.22	42.30
Lagonda Russell PropCo	UK	FC	43.22	42.30
Lagonda York PropCo	UK	FC	43.22	42.30
Roxburghe Investments PropCo	UK	FC	43.22	42.30
The St David's Hotel Cardiff	UK	FC	43.22	42.30
Wotton House Properties	UK	FC	43.22	42.30
Roxburghe Investments Lux	Luxembourg	FC	43.22	42.30
HEM Diesterlkade Amsterdam BV	Netherlands	FC	43.22	42.30
Lambda Amsterdam BV	Netherlands	merged	-	42.30
Spiegelrei HLD SA	Belgium	Liquidated	-	42.30
Dresden I (Propco Westin Bellevue)	Germany	disposed of	-	40.15
Opco Hôtel Bellevue Dresden Betriebs (Westein Bellevue)	Germany	disposed of	-	40.15
Foncière Développement Tourisme	France	Merger	-	21.19

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

121 companies in the German Residential segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
Covivio Immobilien SE (Parent company) 99.74% controlled	**Germany**	**FC**	**61.70**	**61.70**
Covivio Alexanderplatz	Luxembourg	FC	100.00	
Covivio Rhenania 1	Germany	FC	65.57	
Covivio Rhenania 2	Germany	FC	65.57	
Covivio Prime Financing	Germany	FC	61.70	
Küchenw elt Berlin GmbH	Germany	FC	61.70	
Covivio Office Holding GmbH	Germany	FC	100.00	
Covivio Office Berlin GmbH	Germany	FC	100.00	
Rev Tino Schw ierzina Strasse 32 Gundbezitz	Germany	FC	94.22	
Covivio Flohrstrasse 21	Germany	FC	100.00	
Realius Grundbesitz NRW	Germany	FC	67.49	
Eiger Propco SPV	Germany	FC	67.49	
Eiger II Propco	Germany	FC	67.49	
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 Verw altungs	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	63.65
Covivio Berolinum 1	Germany	FC	63.66	63.66
Covivio Remscheid	Germany	FC	63.66	63.66
Covivio Valore 6	Germany	FC	63.74	63.74
Covivio Holding	Germany	FC	100.00	100.00
Covivio Immobilien Se & Co KG Residential	Germany	FC	61.70	61.70
Covivio Berlin 67 GmbH	Germany	FC	64.00	64.00
Covivio Berlin 78 GmbH	Germany	FC	64.00	64.00
Covivio Berlin 79 GmbH	Germany	FC	64.00	64.00
Covivio Dresden GmbH	Germany	FC	63.66	63.66
Covivio Berlin I SARL	Germany	FC	63.66	63.66
Covivio Berlin V SARL	Germany	FC	63.85	63.85
Covivio Berlin C GMBH	Germany	FC	63.66	63.66
Covivio Dansk Holding Aps	Denmark	FC	61.70	61.70
Covivio Dasnk L Aps	Germany	FC	63.66	63.66
Covivio Berlin Prime	Germany	FC	65.53	65.53
Berlin Prime Commercial	Germany	FC	63.66	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 Verw altungs 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

Companies in the German Residential segment	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
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 Schnönw alder Str.69 Grundbesitz	Germany	FC	65.53	65.53
Covivio Schulstrasse 16/17.Grundbesitz	Germany	FC	65.53	65.53
Covivio Sophie-Charlotten Strasse 31, 32 Grundbesitz	Germany	FC	65.53	65.53
Covivio Yorckstrasse 60 Grundbesitz	Germany	FC	65.53	65.53
Covivio Zelterstrasse 3 Grundbesitz	Germany	FC	65.53	65.53
Covivio Zinshäuser Alpha	Germany	FC	65.53	65.53
Covivio Zinshäuser Gamma	Germany	FC	65.53	65.53
Second Ragland	Germany	FC	65.53	65.53
Seed Portfollio 2	Germany	FC	65.53	65.53
Erz 1	Germany	FC	65.53	65.53
Covivio Berlin 9	Germany	FC	65.53	65.53
Erz 2	Germany	FC	65.53	65.53
Best Place Bestand	Germany	FC	31.47	31.47
Covivio Berlin 8	Germany	FC	65.53	65.53
Covivio Selectimmo.de	Germany	FC	65.57	65.57
Covivio Prenzlauer Promenade 49 Besitzgesellschaft	Germany	FC	65.53	65.53
Mecau Bau	Germany	FC	52.45	61.70
Covivio Blankenburger Str.	Germany	FC	65.57	65.57
Covivio Immobilien Financing	Germany	FC	65.53	65.53
Covivio Treskow allee 202 Entw icklungsgesellschaft	Germany	FC	65.57	65.57
Covivio Alexanderplatz	Germany	FC	100.00	100.00
Covivio Hathor Berlin	Germany	FC	65.57	65.57
Covivio Hathor Deutschland	Germany	FC	65.57	65.57
Covivio Hansastraße 253	Germany	FC	65.57	65.57
Sew oge Service- Und Wohnungsunternehmen	Germany	disposed of	-	65.53
Seed Portfolio	Germany	merged	-	60.43

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

16 companies in Other segment (France Residential, Car parks, Services)	Country	Consolidation method in 2019	Percentage held in 2019	Percentage held in 2018
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
Iméfa 71	France	Merger	-	100,00
24-26 rue Duranton	France	Merger	-	100,00
Le Chesnay 1	France	Merger	-	100,00
Rueil 1	France	Merger	-	100,00
Saint Maurice 2	France	Merger	-	100,00
Suresnes 2	France	Merger	-	100,00
25 rue Gutenberg	France	Merger	-	100,00
Iméfa 46	France	Merger	-	100,00
6 Car Park companies:				
Republique (Parent company) 100% controlled	France	FC	100,00	100,00
Esplanade Belvédère II	France	FC	100,00	100,00
Comédie	France	FC	100,00	100,00
Gare	France	FC	50,80	50,80
Gespar	France	FC	50,00	50,00
Trinité	France	FC	100,00	100,00
6 Services companies:				
Covivio Hotels Management	France	FC	100,00	100,00
Covivio Property SNC	France	FC	100,00	100,00
Covivio Développement	France	FC	100,00	100,00
Covivio SGP	France	FC	100,00	100,00
Covivio Proptech	France	FC	100,00	100,00
Covivio Proptech Germany	Germany	FC	100,00	100,00

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

The registered office of the parent company Foncière Développement Logements and of all its fully consolidated French subsidiaries is located at 30 avenue Kléber – 75116 Paris.
There are 416 companies in the Group, including 366 fully consolidated companies and 50 equity affiliates.

3.2.3.6 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.

- ✓ SCI 11 place de l'Europe (consolidated structured entity)

As at 31 December 2019, SCI 11 place de l'Europe was 50.1% held by Covivio and fully consolidated. The partnership with the Crédit Agricole Assurances Group (49.9%) was established as of 2013 as part of the Campus Eiffage project in Vélizy.

- ✓ SNC Latécoère and Latécoère 2 (consolidated structured entities)

SCI Latécoère and Latécoère 2 are 50.1% held by Covivio at 31 December 2019 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.

- ✓ SCIs of 9 and 15 rue des Cuirassiers (consolidated structured entities)

As at 31 December 2019, the SCIs of 9 and 15 rue des Cuirassiers were 50.1% held by Covivio and fully consolidated. The partnership with Assurances du Crédit Mutuel (49.9%) was created in early December 2017 as part of the Silex 1 and Silex 2 office projects in Lyon, Part-Dieu.

- ✓ 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 for the construction of a new office building (31,600m² in floor space for offices and services, 7 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 2021.
Construction work was completed on a building as part of a CPI signed on 29 October 2019 by Fructidor and Fructipromo.
As at 31 December 2019, the company 6 rue Fructidor was 50.1% held by Covivio and fully consolidated.

- ✓ SCI N2 Batignolles and SNC Batignolles Promo (consolidated structured entities)

SCI N2 Batignolles and SNC Batignolles Promo are 50% held by Covivio at 31 December 2019 and fully consolidated. The partnership with Assurances du Crédit Mutuel (50%) was established in 2018 as part of the N2 Batignolles development project.

- ✓ SAS Samoëns (consolidated structured entity)

As at 31 December 2019, 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.

✓ SCI Lenovilla (joint venture)

As at 31 December 2019, Lenovilla was 50.09% held by Covivio and is consolidated according to the equity method. The partnership with the Crédit Agricole Assurances Group (49.91%) was established in January 2013 as part of the New Vélizy (Campus Thales) project. The shareholder agreement stipulates that decisions be made unanimously.

✓ SCI Cœur d'Orly Bureaux (joint venture)

SCI Cœur d'Orly Bureaux is 50% held by Covivio and 50% by Aéroports de Paris at 31 December 2019 and 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.

3.2.4 SIGNIFICANT EVENTS DURING THE PERIOD

Significant events during the period were as follows:

3.2.4.1 France Offices

✓ Disposals (€286 million – profit or loss on disposals net of fees: +€3 million) and assets under preliminary sale agreements (€55 million)

In 2019, Covivio sold assets for a sale price of €286 million, including the assets Charenton Coupole Nord and Sud (€54 million), Talence Libération (€7 million), Green Corner (€167 million), Roubaix Quatuor (€21 million) and Reims New Saint Charles (€21 million). These disposals resulted in net income of €3.3 million.
At 31 December 2019, the amount of assets under agreement totalled €55 million.

✓ Acquisitions (€79 million)

In 2019, Covivio acquired land in Velizy-Villacoublay for €13.1 million, for an extension to the Dassault Systèmes Campus through the construction of a new 27,600 m² building.

In June 2019, SCI Terres Neuves, a subsidiary of Covivio, acquired land in Bègles for €2.4 million for the extension to the Bordeaux Cité Numérique project.

In December 2019, SCI N2 Batignolles, a Covivio subsidiary, acquired lot N2 of the ZAC Clichy Batignolles for €64.2 million with a view to building a 15,900 m² property in partnership with Assurances du Crédit Mutuel.

✓ Development portfolio

The asset development programme is presented in note 3.2.5.1.5.

2019 was marked by the delivery of two development projects.

The 9,000 m² Hélios project in Villeneuve- d'Ascq was delivered in March 2019.
Certified HQE Excellent and compliant with RT 2012, this project comprises two buildings linked by a central hall that opens at one corner onto green space and a two-storey car park. It is let in full under a nine-year firm lease to IT-CE, an IT subsidiary of the Caisse d'Épargne Group.

In May 2019, the remaining 19,223 m² of the Bordeaux Cité Numérique project was delivered. The first 4000 m² of this project was delivered in July 2018.
This symbol of the "French Tech Bordeaux Métropole" label occupies the former postal sorting office in Bègles.

✓ Refinancing and redemption

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

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

In September, Covivio issued its second Green Bond of €500 million, maturing in 2031 and offering a 1.125% coupon.

3.2.4.2 Italy Offices

✓ Disposals (€344 million – profit or loss on disposals net of fees: -€24 million) and assets under preliminary agreement (€100 million)

In 2019, non-strategic assets were sold for a total sale price of €343.9 million, including the Via Montebello property in Milan.

As at 31 December 2019, assets under preliminary agreement amounted to €100,2 million.

✓ Acquisitions (€39 million)

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

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

In September 2019, an investment property was acquired in Livourne for €12.8 million.

✓ Renegotiation and repayment of debts

In May 2019, Covivio (formerly Beni Stabili) prepaid a loan with a nominal value of €195 million and a rate of 1.2%.

In the third quarter of 2019, a loan with a nominal value of €97 million and a rate of 1.2% was prepaid.

These two loans were renegotiated in the first quarter of 2019, resulting in a reduction in rate from 1.4% to 1.2%.

In September 2019, Covivio (formerly Beni Stabili) repaid early a loan with a nominal value of €86.

3.2.4.3 Hotels in Europe

✓ Disposals of assets (€396 million – profit or loss on disposals net of fees: +€13 million) and assets under preliminary agreement (€133 million)

In 2019, Covivio Hotels sold two portfolios of B&B assets it held in partnership in France, one of 58 hotels, for €265 million in June, and the other 30 hotels for €113 million in December as well as Novotel Lyon Part Dieu for €18 million.

At 31 December 2019, preliminary sale agreements totalled to €132.6 million, including 11 B&B assets in Germany for €114 million and four B&B assets in France for €5 million as well as an Accor asset for €12.6 million and a non-strategic asset for €1 million.

In 2019, Covivio Hotels also sold two companies that held and operated a hotel real estate (Westin Dresden) in Germany via a management contract with Westin, for net proceeds on disposal of €4.1 million.

- ✓ Acquisitions (securities: €322 million / assets: €24 million)

In February 2019, the last two hotels in the portfolio located in the United Kingdom were acquired for €84 million (Oxford Spires and Oxford Thames). These hotels were constructed on land leased for a firm residual term of 78 years, leading to the recognition of €15.7 million in rights-of-use under long-term leases conferring ad rem rights, in accordance with IFRS 16.

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

On 1 July 2019, Covivio Hotels acquired Axa France's 32% share in a portfolio of hotel real estate for €171 million (including €8 million in deferred tax liabilities). It comprises 32 hotels leased to Accor, located in major French cities, and two hotels in Belgium.

In November 2019, Covivio Hotels acquired shares in companies with a Hilton Hotel in Dublin operated as Operating Properties for €54 million.

In the fourth quarter of 2019, three B&B hotels in Poland were acquired for €24 million.

- ✓ Development portfolio

2019 was marked by the delivery of four development projects: the Meininger Hotel in Munich, the B&B Hotel in Cergy, the Meininger Hotel Porte de Vincennes in Paris and the B&B Hotel Zimmerman in Lyon.

- ✓ Refinancing and redemption

In early 2019, Covivio Hotels repaid its German Operating Properties bank debt of €408 million in full. A new loan of €258 million was taken out for this portfolio in December 2019 to be drawn in early 2020.

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

In June 2019, Covivio Hotels issued a €70 million loan for two German companies and two Dutch companies, with a term of 10 years.

In 2019, the disposal of B&B assets generated a partial repayment of the debt in the amount of €148 million.

3.2.4.4 Germany Residential

- ✓ Asset disposals (€73 million – income from disposals: +€11 million) and assets under preliminary sale agreements (€11 million)

Disposals worth €73 million were completed in 2019, mainly in Berlin.

At 31 December 2019, the amount of assets under agreement totalled €11 million (net of costs).

In the second quarter of 2019, Covivio Immobilien also sold 80% of Sewoge which held and operated a portfolio of assets in Berlin with €3 million in income from disposal.

✓ Acquisitions (securities: €145 million / assets: €93 million)

In 2019, Covivio Immobilien acquired holding companies for €145.2 million.

The Group also acquired a portfolio of directly held assets in Berlin for €92,7 million (including €83.5 million in assets for the promotion business). A deposit of €1 million had been paid in 2018.

3.2.4.5 Other (including France Residential)

✓ Asset disposals (€178 million net of costs) and assets under sales commitments (€26 million)

In France, Foncière Développement Logements continued its sales plan and completed disposals for a sale price of €178.3 million (net of costs).

At 31 December 2019, the amount of assets under agreement totalled €25.9 million.

3.2.5 NOTES TO THE STATEMENT OF FINANCIAL POSITION

3.2.5.1 Portfolio

3.2.5.1.1. Accounting principles applicable to tangible and intangible fixed assets

✓ 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.

✓ Business combinations (IFRS 3) and goodwill from acquisitions

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

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

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

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

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

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

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

✓ 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 –own 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 31 December 2019 by independent real estate experts including BNP Real Estate, JLL, CBRE, Cushman, CFE, MKG, VIF, REAG, Christie & CO and HVS.

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

The assets are recognised at their net market value.

- For France Offices and Italy Offices, the valuations are primarily performed according to two methods:

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

    - The discounted cash flow (DCF) method:
    This method consists of determining the useful value of an asset by discounting the forecast cash flows that it is likely to generate over a given time frame. The discount rate is determined on the basis of the risk-free rate plus a risk premium associated with the asset and defined by comparison with the discount rates applied to cash flows generated by similar assets.

