COVIVIO
Annual Results 2018

Paris, 20 February 2019

2018 Annual results: transformation and performance

"This first year under the new Covivio identity completes our transformation into a 360° European real estate operator. Major strategic advances and the positive dynamic of our markets have resulted in accelerated operational and financial performance, which we expect to continue in 2019"
Christophe Kullmann, Covivio Chief Executive Officer

Completion of our transformation into a 360° European real estate operator

- Increased presence in Major European cities : €1.9 billion of investments (€1.4 billion Group share)
- Enhanced portfolio quality and exit of non-strategic activities via disposals worth €1.9 billion (€1.2 billion Group share)
- Focus on the development pipeline: 80% rise in the size of committed projects, to €1.6 billion
- Innovating to support our customers' needs: 1st successes from our Flex-offices offer
- Merger with Beni Stabili, a key step to simplify the organisation

2018 results: the result of a winning strategy and well-oriented rental markets

- Rental income: +3.4% on a like-for-like basis
- Like-for-like portfolio value: 4.4% growth
- 4.5% increase in EPRA Earnings per share, and a 5.5% rise in EPRA NAV per share

Effective ESG policy

- Intensified efforts to boost the greening process of the portfolio: +8 points, reaching 72%
- Enhanced governance: renewal of the term of office of Jean Laurent as Chairman of the Board of Directors and appointment of Christian Delaire and Olivier Piani as independent directors[1]

2019 outlook : continued dynamic performance

- Proposal of a €4.60 dividend, a 2.2% increase, with the option for payment in shares[1]
- New target for the LTV: below 40% versus "between 40% and 45%"
- Guidance of 2019 EPRA earnings per share growth of over 3%

[1] Proposed to the General Meeting of 17 April 2019
EPRA earnings and EPRA NAV are Alternative Performance Indicators as defined by the AMF; these are outlined in section 3. Financial information,5.EPRA reporting and 7.Glossary of terms in this document The financial statements were approved by the Board of Directors on 20 February. 2019. The audit procedures on the consolidated financial statements have been completed. The certification report will be issued after the specific verifications

A leading European operator with a €23 billion (€15 billion Group share) portfolio centred on major European cities, in particular Paris, Berlin and Milan, Covivio supports companies, hotel brands and regions in their pursuit of appeal, 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.

Increased presence in Major European cities

In 2018, Covivio performed €1.9 billion of investments (€1.4 billion Group share), with an average yield of 5.1%, including acquisitions for €1.6 billion, in major European cities,

- in offices, the Group invested €410 million, mostly in Paris and Milan. The off-plan purchase of the IRO building (25,600 m² in the Malakoff–Montrouge-Chatillon hub - link to press release) and of Covivio's future headquarters (8,500 m² on rue Jean Goujon in the Paris CBD), add to the development pipeline. In Milan, three assets were purchased in the first half, for €106 million and covering 25,800 m², boosting the part of the Italian portfolio exposed to Milan to 73%. The average yield of these investments is 6.2%[2] ;
- in hotels, Covivio acquired an emblematic portfolio worth €895 million, composed of twelve 4* and 5* hotels located in the United Kingdom's main cities. Based on the 25-year triple net leases with InterContinental Hotels Group (IHG), the expected yield is 6% once fully operational (5.1% on the minimum guaranteed rental income);
- in German Residential, €549 million was invested, principally in Berlin and Hamburg, including €468 million in acquisitions based on an average price of €2,135/m² and a 2-year yield of 4.5%, after re-lease of vacant properties. The rent increase potential is over 40%;
- prior to the merger with Beni Stabili, Covivio purchased 7.5% of the share capital of Beni Stabili for €263 million of equivalent assets.

At the same time, €1.9 billion at 100% (€1.2 billion Group share) of asset disposals were secured in 2018, of which €1.4 billion already completed based on a 4.9% yield and an average disposal margin of 4.3%. Covivio continued to dispose of non-strategic activities which now account for only 1.8% of the portfolio. In particular the whole outstanding French Residential portfolio was sold for €283 m (including a €182 million disposal agreement signed in February 2019).
The enhanced quality of the portfolio was accompanied by the sale of €973 million in non-core assets, principally office assets in Italy and non-core housing units in North Rhine-Westphalia.
Finally, accelerated sales of mature assets (which will continue in 2019) resulted in €237 million in disposals.

