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2019 first-half financial results

Increasing development pipeline, stronger balance sheet and growing operating & financial results

"Covivio ends this half-year well on the way to its full-year objectives. Our markets are performing well and our diversified position, as leader in our segments, is reflected in growth in all our operational and financial indicators. The strengthening of the balance sheet, through the successful dividend payment in shares and the progress of our disposal plan, has enabled us to reach our new leverage target below 40% in the 1st half of the year".

Christophe Kullmann, Covivio Chief Executive Officer

Acceleration of the development pipeline is on track

- 100,000 m² of new committed projects in Paris, Levallois-Perret, Milan and Berlin
- Committed projects pipeline increased by 30% to €2.1 billion (€1.7 billion Group share)
- New rental agreement with NTT Data for 16,000 m² in The Sign complex in Milan, 18 months ahead of delivery
- A pipeline that is already 51% pre-let, securing the expected yield of 6%

New LTV objective of less than 40% already achieved

- €732 million in secured disposals, with an average margin of 6% on the last appraisal value
- Success of the payment option of dividend in shares, increasing equity by €316 million
- LTV at end-June of 39.2%; improvement in S&P rating to BBB+

Growth in first-half results

- Rental income: +3.3% on a like-for-like basis
- Portfolio value: +2.8% on a like-for-like basis
- 2.8% increase in EPRA Earnings per share, and a 5.4% rise in EPRA NAV per share year-on-year

2019 outlook confirmed

- Guidance of 2019 EPRA earnings per share growth of over 3%

EPRA Earnings and EPRA NAV are Alternative Performance Indicators as defined by the AMF and detailed in section 3. Financial information, 5. EPRA reporting and 7. Glossary to this document. The half-yearly financial statements underwent a limited audit. The report of this limited audit is in the process of being published.

A leading European operator with a €23 billion portfolio (€16 billion Group share) centred on major European cities, in particular Paris, Berlin and Milan, Covivio supports companies, hotel operators, and regions in their pursuit of attractiveness, transformation and responsible performance.
A preferred real estate player at the European level, Covivio is close to its end users, capturing their aspirations, combining work, travel, living, and co-inventing vibrant spaces. A global player covering all stages of the real estate value chain, the Group is supported by a European development pipeline of €6 billion to ensure its ongoing growth.

Acceleration of the development pipeline

A strategic pillar of Covivio which meets customer expectations, increasingly focused on high-performing and service-oriented buildings, the development pipeline ensures an optimal risk-return ratio (since 2010, the average occupancy rate for delivered assets has reached 94% within 12 months following their delivery). It is also a driving force behind the improvement in portfolio quality and the Group's aim of achieving 100% green office buildings by 2023.

In the first half, the committed development pipeline grew by 30% to €2.1 billion (€1.7 billion Group share) with the commitment of 100,000 m² of new projects such as So Pop in Paris Saint-Ouen, Alis in Levallois-Perret, Symbiosis D and Vitae (Reinventing Cities competition) in Milan.

Bought from Citroën in 2012 based on an initial yield of 8.1%, with the prospect of demolition-reconstruction on the tenant's departure, the So Pop project benefits from a strategic location on the border of Paris 17th and Saint-Ouen. Demolition-reconstruction will enable the surface area to be increased by 70% to 31,000 m², and the rental income by 145%, thus generating a yield of 6.1% on the total cost (of €226 million). In addition, as part of its policy of risk management and rotation, Covivio will co-invest with Crédit Agricole Assurances, which will have a 49.9% stake. The value creation objective of this project, for which delivery is expected in 2021, exceeds 60% (including the margin on the shared investment).

Covivio has also recently committed the Alis project in Levallois-Perret, involving the redevelopment of a 20,500 m² office building (extension +15%) located opposite the Pont de Levallois metro station. In 2015, Covivio, already owner of 2/3 of this three-building complex, bought the 3rd building with the aim of redeveloping it on the departure of the main tenant early 2019. The transaction, for which delivery is expected in 2022, should generate a yield of 5% on the total cost (€215 million) and will enable rental income to increase by 60% with a value creation objective of 40%.

In Milan, Covivio is continuing to develop the Symbiosis area in the south of the city. Following delivery of the new Fastweb headquarters (20,500 m²) in 2018, and the launch of development work on a 7,900 m² school pre-let to ICS International School, a new 18,600 m² office building has been launched, for a total Investment of €84 million (yield of around 7%). 6,400m² have already been pre-let to a multinational to locate its Italian headquarters, thus marking a new stage in the development of this innovative business district. The lease was signed with rent of €316/m² for the office portion and a firm term of 10 years. Delivery is scheduled for 2021.

Covivio also won the Reinventing Cities award, a prestigious international competition to promote urban and environmental regeneration, with the "Vitae" redevelopment project, located opposite Symbiosis. Vitae, which totals 10,000 m², brings together offices, event and catering spaces, and also includes a specialised molecular and oncology research lab. The whole project will form an innovative hub, at the forefront of technology and sustainable development (LEED Platinum, WELL Gold and BiodiverCity® label certifications). The first rental agreements have been signed with partners IFOM (laboratory) and CIR Food. The total budget for the transaction, for which delivery is planned for 2022, amounts to €42 million and the target yield is estimated at around 6.6%.

Lastly, in Germany, Covivio is continuing its investment strategy focused on residential development, in Berlin in particular, with a committed pipeline of €171 million (€111 million Group share) up 55%, plus €661 million of managed projects. The average total cost of the 640 committed housing units (45,300 m²) is €3,772/m², for a yield of 4.7% and a target sales margin of around 40%.

At end-June, 51% of the committed commercial pipeline was pre-let, including 66% for projects due to be delivered in 2020. For The Sign in Milan, Covivio signed the pre-commercialisation of the 16,000 m² of offices in buildings B and C in July, for a firm term of 12.4 years, with NTT Data (international group specialised in IT and digital engineering services). This agreement, on top of the rental agreement with Aon for building A already signed, secures almost the entire occupancy of the project 18 months prior to delivery and the yield of 7.3%.

€732 million in disposals secured at end-June: acceleration of the disposal of mature assets

In the first half, Covivio signed disposals and sales commitments for €732 million (€602 million Group share) with an average margin of 6% on the appraisal values at end-2018. Nearly 70% of these sales concern mature assets disposed at a premium of 9%.

In France Offices, the Group signed a sales commitment for the Green Corner asset (20,800 m²) in Saint-Denis, for €167 million. The sale of this building, which had been redeveloped in 2015, will be completed in the 3rd quarter. In addition, Covivio sold an asset located in Charenton-Le-Pont for €54 million. This building, totalling 11,500m² in offices, is fully let to Natixis for 4.5 years firm.

In Italy, Covivio signed a sales commitment on a portfolio of mature and non-core assets for €263.5 million, including the building on Via Montebello in Milan and nine assets located in secondary locations (Rome, Bologna, Venice, etc.). The price is slightly higher than the appraisal value at end-2018 (+1%) with a net yield of 4.9%. Transfer of ownership is expected in December 2019.

In Hotels, Covivio signed a sales commitment on 30 B&B hotels in France for €113 million (€25 million Group share) with a margin of 13% above the last appraisal. Lastly, in German Residential, sales were mainly concentrated on disposals of apartments, of which nearly 90% in Berlin, for €30 million (€20 million Group share) generating a margin of 75% (implied rental yield of 1.9%).