- For Hotels in Europe, the methodology changes according to the type of assets:

    - The rent capitalisation method is used for restaurants, garden centres and Club Med holiday villages;

    - The DCF method is used for hotels (including the revenue forecasts determined by the appraiser) and Sunparks holiday villages.

- For Germany Residential, the fair value determined corresponds to:

    - A block value for assets for which no sales strategy has been developed or which have not been marketed;

    - An occupied retail value for assets on which at least one preliminary sale agreement has been made before the reporting date.

    The evaluation method used was the discounted cash flow method.

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

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

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

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

✓ 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.

✓ 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.

✓ 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:

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

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

✓ 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.

3.2.5.1.2. Table of changes in fixed assets

€ thousand	31/12/2018	Scope change & change in accounting method	Increase /Charges	Disposal /Reversals of provisions	Change in fair value	Transfers	Change in exchange rate	31/12/2019
Goodwill	**113 064**	**-3 946**	**-2 195**	**0**	**0**	**36 363** (1)	**0**	**143 286**
Intangible assets	**59 138**	**6**	**1 385**	**-695**	**0**	**-36 363**	**0**	**23 471** (2)
Gross amounts	125 599	-145	5 212	-1 674	0	-36 371 (1)	0	92 621
Depreciation	-66 461	151	-3 827	979	0	8	0	-69 150
Tangible fixed assets	**1 241 675**	**94 200**	**-7 855**	**-2 544**	**0**	**163 966**	**1**	**1 489 442**
Operating properties	1 181 280	92 122	-37 665	2 200	0	171 770	0	1 409 707
Gross amounts	1 454 651	56 471	13 267	-4 000	0	178 060 (3)	0	1 698 449
Depreciation	-273 371	35 651	-50 932	6 200	0	-6 290	0	-288 742
Other tangible fixed assets	35 443	2 078	4 077	-247	0	504	0	41 855
Gross amounts	167 048	-8 596	14 630	-4 304	0	470	0	169 248
Depreciation	-131 605	10 674	-10 553	4 057	0	34	0	-127 393
Fixed assets in progress	24 952	0	25 733	-4 497	0	-8 308	0	37 880
Gross amounts	24 952	0	25 733 (4)	-4 497	0	-8 308	0	37 880
Depreciation	0	0	0	0	0	0	0	0
Investment properties	**20 139 338**	**239 467**	**666 355**	**-362 849**	**986 116**	**-885 832**	**55 286**	**20 837 882**
Operating properties	19 269 751	239 467	262 280	-362 849	726 346	-685 976	55 286	19 504 306
Properties under development	869 587	0	404 075	0	259 770	-199 856	0	1 333 576
Assets held for sale	**558 848**	**0**	**1 654**	**-890 201**	**17 519**	**636 472**	**0**	**324 292**
Assets held for sale	558 848	0	1 654	-890 201	17 519	636 472	0	324 292
Total	**22 112 063**	**329 727**	**659 344**	**-1 256 289**	**1 003 635**	**-85 394**	**55 286**	**22 818 374**

Changes in the scope of tangible and intangible fixed assets relate mainly to the disposal of the Westin Dresden asset (-€42.8 million), to the acquisition of the Hilton Hotel in Dublin (+€53.8 million) and to the change in the accounting method for the first-time application of IFRS 16 for €77.4 million (see 3.2.1.2).

The total of the transfer column (-€88.7 million) corresponds primarily to assets transferred as real estate development stock.

The hotels portfolio held as Operating Properties totalled €1,049.3 million at 31 December 2019. In accordance with IAS 16, they are recognised in the “Tangible fixed assets” line.

(1) The reclassification of €36.4 million corresponds to the business assets of the Hermitage portfolio, reclassified as goodwill.

(2) The "Intangible fixed assets" line includes in particular the car park concession assets and leases in the amount of €18 million.

(3) Of which transfer to operating properties of the future Covivio headquarters (+€133.9 million), Flex Office assets, Paris Gobelins (+€35.2 million) and Milan, via Dante (+€50.3 million) and transfer to investment properties of the Alexanderplatz plot (-€43.4 million).

(4) Of which work on German Residential assets (€10.9 million), Operating Property assets (€3.1 million) and the future Covivio headquarters (€6.7 million) and Paris Gobelins (€5.4 million). Fixed assets in progress also include instalments paid on Office asset acquisitions in Italy (€0.4 million) and on Office asset acquisitions in France (€1 million).

The “Disbursements related to the acquisition of tangible and intangible fixed assets” line on the Statement of Cash Flows (€674.2 million) refers to increases in the table of changes in the portfolio excluding the effect of depreciation (€726.9 million), to increases in inventories of the estate agent and developer (+€8.3 million) adjusted for change in trade payables for fixed assets (-€7 million) and restatements for step rental schemes and rent exemptions (-€52.9 million).

The “Proceeds relating to the disposal of tangible and intangible fixed assets” line in the Statement of Cash Flows (€1,198.6 million) primarily corresponds to income from disposals as presented in section

3.2.6.3. Proceeds from the disposal of assets (€1,257.5 million), to the proceeds from the disposal of assets in inventory (€2 million) and restated for the change in receivables on asset disposals (-€60.8 million).

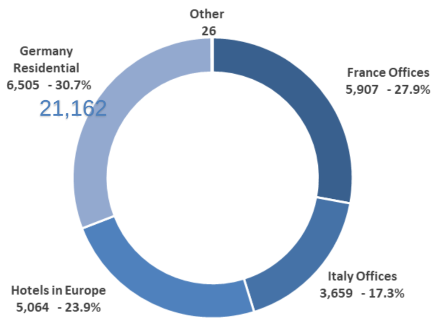
3.2.5.1.3. Investment properties

€ thousand	31/12/2018	Scope change & change in accounting method	Increase	Disposal	Change in fair value	Transfers and disposals	Change in exchange rate	31/12/2019
Investment properties	**20,139,338**	**239,467**	**666,355**	**-362,849**	**986,116**	**-885,832**	**55,286**	**20,837,882**
Operating properties	19,269,751	239,467	262,280	-362,849	726,346	-685,976	55,286	19,504,306
France Offices	5,411,745	-11,600	54,560	0	26,241	-496,807	0	4,984,139
Italy Offices	3,602,273	0	39,925	-362,849	-9,854	-89,630	0	3,179,865
Hotels in Europe	4,532,777	139,729	51,664	0	195,964	-53,527	55,286	4,921,894
Germany Residential	5,722,956	111,338	116,131	0	513,995	-46,012	0	6,418,408
Properties under development	869,587	0	404,075	0	259,770	-199,856	0	1,333,576
France Offices	373,752	0	291,049	0	204,849	-1,330	0	868,320
Italy Offices	380,502	0	88,963	0	16,101	-106,297	0	379,269
Hotels in Europe	115,333	0	10,062	0	23,478	-138,943	0	9,930
Germany Residential	0	0	14,001	0	15,342	46,714	0	76,057
Assets held for sale	**558,848**	**0**	**1,654**	**-890,201**	**17,519**	**636,472**	**0**	**324,292**
France Offices	35,392	0	-190	-277,253	-50	297,130	0	55,029
Italy Offices	43	0	-3	-43	-15,864	116,072	0	100,205
Hotels in Europe	288,072	0	1,014	-379,793	30,964	192,381	0	132,638
Germany Residential	29,664	0	450	-53,852	3,365	30,889	0	10,516
Other	205,677	0	383	-179,260	-896	0	0	25,904
Total	**20,698,186**	**239,467** (1)	**668,009** (1)	**-1,253,050**	**1,003,635**	**-249,360**	**55,286**	**21,162,174**

(1) Details of the increases and changes in the scope of the investment properties and assets held for sale are shown in section 3.2.5.1.4.

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

Consolidated portfolio of assets at 31 December 2019 (in €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 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)
Paris Centre West	Level 3	1 089	2.8% - 7.2%	3,2%	3.7% - 7.0%	5,0%
Paris North East	Level 3	412	3.6% - 4.2%	5,1%	4.0% - 4.7%	4,3%
Southern Paris	Level 3	713	3.1% - 5.7%	4,7%	3.7% - 5.7%	4,7%
Western Crescent	Level 3	1 590	3.6% - 7.7%	4,8%	3.7% - 7.5%	5,3%
Inner rim	Level 3	1 215	3.2% - 6.2%	5,8%	4.0% - 7.7%	5,7%
Outer rim	Level 3	54	4.6% - 13.1%	9,6%	4.2% - 9.5%	5,5%
Total Paris Regions		**5 073**	**2.8% - 13.1%**		**3.7% - 9.5%**	
Major Regional Cities	Level 3	698	3.9% - 11.7%	6,6%	4.0% - 11.5%	5,5%
Regions	Level 3	137	6.4% - 14.3%	9,4%	4.2% - 12.2%	9,0%
Total Regions		**835**	**3.9% - 14.3%**		**4.0% - 12.2%**	
Total France Offices		**5 907**	**2.8% - 14.3%**		**3.7% - 12.2%**	
Milan	Level 3	1 887	2.7% - 6.3%	4,6%	4.5% - 6.4%	5,2%
Rome	Level 3	186	3.0% - 6.8%	4,8%	5.2% - 6.8%	6,2%
Other	Level 3	1 208	5.3% - 7.8%	6,6%	5.7% - 6.9%	6,7%
Total in operation		**3 280**				
Development portfolio	Level 3	379			6.3% - 9.0%	
Total Italy Offices		**3 659**				
Hotels	Level 3	4 685	3.5% - 6.2%	4,8%	4.2% - 7.8%	5,7%
Retail	Level 3	166	6.4% - 8.0%	7,6%	5.6% - 8.4%	7,3%
Total in operation		**4 851**				
Development portfolio	Level 3	10			5,6%	5,6%
Use rights	Level 3	203				
Total Hotels in Europe		**5 064**				

✓ German Residential:

Grouping of similar assets	Level	Portfolio (€M)	Yield rate (*) Total portfolio	Yield rate (*) Block valued properties	Discounted cash flow rate	Average value (€/m2)
Duisburg	Level 3	267	3.9% - 4.7%	3.0% - 4.7%	4.9% - 5.7%	1,298
Essen	Level 3	600	3.7% - 6.0%	3.7% - 6.0%	5.0% - 7.2%	1,592
Mülheim	Level 3	187	4.0% - 5.1%	4.0% - 5.1%	5.0% - 6.1%	1,431
Oberhausen	Level 3	165	4.3% - 6.2%	4.3% - 6.2%	5.3% - 7.2%	1,130
Datteln	Level 3	123	3.6% - 5.0%	3.6% - 5.0%	4.6% - 6.0%	1,079
Berlin	Level 3	3,707	1.9% - 4.8%	1.9% - 4.8%	3.9% - 6.9%	2,852
Düsseldorf	Level 3	156	2.6% - 3.8%	2.6% - 3.8%	4.1% - 5.3%	2,419
Dresden	Level 3	395	3.0% - 4.5%	3.0% - 4.5%	4.1% - 5.8%	2,045
Leipzig	Level 3	198	3.4% - 4.6%	3.4% - 4.6%	4.9% - 6.1%	1,540
Hamburg	Level 3	454	1.9% - 4.0%	1.9% - 4.0%	3.4% - 5.5%	3,165
Other	Level 3	144	2.6% - 4.8%	2.6% - 4.8%	4.1% - 5.8%	1,741
Total in operation		**6,395**				
Germany Offices	Level 3	110				
Total German Residential		**6,505**				

(*) Yields rates:
German Residential: Potential yield rate assumed excluding taxes (actual rents/appraisal values excluding taxes)

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

€ million	Yield**	Yield rate -50 bps	Yield rate +50 bps
France Offices*	5,1%	545,1	-448,1
Italy Offices	5,6%	324,6	-271,0
Hotels in Europe*	5,3%	535,2	-438,2
Germany Residential	4,0%	905,5	-706,5
Total *	**4,9%**	**2 310,4**	**-1 863,8**

* including assets held by equity affiliates, excl. operating property assets.
** Yield on operating portfolio – excl. duties

- If the yield rate excluding taxes drops 50 bps (-0.5 points), the market value excluding taxes of the real estate assets will increase by €2,310 million.
- If the yield rate excluding taxes increases 50 bps (+0.5 points), the market value excluding taxes of the real estate assets will decrease by €1,863 million.

3.2.5.1.4. Acquisitions and works

€ thousand	Scope change & change in accounting method	Acquisitions	Works	Total increase
Mercure Nice reclustering	-11.600			
France Offices	**-11.600**	**0**	**54.560**	**54.560**
Asset "Palazzo Orlando"		13.065		
Italy Offices	**0**	**13.065**	**26.860**	**39.925**
Mercure Nice reclustering	**11.600**			
Use rights on leases in the United Kingdom	**12.035**	571		
Use rights for investment properties	**15.699**			
Investments in the United Kingdom (Oxford)	**87.874**	812		
NH Amersfoort Hotel	**12.521**			
Plot in Dresden		4.726		
Ibis Annecy plot		1.499		
3 assets in Poland (B&B)		23.517		
Hotels in Europe	**128.129**	**31.125**	**20.539**	**51.664**
Investments in Berlin	**73.056**			
Investments in Essen and Dortmund	**20.031**			
Investments in Dresden and Leipzig	**52.553**			
Disposals through equity investments	**-33.932**			
Other	**-370**			
Assets in Berlin		5.853		
Germany Residential	**111.338**	**5.853**	**110.278**	**116.131**
TOTAL Operating properties	**227.867**	**50.043**	**212.237**	**262.280**
Land for DS Campus extension		13.138		
Terres Neuves land		2.372		
N2 Batignolles land		64.166		
France Offices	**0**	**79.676**	**211.373**	**291.049**
Plot of land in Milan, via Santander/via Schievano		11.712		
Italy Offices	**0**	**11.712**	**77.251**	**88.963**
Hotels in Europe	**0**	**0**	**10.062**	**10.062**
Other		5.269		
Germany Residential	**0**	**5.269**	**8.732**	**14.001**
TOTAL Properties under development	**0**	**96.657**	**307.418**	**404.075**
France Offices			**-190**	**-190**
Italy Offices			**-3**	**-3**
Hotels in Europe	**0**		**1.014**	**1.014**
Germany Residential			**450**	**450**
Other			**383**	**383**
Total Assets held for sale	**0**	**0**	**1.654**	**1.654**
Total	**227.867**	**146.700**	**521.309**	**668.009**

Almost €900 million in acquisitions and works, of which €404 million for properties under development.

3.2.5.1.5. Properties under development

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

€ thousand	31/12/2018	Acquisitions and works	Capitalised interest	Change in fair value	Transfers and disposals	31/12/2019
Levallois Alis	0	2 077	2 701	20 022	124 200	149 000
DS Campus extension	0	14 248			4 353	18 601
Terres Neuves	0	2 452		-22		2 430
N2 Batignolles	0	83 086	222		-7 253	76 055
Lyon Silex 2nd tranche	103 200	17 008	2 590	33 350	-14 848	141 300
Lyon Silex 3rd tranche	2 700	45		5 255		8 000
Montrouge Flow	49 700	26 697	1 357	46 746		124 500
Paris So Pop	86 500	17 044	2 323	57 155	-8 922	154 100
Châtillon Iro	35 198	58 111	1 845	25 046		120 200
Meudon Opale	31 644	594		106		32 344
Montpellier Orange	8 600	4 525	121	3 654		16 900
Montpellier Rie	2 300	3 801	79	320		6 500
Montpellier Pompignane	3 750	2 487		-2 487		3 750
Meudon Ducasse	4 000	9 417	216	1 007		14 640
Paris Gobelins	0	942	262	3 896	-5 100	0
Meudon Canopée	20 560	574	0	-1 274	-19 860	0
Cité Numérique	4 600	33 456	139	5 105	-43 300	0
Lezennes – Helios	21 000	2 542	88	6 970	-30 600	0
France Offices	**373 752**	**279 106**	**11 943**	**204 849**	**-1 330**	**868 320**
Milan, via Unione/via Torino	0	41	94	1 765	33 400	35 300
Milan, via Schievano/via Santander	0	11 856	454	-11	3 001	15 300
Milan, piazza Duca d'Aosta	0	2 997	117	4 026	6 930	14 070
Milan, via Dante	43 400	7 086	1 242		-51 728	0
Milan, Symbiosis area	142 700	13 902	5 419	5 579	-32 500	135 100
Turin Corso Ferrucci	86 903	3 914	0	-5 718		85 099
Milan, via Schievano	45 799	36 612	2 022	9 967		94 400
Milan, via Principe Amedeo	61 700	2 587	620	493	-65 400	0
Italy Offices	**380 502**	**78 995**	**9 968**	**16 101**	**-106 297**	**379 269**
Meininger Porte de Vincennes	48 393	1 460	782	11 790	-62 425	0
Meininger Lyon Zimmermann	13 409	3 663	328	3 078	-20 478	0
B&B Cergy	5 260	694	45	1 091	-7 090	0
B&B Bagnolet	6 240	2 282	113	1 295		9 930
Meininger Munich	42 031	550	145	6 224	-48 950	0
Hotels in Europe	**115 333**	**8 649**	**1 413**	**23 478**	**-138 943**	**9 930**
Alexanderplatz	0	12 723	1 278	15 342	46 714	76 057
Germany Residential	**0**	**12 723**	**1 278**	**15 342**	**46 714**	**76 057**
Total	**869 587**	**379 473**	**24 602**	**259 770**	**-199 856**	**1 333 576**

The column "transfers and disposals" includes in particular the transfer of Meudon Canopée to assets held for sale (-€19.9 million), the transfer of "advances and pre-payments" to France Offices (-€31 million) and the transfer of Milan, Symbiosis to "real estate development" (-€32.5 million) and of Milan, via Dante to Flex Office activity under Italy Offices (-€51.7 million).