80% Increase in the development pipeline

In their pursuit of transformation and appeal, companies are increasingly selecting new and flexible buildings. Backed by a solid track record and a portfolio of projects totalling €6 billion in Europe, Covivio has stepped up its development commitments.

At the end of 2018, the committed pipeline reached €1.6 billion (€1.3 billion Group share), a rise of 80% over one year (x2.5 times in Group share). This breaks down into 31 projects covering 280,000 m² of offices, 790 hotel rooms and 454 housing units, 80% of them located in Paris, Berlin and Milan, and expected to generate a 6.1% yield. Thanks to the signature of rental agreements covering 152,000 m² of office space, 62% of this pipeline has already been pre-let.

[2] Excluding the building on rue Jean Goujon in Paris, which will be used for Covivio's headquarters

In particular, the 23,600 m² of office space and services in the Flow building in Montrouge have been pre-let to one of Covivio's long-standing key account partners. This pre-leasing underlines the quality of this project and the ability to create value across the real estate value chain:

- acquisition in 2015 of an obsolete 18,000 m² building ideally located within one of the most attractive office hubs in southern Paris and the Greater Paris project ;
- planning permission was secured in 2017, which will enable a 25% increase in the surface area;
- pre-leasing 18 months before delivery, scheduled for September 2020.

The yield of the development is 6.6%. Following on from this success, Covivio will add to its presence in the area with the IRO project, for which rental discussions are underway.

In Lyon, Covivio has pre-let 44% of the 30,900 m² Silex[2] project, located in the Part-Dieu business district, two years prior to delivery, due in particular to the signature of a rental agreement for 9,000 m² with Solvay, one of the world's leading chemicals companies (link to press release). The yield of the €166 million[3] project is 6.0%.

Finally, in German Residential, the Group has increased the size of its development project pipeline, most of which is situated in Berlin. It now stands at €700 million and represents 2,800 housing units. At the end of 2018, €111 million had been committed. There will be more than €100 million added to this in 2019. The average yield of the projects committed is 4.8%, and the average margin is expected to exceed 40%.

Along with these developments under construction worth €1.6 billion, there is €1.1 billion (€800 million Group share) in additional projects during 2019, including 60,000 m² in Alexanderplatz in Berlin and 30,000 m² in Paris' 17th arrondissement.

The customer, at the heart of the strategy

By concentrating on the best locations and developing new buildings, the Group has focused its strategy on its customers' needs and services available to tenants. In Germany, Covivio achieved the second-highest score out of 21 residential real estate companies in the 2019 Focus Money Survey (link to the survey). This survey recognises the quality of service provided to tenants observed within our residential portfolio in Germany. Covivio came out top for customer service among private housing companies.

New initiatives are devised by anticipating and listening to user needs as they undergo dramatic change. In offices, Covivio launched the promising Wellio flexible space brand in early 2018. Three sites opened last year in Paris:

- 3,300 m² in March 2018, in the CBD, 90% occupied ;
- 5,100 m² in September, opposite the Gare de Lyon railway station, 60% occupied ;
- 1,400 m² in December, in Montmartre, 40% occupied by Orange.

In the Residential segment, Covivio has expanded its offering to furnished apartments and housing units that are serviced or specifically designed for sharing (co-living). Roll-out, under the *Covivio to Share* brand, has just begun in Berlin, with 100 rooms.

In Hotels, Covivio continued to support its operator partners in their European development. In 2018, the first Motel One hotel (255 rooms) in Paris was delivered. A new partnership was also entered into with Room Mate to develop a 169-room 4* hotel in the historic centre of Malaga (delivery in 2020). In 2019, Covivio will deliver three new Meininger hotels in Munich, Paris and Lyon. These are an innovative hybrid concept between a youth hostel and a hotel.