Over the half year, Covivio invested €622 million (€338 million Group share), including €307 million (€192 million Group share) in CAPEX on the development pipeline. Acquisitions mainly concerned three hotels in the United Kingdom and the Netherlands, secured in 2018, for €91 million (€39 million Group share, 5.7% yield). On 1 July, Covivio also invested in a 32% stake in a portfolio of 32 Accor hotels in France and Belgium for €176 million including duties (€76 million Group share). This portfolio, which will be managed by Covivio, strengthens the Group's presence in the hotel market in France, the world's number one tourist destination. The assets are also profitable with an average EBITDAR margin of over 30%. The target net yield net for 2021, at 5.3%[1], indicates a low rent of €4.7 thousand per room, providing significant growth potential.

[1] Immediate net yield of 4.8%

Three strategic pillars for CSR performance

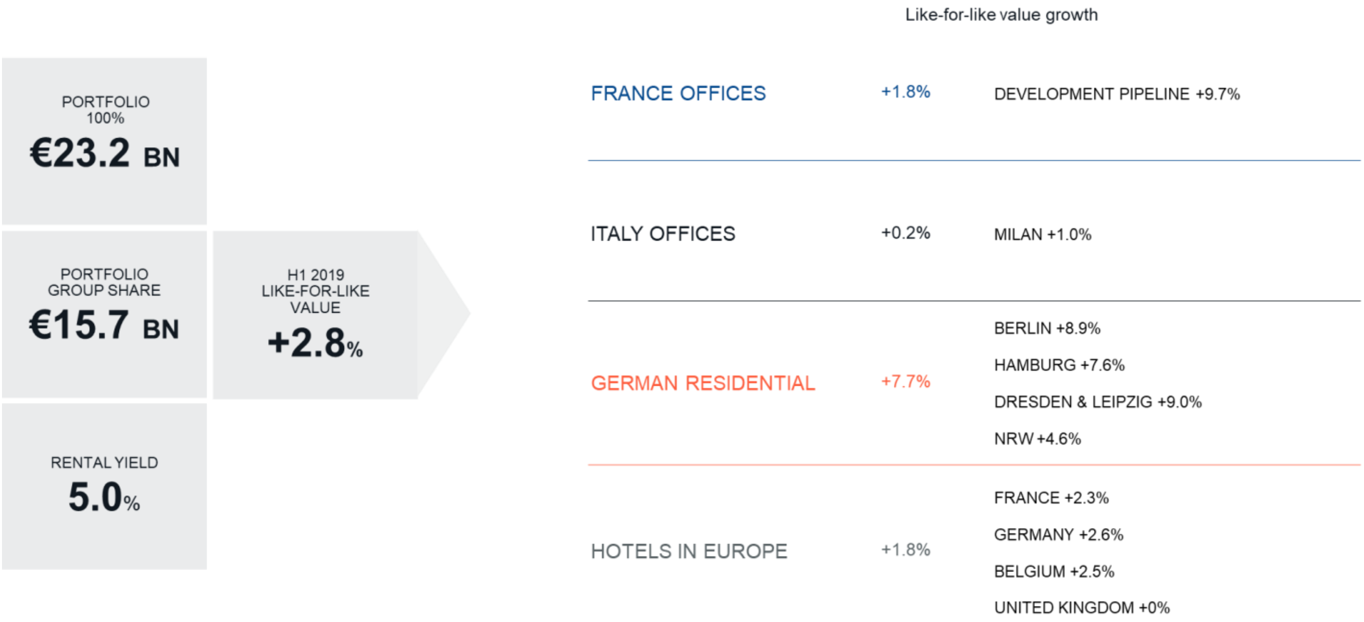
Covivio has built its strategy on the three pillars of i) major European cities, reflecting the desire to offer its customers premium locations; ii) the development pipeline, to meet its customers' needs with new high-performing properties; and iii) the customer culture, through the partnership approach that has been at the heart of the Group's DNA since its creation in 2001. These three pillars serve an ambitious CSR policy that has been recognised through numerous awards and high-grade ratings (https://www.covivio.eu/en/csr-innovation/csr/csr-indicators/).

- 93% of Covivio's properties are located less than a five minutes' walk from public transport (99% are less than ten minutes away), with the aim of reaching 100% by 2023;
- 78% of the office assets have environmental certification, well on the way to the target of 100% by 2023;
- energy consumption and CO_2 emissions for the portfolio were down by -2.4% and -9.0% respectively on a like-for-like basis year-on-year in 2018.
- 45% of office buildings benefit from a service offer, with a target of 100% by 2023.

As part of the 2°C scenario of the Paris International Agreement of 2015, Covivio has worked with the CSTB (*Centre Scientifique et Technique du Bâtiment*) to model its carbon trajectory for its entire portfolio. The Group has set itself the ambitious target of reducing its carbon intensity by one-third between 2010 and 2030 (-16% at end-2018). A trajectory certified by the Science Based Targets initiative (SBTi), which stems from a collaboration between CDP (Carbon Disclosure Project), the UN Global Compact, WRI (World Resources Institute) and WWF (World Wide Fund for Nature). In 2018, the CDP (Carbon Disclosure Project) awarded Covivio an A rating.

Increase of 2.8% in the value of assets at end-June

At end-June 2019, the portfolio totalled €23.2 billion and €15.7 billion Group share, i.e. +2.8% on a like-for-like basis, mainly due to the performance of the Germany Residential portfolio (+7.7%) and assets under development in the France Offices portfolio (+9.7%).



New LTV objective of less than 40% already achieved and S&P rating improved

The option for the payment of the dividend in shares, proposed to shareholders in respect of the 2018 dividend (of €4.60), was successful, chosen for 82.7% of the share capital. This transaction represented a capital increase of €315.9 million and once again demonstrates shareholders' confidence in Covivio's strategy. Alongside the disposals plan in the first half, this transaction has already enabled the company to achieve the new LTV target of below 40%, with an LTV of 39.2% at end-June, while continuing investments, particularly in the development pipeline. Underlining this strengthening of Covivio's financial solidity and the quality of its portfolio, in April 2019 S&P raised Covivio's rating to BBB+, stable outlook.

3.3% growth in revenue on a like-for-like basis

The diversified positioning in growth markets and strategic orientations in recent years are bearing fruit. Covivio's revenue has grown by 3.3% on a like-for-like basis. Indexation and performance of variable revenues contributed 43%, one-third due to reversion at the time of renewals and a quarter due to the improvement in the occupancy rate. The latter was 98.1%, secured by an average firm lease term of 7.2 years. By activity:

- in France Offices, the increase of 3.9% on a like-for-like basis is primarily the result of leases in 2018 (+1.9 pts), mainly completed starting from the second quarter 2018. Indexation contributed +1.5 pts and rental uplift on renewals +0.5 pt;
- in Italy, rental income increased by 1.4%, including +1.7% on the offices portfolio in Milan. Occupancy rate improved once again, rising by 0.2 pt, to 98.1%. Indexation contributed +1 pt to this performance;
- rental performance in Germany Residential held up at +4.4% on a like-for-like basis, driven by the dynamic in Berlin (+5.3% on a like-for-like basis), as well as North Rhine-Westphalia (+4.1%);
- lastly, in Hotels, revenue increased by 2.0%. Growth of 1.9% in hotel lease properties was held back by work programmes being undertaken by Accor at some variable rent hotels, in order to improve future performance. Hotel operating properties saw revenue up 2.4%, driven by good performance in Germany (+4.2%), in particular in Berlin.