3.2.5.2 Financial assets

3.2.5.2.1. Accounting principles

✓ 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.

✓ 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.

3.2.5.2.2. Table of financial assets

€ thousand	31/12/2018	Increase	Decrease	Change in fair value	Scope change	Transfers	Change in exchange rate	31/12/2019
Ordinary loans(1)	101,027	55,974	-16,206	0	0	-10,223	0	130,572
Total loans and current accounts	**101,027**	**55,974**	**-16,206**	**0**	**0**	**-10,223**	**0**	**130,572**
Advances and pre-payments on acquisition of shares	7,494	27,000	-7,604	0	0	0	110	27,000
Securities at historic cost	28,288	-1,972	-452	0	3,128	-527	0	28,465
Dividends to be received	0	0	0	0	0	0	0	0
Subscribed capital not paid up	20,040	0	0	0	0	-20,040	0	0
Total other financial assets(2)	**55,822**	**25,028**	**-8,056**	**0**	**3,128**	**-20,567**	**110**	**55,465**
Receivables on financial assets	12,808	78,662	-2,609	0	0	751	1	89,613
Total receivables on financial assets	**12,808**	**78,662**	**-2,609**	**0**	**0**	**751**	**1**	**89,613**
Total	**169,657**	**159,664**	**-26,872**	**0**	**3,128**	**-30,039**	**112**	**275,651**
Amortisations and provisions(3)	-16,810	-168	387	0	0	0	0	-16,591
NET TOTAL	**152,847**	**159,496**	**-26,485**	**0**	**3,128**	**-30,039**	**112**	**259,060**

(1) Ordinary loans include receivables from equity investments in equity affiliates. The increase for the period is mainly due to the loan granted to the companies acquired in July 2019 that own 32 hotels in France and Belgium (+€53.7 million).

(2) Total other financial assets are broken down as follows:
- Advances and deposits made to acquire securities in companies:
  A deposit of €27 million was paid for the acquisition of a portfolio of hotels located in the city centres of major European cities (Rome, Florence, Venice, Budapest, Prague and Nice), see Section 3.2.9 Subsequent events.
- 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 (+€78.2 million). Indeed, the disposal of the Galleria Del Corso asset generated a receivable of €30 million maturing in 2021, and the disposal of the Chronos asset generated a receivable of €48.2 million maturing in December 2022.

(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).

3.2.5.3 Investments in equity affiliates and joint ventures

3.2.5.3.1. 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.

3.2.5.3.2. Table of investments in equity affiliates and joint ventures

€ thousand	% held	Operating segment	Country	31/12/2018	31/12/2019	Change	Of which share of net income	Of which distribution and change in scope
SCI Factor E and SCI Orianz	34.69%	France Offices	France	11,002	13,968	2,966	2,966	0
Lenovilla (New Vélizy)	50.10%	France Offices	France	68,557	60,291	-8,266	-3,256	-5,010
Euromarseille (Euromed)	50.00%	France Offices	France	43,008	49,880	6,872	5,871	1,001
Cœur d'Orly (Askia and Belaïa)	50.00%	France Offices(1)	France	26,090	29,765	3,675	5,741	-2,067
Investire Immobiliare and others		Italy Offices	Italy	17,191	13,879	-3,312	-2,380	-932
Iris Holding France	19.90%	Hotels in Europe	Belgium, Germany	15,501	19,256	3,756	4,386	-630
OPCI IRIS Invest 2010	19.90%	Hotels in Europe	France	30,393	32,007	1,614	2,982	-1,368
OPCI Camp Invest	19.90%	Hotels in Europe	France	20,444	21,097	653	1,769	-1,116
Dahlia	20.00%	Hotels in Europe	France	17,559	20,012	2,453	3,177	-725
Phoenix	31.15% and 33.33%	Hotels in Europe	France, Belgium	0	114,159	114,159	8,044	106,115
Total				**249,746**	**374,316**	**124,570**	**29,301**	**95,269**

(1) (including the Belaïa building under development)

The investments in equity affiliates at 31 December 2019 amounted to €374.3 million, compared with €249.7 million as at 31 December 2018, i.e. an increase of €124.6 million.

The change over the period is mainly due to the appropriation of 2018 net income (-€15.1 million), by the acquisition of hotel holding companies in France and Belgium (+€106.1 million), the increase in Euromed's capital (+€5 million) and net income for the period (+€29.3 million).

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

Ownership	Cœur d'Orly	Group 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%	
Aéroport de Paris	50.0%			
ANF Immobilier				65.3%
Total	**100%**	**100%**	**100%**	**100%**

Indirect ownership	Iris Holding France	OPCI Iris Invest 2010	OPCI Campinvest	SCI Dahlia	OPCI Oteli (Phoenix)	Kombon (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%**

3.2.5.3.4. Key financial information on equity affiliates and joint ventures

€ thousand	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	138 084	129 587	3 412	613	5 352	78 828	4 014	-757	10 759
Lenovilla (New Vélizy)	New Velizy and extension	279 926	274 913	4 849	0	136	159 438	11 890	-2 182	-6 500
Euromarseille (Euromed)	Euromed Center	214 810	200 689	7 608	1 234	5 086	108 729	8 443	0	11 743
SCI Factor E and SCI Orianz	Bordeaux Armagnac	146 646	137 158	6 214	485	8 768	97 126	3 710	-1 277	8 551
Iris Holding France	AccorHotels Hotels	231 047	207 509	22 382	21 363	2 427	110 367	13 319	-2 997	22 040
OPCI IRIS Invest 2010	AccorHotels Hotels	274 991	253 188	21 484	2 648	235	111 269	17 309	-2 059	14 984
OPCI Camp Invest	Campanile Hotels	187 231	170 950	14 086	0	288	80 926	12 150	-1 664	8 890
Dahlia	AccorHotels Hotels	178 390	173 083	5 034	0	260	78 072	8 986	-1 704	15 887
OPCI Oteli, Jouron, Kombon	AccorHotels Hotels	572 603	551 363	15 908	23 498	7 134	184 373	30 311	-3 454	90 288

3.2.5.4 Deferred tax liabilities on the reporting date

€ thousand	Balance sheet as at 31 Dec 18	Increases: First time consolidation scope	Increases: Net income for the period	Increases: Shareholder's equity	Other changes and transfers	Decreases: Net income for the period	Decreases: Difference in rates	Decreases: Change in exchange rate	Decreases: Removals from the scope of consolidation	Balance sheet as at 31 Dec 19
DTA										
Losses carried forward	53 600	17	8 692			-2 254	-16			60 039
Fair value of properties	6 784		3 908		48 836	-9 082	-102	94	-1 207	49 231
Derivatives	6 838		4 418			-169				11 087
Temporary differences	66 565	-1	1 198	2 211	-48 962	-1 613	-2	22	-2 046	17 372
	133 787									137 729
DTA/DTL offset	-65 822									-75 797
TOTAL DTA	**67 965**	**16**	**18 216**	**2 211**	**-126**	**-13 118**	**-120**	**116**	**-3 253**	**61 932**

€ thousand	Balance sheet as at 31 Dec 18	Increases: First time consolidation scope	Increases: Net income for the period	Increases: Shareholder's equity	Other changes and transfers	Decreases: Net income for the period	Decreases: Difference in rates	Decreases: Change in exchange rate	Decreases: Removals from the scope of consolidation	Balance sheet as at 31 Dec 19
DTL										
Fair value of properties	878 643	26 350	137 885		-150	-23 157	-2 813	2 660	-4 426	1 014 992
Derivatives	1 807		20			-28				1 799
Temporary differences	29 377	4 331	10 596		24	-1 572	-217	33		42 572
	909 827									1 059 363
DTA/DTL offset	-65 822									-75 797
TOTAL DTL	**844 005**	**30 681**	**148 501**	**0**	**-126**	**-24 757**	**-3 030**	**2 693**	**-4 426**	**983 566**
NET TOTAL	**-776 040**	**-30 665**	**-130 285**	**2 211**	**0**	**11 639**	**2 910**	**-2 577**	**1 173**	**-921 634**

Total impact on the income statement:	**-115 736**
Of which DTA on the corporation tax line	**-2 096**

Negative net balance = liabilities

At 31 December 2019, the consolidated deferred tax position showed a deferred tax asset of €62 million (versus €68 million as at 31 December 2018) and a deferred tax liability of €983 million (versus €844 million as at 31 December 2018).

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

- Germany Residential: €644 million
- Hotels in Europe: €269.9 million.
- Italy Offices: €7.4 million

The increase in net deferred tax liabilities (+€145.6 million) is mainly due to acquisitions in the fiscal year (+€27 million) in the United Kingdom, in Dublin, in Amsterdam and in Germany, and to the impact of the deferred tax liabilities relating to increases in the appraisal values of on the portfolio (+€120 million).

The impact on income is detailed in paragraph 3.2.6.7.2.

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.

The non-recognised tax loss carryforwards, calculated at the standard rate, amounted to €906 million as detailed below:

€ thousand	Non-recognised DTA	Non-recognised tax loss carryforwards
France Offices	98 402	285 778
Italy Offices	15 883	79 417
Hotels in Europe	37 025	120 631
Germany Residential	9 687	61 212
Other	116 773	359 099
Total	**277 770**	**906 138**

3.2.5.5 Short-term loans

€ thousand	31/12/2018	Changes in scope	Increase	Decrease	Transfers	31/12/2019
Short-term loans	6,469	0	7,789	-6,420	19,914	27,752
Total	**6,469**	**0**	**7,789**	**-6,420**	**19,914**	**27,752**
Amortisations and provisions	0	0	0	0	0	0
NET TOTAL	**6,469**	**0**	**7,789**	**-6,420**	**19,914**	**27,752**

The change in short-term loans (+€21.2 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 (+€1.4 million).

3.2.5.6 Inventories and work-in-progress

3.2.5.6.1. 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.

3.2.5.6.2. Inventories and work-in-progress

€M - Consolidated data	31 Dec 19 NET	31 Dec 18 NET	Variation
Real estate company trading properties	**28 833**	**79 255**	**-50 422**
France Offices	273	0	273
Hotels in Europe	2 261	2 236	25
Germany Residential	96	48	48
Miscellaneous trading properties (raw materials, g	**2 630**	**2 284**	**346**
Extension property Germany Residential	13 745	0	13 745
France Offices	20 290	13 880	6 410
Italy Offices	34 016	0	34 016
Germany Residential	133 034	392	132 642
Real estate trading properties	**201 085**	**14 272**	**186 813**
Total inventories and work-in progress	**232 548**	**95 811**	**136 737**

The balance sheet item "Inventories and work-in-progress" groups together inventories from trading activities in Italy Offices (€26.8 million), and assets dedicated to the real estate development business for €201.1 million.

3.2.5.7 Trade receivables

3.2.5.7.1. 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.

✓ 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.

✓ 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.

3.2.5.7.2. Trade receivables

€ thousand	31/12/19	31/12/18	Variation
Expenses to be reinvoiced to tenants	151.537	146.705	4.832
Rent-free periods	44.405	91.743	-47.338
Trade receivables	209.217	102.078	107.139
Total trade receivables	**405.159**	**340.526**	**64.633**
Impairment of receivables	-28.429	-27.314	-1.115
Net total trade receivables	**376.730**	**313.212**	**63.518**

The change in trade receivables (+€107.1 million) is primarily due to the increase in receivables relating to real estate development (of which housing reservations +€35.2 million). There is a similar increase under tax liabilities.

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

€ thousand	31-Dec-19	31-Dec-18
Impact of changes in inventories and work in progress	-81,726	85
Impact of changes in trade & other receivables	-122,323	-74,715
Impact of changes in trade & other payables	128,173	155,699
Change in working capital requirements on continuing operations (including employee benefits liabilities)	**-75,876**	**81,069**

The impact of changes in inventories and assets in progress (-€81.7 million) is primarily related to real estate development.

3.2.5.8 Other receivables

€ thousand	31/12/19	31/12/18	Variation
Government receivables	91.145	72.674	18.471
Other receivables	63.622	43.340	20.282
Security deposits received (short-term)	19.620	36.932	-17.312
Current accounts	929	925	4
Total	**175.316**	**153.872**	**21.444**

- €91.1 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 3.2.2.10.4).

- The changes in receivables on disposals is mainly from the Italy Offices (-€16 million), Germany Residential (-€3.2 million), Other (+€3.2 million) and Hotels in Europe (-€1.3 million) segments.

3.2.5.9 Cash and cash equivalents (available and restricted)

3.2.5.9.1. 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.

3.2.5.9.2. Table of cash and cash equivalents

€ thousand	31/12/19	31/12/18
Money-market securities available for sale	626.477	509.261
Cash at bank	675.607	663.189
Total	**1.302.084**	**1.172.450**

At 31 December 2019, the portfolio of money-market securities available for sale consists mainly of Level 2 standard money-market collective investment vehicles (SICAV).

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

Covivio holds no investments subject to capital risk.

3.2.5.10 Shareholders' equity

3.2.5.10.1. 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.

3.2.5.10.2. Statement of changes in shareholders' equity

The statement of changes in shareholders' equity and movements in the share capital are presented in note 3.1.4.

3.2.5.11 Statement of liabilities

3.2.5.11.1. Accounting principles applicable to debt

Financial liabilities include borrowings and other interest-bearing debt.

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

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

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

Group companies hold movable and real estate assets through leases. At the lease commencement date, the tenant measures the rental liability as the present value of rents owing not yet paid, using the implied interest rate for the lease, if this rate can be easily determined, or otherwise using the incremental borrowing rate. This debt is amortised as the contracts expire and give rise to the recognition of a financial expense.
Rental liabilities are shown on the long-term or short-term rental liabilities line in the balance sheet and financial expenses in the Interest costs for rental liabilities line item.

✓ 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.