[3] Shared 50/50 with Assurances du Crédit Mutuel

The Group also supports operators in their innovations. For example, IHG is introducing its new Voco and Kimpton high-end lifestyle brands at nine of Covivio's 12 United Kingdom hotels. In 2018, work started on the rebranding of a 205-room hotel in Madrid under the Radisson Red hotel banner.

2018 results: the result of a winning strategy and well-oriented rental markets

Positioned on booming rental markets, and reaping the rewards of strategic choices made in recent years, Covivio's rental income has increased 3.4% on a like-for-like basis, compared with 2.1% in 2017.

In Offices, rental income on a like-for-like basis grew 2.8% in France and 1.3% in Italy (including 1.8% in Milan). 2018 was particularly active, with rental agreements signed for 120,000 m² with an average firm term of 9.6 years, and a further 120,000 m² of renewals or renegotiations, resulting in a gain of 5.6% over the existing rent. These successes are reflected in an occupancy rate of 97.1% in France and 97.9% in Italy.

The buoyant performance of rents in German Residential continued in 2018, up 4.4% on a like-for-like basis (up 4.9% in Berlin). In North Rhine-Westphalia, the disposal of non-core assets accelerated organic growth, which stood at 4.6% compared to 3.1% in 2017.

Finally, income from Hotels, driven by a buoyant tourism industry and healthy economic situation in Europe (RevPar 2018 up 4.6%[4]) and the refocusing on major European cities generated a growth of 4.7% on a like-for-like basis for lease properties, with a 6.5% increase in variable rents, and a 5.6% increase for hotel operating properties.

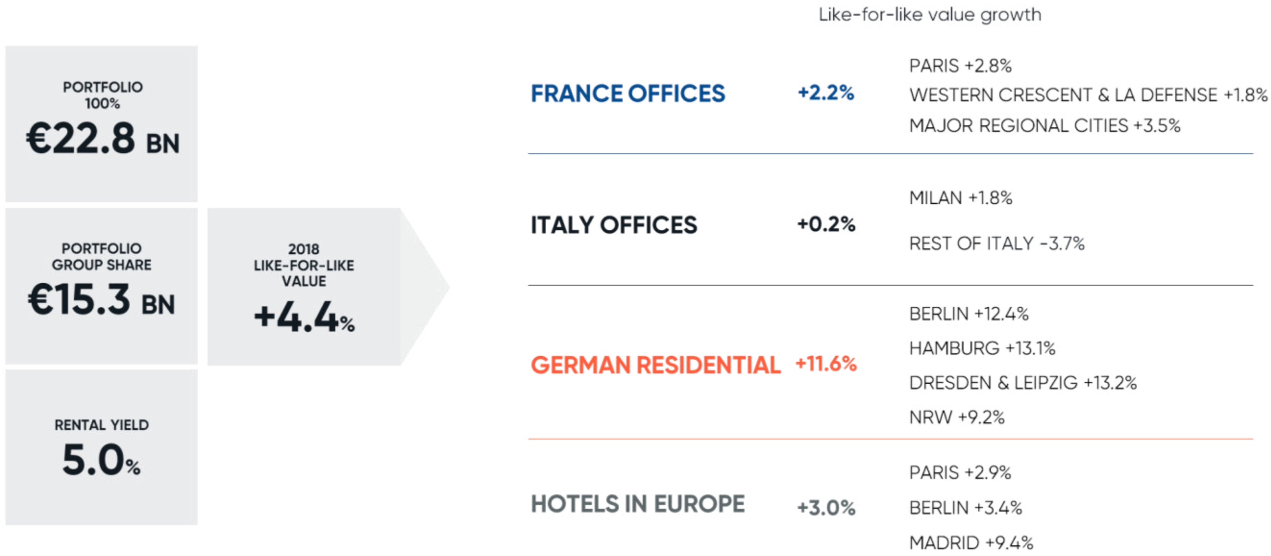
2018 €million	Revenue 100%	Revenue Group Share	Change	like-for-like Change	Occupancy rate (%)	Firm lease maturity (in years)
Offices - France	271	242	-1.8%	+2.8%	97.1%	4.6 years
Offices - Italy	190	85	-3.1%	+1.3%	97.9%	7.7 years
Residential Germany	241	154	+6.7%	+4.4%	98.7%	n.a.
Hotels – Lease properties	208	77	+0.8%	+4.2%	100%	13.8 years
Hotels – Operating properties (EBITDA)	75	31	+135.5%	+5.6%	n.a.	n.a.
Total strategic activities	**985**	**590**	**+3.7%**	**+3.4%**	**98.1%**	**7.1 years**
Non-strategic (Residential France, Retail France & Italy)	45	26	-21.9%	-2.8%	93.5%	n.a.
Total	**1,030**	**616**				