H1 2019 - in €million	Revenues 100%	Revenues Group Share	Variation	Like-for-like growth	Occupancy rate	Average firm lease maturity (years)
Offices France	130	115	-6.6%	3.9%	97.3%	4.8
Offices Italy	94	73	73.9%	1.4%	98.1%	7.2
Residential Germany	124	80	5.9%	4.4%	98.8%	n.a.
Hotels in Europe	149	59	23.1%	2.0%	100.0%	13.9
Total strategic activities	**498**	**327**	**13.3%**	**3.4%**	**98.2%**	**7.2**
Non strategic activities	16	12	-15.8%	-1.7%	95.6%	5.4
Total	**513**	**339**	**11.9%**	**3.3%**	**98.1%**	**7.2**

In June 2019, the city of Berlin approved a project to freeze housing rents for five years. The draft law will be voted on in October. There are a number of legal uncertainties regarding the application of this law, the details of which are still unclear. Furthermore, this additional regulation risks worsening the housing shortage in the city due to the high growth in Berlin's population (+385,000 inhabitants over 10 years with only 90,000 new housing units created). Berlin residential activity represents 8.8% of overall Covivio revenues, with a high quality portfolio of 16,000 centrally located units. Valuation on a block basis stands at €2,745/m² at end-June, well below unit value (+75% margin on H1 2019 disposals).

Growth of 2.8% in EPRA Earnings per share

EPRA Earnings increased by 14.6% year-on-year, to €219.7 million Group share, driven by good operating performance and the merger with Beni Stabili. EPRA Earnings per share amounted to €2.63, i.e. +2.8%, following an increase of 11.5% in the number of shares in the period (due to the merger). Net income amounted to €355 million Group share.

EPRA NAV of €8.8 billion and €100.6 per share

The rise in property appraisal values and EPRA Earnings resulted in EPRA NAV increasing by 0.9% over six months (+5.4% year-on-year) to €100.6 per share (€8.8 billion). NNNAV amounted to €7.9 billion and €90.2 per share (+3.1% year-on-year and -1.6% over six months, impacted by the valuation of hedging instruments).

2019 outlook confirmed

Boosted by the performance in this first half, Covivio confirms its objective of an EPRA Earnings per share growth of over 3% for 2019.

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ABOUT COVIVIO

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

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

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

1. BUSINESS ANALYSIS

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

Changes in scope:

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

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

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

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

[1] LfL : Like-for-Like

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

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

- +4.4% in German Residential, driven by Berlin (+5.3%) and supported by the strong performance in North Rhine-Westphalia (+4.1%),
- +2.0% in Hotels, driven by good EBITDA growth on management contracts (+2.4%). Accor variable rents grew by +1.9%, tuned down by the renovations works currently being realised by Accor that will fuel future revenue growth.

- acquisitions (+€17.6 million) especially in Hotels (+€12.0 million), with a portfolio of 12 hotels in the United Kingdom acquired last year, and in German Residential (+€4.0 million), with the acquisition of around 3,000 units in 2018.
- deliveries of new assets (+€4.9 million), mainly in France with the delivery of 5 projects in 2018 and 2019 and Italy with the delivery of the Symbiosis A and B buildings in Milan.
- asset disposals: (-€20.3 million), especially:
  - in France Offices (-€5.8 million), mostly non-core assets in the 2nd ring and Regions realised in 2018,
  - in Italy (-€2.9million), mostly through the disposal of Telecom Italia assets in second half 2018,
  - in German Residential (-€3.0 million) with the sale of close to 1,600 apartments in twelve months, including almost 75% of non-core assets in North Rhine-Westphalia,
  - in Hotels (-€3.5 million) with the disposal of non-core hotels (mostly B&B assets and Sunparks resorts),
  - non-strategic assets (-€5.0 million) mainly Retail in Italy and France (the Excelsior gallery asset in Milan and Jardiland stores).
- vacating for redevelopment (-€6.5 million) in France Offices, in Paris St-Ouen, Paris-Jean Goujon in the CBD and Gobelins in the Paris 5th.
- change in scope effects (+€32.6 million) mainly due to the increase in Covivio's stake in Beni Stabili to 100% at end 2018 and the asset contribution of Covivio to Covivio Hotels.

B. LEASE EXPIRIES AND OCCUPANCY RATES

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

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

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

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

The decrease in Italy is due to new leases signed with a 6-year firm maturity, below the high average of the overall portfolio.
However, this figure does not include the good pre-letting activity of the first half on the committed projects in Milan, with close to 30,000 m² leased with an average maturity of 12 years.

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

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

The €31 million remaining to expire in 2019 includes:

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

2. Occupancy rate: a high level of 98.2%

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

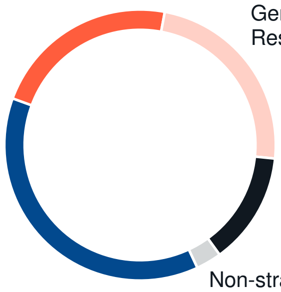
The occupancy rate increased to a record high at 98.2% for strategic activities. Covivio maintains a high occupancy level in the long-term with more than 96% on average over 10 years.

C. BREAKDOWN OF REVENUES – GROUP SHARE

By major tenants

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

By activity



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

D. COST TO REVENUE RATIO BY BUSINESS

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

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

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

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

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

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

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

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

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

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

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

[1] Potential yield on acquisitions.

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

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

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

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

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

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

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

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

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

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

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

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

- Levallois Alis – 20,500 m²: full redevelopment project of offices into a prime asset in the well-established business district of Levallois, right next to the metro line 3. In 2015, Covivio had acquired the third building of this asset in view of redevelopment upon departure of the tenant, Lagardère, who vacated the building end-2018. Delivery is scheduled for 2022.

- Duca d'Aosta in Milan – 2,500 m²: full redevelopment of an office building into a hotel in the centre of Milan. 100% pre-let to Invest Hospitality in March 2019. Delivery is scheduled for 2020.

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

- Symbiosis D in Milan – 18,600 m²: third building of the Symbiosis project in a growing business district in the South of Milan. Building D is already 35% pre-let to a major multinational group. Delivery scheduled for 2021.

- Residential projects in Berlin – 183 units: 4 new projects totalling €62 million of new construction and extension projects.

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

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

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

[1] Surface at 100%

[2] Including land and financial costs

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

Synthesis of Committed projects	Surface [1] (m²)	Pre-leased (%)	Total Budget [2] (€M, 100%)	Total Budget [2] (€M, Group share)	Target Yield [3]	Progress	Capex to be invested (€M, Group share)
France Offices	210,720 m²	43%	1,412	1,103	5.8%	20%	531
Italy Offices	94,500 m²	68%	424	424	6.4%	35%	164
German Residential	45,271 m²	n.a	171	111	4.7%	11%	102
Hotels in Europe	533 rooms	100%	74	30	6.2%	86%	4
Total		**51%**	**2,080**	**1,668**	**6.0%**	**24%**	**801**

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

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

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

[1] Surfaces at 100%

The next project to be committed is Alexanderplatz in Berlin:

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

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

H. PORTFOLIO

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

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

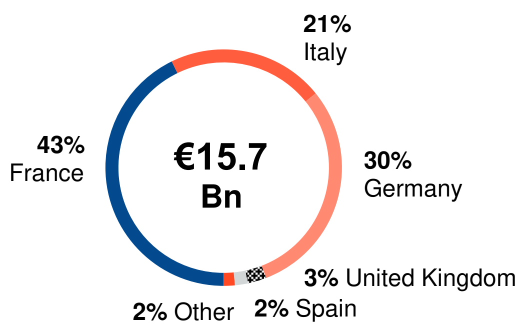
[1] LfL: Like-for-Like
[2] Yield excluding development projects

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

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

Geographic breakdown of the portfolio end-June 2019

90% in large European cities



I. LIST OF MAJOR ASSETS

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

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

2. BUSINESS ANALYSIS BY SEGMENT

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

A. FRANCE OFFICES

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

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

- **Take-up** stood at 1,1 million m², in line with the ten-year average (-20% vs the historically high first half of 2018).
  - Around 280,000 m² on new or refurbished space (vs 1 million m² in 2018), driven by Paris (105,000 m²) and the increasingly attractive 1st ring (94,000 m², +100% year-on-year).