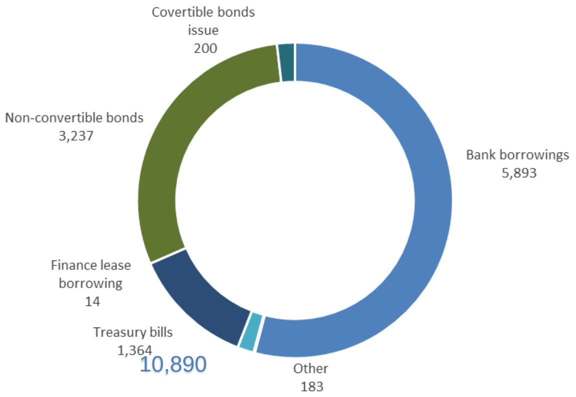
3.2.5.11.2. Table of debt

€ thousand	31/12/2018	Increase	Decrease	Changes in scope	Change in exchange rate	Other changes	31/12/2019
Bank borrowings	6 351 129	940 811	-1 463 733	42 421	22 091	-2	5 892 716
Finance lease borrowing	17 099	0	-3 199	0	0	0	13 900
Other borrowings	143 653	80 003	-79 553	40 260	13	-4 993	179 383
Treasury bills	1 271 400	92 500	0	0	0	0	1 363 900
Securitised loans	3 977	0	0	0	0	0	3 977
Non-convertible bonds	2 963 079	500 375	-226 900	0	0	0	3 236 554
Convertible bond issue(1)	347 249	0	-147 249	0	0	0	200 000
Subtotal interest-bearing loans	**11 097 586**	**1 613 689**	**-1 920 634**	**82 681**	**22 104**	**-4 995**	**10 890 430**
Accrued interest	*46 446*	*54 723*	*-54 849*	*0*	*16*	*0*	46 336
Deferral of loan expenses	-85 703	24 227	-8 182	0	27	-118	-69 749
Creditor banks	1 398	0	0	-245	3	19 392	20 548
Total borrowings (LT/ST) excl. Fair Value of Ornane-type bonds	**11 059 727**	**1 692 639**	**-1 983 666**	**82 436**	**22 150**	**14 280**	**10 887 566**
of which Long-term	*9 216 624*						*9 071 820*
of which Short-term	*1 843 103*						*1 815 746*
Valuation of financial instruments	169 242	0	0	0	0	115 678	284 920
Convertible bond derivatives	18 803	0	0	0	0	-15 367	3 436
Total derivatives	**188 045**	**0**	**0**	**0**	**0**	**100 311**	**288 356**
of which Assets	*-46 952*						*-77 486*
of which Liabilities	*234 997*						*365 842*
Total bank debt	**11 247 772**	**1 692 639**	**-1 983 666**	**82 436**	**22 150**	**114 591**	**11 175 922**

(1) Convertible bond movements are presented in 3.2.5.11.4 – Convertible bonds.

New financings taken out during the fiscal year are presented in 3.2.2.2 – Liquidity risk and in 3.2.5.11.3 – Bank borrowings.

Debt by type as at 31 December 2019 in €M:



The "Proceeds related to new borrowings" line item of the statement of Cash Flows (+€1,612.7 million) refers mainly to:

- increases in interest-bearing borrowings (+€1,613.6 million)
- increases in rental liabilities (+€7.5 million)
- less new debt issuance costs (-€8.2 million).

The "Repayments of borrowings" line item of the Statement of Cash Flows (-€1,935.5 million) corresponds mainly to decreases in interest-bearing borrowings (-€1,920.6 million) and reductions in rental liabilities (-€14.9 million).

3.2.5.11.3. 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):

in € thousand	Outstanding debt (> or < €100m)	Debt	Appraisal value At 31 December 2019 (1)	Outstanding debt as at 31 December 2019	Date of signature	Nominal Initial	Maturity
France Offices		€280M (2015) and €145M (2015) – Tour CB21 and Carré Suffren		407 300	29/07/15 and 01/12/15	280,000 and 145,000	29/07/2025 and 30/11/2023
		€167.5M (2015) – DS Campus		157 869	23/03/15	167 500	20/04/23
		€300M (2016) – Orange		300 000	18/02/16	300 000	30/06/28
	> €100m		**2 251 500**	**865 169**			
	< €100m		**354 120**	**166 633**			
		Total France Offices	**2 605 620**	**1 031 802**			
Italy Offices		€760M (2016) – Central		643 709	15/09/16	652 732	14/09/24
	> €100m		**1 414 296**	**643 709**			
		Total Italy Offices	**1 414 296**	**643 709**			
Hotels in Europe		€447 M (2013)		172 275	25/10/13	447 000	31/01/23
		€255M (2012)- Mortgage bond		186 553	14/11/12	255 000	16/11/21
		€278M (2017) – Rocca		220 085	29/03/17	277 188	29/03/25
		€290M (2017) – OPCI B2 HI (B&B)		126 566	10/05/17	290 000	10/05/24
		£400M (2018)- Rocky		467 965	24/07/18	475 145	24/07/26
		€130M (2019) - Ref1		129 626	**04/04/19**	**130 000**	**03/04/26**
	> €100m		**2 996 442**	**1 303 070**			
	< €100m		**1 363 704**	**519 320**			
		Total Hotels Europe	**4 360 145**	**1 822 390**			
Germany Residential		Lyndon Immeo 01		107 957	12/12/11	140 000	29/01/27
		Cornerstone		149 823	01/10/14	136 737	30/06/25
		Refinancing Wohnbau/Dümpten/Aurélia/Duomo		108 828	20/01/15	150 000	30/01/25
		Refinancing Amadeus/Herbstlaub/Valore/Valartis/Sunflower		147 940	28/10/15	176 842	30/04/26
		Quadriga		177 232	16/06/15	211 540	31/03/26
		Golddust		109 545	23/03/16	115 000	30/04/27
		Lego		170 103	24/06/16	195 003	30/09/24
		Lyndon Immeo 02		169 885	26/01/17	230 000	14/03/22
		Refinancing Indigo, Prime		259 188	**09/07/19**	**260 000**	**30/09/29**
		Refinancing KG1		125 000	**20/09/19**	**125 000**	**30/09/29**
	> €100m		**3 911 707**	**1 525 501**			
	< €100m		**2 244 623**	**888 408**			
		Total German Residential	**6 156 331**	**2 413 909**			
TOTAL COLLATERALISED			**14 536 392**	**5 911 809**			
France Offices		Treasury bills BT/BMTN		1 363 900			
		€180M (2013) – Private investment		180 000	20/03/13	180 000	30/04/20
		€500M (2016)- Green bond		500 000	20/05/16	500 000	20/05/26
		€500M (2017)- Bonds		595 000	21/06/17	500 000	21/06/27
		€500M (2019)- Green bond		500 000	**17/09/19**	**500 000**	**17/09/31**
	> €100m			**3 138 900**			
		Total France Offices	**3 651 151**	**3 138 900**			
Italy Offices		€500M (2014)- Bonds		125 000	30/03/15	125 000	30/03/22
		€200M (2015) - Convertible bonds		200 000	03/08/15	200 000	31/01/21
		€300M (2017) - Bonds		300 000	17/10/17	300 000	17/10/24
		€300M (2018) - Bonds		300 000	20/02/18	300 000	20/02/28
	> €100m		**2 317 591**	**925 000**			
	< €100m			**3 977**			
		Total Italy Offices	**2 317 591**	**928 977**			
Hotels in Europe		€200M (2015) – Private investment		200 000	29/05/15	200 000	29/05/23
		€350M (2018) - Edinburgh		350 000	24/09/18	350 000	24/09/25
	> €100m			**550 000**			
	< €100m			**181 429**			
		Total Hotels Europe	**1 782 296**	**731 429**			
Germany Residential	**< €100m**	**Total German Residential**	**361 884**				
Other	**< €100m**	**France Residential**	**25 905**	**0**			
		Car parks	**50 218**	**0**			
		Total Other	**76 123**	**0**			
TOTAL UNENCUMBERED			**8 189 044**	**4 799 306**			
		Other payables		179 315			
Overall Total			**22 725 436**	**10 890 430**			

(1) The portfolio includes the fair value of occupied assets but does not include real estate inventories (trading, development) and the share of fair value of consolidated assets accounted for by the equity method.

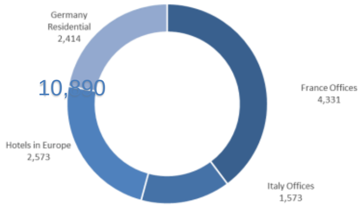
The borrowings are valued after their initial recognition at cost, amortised based on the effective interest rate.

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

in € thousand	Balance as at 31/12/2019	Deadline less than 1 year	Balance at 31 December 2020	Maturity from 2 to 5 years	Balance at 31 December 2024 (over 5 years)
Fixed-rate financial liabilities	**6,415,942**	**1,586,477**	**4,829,465**	**1,620,026**	**3,209,439**
France Offices - Bank borrowings	146,606	1,793	144,813	94,813	50,000
France Offices - Others	159,876	17,461	142,415	22,385	120,030
Italy Offices - Bank borrowings	0	0	0	0	0
Italy Offices - Convertible bonds*	200,000	0	200,000	200,000	0
Hotels in Europe - Bank borrowings	100,348	1,818	98,530	98,530	0
Hotels in Europe - Others	19,437	0	19,437	19,264	173
German Residential - Bank borrowings	1,185,174	17,505	1,167,669	373,473	794,196
Germany Residential - Others	70	22	48	8	40
Total borrowings and convertible bonds	**1,811,512**	**38,600**	**1,772,912**	**808,473**	**964,439**
France Offices - Bonds	1,775,000	180,000	1,595,000	0	1,595,000
France Offices - Treasury bills	1,363,900	1,363,900	0	0	0
Italy Offices - Bonds	725,000	0	725,000	425,000	300,000
Italy Offices - Securitisation	3,977	3,977	0	0	0
Hotels in Europe - Bonds	736,553	0	736,553	386,553	350,000
Total debts represented by securities	**4,604,430**	**1,547,877**	**3,056,553**	**811,553**	**2,245,000**
Floating-rate financial liabilities	**4,474,489**	**173,643**	**4,300,846**	**1,660,609**	**2,640,237**
France Offices - Bank borrowings	885,196	94,021	791,175	254,075	537,100
Italy Offices - Bank borrowings	643,709	10,420	633,289	633,289	0
Hotels in Europe - Bank borrowings	1,716,917	20,362	1,696,555	530,698	1,165,857
German Residential - Bank borrowings	1,228,667	48,840	1,179,827	242,547	937,280
Total borrowings and convertible bonds	**4,474,489**	**173,643**	**4,300,846**	**1,660,609**	**2,640,237**
France Offices - Treasury bills		0	0	0	0
Total debts represented by securities	**0**	**0**	**0**	**0**	**0**
Total	**10,890,430**	**1,760,119**	**9,130,311**	**3,280,635**	**5,849,676**

* The ORNANE bonds are presented at nominal value.

<u>Debt by operating segment as at 31 December 2019 in €M:</u>



3.2.5.11.4. Convertible bonds

France Offices:

The features of the convertible bond issue are as follows:

Features	Ornane France Offices
Issue date	20-nov.-13
Issue amount (€M)	345
Issue price (€)	84,73
Conversion rate	1,14
Nominal rate	0,88%
Maturity	1-avr.-19
Number of convertible bonds issued	4 071 757
Number of convertible bonds as at 31 December 2018	1 737 861
Number of bonds converted into Covivio shares	-1 670 419
Number of bonds redeemed on 1 April 2019	-67 442
Number of convertible bonds at 31 December 2019	0

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

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 31 December 2019, the Ornane derivative maturing in 2021 of Covivio in Italy was valued at €7.6 million.

The features of the convertible bond issue are as follows:

Features	Ornane Italy Offices
Issue date	août-15
Issue amount (€M)	200
Issue price (€)	100
Conversion Price	112,130
Nominal rate	0,875%
Maturity	février-21
Number of convertible bonds issued	2 000 000
Number of convertible bonds as at 31 December 2018	2 000 000
Number of convertible bonds as at 31 December 2019	2 000 000
Number of potential shares	1 783 647

3.2.5.11.5. 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:

€ thousand	31 Dec 18 Net	Consolidation scope - change in integration method	Share premium account - Share premium account Restructuring balances	Impact on P&L	Impact on shareholders' equity	31 Dec 19 Net
France Offices	-120 287		61 771	-82 708		-141 224
ORNANE-type bonds France Offices	-19 540	32 019		-12 479		
Italy Offices	-2 930			-8 655	-9 260	-20 845
ORNANE-type bonds Italy Offices	737			-4 173		-3 436
Hotels in Europe	-30 749		6 730	-51 412	-13 595	-89 026
Germany Residential	-15 276		4 123	-22 672		-33 825
TOTAL	**-188 045**	**32 019**	**72 624**	**-182 099**	**-22 855**	**-288 356**
				Cash instruments – Liabilities		**-365 842**
				Cash instruments – Assets		**77 486**

The total impact of the value adjustments on the derivatives on the income statement was -€196.4 million.
It comprises mainly changes in the value of cash instruments (-€165.4 million) and changes in the value of ORNANE bonds (-€16.7 million), as well as the recycling through profit or loss of financial instruments eligible for hedge accounting in Italy Offices following the redemption of the underlying assets (-€14.3 million, with an offset of +€14.3 million in shareholders' equity). In accordance with IFRS 13, the fair values include the counterparty default risk (€5.3 million).

The impact on equity of -€13.6 million on the Hotels in Europe line corresponds to the change in the exchange rate of Cross Currency Swaps used to hedge our investments in the United Kingdoms

The “Unrealised gains and losses relating to changes in fair value” line of the Statement of Cash Flows (-€807.3 million), which makes it possible to calculate cash flows, mainly incorporates the impact of changes in the value of cash instruments, ORNANE bonds and the transfer to income of financial instruments in Italy Offices that qualify for hedge accounting following the repayment of the underlying (+€196.3 million), and the change in the value of the portfolio (-€1,003.6 million).

Breakdown of hedging instruments by maturity of notional values

€ thousand	At 31/12/2019	less than 1 year	from 1 to 5 years	over 5 years
Fixed hedge				
Fixed rate payer swap	**5.551.237**	-188.794	1.312.213	4.427.818
Fixed rate receiver swap	**1.744.415**	-880.000	941.071	1.683.344
Total SWAP	**3.806.822**	**691.206**	**371.142**	**2.744.474**
Optional hedge				
CAP purchase	**603.085**	47.320	437.810	117.955
FLOOR purchase	**53.256**	732	2.926	49.598
FLOOR sale	**51.000**	0	18.000	33.000
Total	**8.002.993**	**-1.020.742**	**2.712.020**	**6.311.715**

Hedge balance as at 31 December 2019

€ thousand	Fixed rate	Floating rate
Borrow ings and financial payables (including creditor banks)	6,415,942	4,495,037
Net financial liabilities before hedging	**6,415,942**	**4,495,037**
Fixed hedge - Sw aps		-3,806,822
Optional hedge - Caps		-603,085
Total hedges		**-4,409,907**
Net financial liabilities after hedging	**6,415,942**	**85,130**

3.2.5.11.6. Rental liabilities

The balance of rental liabilities as at 31 December 2019 stood at €269.1 million, up from €163.7 million at 31 December 2018, an increase of €105.4 million. This increase was mainly due to the recognition of a lease liability of €15.7 million on long-term leases conferring ad rem rights for two hotels acquired in the United Kingdom due to their indexation and their duration of more than one hundred years, and €89.4 million following the first-time application of IFRS 16 (mainly long-term leases conferring ad rem rights for assets not measured at fair value and car park leases).
At 31 December 2019, the interest expense relating to these rental liabilities was €13.5 million.

Breakdown of rental liabilities by maturity

€ thousand	At 31 Dec 2019	less than 1 year	from 1 to 5 years	from 5 to 25 years	over 25 years
Rental liabilities	269,092	13,797	28,021	31,079	196,195

3.2.5.11.7. 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 31 December 2019.

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

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

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

Covivio Group's banking covenants were fully complied with at 31 December 2019, as they stood at 41.2% for Group Share LTV, 573% for Group Share ICR, and 4.6% for the asset-secured debt ratio.

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

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

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

3.2.5.12 Provisions for risks and charges

3.2.5.12.1. 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.

3.2.5.12.2. Provisions

€ thousand	31/12/2018	Scope change	Charges	Transfer	Change in actuarial gains and losses	Reversal of provision		31/12/2019
						Used	Unused	
Other provisions for disputes	2,818	0	465	0		-316	-240	2,727
Provisions for guarantees	0	0	0			0	0	0
Provisions for taxes	11,348	-199	264	-3,029		-13	-46	8,325
Provisions for renovating sites	2,566	0	0	0		0	0	2,566
Other provisions	5,878	0	270	0		-1,974	-347	3,827
Sub-total provisions -current liabilities	**22,610**	**-199**	**999**	**-3,029**	**0**	**-2,303**	**-633**	**17,445**
Provisions for retirement benefit	47,975	0	1,982	1	6,844	-1,770	-114	54,918
Provisions for long-service awards	1,273	0	183			-2	-8	1,446
Sub-total provisions -Non-current liabilities	**49,248**	**0**	**2,165**	**1**	**6,844**	**-1,772**	**-122**	**56,364**
Total provisions	**71,858**	**-199**	**3,164**	**-3,028**	**6,844**	**-4,075**	**-755**	**73,809**

The provisions for litigation are broken down into €2.1 million for France Offices, €0.3 million for Italy Offices, €0.3 million for Hotels in Europe.