[4] Income per room – source MKG

+4.4% rise in strategic asset values: the success of Covivio's strategic positioning

At the end of 2018, the portfolio was valued at €22.8 billion and €15.3 billion Group Share, a 4.4% increase on a like-for-like basis (4.0% increase including non-strategic assets):

- residential assets in Germany fuels the asset growth with a strong growth of 11.6% over one year. Berlin continued its dynamic performance (+12.4%), and the 9.2% increase on a like-for-like basis in North Rhine-Westphalia is the result of enhanced portfolio quality ;
- +3% on a like-for-like basis, the value of the hotels portfolio benefited from the increased presence in European cities (Madrid: +9.4%; Berlin: +3.4%);
- in Offices, asset values followed the upward trend in rent levels, with 2.8% growth in Paris, 2.6% in Major Regional French cities and 1.8% in Milan ;
- with average value creation over 25%, asset deliveries once again played an active role in the portfolio's organic growth. In particular, the value creation of the Symbiosis building in Milan (20,475 m²) was 27% on the cost price.



Financial results growth higher than expected

A healthy and strengthened balance sheet

Recognising Covivio’s sound financial profile (42% LTV, ICR of 5.1x) and the ongoing upgrading of its portfolio, S&P raised Covivio’s rating outlook to BBB, positive outlook, in June. In 2018, the Group continued to actively manage its debt, further reducing its cost, to 1.53% vs. 1.87% at the end of 2017, while maintaining its maturity at six years. Almost 80% of Covivio's debt is hedged over an average period of 6.9 years.
To consolidate its financial robustness, the Company has set itself the new target of an LTV of below 40% versus 40-45%.

4.5% Growth in EPRA Earnings per share, exceeding the guidance

The 5.4% rise in operating income and the new reduction in financial costs enabled the EPRA Earnings to climb 6.4% over one year, to €381 million Group share. EPRA Earnings per share thus increased 4.5% to €5.08, exceeding the year's guidance of +3%. Net income amounted to €750 million Group share.

EPRA NAV of €8.3 billion, €99.7 per share representing a rise of 5.5% over one year

Thanks mainly to the growth in asset values (+€403 million) and the capital increase from the merger with Beni Stabili (+€726 million), the EPRA NAV rose by 17% and €1.2 billion to €8.3 billion (€7.6 billion in Triple Net EPRA). The EPRA NAV per share stood at €99.7, a 5.5% rise over one year (€91.7 in Triple Net EPRA, a 6.2% rise).

A simplified group with improved governance

Merger with Beni Stabili

Effective from 31 December 2018, the merger through absorption by Covivio of Beni Stabili, its Italian subsidiary, continued the transformation of the Italian portfolio and was a major step in simplifying the Group's organisation. With this merger, all of the Group's teams are now under one shared banner and work across Europe with the same identity: Covivio.

Taking into account the issue of new shares, Covivio's stock market capitalisation grew by 10% to €7.3 billion[5] and the free float increased by 16% to €3.7 billion. In two years, the size of Covivio's free float has grown by 40%, and now represents 50% of the Company's equity.

Renewal of the term of office of the Chairman and appointment of two new independent directors

Covivio will propose to the General Meeting of 17 April 2019 the renewal of the term of office of the Non-executive Chairman, Jean Laurent. Chairman of the Board of Directors since 2011, Jean Laurent has actively contributed to the success of Covivio's strategic directions, and presided over the Group's transformation into one of Europe's leading real estate operators.