- Record low **immediate supply** of under 2.9 million m² (-3% vs end-2018) and vacancy rate (5.1%, -0.4 pt vs end-2018)
  - Vacancy rate remains at an all-time low in all areas, especially in Paris (2.3%)
  - Only 540,000 m² of new space is available (21% of immediate offer)
  - Marked scarcity in the area around Covivio projects: only 32,000 m² in Paris 17th North-Clichy-St Ouen, 5,300 m² in Montrouge-Malakoff-Chatillon and 7,600 m² in Levallois.

- **Future supply** remains fairly stable with 2 million m² of surface area under construction, pre-let at 39%.
  - Construction volume in La Défense increased by 37%
  - Excluding la Défense, the volume under construction dropped by 7% with a stable pre-let ratio at 46%
  - Overall, the available surface area under construction until 2021 represents around a half-year of take-up.

- Average **economic rents on new or restructured spaces** rose by 6% on average year-on-year in Greater Paris:
  - Headline rents increased by 5% on average
  - Incentives decreased again by 0.4 pt since end-June 2018 to 19.9%
  - Most areas benefitted: +6% in Paris, +7% in the 1st ring, +9% in the Western Crescent.

- **Investments** in Greater Paris offices remain buoyant, with €8.8 bn (+11% year-on-year). There is still a significant gap between prime yields (stable at 3% in the CBD of Paris, 3.85% in Lyon) and the OAT 10-year (close to -0.5% at end-June 2019).

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

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

[1] Sources: Immostat, C&W, CBRE, Crane Survey, JLL

Partially held assets are the following:

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

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

2.1. Geographic breakdown: success of asset management policy

(€ million)	Surface (m²)	Number of assets	Rental income H1 2018 100%	Rental income H1 2018 Group share	Rental income H1 2019 100%	Rental income H1 2019 Group share	Change (%) Group share	Change (%) LfL [1] Group share	% of rental income
Paris Centre West	106,357	11	21.6	22.2	17.0	17.0	-23.7%	1.7%	15%
Paris South	72,101	8	14.1	11.6	15.5	12.9	11.0%	16.3%	11%
Paris North- East	109,320	6	9.7	9.7	10.1	10.1	3.7%	4.3%	9%
Total Paris	**287,778**	**25**	**45.4**	**43.6**	**42.6**	**40.0**	**-8.3%**	**6.6%**	**35%**
Western Crescent and La Défense	224,533	18	36.2	32.4	35.6	31.8	-1.8%	1.4%	28%
Inner ring	461,639	23	27.7	19.9	28.0	20.0	0.7%	3.6%	17%
Outer ring	51,940	22	3.3	3.3	2.6	2.6	-21.7%	2.2%	2%
Total Paris Region	**1,025,890**	**88**	**112.7**	**99.1**	**108.7**	**94.3**	**-4.8%**	**4.0%**	**82%**
Major regional cities	399,885	49	15.2	14.4	14.2	13.4	-6.7%	4.9%	12%
Other French Regions	213,854	73	9.8	9.8	7.4	7.4	-24.8%	-0.6%	6%
Total	**1,639,629**	**210**	**137.6**	**123.3**	**130.3**	**115.1**	**-6.6%**	**3.9%**	**100%**

[1] LfL : Like-for-Like

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

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

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

3.1. Breakdown by major tenants

(€ million)	Surface (m²)	Number of assets	Annualised rents 2018 100%	Annualised rents 2018 Group share	Annualised rents H1 2019 100%	Annualised rents H1 2019 Group share	Change (%)	% of rental income
Orange	340,564	92	67.4	67.4	67.8	67.2	-0.3%	26%
Suez	82,337	2	28.3	22.1	28.3	22.1	0.0%	9%
Vinci	61,593	4	15.0	15.0	15.3	15.3	1.8%	6%
EDF / Enedis	130,689	17	15.8	15.8	15.1	15.1	-4.6%	6%
Dassault	69,395	2	25.4	12.7	25.4	12.7	0.0%	5%
Thalès	83,416	2	18.1	11.1	18.2	11.2	0.7%	4%
Natixis	26,590	1	10.9	10.9	7.5	7.5	-31.4%	3%
Eiffage	58,030	12	11.9	6.6	11.5	6.2	-5.8%	2%
Aon	24,864	1	9.2	5.5	9.2	5.5	0.0%	2%
Cisco	11,461	1	5.0	5.0	5.0	5.0	0.0%	2%
Other tenants	750,690	76	103.9	89.3	106.0	91.1	2.0%	35%
Total	**1,639,629**	**210**	**310.8**	**261.5**	**309.2**	**258.9**	**-1.0%**	**100%**

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

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

(€ million)	Surface (m²)	Number of assets	Annualised rents 2018 100%	Annualised rents 2018 Group share	Annualised rents H1 2019 100%	Annualised rents H1 2019 Group share	Change (%)	% of rental income
Paris Centre West	106,357	11	34.5	34.5	35.9	35.9	4.2%	14%
Paris South	72,101	8	34.6	28.5	33.3	27.2	-4.7%	10%
Paris North- East	109,320	6	19.6	19.6	20.7	20.7	5.7%	8%
Total Paris	**287,778**	**25**	**88.7**	**82.6**	**89.9**	**83.8**	**1.5%**	**32%**
Western Crescent and La Défense	224,533	18	78.6	69.8	78.5	69.6	-0.3%	27%
Inner ring	461,639	23	80.0	52.9	76.4	49.3	-6.9%	19%
Outer ring	51,940	22	5.2	5.2	5.1	5.1	-2.0%	2%
Total Paris Region	**1,025,890**	**88**	**252.6**	**210.5**	**249.9**	**207.8**	**-1.3%**	**80%**
Major regional cities	399,885	49	42.8	35.6	44.5	36.3	2.0%	14%
Other French Regions	213,854	73	15.4	15.4	14.8	14.8	-4.0%	6%
Total	**1,639,629**	**210**	**310.8**	**261.5**	**309.2**	**258.9**	**-1.0%**	**100%**

The weight of strategic locations is unchanged compared to 2018.

4. Indexation

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

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

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

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

	Surface (m²)	Annualised rents H1 2019 (€m, Group share)	Annualised rents H1 2019 (€/m²,100%)
Vacating	23,518	4.5	191
Letting	13,957	2.8	226
Pre-letting	4,652	0.5	208
Renewals	172,396	28.7	208

- 172,400 m² have been renegotiated or renewed, representing more than 10% of the rental income, essentially in Paris and the 1st ring.
  On average, the leases have been renewed with an increase of 3.6% on IFRS rents and 4.3 years of extension of the maturity.

- 18,600 m² have been let or pre-let over the year, bringing in €3.3 million in new rental income Group share, including 6,200 m² on development projects to be delivered or recently delivered.

- 23,500 m^2 were vacated, including 4,600 m² early 2019 for a redevelopment in Paris (Orange in Paris 5th) and 10,900 m² on assets vacated for disposals through residential development.

6. Lease expiries and occupancy rate

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

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

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

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

- 20% relates to Cap18, an asset in Paris 18th where Covivio maintains short-term maturities with a view to development in the medium-term

- 63% with long-term partner of the Group (EDF and Orange), with whom leases are renegotiated at national level

- 17% on core assets very well located in Paris and in Lyon (Paris CBD, Lyon CBD, La Défense).

6.2. Occupancy rate: a high level of 97.3%

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

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

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

7. Reserves for unpaid rent

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

[1] net provision / reversals of provison

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

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

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

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

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

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

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

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

9.1. Three projects delivered

Three projects were delivered in the first half of 2019:

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

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

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

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

Three new projects were committed in the first half 2019:

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

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

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

Furthermore, work continued on several projects, including:

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

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

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

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

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

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

- Montpellier Orange – 16,500 m²: construction project for a turnkey building for Orange in the Parc de la Pompignane in Montpellier. Delivery is expected in 2021.