Provisions for taxes concern Hotels in Europe for €7.7 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 €54,9 million as at 31 December 2019 (of which €51 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: 0.44% (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	31/12/19	31/12/18
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 (in €K)		
Cost of services rendered during the year	-541	-766
Financial cost	-872	-896
Effects of plan reductions/settlements	0	-348
TOTAL IMPACT ON THE INCOME STATEMENT	**-1.413**	**-2.010**

3.2.5.13 Other short-term liabilities

€ thousand	31/12/2019	31/12/2018	Variation
Social debt	33,408	28,035	5,373
Tax payables	136,365	56,148	80,217
Current accounts - liabilities	173	169	5
Dividends to be paid	44	40	4
Other payables	41,847	65,030	-23,184
Total	**211,837**	**149,624**	**62,214**

- The change in tax liabilities of +€80 million is mainly linked to the VAT collected in relation to real estate development (+€61 million).
- The -€23.2 million change in other debt includes changes in advances received on asset disposals (+€14.9 million) and advances paid on work on assets under development (-€42 million) and notarial debts related to acquisitions (+€3.6 million).

3.2.5.14 Recognition of financial assets and liabilities

Categories according to IFRS 9	Relevant item in the statement of financial position	31/12/2019 Net	Amount given in the assessed Statement of Financial Position:			Fair Value (in €K)
			Amortised cost	At the Fair value through shareholders' equity	At the Fair value through income statement	
Assets at amortised cost	Non-current financial Assets	44 104	44 104			44 104
Loans and receivables	Non-current financial Assets	214 955	214 955			214 955
	Total non-current financial Assets	**259 060**	**259 060**			**259 060**
Loans and receivables	Trade receivables[(1)]	332 325	332 325			332 325
Assets at fair value through profit or loss	Derivatives at fair value through profit or loss	77 486			77 486	77 486
Assets at fair value through profit or loss	Cash and cash equivalents	626 477			626 477	626 477
Total Financial Assets		**1 295 347**	**591 384**	**0**	**703 963**	**1 295 347**
Liabilities at fair value through profit or loss	Ornane-type Bonds	203 436	195 853		7 583	205 138
Liabilities at amortised cost	Financial payables	10 690 430	10 690 430			10 837 882 [(2)]
Liabilities at fair value through profit or loss	Financial instruments (excluding ORNANE)	362 406		8 155	354 251	362 406
Liabilities at amortised cost	Security deposits	24 801	24 801			24 801
Liabilities at amortised cost	Trade payables	228 811	228 811			228 811
Total financial liabilities		**11 509 885**	**11 139 896**	**8 155**	**361 834**	**11 659 039**

[(1)] Excluding incentive
[(2)] The difference between the net book value and the fair value of the fixed rate debt is €147,452k.

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.

€ thousand	Level 1	Level 2	Level 3	Total
Derivatives at fair value through profit or loss		77,486		77,486
Money-market securities available for sale		626,477		626,477
Total financial Assets	**0**	**703,963**	**0**	**703,963**
Ornane	205,138			205,138
Derivatives at fair value through profit or loss		362,406		362,406
Total financial Liabilities	**205,138**	**362,406**	**0**	**567,544**

3.2.6 NOTES TO THE STATEMENT OF NET INCOME

3.2.6.1 Accounting principles

✓ 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.

✓ 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.

3.2.6.2 Operating income

3.2.6.2.1. Rental revenues

Rental income amounted to €961.3 million as at 31 December 2019, versus €955.9 million at 31 December 2018, up by €5.4 million.

€ thousand	31/12/2019	31/12/2018	Change in € thousand	Change as a %
France Offices	257.275	271.113	-13.838	-5,1%
Italy Offices	201.817	205.760	-3.943	-1,9%
Total Offices rental income	**459.092**	**476.873**	**-17.781**	**-3,7%**
Hotels in Europe	245.418	229.921	15.496	6,7%
Germany Residential	251.798	241.162	10.636	4,4%
Other (including France Residential)	5.012	7.935	-2.923	-36,8%
Total rental income	**961.320**	**955.891**	**5.428**	**0,6%**

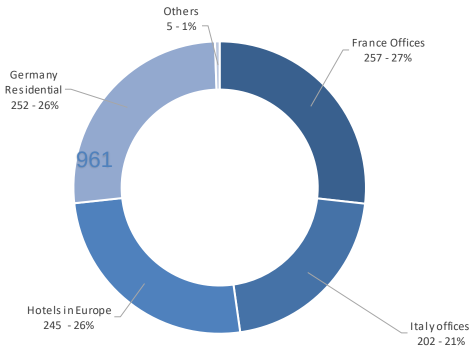
The rental income consists of rental and similar income (e.g. occupancy fees and entry rights) invoiced for investment properties during the period. Rent exemptions, step rental schemes and entry rights are spread out over the fixed term of the lease.

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

- A decrease in rental income from France Offices (-5.1%), mainly due to the impact of asset disposals (-€11.7 million) and vacancies (-€11.8 million) fuelling the development pipeline, partially offset by the delivery of assets under development in 2018 and 2019 (+€6.5 million) and reletting/indexing (+€7.7 million),
- A decrease in rental income from Italy Offices (-1.9%) due to disposals (-€16.2 million), reduced by the impact of acquisitions (+€3.3 million) as well as deliveries (+€7.4 million),
- An increase in rental income from Hotels in Europe (+6.7%), mainly due to the impact of acquisitions (+€35.7 million), indexing (+€1.5 million) and deliveries of assets under development (+€3.9 million) minus the impact of disposals (-€26.1 million),
- An increase in rental income from Germany Residential (+4.4%) following acquisitions (+€9.7 million), and reletting/indexing (+€8.6 million), mitigated by disposals (-€7.9 million),
- A 36.8% decrease in the Other (France Residential) segment due to disposals and assets made vacant for their disposal.

Note that the tenant Accor accounts for 10% of total revenues.

Rental income for the year 2019 by Operating segment in €M:



3.2.6.2.2. Property costs

€ thousand	31/12/2019	31/12/2018	Change in € thousand	Change as a %
Rental income	961 320	955 891	5 428	0,6%
Rebillable expenses	-129 696	-132 840	3 144	-2,4%
Income from rebilling of expenses	129 696	132 840	-3 144	-2,4%
Unrecovered rental costs	-37 007	-31 945	-5 062	15,8%
Expenses on properties	-30 951	-36 915	5 965	-16,2%
Net losses on unrecoverable receivables	-4 550	-3 200	-1 350	42,2%
Net rental income	**888 813**	**883 831**	**4 982**	**0,6%**
Rate for property expenses	**-7,5%**	**-7,5%**		

- 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. The fiscal year 2019 was impacted by the bankruptcy of the tenant Sequana in our Office building located in Boulogne (€1.6 million in unpaid receivables written off).

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

€ thousand	31/12/2019	31/12/2018	Change in € thousand	Change as a %
Revenues from hotel operating activity and Flex Office	243,223	257,308	-14,085	-5.5%
Operating expenses of hotel operating activity and Flex Office	-168,170	-181,477	13,307	-7.3%
EBITDA from hotel operating activity and Flex Office	**75,053**	**75,831**	**-778**	**-1.0%**
Income from other activities	47,650	29,213	18,437	63.1%
Expenses of other activities	-30,825	-24,421	-6,404	26.2%
Income from other activities	**16,825**	**4,792**	**12,033**	**251%**

- EBITDA from hotel operating activity and Flex Office consists of the EBITDA of the hotels under operation (+€69.9 million) and the income from Flex Office (+€5.1 million). The €6.8 million reduction in EBITDA from hotel operating activity is related to the disposal of the Westin Dresden and the period of works on the Nice Méridien. This decrease is offset by the ramp-up of Flex Office activity, which is up by nearly €6 million compared to 2018.

- Income from other activities rose by €12.0 million, primarily as a result of the increase in income from the property development business line in Germany (+€6.2 million) and in income from car parks (+€5.8 million). The rise in income from car parks reflects mainly the transfer of rental expenses (+€6.4 million) to depreciation and amortisation charges and interest costs for rental liabilities, following the application of IFRS 16.

3.2.6.2.4. Net cost of operations

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

€ thousand	31/12/2019	31/12/2018	Change in € thousand	Change as a %
Management and administration income	23,018	20,042	2,976	14.8%
Business expenses	-5,648	-6,140	492	-8.0%
Overheads	-127,409	-128,393	984	-0.8%
Development costs (not capitalised)	-1,819	-585	-1,234	N/A
Total Net operating costs	**-111,859**	**-115,076**	**3,217**	**-2.8%**

Net operating costs are down €3.2 million. They benefited from the €3.0 million increase in management revenue, driven by the property management activity for third parties, conducted by Revalo in Italy (+€1.0 million) and the billing of finder's fee commissions (+€3.9 million).

Overheads include staff costs, which are described under section 3.2.7.1.1.

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

€ thousand	31/12/2019	31/12/2018	Change in € thousand
Depreciation of operating assets	-65 004	-60 120	-4 884
Net change in provisions and other	12 830	6 277	6 553

The €4.9 million increase in the Depreciation of operating assets item mainly reflects the impact of the depreciation of right-of-use assets for operating properties and other tangible fixed assets in accordance with IFRS 16 (-€12.7 million).

The Net change in provisions and other item includes the rebilling of long-term leases conferring ad rem rights to tenants (+€9.2 million in 2019 versus €3.7 million in 2018) 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 no longer presented in the line item “Expenses on properties” but as a net change in provisions and other.

3.2.6.3 Income from asset disposals

€ thousand	31/12/2019	31/12/2018	Change in € thousand	Change as a %
Income from asset disposals (1)	1 257 471	1 291 901	-34 430	-2,7%
Carrying value of investment properties sold (2)	-1 256 405	-1 194 478	-61 927	5,2%
Income from asset disposals	**1 066**	**97 423**	**-96 357**	**-99%**

(1) Sale price net of disposal costs
(2) Corresponds to the appraisal values published at 31 December 2018

It should be noted that 2018 shows a significant proceeds on disposal (+€97.4 million) due to the sale of Parisian assets used by the Group (owner occupied building), which were not recognised at fair value but at amortised cost.

3.2.6.4 Change in the fair value of assets

€ thousand	31/12/2019	31/12/2018	Change in € thousand
France Offices	231.040	110.643	120.397
Italy Offices	-9.617	-43.666	34.049
Hotels in Europe	250.405	100.425	149.980
Germany Residential	532.702	459.215	73.487
Other (including France Residential)	-896	-5.924	5.028
Total change in fair value of properties	**1.003.634**	**620.693**	**382.941**

Half of the €1,004 million positive change in the fair value of properties relates to the Germany Residential portfolio for +€533 million (essentially assets located in Berlin), the other half comes from the France Offices and Hotels in Europe segments.

3.2.6.5 Income from changes in scope

Income from changes in the 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 31 December 2019, income from changes in the scope -€22,255k mainly concerns the segments Hotels in Europe for -€14,955k and German Residential for -€5,685k.

3.2.6.6 Cost of the net financial debt

€ thousand	31/12/2019	31/12/2018	Change in € thousand	Change as a %
Interest income on cash transactions	15,487	21,429	-5,942	-27.7%
Interest expense on financing operations	-168,143	-172,663	4,519	-2.6%
Regular amortisations of loan issue costs	-13,920	-14,484	564	-3.9%
Net expenses on hedges	-43,589	-36,735	-6,853	18.7%
Cost of net debt	**-210,166**	**-202,453**	**-7,712**	**3.8%**
Average annual rate of debt	**1.55%**	**1.55%**		

Excluding costs to repurchase fixed-rate debt and penalties (€33.2 million at 31 December 2019 versus €12.2 million at 31 December 2018), the cost of debt declined by €13.3 million, under the effect of refinancings and restructured hedges.

3.2.6.7 Net financial income/(charges)

€ thousand	31/12/2019	31/12/2018	Change in € thousand	Change as a %
Cost of net financial debt	***-210,166***	***-202,453***	***-7,712***	**3.8%**
Interest cost for rental liabilities	***-13,526***	***-4,594***	***-8,932***	**N/A**
Changes in the fair value of financial instruments	-179,731	-41,230	-138,501	
Changes in the fair value of Ornane-type bonds	-16,652	25,078	-41,730	
Changes in the fair value of financial instruments	***-196,383***	***-16,152***	***-180,231***	**N/A**
Net financial expenses from discounting	-173	-656	483	
Expenses from discounting liabilities and receivables	***-173***	***-656***	***483***	**-73.6%**
Exceptional amortisations of loan issue costs	-10,626	-11,466	840	-7.3%
Other	-20	215	-235	-109.4%
Exceptional amortisations of loan issue costs	**-10,646**	**-11,251**	**605**	**-5.4%**
Total financial income	**-430,894**	**-235,106**	**-195,788**	**83.3%**

The drop in interest rates impacted the fair value of financial instruments by nearly €200 million. As a result, financial income is a net expense of €430.9 million in 2019 versus €235.1 million in 2018.

3.2.6.8 Taxes payable and deferred tax liabilities

3.2.6.8.1 Accounting principles applicable to current and deferred taxes

✓ 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.

At 31 December 2019, there are no exit tax liabilities on the balance sheet.

✓ 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.

✓ SIIQ tax regime (Italian companies)

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

✓ SOCIMI tax regime (Spanish companies)

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

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

3.2.6.8.2 Taxes and theoretical tax rate by geographical area

€ thousand	Taxes payable	Deferred tax liabilities	Total	Deferred tax rate	
France	-738	9 371	8 633	25,83%	(1)
Italy	-411	-18 314	-18 725	20,00%	(2)
Germany	-18 404	-107 736	-126 140	15,83%	(3)
Belgium	-1 491	-1 415	-2 906	25,00%	(4)
Luxembourg	263	-5 349	-5 086	30,00%	
UK	-1 896	12 789	10 893	17,00%	
Netherlands	-1 031	-504	-1 535	22,25%	(5)
Portugal	-279	-1 998	-2 277	23,00%	
Spain	0	-478	-478	25,00%	
Ireland	-8	0	-8	32,00%	
Poland	0	-6	-6	9,00%	
Total	**-23 995**	**-113 640**	**-137 621**		

(-) corresponds to a tax expense; (+) corresponds to a tax income

(1) In France, the tax rate for fiscal year 2019 is 32.02%. The tax rate will be 28.9% in 2020, 27.4% in 2021 and 25.83% from fiscal year 2022.
(2) Since the merger with Covivio and its exit from the SIIQ regime, Covivio in Italy has been subject to a 20% tax rate.
(3) In Germany, the tax rate on property goodwill is 15.83%, however, for companies in the hotel operations business line, tax rates vary between 30.18% and 32.28%.
(4) In Belgium, the tax rate used for 2019 is 29.58%. It will go down to 25% as of 2021.
(5) In the Netherlands, the tax rate for fiscal year 2019 is 24.3%. The tax rate will be 23.9% in 2020 and 22.25% from fiscal year 2021.
(6) In Ireland, the tax rate for fiscal year 2019 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 €9.4 million, including €4.4 million for companies in the Operating Properties business line (Germany portfolio) and €5.6 million for the Germany Residential segment.

Impact of deferred taxes on income

€ thousand	31/12/2019	31/12/2018	Variation
France Offices	0	0	0
Italy Offices	-18.314	11.316	-29.630
Hotels in Europe	-2.200	-7.230	5.030
Germany Residential	-93.117	-94.145	1.028
Other	-9	9	-18
Total	**-113.640**	**-90.050**	**-23.590**

- In Italy Offices, the deferred tax expense mainly relates to an increase in the value of assets and SIINQ income that will become taxable when they are distributed to Covivio.