Having exceeded 12 years' service, after which a director loses his independent status according to the Afep-Medef Code, Bertrand de Feydeau and Pierre Vaquier will be replaced by two new independent directors, Christian Delaire and Olivier Piani. Throughout their terms of office, Bertrand de Feydeau and Pierre Vaquier have provided the Board of Directors with their experience as directors of major real estate groups and, more particularly, their unique real estate expertise.

Christian Delaire (former CEO of Generali Real Estate and AEW Europe) and Olivier Piani (former CEO of Allianz Real Estate and GE Capital Real Estate Europe) will enhance the real estate and international expertise of the Board of Directors.

In line with the most stringent market standards, the Board of Directors thus continues to comprise 60% independent directors and 40% women.

Recognition for our ESG strategy

Covivio's ESG policy, which focuses in particular on responsible real estate, open to the city, and exemplary governance, receives regular recognition and accolades. In the last few months, Covivio has been awarded various prizes, such as the " 2018 Grand Prix AGEFI du Gouvernement d'Entreprise" (AGEFI grand prize for corporate governance) as well as the "Special jury prize" at the 2018 Grand Prix de l'Assemblée Générale (General Meeting Awards) and the " Best non-financial

[5] Based on a share price on 19 February of €88.85

performance declaration, environmental category " award by the French Ministry for Ecological and Solidarity Transition.

In the environmental field, recognised as a world leader thanks to its strategy and actions in response to climate change, Covivio was again on the "Climate A List" of the CDP, a non-profit international organisation that works to lead the markets towards sustainable business models. With this rating, Covivio was one of 22 French companies on the list, all industries included. It was in the Top 5 real estate companies. Covivio was thus recognised over the last reference year for its actions to reduce its emissions and mitigate the effects of climate change.

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 across its entire portfolio. The Group has set itself the ambitious target of reducing its carbon intensity by a third between 2010 and 2030. This will be achieved by improving the environmental performance of the portfolio, which will be assisted significantly by the development pipeline policy. At the end of 2018, 72% of Covivio's office and hotel buildings had certification (+8 points over one year) of which 84% of Covivio's France office buildings had one.

2019 outlook: continued dynamic performance

A dividend of €4.60 representing a 2.2% increase; option to have dividends paid in shares

Buoyed by the 2018 results, and as part of a long-term dividend growth strategy, Covivio will propose to the General Meeting of 17 April 2019 the distribution of a dividend of €4.60, a rise of 2.2% over one year (payout ratio of 90.6%). In three years, the dividend will have risen by 7%. The option to have dividends paid in shares[6] will also be put forward, to support the achievement of the new LTV target, alongside accelerated sales, whilst providing the means to continue the Company's growth, particularly via its development pipeline.
All the institutional shareholders part of the Board of Directors (representing 49% of the shareholders) have already committed themselves to opt for the dividend payment in shares.

The acceleration of the development pipeline will initially immobilise rental income, before fuelling the increase in results by contributing an additional 15% rental income from 2020. In the meantime, Covivio should benefit in 2019 from continued strong performance in rents and the relevance of its strategic choices. Covivio has set itself the objective of 2019 EPRA Earnings per share growth in excess of 3%.

[6] Price set at 90% of the 20 trading day average before the April 17 General Meeting, reduced by the dividend

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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, 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 the MTA market (Mercato Telematico Azionario) on the Milan stock exchange, are admitted to trading on the SRD and are included in the composition of the MSCI, SBF120, 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 and Gaïa ethical indices.

Covivio is rated BBB/Positive outlook by Standard and Poor's.

1. BUSINESS ANALYSIS

2018 showed excellent operating results on the four activities of Covivio, thanks to the strategic choices implemented and supportive markets. The Group reinforced its footprint in its strategic locations through a sustained asset rotation policy, thus strengthening the strong rental growth on strategic activities and the value creation on its portfolio.