- Gobelins in Paris 5th – 4,360 m²: former Orange building being redeveloped. Covivio will set-up its new flex-offices offer, Wellio, using the entire space. Gobelins is part of Covivio's ~€1bn portfolio of Orange assets in Paris with significant value creation potential through redevelopment (currently valued at €8,590/m² with an average rent of €386/m²).

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

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

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

10. Portfolio values

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

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

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

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

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

[1] LfL : Like-for-Like

[2] Yield excluding assets under development

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

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

11. Strategic segmentation of the portfolio

- The core portfolio is the strategic grouping of key assets, consisting of resilient properties providing long-term income. Mature assets may be disposed off on an opportunistic basis in managed proportions. This frees up resources that can be reinvested in value-creating transactions, such as development projects or making new investments.

- The portfolio of assets "under development" consists of assets subject to a development project. Such assets will become *core assets* once delivered. They concern:
  - "committed" projects (appraised);
  - land banks that may be undergoing appraisal;
  - "managed" projects vacated for short/medium term development (undergoing internal valuation).

- Non-core assets form a portfolio segment with a higher average yield than that of the office portfolio, with smaller, liquid assets in local markets, allowing their possible progressive sale.

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

[1] Yield excluding development

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

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

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

B. ITALY OFFICES

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

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

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

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

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

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

The first half of 2019 was marked by:

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

[1] Sources: BNP Real Estate

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

(€ million)	Surface (m²)	Number of assets	Rental income H1 2018 100%	Rental income H1 2018 Group share	Rental income H1 2019 100%	Rental income H1 2019 Group share	Change (%)	Change (%) LfL [1]	% of total
Offices - excl. Telecom Italia	514,842	69	47.0	26.4	49.1	49.1	85.9%	1.5%	52%
of which Milan	381,862	42	36.6	20.6	41.9	41.9	103.5%	1.7%	44%
Offices - Telecom Italia	911,332	128	49.2	15.3	44.0	22.5	47.2%	1.2%	47%
Development portfolio	191,667	7	0.3	0.2	1.3	1.3	n.a	n.a	1%
Total	**1,617,842**	**204**	**96.5**	**41.9**	**94.5**	**72.9**	**74.1%**	**1.4%**	**100%**

[1] LfL: Like-for-Like

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

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

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

(€ million)	Surface (m²)	Number of assets	Annualised rents 2018 100%	Annualised rents 2018 Group share	Annualised rents H1 2019 100%	Annualised rents H1 2019 Group share	Change (%)	% of total
Offices - excl. Telecom Italia	514,842	69	105.0	105.0	107.0	107.0	1.9%	69%
Offices - Telecom Italia	911,332	128	88.1	45.0	88.0	44.9	-0.2%	29%
Development portfolio	191,667	7	1.9	1.9	2.1	2.1	10.2%	1%
Total	**1,617,842**	**204**	**195.1**	**151.9**	**197.1**	**154.0**	**1.4%**	**100%**

(€ million)	Surface (m²)	Number of assets	Annualised rents 2018 100%	Annualised rents 2018 Group share	Annualised rents H1 2019 100%	Annualised rents H1 2019 Group share	Change (%)	% of total
Milan	637,387	56	104.3	97.2	106.3	99.3	2.1%	64%
Rome	105,434	9	11.7	7.8	11.7	7.7	-0.9%	5%
Turin	83,611	15	7.1	6.2	7.3	5.5	-11.5%	4%
North of Italy (other cities)	475,928	72	43.5	26.4	43.6	26.5	0.5%	17%
Others	315,481	52	28.5	14.3	28.4	15.0	5.2%	10%
Total	**1,617,842**	**204**	**195.1**	**151.9**	**197.1**	**154.0**	**1.4%**	**100%**

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

4. Indexation

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

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

5. Rental activity

(€ million)	Surface (m²)	Annualized rents H1 2019 Group share	Annualized rents H1 2019 (100%, €/m²)
Vacating	1,881	0.4	204
Lettings on operating portfolio	1,113	0.4	338
Lettings on development portfolio	29,538	9.1	308
Renewals	2,383	1.1	462

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

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

6. Lease expiries and occupancy rates

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

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

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

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

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

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

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

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

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

7. Reserves for unpaid rent

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

[1] net provision / reversals of provision

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

8. Disposals: €267 M secured in H1 2019

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

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

9. Development pipeline: €0.8 Bn of projects

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

9.1. Delivered projects

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

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

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

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

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

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

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

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

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

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

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

2 main managed projects are in the pipeline:

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

10. Portfolio values

10.1. Change in portfolio values

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

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

10.2. Portfolio in Milan: 74% of total portfolio

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

[1] LfL: Like-for-Like

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

[1] LfL: Like-for-Like
[2] Yield excluding development projects

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

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

C. GERMAN RESIDENTIAL

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

1. Widening housing shortage

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

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

- Berlin's existing housing shortage is estimated at more than 100,000 units at end-2018, and still widening due to the annual demographic growth of around 50,000 inhabitants per year. The Berlin city development office anticipates a need for around 20,000 new apartments per year by the end of 2030, against only 10,000 units built per year on average since 2009.

- This shortage has significantly impacted on market rents, up to 5.6% in 2018 in Berlin on average at €10.3/m², especially on the top market segment (+7.1%) to which Covivio is most exposed.

- The average asking price for condominiums also rose sharply, by 12% in 2018, to €4,150/m² on average, significantly above the current valuation of Covivio's portfolio (€2,745/m² in Berlin on residential units)

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

- a +4.4% increase in rental income on a like-for-like basis, in line with the pace of 2018. This performance was driven by Berlin (+5.3%) and supported by North Rhine-Westphalia (+4.1%).

- the acceleration of the committed development projects with a 55% growth at €171 million at end-June 2019 (€111 million Group share) out of a growing pipeline of €833 million in total

- strong increase in values, with a like-for-like growth of +7.7% driven by Berlin (+8.9%)

Housing Gap

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

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

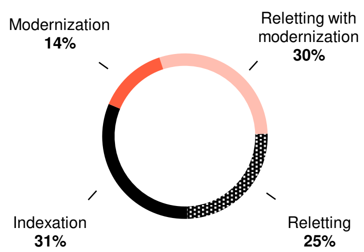
2. Accounted rental income: +4.4% at a like-for like scope

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

[1] LfL: Like-for-Like

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

- strong like-for-like rental growth of 4.4% (+€3.5 million) with:
  - very good performance (+5.3%) in Berlin
  - growth remained high in North Rhine-Westphalia (+4.1%), given the improved quality of the portfolio



- 2018 and 2019 acquisitions (+€4.0 million) mainly in Berlin
- disposals (-€3.0 million) mainly involving the last portfolios of non-core assets in North Rhine-Westphalia and mature assets in Berlin.

3. Annualised rental income: €163.3 million Group share

3.1. Geographic breakdown

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

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

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

4. Indexation

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

- Rents for re-leased properties:

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

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

- For current leases:

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

- For current leases with work done:

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

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

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

5. Occupancy rate: a high level of 98.8%

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

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

6. Reserves for unpaid rent

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

[1] net provision / reversals of provison

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

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

After having sold the entirety of its non-core portfolio in North Rhine-Westphalia during the past few years, disposals are now mostly privatisations in Berlin.
In the first half of 2019, Covivio sold 67 units in Berlin, at prices significantly higher than their latest appraisal values (>75% margin, around €4,450/m²), thus crystallising the appraisal gap between book value and market value in the condominium division.