- The deferred tax income from Hotels in Europe relates to the rise in appraisal values in the hotel segment abroad (-€11.6 million) offset by deferred tax income from the Operating Properties business line (+€9.4 million) following the reduction in tax rates in France (25.83% against 28.93%),

- The deferred tax expense of Germany Residential mainly relates to an increase in the value of assets.

3.2.6.8.3 Tax proof

The management companies that opted for the SIIC/SOCIMI tax regime in previous years do not pay corporate income tax, except for those that also have a taxable business activity.

Net income before taxes and before income of equity affiliates is neutralised, including for their taxable activities and their transparent taxable subsidiaries.

Accordingly, the tax proof is required solely for taxable French and international companies.

Breakdown of tax by taxable segment (in € thousand)	France (SIIC) Spain (SOCIMI)	France Common Law	Foreign Common Law	31/12/2019
Net income before tax, before income of equity affiliates	529 191	**-2 733**	**843 691**	1 370 149
Income tax expense recorded	-15 803	**5 453**	**-127 286**	-137 635

The actual tax expense recognised in the SIIC/SOCIMI tax segment includes deferred tax expenses of €18,314k in Italy.

€ thousand		31/12/2019
Net Income before tax		1 399 450
Share of income from equity affiliates		-29 301
Net income before tax, before income of equity affiliates		**1 370 149**
-of which SIIC/SOCIMI companies		529 191
-of which companies subject to tax		840 958
Theoritical tax rate of 32.02%	**(a)**	-269 299
Impact of rate differencials		111 154
Impact of tax credits and fixed tax rates		-254
Impact of permanent differences		37 209
Changed to prior year losses without DTA		5 825
Tax deficits without DTA		-11 786
Total tax impacts for the period	**(b)**	142 148
Impact of tax audits and taxes on prior years	**(c)**	5 321
Income tax expense recorded	**(a)+(b)+(c)**	-121 830
Overall effective tax rate		**14,49%**

3.2.7 OTHER INFORMATION

3.2.7.1 Personnel remuneration and benefits

3.2.7.1.1. Staff costs

At 31 December 2019, personnel expenses amounted to €159.3 million (compared with €149.0 million at 31 December 2018), breaking down as follows:

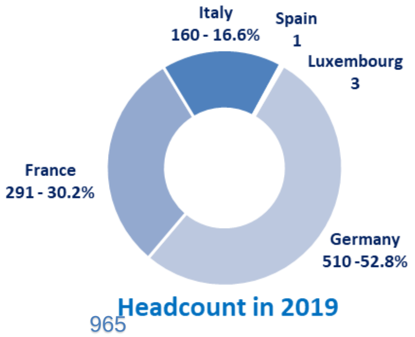
€ thousand	31/12/2019	31-déc.-18
EBITDA from hotel operating activity and Flex Office	-56 264	-59 256
Overheads	-82 259	-78 491
Income from asset disposals	-4 127	-3 617
TOTAL Personnel expenses in the statement of net income	**-142 650**	**-141 364**
Development projects	-16 642	-7 656
TOTAL Capitalised personnel expenses	**-16 642**	**-7 656**
TOTAL Personnel expenses	**-159 292**	**-149 020**

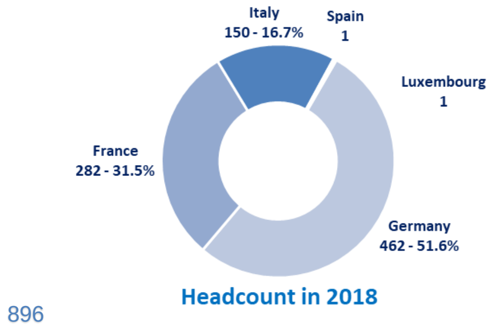
(1) including free shares charges

<u>Headcount</u>

At 31 December 2019, the headcount of fully consolidated companies, excluding companies in the Operating Properties business line, was 965 compared with 896 at 31 December 2018.

Headcount by country in number of employees:





The average headcount during 2019 was 937 employees.

The companies in the Operating Properties business line had an average headcount of 1,481 people. The increase compared with 31 December 2018 (1,467 employees) is mainly due to the acquisition of a hotel in Dublin, offset by the disposal of Westin Dresden on 29 March 2019.

3.2.7.1.2. Description of share-based payments

Covivio awarded free shares in 2019. The following assumptions were made for the free shares:

Plan of 20 February 2019	Employees – without performance condition	Corporate officers – with performance condition – performance scenario	Corporate officers – with performance condition – internal Covivio target
Date awarded	20-févr.-19	20-févr.-19	20-févr.-19
Number of shares awarded	14 708	13 750	13 750
Share price on the date awarded	87,80 €	87,80 €	87,80 €
Exercise period for rights	3 years	3 years	3 years
Cost of forfeiture of dividends	-14,18 €	-14,18 €	-14,18 €
Actuarial value of the share net of dividends not collected during the vesting period	73,62 €	73,62 €	73,62 €
Revenue-related discount:			
In number of shares	1 759	1 644	1 644
As percentage of share price on the date awarded	12%	12%	12%
Value of the benefit per share	63,12 €	48,84 €	47,34 €

Plan of 21 November 2019	Group Plan - Employees and Executives without performance conditions - France & Spain	Group plan - Employees and Executives without performance condition - Italy	Group plan - Employees and Executives without performance condition - Germany
Date awarded	21-nov.-19	21-nov.-19	21-nov.-19
Number of shares awarded	46 685	6 500	17 745
Share price on the date awarded	101,70 €	101,70 €	101,70 €
Exercise period for rights	3 years	3 years	3 years
Cost of forfeiture of dividends	-14,42 €	-14,42 €	-14,42 €
Actuarial value of the share net of dividends not collected during the vesting period	87,28 €	87,28 €	87,28 €
Revenue-related discount:			
In number of shares	7 839	1 091	2 979
As percentage of share price on the date awarded	17%	17%	17%
Value of the benefit per share	70,20 €	70,20 €	70,20 €

In 2019, a total of 113,138 free shares were awarded (the number was unchanged at 31 December 2019 – No cancellations due to employee departures). As stated elsewhere, the corresponding expense is recognised in income over the entire vesting period.

The cost of the free share recognised at 31 December 2019 amounted to €8,129k, while the related social security contribution was €1,572k. These expenses are presented in the income statement on the "Overheads" line.
The cost of the free shares includes the impact of the 2015 plan for €15k, the 2016 plan for €1,198k, the 2017 plan for €2,752k, the 2018 plan for €3,242k, and the 2019 plan for €922k.

3.2.7.2 Earnings per share and diluted earnings per share

✓ 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 in (€ thousand)	**746 987**
Interest on Ornane-type bonds	1 750
Changes in the fair value of Ornane-type bonds	4 173
Group share after conversion of the Ornane-type bonds (€ thousand)	**752 910**
Average number of undiluted shares	85 236 197
Impact of dilution – free shares(1)	454 604
Number of free shares(1)	*454 604*
Average number of shares diluted by free shares	85 690 801
Dilution impact of conversion of Italy 2021 Ornane-type bonds	1 783 647
Conversion of Ornane-type bonds	*1 783 647*
Average number of diluted shares after conversion of Ornane-type bonds	87 474 448
Net profit (loss) per non-diluted share (€)	**8,76**
Impact of dilution – free shares (€)	**-0,05**
Diluted earnings per share of free shares (€)	**8,72**
Diluted earnings per share of free shares and ornane-type bonds (€)	**8,61**

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

2016 Plan	45,000
2017 Plan	97,733
2018 Plan	198,733
2019 Plan	113,138
Total	454,604

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

3.2.7.3 Off-balance sheet commitments

3.2.7.3.1. Commitments given

✓ Fully consolidated companies

Off-balance sheet commitments given (€million)	Deadline	31/12/2019	31/12/2018
Commitments related to consolidated companies		**574,1**	**80,0**
Commitments related to investments (1)		573,3	78,2
Commitments given for specific transactions		0,0	0,0
Commitments given for disposal of equity interests - Liabilities guarantees (2)	2020	0,8	1,8
Commitments related to financing		**5 911,8**	**6 470,9**
Financial guarantees given (CRD of pledged debt)		5 911,8	6 470,9
Commitments related to operating activities		**1 710,4**	**1 273,5**
Commitments given related to business development		**1129,3**	**466,6**
- Work commitments outstanding on assets under development (3)		994,0	434,7
- Purchase commitments		5,0	0,0
- Bank guaranties and other guaranties given		130,3	31,9
Commitments given related to the implementation of operating contracts		**256,7**	**248,0**
- Work commitments outstanding on investment properties (4)		230,9	166,2
- Other contractual commitments given in "rental income owed"	2037 - 2051	25,8	81,8
Commitments related to asset disposals		**324,3**	**558,8**
Preliminary sale agreements given		324,3	558,8

(1) Investment commitments after deduction of deposits paid amounting to €27 million (see section 3.3.9 Subsequent events)
(2) Covivio granted liability guarantees in the context of Logistics asset disposals in the amount of €0.8 million maturing in 2020

(3) Work commitments outstanding on assets under development:

€million	Cost of works budgets signed	Amounts of works recognised	Total works commitment outstanding	Delivery date
Levallois Alis	64,6	3,9	60,7	2022
DS Campus extension	126,8	0,4	126,3	2022
N2 Batignolles	89,7	11,2	78,6	2022
Lyon Silex 2nd tranche	135,3	68,0	67,2	2021
Montrouge Flow	89,8	42,4	47,4	2020
Paris So Pop	118,4	5,4	113,0	2021
Chatillon Iro	138,8	93,2	45,6	2020
Meudon Opale	129,3	14,0	115,3	2020-2021
Montpellier Orange	45,1	8,6	36,5	2021
Montpellier Rie	19,1	5,1	14,0	2021
Meudon Ducasse	19,5	11,5	8,0	2020
Total France Offices	**976,4**	**263,7**	**712,7**	
Milan, via Schievano	65,2	45,3	19,9	2020
Milan, piazza Duca d'Aosta	4,3	3,0	1,3	2020
Milan, Symbiosis area	224,7	15,0	209,7	2020-2022
Turin, Corso Ferrucci	31,7	20,4	11,3	2020
Milan, via Unione / via Torino	7,4	0,0	7,4	2021
Via Santander / via Schievano	30,8	0,1	30,6	2022
Total Italy Offices	**364,2**	**83,9**	**280,3**	
B&B Lyon Bagnolet	7,8	6,7	1,1	2 020
Total Hotels in Europe	**7,8**	**6,7**	**1,1**	
Grand total	1 348,4	354,3	994,0	

(4) Work commitments outstanding on investment properties:

€million	Cost of works budgets signed	Amounts of works recognised	Total works commitment outstanding	Delivery date
Commitments to works on lease or lease renewal	32,6	28,1	4,5	
Elevators modernization work	11,0	8,7	2,3	2020
Jean Goujon	45,1	11,1	34,0	2021
Paris Gobelins	22,5	6,6	15,9	2020
Total France Offices	**111,2**	**54,4**	**56,8**	
Works on investment properties	6,5	3,2	3,3	2020
Milan, via Dante (Flex Office)	12,3	7,3	5,0	2020
Milan, Corso Italia	24,2	0,0	24,2	2022
Total Italy Offices	**43,0**	**10,5**	**32,5**	
AccorHotels hotels	10,3	6,9	3,4	2020
B&B Hotels	57,5	56,4	1,1	2020
Total Hotels in Europe	**67,8**	**63,3**	**4,4**	
Projects Residential (mainly in Berlin)	210,9	41,2	169,7	2020-2022
Total German Residential	**210,9**	**41,2**	**169,7**	
Grand total	389,8	158,9	230,9	

✓ Other commitments given related to consolidated companies

Other commitments:

- Under its SIIC status, the Group has specific obligations, as set out in Section 3.2.6.7.1
- Under the free share plans awarded (see Section 3.2.7.2), Covivio has undertaken to deliver (through acquisition or creation) 454,604 shares to the beneficiaries present at the end of the vesting period.
- The Central Facilities of the Sunparks asset were contributed to Foncière Vielsalm Loisirs, of which Covivio Hotels holds 35.7% of the share capital but only 2.7% of the voting rights with the possibility for Covivio Hotels to exercise a put option at the end of the 10th year.
- As part of the partnership with ACM VIE in the SCIs 9 and 15 rue des Cuirassiers (with the Silex properties), Covivio granted a guaranteed return dated 7 December 2017, which works as follows:
  - ✓ 2.80% per year beginning 7 December 2017 and ending at the close of the Silex 2 incentive period, or sixteen (16) months after delivery, for up to a minimum of fifty-four (54) months from the signing of this guarantee.

- ✓ This is after deducting any money paid by one of the SCIs to ACM VIE as a dividend (or interim dividend), repayment of premium, or interest during the guaranteed return period.
- ✓ In the event that subsequent to the end of the term of this guarantee, money is paid by the SCIs to ACM VIE, the partner would have to pay back these amounts to Covivio within ten (10) working days of their receipt.

✓ Companies consolidated by the equity method

Information is presented for the Group Share

Off-balance sheet commitments given (€million)	Deadline	31/12/2019	31/12/2018
Commitments related to consolidated companies		**0.0**	**0.0**
Commitments related to investments		0.0	0.0
Commitments given for specific transactions		0.0	0.0
Commitments related to financing		**154.4**	**181.2**
Financial guarantees given		154.4	181.2
Commitments related to operating activities		**14.1**	**27.2**
Financial instruments concluded for the reception or delivery of non financial elements (contracts "own use")		0.0	0.0
Commitments related to operating activities		**14.1**	**25.9**
- Work commitments outstanding on assets under development (1)		14.1	25.9
- Bank guarantees and other guarantees given		0.0	0.0
Commitments given related to the implementation of operating contracts		**0.0**	**1.3**
- Work commitments outstanding on investment properties		0.0	1.3
- Exercise of finance lease options		0.0	0.0

(1) Work commitments outstanding on assets under development:

€million	Cost of works budgets signed	Amounts of works recognised	Total works commitment outstanding	Delivery date
Belaïa	30.0	15.8	14.1	2020
Total France Offices	**30.0**	**15.8**	**14.1**	
Grand Total	**30.0**	**15.8**	**14.1**	

3.2.7.3.2. Commitments received

✓ Fully consolidated companies

Off-balance sheet commitments given (€million)	Deadline	31/12/2019	31/12/2018
Commitments related to consolidated companies		**0,0**	**2,0**
Other		0,0	2,0
Commitments related to financing		**1 517,3**	**1 973,4**
Financial guarantees received (authorised lines of credit not used)		1 517,3	1 973,4
Commitments related to operating activities		**5 951,7**	**5 541,7**
Other contractual commitments received related to the activity “Rent to be collected”(1)		3 713,4	4 003,6
Assets received in pledge, mortgage or collateral, as well as guarantees received		684,8	369,9
Other contractual commitments received related to activity	2 020	4,3	8,5
Preliminary sale agreements received		324,3	558,8
Works commitment outstanding (fixed assets) = (3) + (4) commitments given		1224,9	600,9

(1) Other contractual commitments received related to the “Rent to be collected” activity:

€million	France Offices	Italy Offices	Hotels in Europe	Total
Under 1 year	202.9	5.5	172.0	380.4
1 to 5 years	584.6	33.9	807.0	1,425.5
Over 5 years	159.3	35.2	1,712.9	1,907.4
Total	**946.8**	**74.6**	**2,692.0**	**3,713.4**

These are minimum payments to be received for non-cancellable operating leases.

✓ Companies consolidated by the equity method

Information is presented for the Group Share.

Off-balance sheet commitments given (€million)	Deadline	31/12/2019	31/12/2018
Commitments related to consolidated companies		**0.0**	**0.0**
Commitments given for specific transactions		0.0	0.0
Commitments related to financing		**8.8**	**0.0**
Commitments related to financing not specifically required by IFRS 7		0	
Financial guarantees received (authorised lines of credit not used)		8.8	0.0
Commitments related to operating activities		**54.5**	**36.7**
Assets received in pledge, mortgage or collateral, as well as guarantees received		40.4	9.5
Worls commitment outstanding (fixed assets) = (1) + (2) commitments given		14.1	27.2

✓ Commitments on operating leases

General overview of the main provisions of simple operating lease agreements

France Offices

LEASE TYPES	France Offices	
	Orange	Other offices
Conditions for renewal or purchase options	Proposal for 6-month or 12-month renewal depending on the lease before expiry of the lease	Proposal for 6-month or 12-month renewal depending on the lease before expiry of the lease
Indexing clauses	ILAT	ICC/ILAT
Term	3-6-9-12 years	3-6-9-12 years

The firm residual duration of leases of France Offices was 4.6 years, as at 31 December 2018.