Changes in scope:

Two major transactions were completed this year, with an impact on Covivio's percentage ownership of its subsidiaries:

- The merger between Covivio and its Italian subsidiary Beni Stabili took effect as of 31 December 2018. Previously, in the second quarter 2018, Covivio had increased its stake in its subsidiary to 59.9% (vs 52.4% at end-2017).
- The merger of Covivio Hotels and its hotel operating activities subsidiary FDMM reduced Covivio's stake in Covivio Hotels from 50% at 31 December 2017 to 42.3% at 31 December 2018.

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

	100%			Group share				
(€ million)	**2017**	**2018**	**Change (%)**	**2017**	**2018**	**Change (%)**	**Change (%) LfL[1]**	**% of revenue**
France Offices	**272.1**	**271.1**	**-0.4%**	**246.9**	**242.4**	**-1.8%**	**+2.8%**	**39%**
Paris	81.9	90.3	+10.3%	77.3	85.3	+10.3%	+2.4%	14%
Greater Paris (excl. Paris)	136.1	133.0	-2.3%	115.3	109.6	-5.0%	+3.0%	18%
Major regional cities	30.9	29.9	-3.2%	30.9	29.7	-4.0%	+4.6%	5%
Other French Regions	23.3	17.9	-23.2%	23.3	17.9	-23.2%	-0.7%	3%
Italy Offices	**187.0**	**190.0**	**+1.6%**	**87.3**	**84.6**	**-3.1%**	**+1.3%**	**14%**
Offices - excl. Telecom Italia	88.4	95.7	+8.2%	46.3	55.6	+19.9%	+1.5%	9%
Offices - Telecom Italia	98.6	94.3	-4.4%	40.9	29.0	-29.1%	+1.0%	5%
German Residential	**230.1**	**241.2**	**+4.8%**	**144.2**	**153.9**	**+6.7%**	**+4.4%**	**25%**
Berlin	103.4	116.6	+12.8%	70.6	74.8	+5.9%	+4.9%	12%
Dresden & Leipzig	21.3	23.3	+9.4%	14.0	14.8	+6.2%	+3.4%	2%
Hamburg	14.2	15.9	+12.0%	9.2	10.6	+15.6%	+3.1%	2%
North Rhine-Westphalia	91.3	85.3	-6.5%	50.5	53.6	+6.3%	+4.6%	9%
Hotels in Europe	**241.8**	**282.9**	**+17.0%**	**90.1**	**108.8**	**+20.7%**	**+4.7%**	**18%**
Hotels - Lease Properties	**174.1**	**208.4**	**+19.7%**	**76.8**	**77.4**	**+0.8%**	**+4.2%**	**13%**
France	89.7	100.9	+12.5%	34.9	32.2	-7.8%	+4.8%	5%
Germany	22.3	27.9	+25.0%	10.8	11.5	+6.4%	+1.7%	2%
Belgium	21.4	20.9	-2.5%	10.7	8.8	-17.6%	+5.4%	1%
Spain	33.3	34.3	+3.0%	16.6	14.5	-12.9%	+4.8%	2%
Others	7.4	24.5	+230.7%	3.7	10.4	+179.7%	+2.4%	2%
Hotels - Operating Properties (EBITDA)	**67.7**	**74.5**	**+10.0%**	**13.3**	**31.4**	**+135.5%**	**+5.6%**	**5%**
Total strategic activities	**931.1**	**985.1**	**+5.8%**	**568.5**	**589.7**	**+3.7%**	**+3.4%**	**96%**
Non-strategic	**64.1**	**45.2**	**-29.5%**	**33.8**	**26.4**	**-21.9%**	**-2.8%**	**4%**
Retail Italy	17.8	15.8	-11.5%	9.3	9.4	+0.4%	-5.2%	2%
Retail France	34.8	21.4	-38.4%	17.4	9.1	-47.9%	+1.6%	1%
Other (France Residential)	11.4	7.9	-30.7%	7.0	7.9	+13.1%	n.a.	1%
Total	**995.1**	**1,030.3**	**+3.5%**	**602.2**	**616.0**	**+2.3%**	**+3.2%**	**100%**