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

(€million, Including Duties)	Surface (m²) (realised & secured)	Number of units (realised & secured)	Acquisitions H1 2019 realised: Acq. price 100%	Acq. price Group share	Gross yield [1]
Berlin	2,838	38	10	6	4.8%
Dresden & Leipzig	-	-	-	-	-
Hamburg	-	-	-	-	-
North Rhine-Westphalia	13,963	196	38	25	4.2%
Total	**16,801**	**234**	**48**	**31**	**4.3%**
Reinforcement Group share	**-**	**-**	**-**	**-**	**-**

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

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

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

9. Development projects: €833 M in identified projects

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

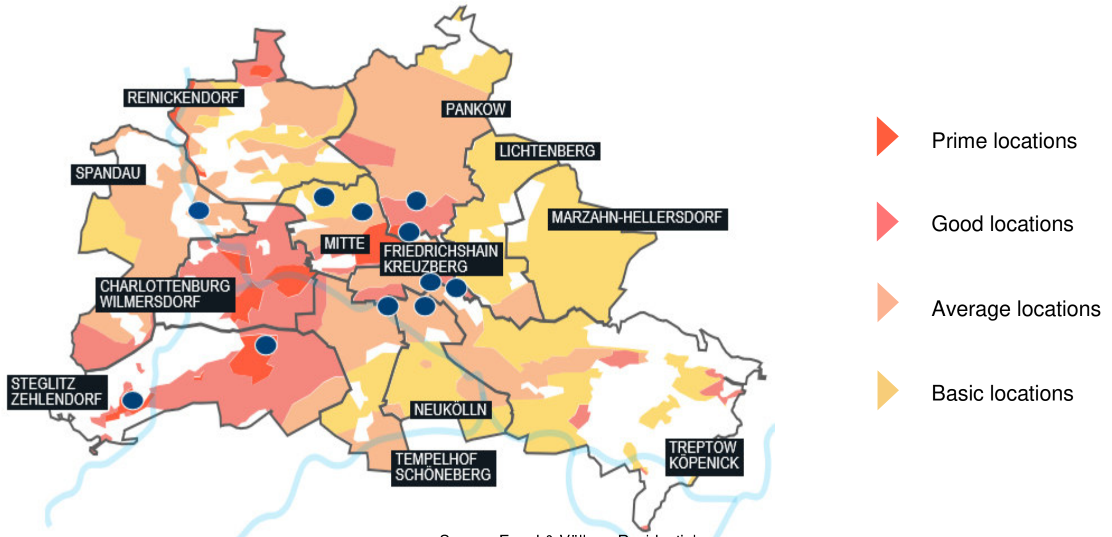
This pipeline will enable Covivio to maximise value creation in its portfolio. Part of the units developed will remain in the portfolio and will be let with a yield on cost around 5%. The other part will be sold in order to unlock the value creation with an expected margin around 40%.

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

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

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

Committed projects in Berlin



Source: Engel & Völkers Residential

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

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

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

10. Portfolio values

10.1. Change in portfolio value: 9% growth

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

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

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

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

[1] LfL: Like-for-Like

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

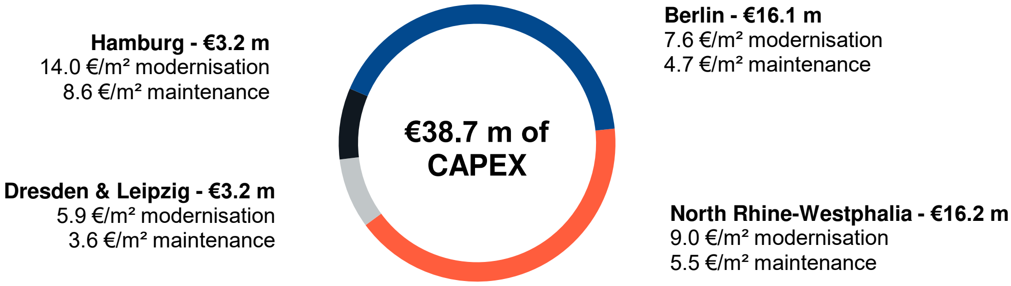
In the first half of 2019, values increased by +7.7% on a like-for-like basis since end-2018:

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

11. Maintenance and modernization CAPEX

- In the first half of 2019, €39 million in CAPEX (€13/m²) and €9 million in Opex (€3.1/m²) were completed. CAPEX spending increased by 30% in € millions and in €/m², compared to the first half of 2018, due to:
  - the impact of the expansion in Berlin since end-June 2018, where investment is more concentrated
  - the modernisation program in North Rhine Westphalia, now that all non-core assets have been sold

- Modernisation CAPEX, which is used to improve asset quality and increase rental income, accounts for 62% of the total, increasing in €/m² in the first half of 2019 by 37%.



D. HOTELS IN EUROPE

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

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

1. The European hotel market continues to grow

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

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

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

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

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

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

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

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

Assets not wholly owned by Covivio Hotels relate to:

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

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

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

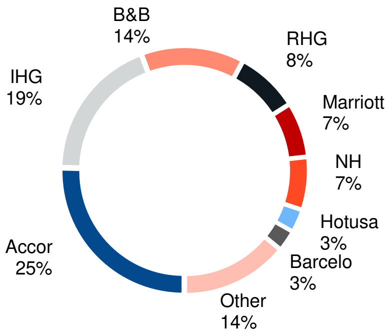
[1] LfL: Like-for-Like

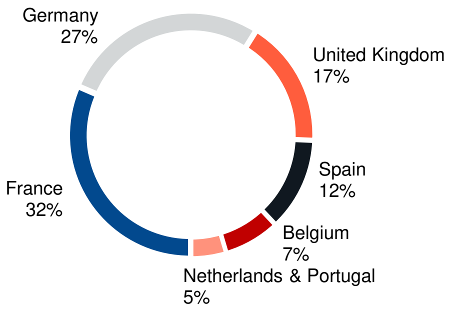
Hotel revenue grew by €11.1 million Group share compared to with the same period last year, due to:

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

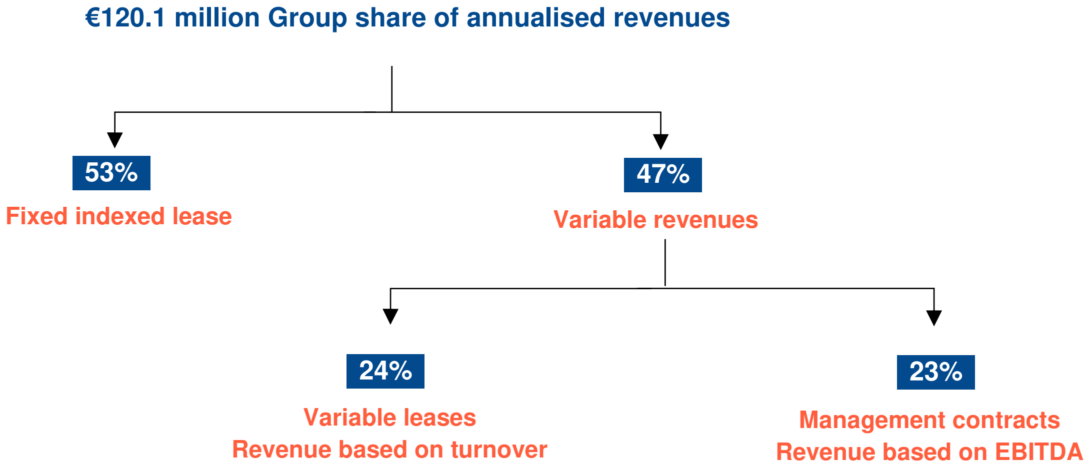
3. Annualised revenue: €120 million Group Share of revenues from Hotels

3.1. Breakdown by operators and by country





3.2. Structure of annualised revenues



The revenue structure remained stable compared to end-2018.