Hotels in Europe

LEASE TYPES	AccorHotels Hotels	Sunparks	Club Med
Conditions for renewal or purchase options	Proposal for renewal 18 months before the expiration of the lease. The tenant has 6 months to accept or refuse the renewal.	Proposal for renewal 15 months before lease expiry for a 10-year term	Proposal for renewal 9 months before the expiration of the term of validity. Renewal on the same terms as the existing lease – 15 years, of which 8 are fixed and irrevocable.
Indexing clauses	Based on Hotel revenues	In line with the change in the healthcare index published by Moniteur Belge	In line with the value of the Eurostat CPI index
Term	12 years firm	15 years firm	15 years firm

LEASE TYPES	Courtepaille restaurants	Jardiland
Conditions for renewal or purchase options	Renewal at the end of the lease with the same conditions and charges as the initial lease	Renewable for a period of 9 years For the first renewal, the tenant commits to a fixed and irreducible term of 6 years As of the second renewal, option for the tenant to give notice after second three-year period.
Indexing clauses	In line with the change in the commercial rent index (ILC)	In line with the change in the commercial rent index (ILC)
Term	Leases for 3-6-9 years	Leases for 6-12 years, 6-9-12 years or 12 years firm

LEASE TYPES	B&B Hotels France	B&B Hotels Germany	B&B Hotels Spain
Conditions for renewal or purchase options	Renewable twice for 12 years, then once for 9 years (with the option to terminate every 3 years)	Two 5-year renewal options under the same conditions and charges	Renewable twice for 15 years on the tenant's request
Indexing clauses	In line with the change in the commercial rent index (ILC)	In line with the change in the German consumer price index (VPI)	100% of the Spanish CPI
Term	12 years firm	20 years firm	15 years firm

LEASE TYPES	NH Hotel	Motel One Hotels	B&B Hotels Germany 2
Conditions for renewal or purchase options	Renewal at expiration of the lease Four 10-year renewal options	Two 5-year renewal options under the same conditions and charges	Two 5-year extensions possible on the tenant's request
Indexing clauses	In line with the change in the consumer price index (CPI)	In line with the change in the German consumer price index (VPI)	100% of the German CPI
Term	20 years firm	20 years firm	20 years firm

LEASE TYPES	B&B Hotels Germany 3	Hotels in the United Kingdom	B&B Hotels Poland
Conditions for renewal or purchase options	Two 5-year extensions possible on the tenant's request	No option to renew or purchase	No option to renew or purchase
Indexing clauses	100% of the German CPI	100% of the English CPI	100% of the Polish CPI
Term	20 years firm	25 years firm	15 years firm

LEASE TYPES	Bardiomar	Trade Center Hotel	Rocatierra
Conditions for renewal or purchase options	N/A	N/A	N/A
Indexing clauses	Variable rent with minimum guarantee Variable depending on revenue	Based on the Spanish CPI	Based on the Spanish CPI – Variable depending on revenue
Term	45 years firm	20 years firm	12 years firm

The firm residual duration of leases of Hotels in Europe was 13.7 years, versus 13.4 years at 31 December 2018.

3.2.7.4 Related-party transactions

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

Details of related-party transactions (€K)

Partner	Type of partner	Operating income	Net financial income/(charges)	Balance sheet	Comments
Cœur d'Orly	Equity affiliates	657	0	554	Monitoring of projects and investments, Loans, Asset and property fees
Euromed	Equity affiliates	539	0	28,596	Loans, Asset and property fees
Lenovilla	Equity affiliates	353	0	24,763	Loans, Asset and property fees
SCI Factor E and SCI Orianz	Equity affiliates	105	248	17,268	Loans, Asset and property fees

3.2.7.5 Compensation of Covivio executives

€ thousand	31/12/2019	31/12/2018
Management		
Short-term benefits (fixed/variable)	3,171	2,611
Post-retirement benefits		
Long-term benefits		
Benefits in kind	101	99
Compensation for termination of contract		
Total	**3,272**	**2,710**
Directors		
Attendance fees	**512**	**596**

The variable portion does not include the free shares awarded. Moreover, 42,208 free shares were awarded to the senior executives of all Group subsidiaries in 2019 (including 27,500 shares awarded subject to performance conditions) and will be fully vested in 2022.

In case of involuntary departure, an indemnity will be awarded to the following senior executives:

- Christophe Kullmann (Chief Executive Officer)
- Olivier Estève and Dominique Ozanne (Deputy Chief Executive Officers).

This amount will be equal to 12 months of total remuneration (fixed salary and the annual variable portion), plus one month of additional remuneration per year of employment. The benefit of this indemnity will be subject to two performance conditions (change in NAV and achievement of the target performance of the annual bonus), see section 4.3.2.3.2.

3.2.7.6 Statutory Auditors' fees

€ thousand	Mazars				Ernst & Young and others				Others			
	Amount		%		Amount		%		Amount		%	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Statutory Auditors, certification, audit of company and consolidated financial statements	**1 284**	**1 223**	**44%**	**43%**	**1 557**	**1 512**	**53%**	**53%**	**103**	**93**	**3%**	**3%**
Issuer	325	312	47%	50%	360	312	53%	50%				
Fully consolidated affiliates	882	905	45%	46%	1 027	1 045	52%	54%	70	69	4%	3%
Equity affiliates	77	7	28%	4%	170	155	61%	83%	33	24	12%	13%
Services other than auditing (1)	**69**	**111**	**23%**	**12%**	**233**	**852**	**77%**	**88%**	**91**	**0**		
Issuer	20	5	20%	7%	81	65	80%	93%				
Fully consolidated affiliates	49	106	17%	12%	152	786	52%	88%	91			
Equity affiliates	0	0	N/A	N/A	0	0	N/A	N/A				
Total	**1 353**	**1 334**	**41%**	**35%**	**1 790**	**2 363**	**54%**	**62%**	**194**	**93**	**6%**	**2%**

(1) Services other than auditing performed in 2019 relate to the CSR (€133k), and other operations (€260k).

3.2.8 SEGMENT REPORTING

3.2.8.1 Accounting principles as regards operating segments – IFRS 8

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

The operating segments are as follows:

- France Offices: office real estate assets located in France,
- Italy Offices: real estate office and retail assets located in Italy,
- Hotels in Europe: commercial buildings 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.

3.2.8.2 Intangible assets

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

2019 - €K	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Intangible fixed assets and goodwill	2,954	2,496	142,517	824	17,966	166,758
Net	**2,954**	**2,496**	**142,517**	**824**	**17,966**	**166,758**

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

3.2.8.3 Tangible fixed assets

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

2019 - €K	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Operating properties	282,238	69,797	1,022,570	5,187	29,915	1,409,707
Other fixed assets	4,899	1,441	24,296	10,993	226	41,855
Fixed assets in progress	17,692	1,299	2,951	15,938	0	37,880
Net	**304,829**	**72,537**	**1,049,817**	**32,118**	**30,141**	**1,489,442**

The increase (+€30 million) in Other mainly corresponds to the impact of the first-time application of IFRS 16 (€30 million net of depreciation in the period).
The increase (+€9.2 million) in Hotels in Europe includes the impact of the first-time application of IFRS 16 (+27.5 million net of depreciation in the period), the disposal of the Westin Dresden asset (-€38.9 million), the transfer of the Nice Méridien asset from the France Offices segment (+€32.2 million), the transfer of the Alexanderplatz land to investment properties (-€46.7 million), and the acquisition of the Hilton Hotel in Dublin (+53.8 million), after deduction of depreciation charges for the period.
The change in fixed assets in progress in Italy Offices (+€48.1 million) mainly relates to the reclassification of the building under development in Milan, via Dante, to operating properties (Flex Office business for €50.3 million).
The increase in France Offices (+€146.7 million) was mainly related to the reclassification and work on Covivio's future headquarters under Operating properties (+€140.6 million), the reclassification of the Paris Gobelins asset to operating property (Flex Office) for +€40.5 million and the reclassification of the Nice Méridien asset under Hotels in Europe (-€32.2 million).

3.2.8.4 Investment properties/Assets held for sale

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

2019 - €K	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Investment properties	4,984,139	3,179,865	4,921,894	6,418,408	0	19,504,306
Assets held for sale	55,029	100,205	132,638	10,516	25,904	324,292
Properties under development	868,320	379,269	9,930	76,057	0	1,333,576
TOTAL	**5,907,488**	**3,659,339**	**5,064,462**	**6,504,981**	**25,904**	**21,162,174**

In France Offices, the change in investment properties (€4,984 million in 2019 as compared to €5,412 million in 2018) is due to the reclassification under Assets held for sale (-€277.2 million), the transfer of two new projects to Properties under development (-€128.6 million), the reclassification under Operating properties of the future Parisian head office on Rue Jean Goujon (-€134.3 million), the reclassification of the Paris Gobelins asset to operating property (-€26.8 million), the transfer of the Nice Méridien asset to Hotels in Europe (-€11.6 million) and the deliveries of assets under development (+€73.9 million: Lezennes Hélios and Bordeaux Cité du Numérique), the change in fair value (+€26.2 million) and the work done during the period (+€54.6 million).

In Italy Offices, the decrease (-€422.4 million) is mainly due to the reclassification under Assets held for sale (-€116.1 million), disposals (-€362.8 million), the acquisition of the Palazzo Orlando building (+€13.1 million), the change in fair value (-€9.8 million), the launch of two new projects under development (-€40.3 million), the delivery of an asset under development (+€65.4 million: Principe Amedeo) and construction work (+€26.8 million).

In Germany Residential, the total investment properties rose significantly (+€695.5 million), mainly due to changes in asset values (+€514 million), acquisitions net of disposals of asset-holding companies (+€111.3 million), construction work (+€110.3 million), reclassification as Assets held for sale (-€30.9 million) and acquisitions of assets (+€5.8 million).

In Hotels in Europe, the increase (+€389.1 million) is mainly due to the change in the fair value of assets (+€196 million), the delivery of four development projects (+€138.9 million), investments in the United Kingdom (+€88.7 million) and in Amsterdam (+€12.5 million), and acquisitions of buildings in Poland (+€23.5 million). It also corresponds to fluctuations in exchange rates (+€55.3 million), right-of-use assets on long-term leases conferring ad rem rights in the United Kingdom (+€12.6 million) and on properties (+€15.7 million), the transfer of the Mercure Nice asset from France Offices (+€11.6 million), construction work (+€20.5 million) and the effect of the reclassification into assets held for sale (-€192.4 million).

3.2.8.5 Financial Assets

2018 - €K	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Loans	89,197	95	11,488	8	239	101,027
Other financial assets	651	5,915	27,735	10,300	4	44,605
Receivables on financial assets	0	6,727	0	488	0	7,215
Sub-total non-current financial assets	**89,848**	**12,737**	**39,223**	**10,796**	**243**	**152,847**
Investments in equity affiliates	148,658	17,191	83,896	0	0	249,746
Total financial assets	**238,506**	**29,928**	**123,120**	**10,796**	**243**	**402,593**

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

The decrease in financial assets in France Offices reflects the transfer of the loan granted to Lenovilla to short-term loans (-€20 million), the increase in Euromed's capital (+€5 million), the appropriation of 2018 net income from equity associates (-€11.1 million) and income from equity associates (+€11.3 million).

Financial assets in the Italy Offices segment were up due to an increase in receivables on disposals (+€78.2 million: disposal of Galleria del Corso for €30 million, maturing in 2021, and Chronos for €48.2 million, maturing in December 2022).

The rise in financial assets in Hotels in Europe was due mainly to the increase in securities of equity affiliates (+€106.1 million) and loans (+€53.7 million) following the acquisition of hotel holding companies in France and Belgium (34 B&B hotels), the payment of a deposit (+€27 million) for an acquisition in progress (see Section 3.2.9. Subsequent events), the reduction in the subscribed and uncalled capital of Foncière Développement Tourisme (-€20 million) following the acquisition of all its shares.

3.2.8.6 Inventories and work-in-progress

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

2019 - €K	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	Total
Inventories and work-in-progress	20,657	60,860	2,261	148,249	521	232,548
TOTAL	**20,657**	**60,860**	**2,261**	**148,249**	**521**	**232,548**

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

The rise in inventories in Italy Offices relates mainly to the acquisition of trading assets in Rome (+€11.6 million) and to the transfer of the asset under development to the real estate development activity (SNAM +€32.5 million).

The increase in inventories in Residential Germany is related to asset acquisitions for which a programme of redevelopment for sale is due to be launched (+€65.9 million, including works) and an Office promotion programme (+€17.6 million).

3.2.8.7 Contribution to shareholders' equity

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

2019 - €K	France and Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	TOTAL
Shareholders' equity Group Share before elimination of securities	*7,136,710*	*1,422,443*	*2,056,419*	*1,089,534*	*11,705,106*
Elimination of securities	*0*	*-1,110,485*	*-1,025,967*	*-1,271,009*	*-3,407,461*
Shareholders' equity Group Share	**7,136,710**	**311,958**	**1,030,452**	**-181,475**	**8,297,645**
Minority interests	801,736	2,070,514	1,186,215	2,233	4,060,698
Shareholders' equity	**7,938,446**	**2,382,472**	**2,216,667**	**-179,242**	**12,358,343**

In France Offices, non-controlling interests in 2019 include €373.6 million in minority interests for the Italian establishment compared with €385.3 million at 31 December 2018.