[1] LfL: Like-for-Like

Group share revenues increased by 2.3% year-on-year (+€14 million) primarily due to:

- acceleration **of like-for-like revenue growth** of 3.4% on strategic activities (+€16.6 million) with:
  - +2.8% in France Offices, thanks to the indexation (+0.9 pt) and good rental performance (+2.0 pts including +1.0 pt related to successful renewals)
  - +1.3% in Italy Offices driven by Offices in Milan excluding Telecom Italia (+1.8%)
  - +4.4% in German Residential, including 2.0 pts from indexation and 2.4 pts from renewals
  - +4.7% in Hotels thanks to the good performance of variable rents in France and Belgium (+4.8% and +5.4% respectively) and EBITDA growth on management contracts (+5.6%)
- **acquisitions** (+€29.9 million) in particular in German Residential (+€12.7 million), with the acquisition of over 3,100 apartments primarily in Berlin and in Hotels (+€9.3 million) with the acquisition of 12 upscale hotels that contributed €7.0 million this year
- **deliveries** of new assets in 2018 (+€15.2 million), mainly in France Offices (+€11 million). In Italy, three assets were delivered (+€2.4 million), including the first phase of the Symbiosis project in Milan.
- asset **disposals**: (-€58.1 million), especially:
  - in France Offices (-€20.2 million), mostly non-core assets in the 2nd ring and French regions.
  - in Italy (-€16.6million), mostly through the syndication of 49% of the Telecom Italia portfolio of which 40% at the end of June 2017 and 9% in early 2018
  - in German Residential (-€10.3 million) with the sale of over 2,500 apartments, including almost 60% of non-core assets in North Rhine-Westphalia
  - in Hotels (-€1.2 million) with the disposal of non-core hotels (mostly Sunparks resorts)
  - non-strategic assets (-€9.8 million) mainly Retail in Italy and France (the Quick portfolio and Jardiland stores).
- **vacating for development** (-€2.6 million) in France Offices
- **change in scope effects** (+€12.8 million) mainly due to the increase in Covivio's stake in Beni Stabili to 59.9% in the second quarter 2018 (+€8.9 million).

B. LEASE EXPIRATIONS AND OCCUPANCY RATES

1. Annualised lease expirations: 7.1 years of average lease term on strategic activities

(Years)	By lease end date (1st break)		By lease end date	
Group share	**2017**	**2018**	**2017**	**2018**
France Offices	5.0	4.6	6.0	5.4
Italy Offices	7.6	7.7	8.1	8.1
Hotels in Europe	11.2	13.8	13.3	15.5
Total strategic activities	**6.6**	**7.1**	**7.7**	**8.0**
Non-strategic	6.4	4.8	7.0	5.8
Total	**6.6**	**7.0**	**7.7**	**7.9**

The average firm residual duration of leases increased by 0.5 years to 7.1 years at end-2018, driven-up by the **signing of 25-year firm leases with IHG** on the hotel portfolio acquired in the United Kingdom.

In Italy, the average firm lease term increased thanks to **successful renewals** and despite the syndication of an additional 9% of the Telecom Italia portfolio.

In France, the firm lease duration fell by 0.4 point due to approaching maturities on assets in the managed pipeline which are under control (especially Cap 18).

(€ million; Group share)	By lease end date (1st break)	% of total	By lease end date	% of total
2019	63.4	9%	41.0	6%
2020	31.6	4%	31.4	4%
2021	46.8	7%	44.3	6%
2022	47.2	7%	42.1	6%
2023	48.6	7%	47.0	7%
2024	19.3	3%	22.4	3%
2025	45.0	6%	48.0	7%
2026	45.0	6%	45.6	6%
2027	25.9	4%	39.0	5%
2028	21.1	3%	19.5	3%
Beyond	125.3	18%	138.8	19%
German Residential	159.9	22%	159.9	22%
Hotel operating properties	28.0	4%	28.0	4%
Other (Incl. French Residential)	6.8	1%	6.8	1%
Total	**713.9**	**100%**	**713.9**	**100%**

The percentage of lease terms under three years stands at 20%, giving the Group excellent visibility over its cash flows.