4. Indexation

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

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

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

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

The occupancy rate remained at 100%.

6. Reserves for unpaid rent

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

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

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

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

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

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

8. Acquisitions: €267 M realised in 2019

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

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

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

- A 32% stake in a portfolio of 32 Accor hotels in France and Belgium for €176 million, closed in early July 2019. The portfolio, valued at €550 million, comprises high-quality assets (recently renovated, sound EBITDAR margin >30%) located in Paris and in the city centres of major regional cities. The purchase price implies a valuation of €88,000 per room, significantly below Covivio's similar Accor portfolio (valued €114,000/room).
  Link to the dedicated press release

- 3 transactions secured in 2018 and closed in the first half for €91 million, for 2 hotels in Oxford leased to IHG and 1 NH Hotel in the Netherlands.

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

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

9.1. Delivered projects

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

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

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

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

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

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

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

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

10. Portfolio values

10.1. Change in portfolio values

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

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

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

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

[1] LfL : Like-for-Like
[2] Yield excluding assets under development ; EBIDTA yield for hotel operating properties
[3] Yield excluding ground floor retail surfaces in the German hotels

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

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

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

3. FINANCIAL INFORMATION AND COMMENTS

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

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

CONSOLIDATED ACCOUNTS

3.1. Scope of consolidation

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

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

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

3.2. Accounting principles

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

3.3. Simplified income statement - Group share

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

13.5% rise in net revenue

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

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

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

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

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

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

- **EBITDA from the hotel operating activity and coworking:** +€2.1 million growth driven by the ramping-up of the coworking activity (€2.4 million of EBITDA), with an occupancy rate close to 90% on the four sites already opened. EBITDA from hotel operating activities (€13.1 million) declined slightly (-4.5%) due to disposals (mainly the Westin hotel in Dresden in 2019).

- **Income from other activities:** net income from other activities comes from the income generated by car park companies (+€4.5 million) and property development fees (+€4 million).
  The increase of +€6.7 million in the first half of 2019 is due to
  - the first application of IFRS 16-Leases, which involves replacing lease expenses by interest charge and an amortisation of the right of use asset
  - the increase in property development fees.

- **Net operating costs**

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

- **Depreciation of operating assets**

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

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

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

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

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

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

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

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

- **Cost of net financial debt**

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

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

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

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

Value adjustment on derivatives

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

Share of income of equity affiliates

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

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

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

EPRA Earnings of affiliates

EPRA Earnings of affiliates consolidated under the equity method

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

Taxes

The corporate income tax corresponds to the tax on:

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

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

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

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

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

EPRA Earnings by activity

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

3.4. Simplified consolidated income statement (at 100%)

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

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

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

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

3.5. Simplified consolidated balance sheet (Group share)

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

Fixed Assets

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

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

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

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

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

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

The positive change in the **Hotels in Europe portfolio** (+€128 million) is driven by acquisitions and CAPEX (+€49 million, including 2 remaining assets in the UK portfolio), the growth in fair value (+€23 million), and offset by the disposals realised and secured (-€57 million). Additionally, one hotel was transferred from the France Offices portfolio (+€23 million from the Meridien hotel in Nice, now owned by Covivio Hotels at 43%.
At the same time, the portfolio value in Group share increased due to the changed stake of Covivio in Covivio Hotels for (+€60 million), and the new right of use asset (+€32 million) linked to the first application of IFRS16-Leases.

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

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

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

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

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

Total Group shareholders' equity

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

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

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

Other liabilities

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

3.6. Simplified consolidated balance sheet (at 100%)

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

Investment properties, properties under development and assets held for sale

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

Other fixed assets

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

Deferred tax liabilities

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

Other liabilities

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

4. FINANCIAL RESOURCES

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

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

4.1. Main debt characteristics

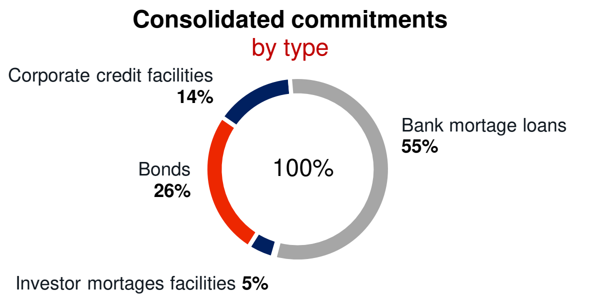
Group share	2018	H1 2019
Net debt, Group share (€ million)	6,978	**6,961**
Average annual rate of debt	1.53%	**1.55%**
Average maturity of debt (in years)	6.0	**5.8**
Debt active hedging spot rate	76%	**82%**
Average maturity of hedging	6.9	**6.8**
LTV Including Duties	42.0%	**39.2%**
ICR	5.08	**5.81**

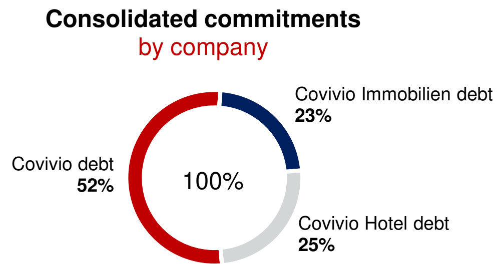
4.2. Debt by type

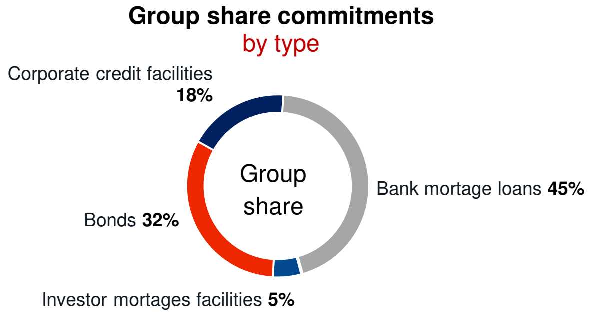
Covivio's net debt stands at €7.0 billion in Group share at end-June 2019 (€9.7 billion on a consolidated basis), stable compared to end-2018: the investments realised in the first half of 2019 (€262 million Group share) matched the disposals closed (€289 million Group share), and 83% of the shareholders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

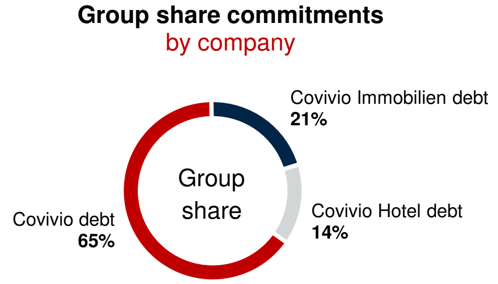
As regards the commitments attributable to the Group, the share of corporate debts (bonds and loans) has increased to 55% from 52% at end-2018.