3.2.8.8 Borrowings

2018 - €K	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	TOTAL
Total long-term interest-bearing loans	2,597,822	1,902,802	2,568,075	2,147,925	0	9,216,624
Total short-term interest-bearing loans	1,442,011	26,702	256,590	117,793	7	1,843,103
Total LT and ST loans	**4,039,833**	**1,929,504**	**2,824,665**	**2,265,718**	**7**	**11,059,727**

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

3.2.8.9 Derivatives

2018 - €K	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (including France Residential)	TOTAL
Financial instruments – Assets	19,174	3,871	14,432	9,475	-0	46,952
Financial instruments – Liabilities	159,001	6,064	45,181	24,751	0	234,997
Net financial instruments	**139,827**	**2,193**	**30,749**	**15,276**	**0**	**188,045**

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

3.2.8.10 Statement of net income by operating segments

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

€ thousand - 2018	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (incl. France Residential)	Intercos Inter-sector	31/12/2018
Rental income	273,539	205,760	229,921	241,162	7,935	-2,426	955,891
Unrecovered rental costs	-8,459	-17,381	-2,434	-1,844	-1,840	13	-31,945
Expenses on properties	-7,833	-14,820	-3,650	-18,110	-1,211	8,709	-36,915
Net losses on unrecoverable receivables	-23	-1,314	-42	-1,816	-5	0	-3,200
NET RENTAL INCOME	**257,224**	**172,245**	**223,795**	**219,392**	**4,879**	**6,296**	**883,831**
Revenues from hotel operating activity and Flex Office	3,819	0	253,489	0	0	0	257,308
Expenses of hotel operating activity& Flex Office	-4,712	0	-176,765	0	0	0	-181,477
EBITDA from hotel operating activity & Flex Office	-893	0	76,724	0	0	0	75,831
Income from other activities	-33	-1	13	660	4,166	-13	4,792
Management and administration income	14,849	4,759	8,310	5,959	9,617	-23,452	20,042
Business expenses	-2,218	-884	-7,054	-1,300	-224	5,540	-6,140
Overheads(1)	-37,792	-24,744	-21,092	-41,717	-14,687	11,639	-128,393
Development costs (not capitalised)	13	0	-92	-415	-92	1	-585
NET OPERATING COSTS	**-25,148**	**-20,869**	**-19,928**	**-37,473**	**-5,386**	**-6,272**	**-115,076**
Depreciation of operating assets	-9,351	-1,038	-44,336	-1,691	-3,704	0	-60,120
Net change in provisions and other	-802	1,025	4,383	85	1,597	-11	6,277
OPERATING INCOME	**220,997**	**151,362**	**240,651**	**180,973**	**1,552**	**0**	**795,535**
Net income from inventory properties	73	-1,758	0	596	2	0	-1,087
Income from asset disposals	60,062	19,131	1,406	15,517	1,307	0	97,423
Income from value adjustments	110,643	-43,666	100,425	459,215	-5,924	0	620,693
Income from disposal of securities	0	-580	119,705	190	0	0	119,315
Income from changes in scope	-1,954	-4,960	-149,187	-3,010	-895	0	-160,006
OPERATING INCOME	**389,821**	**119,529**	**312,999**	**653,481**	**-3,958**	**0**	**1,471,872**
Income from non-consolidated companies	0	0	0	0	0	0	0
Cost of net financial debt (2)	-63,988	-43,225	-55,295	-38,968	-977	-0	-202,453
The interest cost for rental liabilities	0	0	-4,594	0	0	0	-4,594
Value adjustment on derivatives	1,621	4,024	-12,780	-9,017	-0	0	-16,152
Discounting of liabilities and receivables(1)	-199	0	-457	0	0	0	-656
Exceptional depreciation of loan issue costs (2)	-2,736	-3,632	-4,707	-43	-133	0	-11,251
Share in income of equity affiliates	14,171	-12	8,669	0	0	0	22,828
PRE-TAX NET INCOME	**338,690**	**76,684**	**243,835**	**605,453**	**-5,068**	**0**	**1,259,594**
Deferred tax liabilities	0	11,316	-7,230	-94,145	9	0	-90,050
Corporate taxes	-1,734	-2,203	-9,424	-12,356	-364	0	-26,081
NET INCOME FOR THE PERIOD	**336,956**	**85,797**	**227,180**	**498,952**	**-5,423**	**0**	**1,143,462**
Net income from non-controlling interests	-10,833	-54,542	-144,962	-183,442	-110	0	-393,889
NET INCOME FOR THE PERIOD – GROUP SHARE	**326,123**	**31,255**	**82,218**	**315,510**	**-5,533**	**0**	**749,574**

(1) The free share expense previously included in the item Discounting of liabilities and receivables for €8,802 thousand (see 31 December 2018 report) is now included with personnel expenses under Overheads.
(2) The regular depreciation of loan issue costs previously included in Depreciation of loan issue costs (see 31 December 2018 report) for €14,484 thousand is now included in Cost of net financial debt.

The cost of net financial debt and adjustment to the value of Covivio's derivatives, which were presented under Other (including France Residential) at 31 December 2018, are now included under France Offices.

Net income Group share for the period from the France Offices business amounted to €326,123k (compared with €343,297k reported at 31 December 2018) while that of the Corporate business totalled -€5,533k (compared with -€22,707k at 31 December 2018).

€ thousand - 2019	France Offices	Italy Offices	Hotels in Europe	Germany Residential	Other (incl. France Residential)	Intercos Inter-sector	31/12/2019
Rental income	257,409	201,817	245,418	251,798	5,012	-134	961,320
Unrecovered rental costs	-9,313	-20,516	-2,426	-3,332	-1,374	-46	-37,007
Expenses on properties	-8,080	-7,849	-8,522	-19,623	-652	13,775	-30,951
Net losses on unrecoverable receivables	-1,913	-653	30	-1,963	-51	0	-4,550
NET RENTAL INCOME	**238,103**	**172,799**	**234,501**	**226,880**	**2,935**	**13,595**	**888,813**
Revenues from hotel operating activity and Flex Office	10,970	0	232,252	0	1	0	243,223
Expenses of hotel operating activity& Flex Office	-5,838	0	-162,332	0	0	0	-168,170
EBITDA from hotel operating activity & Flex Office	5,132	0	69,920	0	1	0	75,053
Income from other activities	1,219	0	29	5,920	9,657	0	16,825
Management and administration income	23,738	5,791	15,590	5,170	9,941	-37,212	23,018
Business expenses	-1,838	-1,040	-6,026	-1,293	-89	4,638	-5,648
Overheads	-38,058	-21,173	-21,010	-44,214	-14,300	11,346	-127,409
Development costs (not capitalised)	-104	0	-624	-994	-97	0	-1,819
NET OPERATING COSTS	**-16,262**	**-16,422**	**-12,071**	**-41,331**	**-4,545**	**-21,228**	**-111,859**
Depreciation of operating assets	-10,558	-2,051	-42,285	-2,553	-7,557	0	-65,004
Net change in provisions and other	-29	1,815	24,291	-15,139	1,821	71	12,830
OPERATING INCOME	**217,605**	**156,141**	**274,385**	**173,777**	**2,312**	**-7,562**	**816,658**
Net income from inventory properties	-751	-5,624	0	436	152	0	-5,787
Income from asset disposals	3,302	-23,748	4,123	11,124	-1,297	7,562	1,066
Income from value adjustments	231,040	-9,617	250,405	532,702	-896	0	1,003,634
Income from disposal of securities	0	3	4,101	3,032	588	0	7,724
Income from changes in scope	-135	-1,392	-14,955	-5,685	-88	0	-22,255
OPERATING INCOME	**451,061**	**115,763**	**518,059**	**715,386**	**771**	**0**	**1,801,040**
Income from non-consolidated companies	4	0	0	0	0	0	4
Cost of net financial debt	-55,188	-38,978	-63,607	-51,536	-857	0	-210,166
The interest cost for rental liabilities	-93	-47	-12,886	-10	-490	0	-13,526
Value adjustment on derivatives	-86,705	-35,594	-51,412	-22,672	-0	0	-196,383
Actualization/Updating of debt and receivables	-207	0	34	0	0	0	-173
Exceptional amortisations of loan issue costs	-522	-5,360	-3,612	-1,157	5	0	-10,646
Share in income of equity affiliates	11,323	-2,380	20,359	0	0	0	29,301
PRE-TAX NET INCOME	**319,673**	**33,404**	**406,934**	**640,011**	**-571**	**0**	**1,399,450**
Deferred tax liabilities	0	-18,314	-2,200	-93,117	-9	0	-113,640
Corporate taxes	-191	-411	-12,808	-10,033	-552	0	-23,995
NET INCOME FOR THE PERIOD	**319,482**	**14,679**	**391,925**	**536,861**	**-1,132**	**0**	**1,261,815**
Net income from non-controlling interests	-52,286	-30,686	-239,560	-192,194	-102	0	-514,828
NET INCOME FOR THE PERIOD – GROUP SHARE	**267,196**	**-16,007**	**152,365**	**344,667**	**-1,235**	**0**	**746,987**

3.2.9 SUBSEQUENT EVENTS

✓ Hotels in Europe:

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

This transaction will be carried out for a total amount of €573 million. A deposit of €27 million was paid in December 2019.

These hotels will be operated by NH Hotel Group, which has entered into long-term 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.

✓ Germany Offices:

During the month of February 2020, Covivio launched a friendly takeover bid for the shares of the Group Godewind Immobilien, listed in Germany.
Godewind Immobilien owns a portfolio of 10 office assets in Germany for a value of approximately €1.2 billion. This 35%-secured acquisition will launch the offices business in Germany.

✓ Germany Residential:

On 30 January 2020, a draft law was passed providing for a rent cap in Berlin. This law is applicable with effect from February 2020. It consists of a 5-year freeze on rents and the introduction of a rental cap based on criteria of location, the age of buildings and the standard of apartments. Under its current terms, the law had no 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 decrease until November 2020.

3.3 Statutory auditors' report on the consolidated financial statements

Financial year ended 31 December 2019

To the shareholders of Covivio,

Opinion

In compliance with the engagement conferred on us by your general meetings, we have performed an audit of the accompanying consolidated financial statements of Covivio for the financial year ended 31 December 2019.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the entities included in the Group's scope of consolidation as at 31 December 2019, and of the results of their operations for the year then ended, in accordance with the IFRS accounting framework as adopted in the European Union.

The audit opinion thus formulated is consistent with the content of our report to the company's audit committee.

Basis for the audit opinion

- **Audit framework**

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

Our responsibilities by virtue of those professional standards are set out in the latter part of the present report under the heading "Responsibilities of the statutory auditors for the audit of the consolidated financial statements".

- **Independence**

We performed our audit engagement in compliance with the independence requirements applicable to us during the period from 1st January 2019 to the date of issue of our report; in particular, we performed no services prohibited under article 5, paragraph 1 of EU regulation n° 537/2014 or by virtue of France's *Code de déontologie de la profession de commissaire aux comptes*.

Observation

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

Justification of our assessments - Key audit matters

In accordance with the requirements of articles L823-9 and R823-7 of the French code of commercial law relating to the justification of our assessments, we bring to your attention the following key audit matters relating to the risks of material misstatement which, in our professional view, have presented the greatest significance for the audit of the accompanying consolidated financial statements, as well as the manner in which we have responded to those risks.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report. We do not express any opinion on isolated elements of the consolidated financial statements.

Valuation of investment property

Risk identified	Our response
Given the activity engaged in by Covivio, the fair value of the Group's investment property amounted at 31 December 2019 to 81% of consolidated assets or €20.8 billion. In accordance with the option provided by IAS 40, the Group's investment property is recognised on the basis of its fair value with changes in fair value recognised in profit or loss. Investment property is not amortised. Note 3.2.5.1.1. to the consolidated financial statements states that the Group's investment property is subject to valuation by independent professional property valuers. Property valuation is a complex matter requiring the exercise of significant judgement by the Group's professional property valuers based on the data communicated by the Group's management. Given the weight of the Group's investment property and the sensitivity of their valuation to the applicable assumptions requiring the exercise of judgement, we considered their valuation as a key audit matter.	We obtained an understanding of the Group's process of valuation of its investment property. Our procedures also involved: ► Assessing the competence and independence of the Group's professional property valuers on the basis of the requirements for rotation and bases of remuneration defined by the Group; ► Obtaining an understanding of the Group's written instructions to their professional property valuers describing the nature of the services required and the scope and limitations of the applicable procedures with particular regard to the verification of the information provided by the Group; ► Assessing, on a test basis, the relevancy of the information provided by the entities' finance departments to the professional property valuers for the purpose of determining the fair value of their investment property, including rent schedules, other accounting data and capital expenditure budgets; ► Analysing the professional property valuers' valuation assumptions such as, in particular, the applicable yield rates, discount factors, estimated rents and market rental values, by comparison with the available market data; ► Interviewing certain professional property valuers in the presence of the Group's finance departments and assessing, by the inclusion of valuation specialists within our audit teams, the consistency and relevancy of the valuation approach applied and of the main associated instances of the exercise of professional judgement; ► Reconciling the resulting property valuations with the amounts included in the consolidated financial statements.

Specific verifications

We have also performed in accordance with professional standards applicable in France, the specific verifications required by French laws and regulations, on the information included in the Board of Directors' management report.

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

We attest that the non-financial statement provided for by article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the management report, it being specified that, in accordance with the provisions of article L. 823-10 of said Code, we have verified neither the fairness nor the compliance with the annual accounts of the information contained in this statement that will be covered by the report issued by an independent third party.

Information reflecting other legal and regulatory requirements

Statutory audit appointments

We were appointed as statutory auditors of Covivio by your company's general meeting held on 22 May 2000 in the case of MAZARS and 24 april 2013 in the case of ERNST & YOUNG et Autres.

At 31 december 2019, MAZARS was in its twentieth year of engagement without interruption and ERNST & YOUNG et Autres in its seventh year.

Groupe PIA that became Conseil Audit & Synthèse (acquired by ERNST & YOUNG Audit in 2010) was the statutory auditor from 2007 to 2012.

Responsibilities of the Group's management, and of the persons involved in the Group's corporate governance, in respect of the consolidated financial statements

The Group's management is responsible for the preparation of consolidated financial statements presenting a true and fair view in accordance with the IFRS accounting framework as adopted in the European Union and for the implementation of the system of internal control it deems necessary for the preparation of consolidated financial statements free from material misstatement whether resulting from fraud or error.

When preparing the consolidated financial statements, it is incumbent on the Group's management to assess the company's capacity to continue to operate as a going concern, make any necessary disclosure in that respect and present the consolidated financial statements on a going concern basis unless there is an intention to liquidate the company or cease its business.

It is incumbent on the Group's audit committee to oversee the Group's financial reporting process and assess the effectiveness of its systems of internal control and risk management, and of any internal audit function, with regard to the preparation and processing of financial and accounting information.

The consolidated financial statements have been authorised for issuance by the company's Board of Directors.

Responsibilities of the statutory auditors for the audit of the consolidated financial statements

Audit purpose and audit approach

We are required to prepare a report on the consolidated financial statements. Our purpose is to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free from material misstatement. Reasonable assurance implies a significant level of assurance which nevertheless does not provide any guarantee that an audit performed in accordance with professional auditing standards will systematically enable the detection of any material misstatement. Misstatements may result from fraud or error and are considered to be material whenever it may reasonably be expected that, taken individually or in aggregate, they may influence the economic decisions taken by users of the financial statements on the basis of those financial statements.

As mentioned by article L823-10-1 of the French code of commercial law, our statutory audit engagement does not guarantee your company's viability or the quality of its management.

In the framework of an audit performed in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the audit and:

- Identifies the risks of material misstatement in the consolidated financial statements, whether resulting from fraud or from error, defines and deploys audit procedures with regard to those risks and gathers the audit evidence deemed sufficient and appropriate to support the audit opinion. The risk of non-detection of a material misstatement attributable to a fraud is greater than that for a material misstatement attributable to error, since fraud may imply the existence of collusion, falsification, voluntary omission, false statements or bypassing of internal controls;
- Obtains an understanding of the internal controls relevant to the audit for the purpose of defining appropriate audit procedures but not with the intention of expressing an audit opinion on the effectiveness of the Group's system of internal control;
- Assesses the appropriateness of the Group's accounting policies, the reasonableness of management's estimates and the adequacy of the related additional disclosures provided in the consolidated financial statements;
- Assesses the appropriateness of management's application of the going concern convention as well as, based on the audit evidence collected, the existence of any material uncertainty with regard to events or circumstances liable to compromise the company's ability to continue to operate as a going concern. The assessment is based on the audit evidence collected up to the date of the audit report and it must be noted in that respect that subsequent circumstances or events may also compromise the company's ability to continue as a going concern. If the auditor concludes as to the existence of any material uncertainty, the attention of readers of the audit report is drawn to the information provided in that respect in the consolidated financial statements or, if such information is not provided or is not relevant, the auditor formulates a qualified audit opinion or a disclaimer of opinion;
- Assesses the overall presentation of the consolidated financial statements and judges whether the consolidated financial statements reflect the Group's transactions and underlying events in such a way as to provide a true and fair view;
- With regard to the financial information provided by the entities included in the Group's scope of consolidation, gathers the audit evidence deemed sufficient and appropriate for the expression of an audit opinion on the consolidated financial statements. The statutory auditor has overall responsibility for the direction, supervision and performance of the audit of the consolidated financial statements and for the audit opinion thereon.

Report to the audit committee

We remit to the audit committee a report which presents the scope of the audit procedures, the work programme implemented and the associated conclusions. We also inform the audit committee of any internal control weaknesses identified in respect of the procedures governing the preparation and processing of the Group's financial and accounting information.

The elements communicated in the report to the audit committee equally include the risks of material misstatement which, in our professional view, have presented the greatest significance for the audit of the accompanying consolidated financial statements and which as such constitute the key audit points we are required to describe in the present report.

We also provide the audit committee with the statement required by article 6 of EU regulation n° 537-2014 and confirming our independence in accordance with the requirements applicable in France as defined in particular by articles L822-10 to L822-14 of the French code of commercial law and by our profession's *Code de déontologie de la profession de commissaire aux comptes*. If appropriate, we discuss with the audit committee any risks threatening our independence and the corresponding safeguards applied.

Courbevoie and Paris-La Défense, February 27, 2020

The statutory auditors

MAZARS	ERNST & YOUNG et Autres
Claire Gueydan	Anne Herbein