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



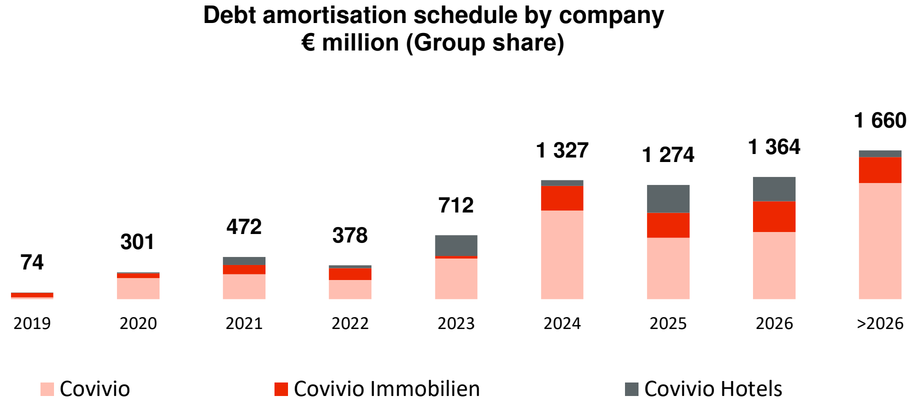


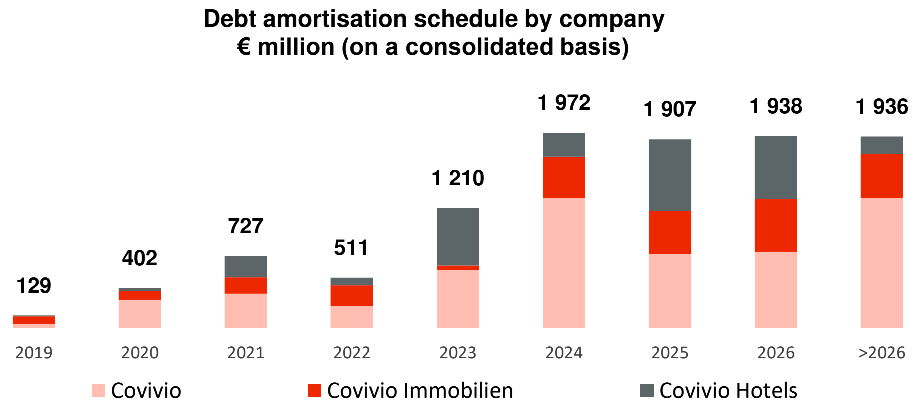




4.3. Debt maturity

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





4.4. Hedging profile

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

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

4.5. Average interest rate on the debt and sensitivity

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

Financial structure

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

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

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

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

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

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

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

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

Detail of Loan-to-Value calculation (LTV)

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

4.6. Reconciliation with consolidated accounts

Net debt

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

Portfolio

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

Interest Coverage Ratio

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

5. EPRA REPORTING

5.1. Change in net rental income (Group share)

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

Reconciliation with financial data

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

5.2. Investment assets – Information on leases

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

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

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

(€ million, Group share)	Gross rental income (€ million)	Net rental income (€ million)	Annualized rents (€ million)	Surface (m²)	Average rent (€/m²)	Vacancy rate at year end	EPRA vacancy rate at year end
France Offices	115	106	259	1,639,629	189	2.7%	2.8%
Italy Offices (incl. retail)	79	65	166	1,712,806	122	2.2%	2.3%
German Residential	80	72	163	2,903,931	88	1.2%	1.2%
Hotels in Europe (incl. Retail & excl. EBITDA from operating properties)	49	48	101	n.a.	n.a.	0.0%	0.0%
Other (France Residential)	3	2	3	26,854	n.a.	n.a.	n.a.
Total	**326**	**294**	**693**	**6,283,220**	**110**	**1.9%**	**1.9%**

5.3. Investment assets- Asset values

The EPRA net initial yield is the ratio of:

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

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

Reconciliation with financial data

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

[1] Fixed assets + Developments assets + asset held for sale

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

5.4 Information on leases

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

5.5 EPRA Net Initial Yield

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

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

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

- EPRA net initial yield is the ratio of:

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

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

[1] Under disposal agreement

5.6. EPRA cost ratio

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

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

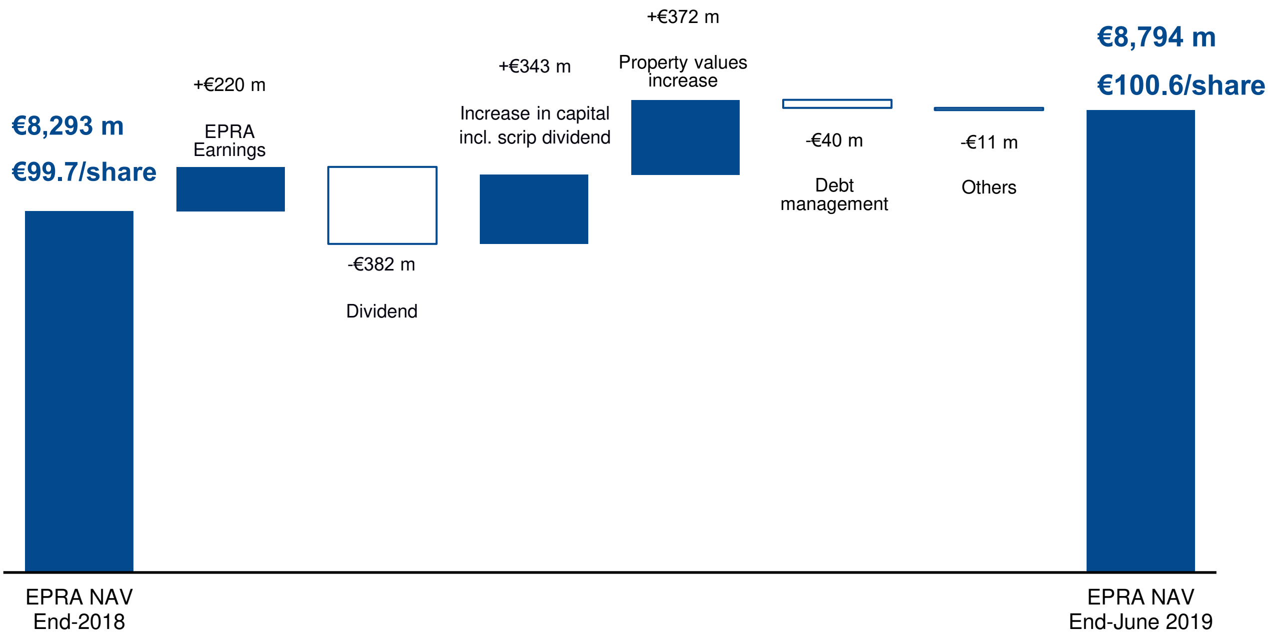
5.7. EPRA Earnings

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

5.8. EPRA NAV and EPRA NNNAV

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

Evolution of EPRA NAV



Reconciliation between shareholder's equity and EPRA NAV

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

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

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

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

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

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

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

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

Fair value assessment of operating properties

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

Fair value adjustment for the car parks

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

Fair value adjustment for own occupied buildings and operating hotel properties

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

Fair value adjustment for fixed- rate debts

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

Recalculation of the base cost excluding duties of certain assets

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

5.9. EPRA performance indicator reference table

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

6. FINANCIAL INDICATORS OF THE MAIN ACTIVITIES

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

7. GLOSSARY

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

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

Operating assets

Properties leased or available for rent and actively marketed.

Rental activity

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

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

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

Cost of development projects

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

Definition of the acronyms and abbreviations used:

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

Firm residual term of leases

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

Green Assets

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

Unpaid rent (%)

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

Loan To Value (LTV)

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

Rental income

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

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

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

Portfolio

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

Projects

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

Yields/return

The portfolio returns are calculated according to the following formula:

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

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

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

EPRA Earnings

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

Calculation:

(+) Net Rental Income
(+) EBITDA of hotels operating activities and *Coworking*
(+) Income from other activities

(-) Net Operating Costs (including costs of structure, costs on development projects, revenues from administration and management and costs related to business activity
(-) Depreciation of operating assets
(-) Net change in provisions and other

(-) Cost of the net financial debt

(-) Actualization / Updating of debt and receivables

(-) Net change in financial provisions

(+) EPRA Earnings of MEE societies

(-) Corporate taxes

(=) EPRA Earnings

Surface

SHON: Gross surface

SUB: Gross used surface

Debt interest rate

Average cost:

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

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

Occupancy rate

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

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

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

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

Like-for-like change in rent

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

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

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

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

Restatement done:

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

Like-for-like change in value

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

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

Restatement done:

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