The €63.4 million due to expire in 2019 include:

- ~10% on offices **assets to be redeveloped** in Paris and Milan (especially Gobelins in Paris, already committed)
- ~25%related to offices assets in France and Italy in the managed pipeline, for which **renewals are under control** (Vinci in Greater Paris and Cap 18)
- ~30%to **long-term partners** of the Group (EDF, Orange, Telecom Italia)
- ~25% involve **assets in highly sought locations** (mostly offices in Paris CBD and Milan CBD, hotels in Madrid and Barcelona).
- ~5%of non-strategic retail assets in Italy that the Group aims to dispose

2. Occupancy rate: a high level of 98.1%

(%) Group share	Occupancy rate 2017	2018
France Offices	97.4%	97.1%
Italy Offices	97.0%	97.9%
German Residential	98.4%	98.7%
Hotels in Europe	100%	100.0%
Total strategic activities	**98.0%**	**98.1%**
Non-strategic	96.2%	93.5%
Total	**97.9%**	**98.0%**

The occupancy rate increased to a **record high at 98.1%** for strategic activities. Covivio maintains an elevated level of occupancy in the long-term with more than **96% on average over 10 years**.

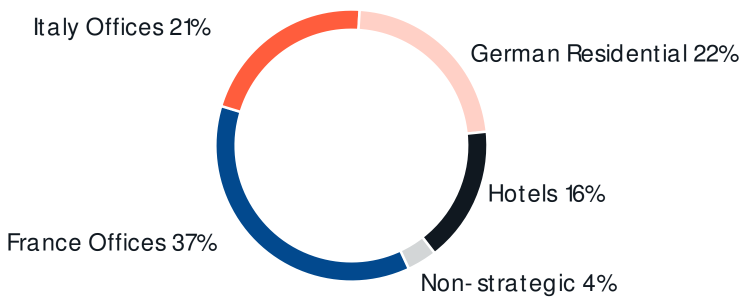
- France Offices remained stable above 97% and Italy Offices increased due to the successful letting activity and despite the syndication of the Telecom Italia portfolio.
- Occupancy remained very high in German Residential and stayed at 100%in Hotels.

C. BREAKDOWN OF REVENUES – GROUP SHARE

By major tenants

(€ million, Group share)	Annualised revenues 2018	%
Orange	67.4	9%
Telecom Italia	45.0	6%
Accor	29.0	4%
Suez Environnement	22.1	3%
IHG	19.4	3%
B&B	17.5	2%
EDF / Enedis	15.8	2%
Intesa San Paolo	15.8	2%
Vinci	15.0	2%
Tecnimont	13.4	2%
Dassault	12.7	2%
Thalès	11.1	2%
Natixis	10.9	2%
Marriott	9.8	1%
RHG	9.6	1%
NH	7.7	1%
Creval Group	6.9	1%
Eiffage	6.6	1%
Fastweb	5.9	1%
Aon	5.5	1%
Cisco	5.0	1%
Other tenants <€5M	195.2	27%
German Residential	159.9	22%
French Residential	6.8	1%
Total	**713.9**	**100%**

By activity



In 2018, Covivio continued its strategy of diversifying its tenant base. As a result, **exposure to the three largest tenants continues to fall** (20% compared to 21% at end-2017 and 41% at end-2014), notably thanks to the disposals of non-core assets in France (Orange and Eiffage assets in French regions) and Italy (syndication of the Telecom Italia portfolio and asset disposals outside Milan).

D. COST TO REVENUE RATIO BY BUSINESS

(€ million, Group share)	France Offices	Italy Offices (incl. retail)	German Residential	Hotels in Europe (incl. retail)	Other (incl. France Residential)	Total	
	2018	2018	2018	2018	2018	2017	2018
Rental Income	242.4	94.0	153.9	86.5	7.9	588.9	584.7
Unrecovered property operating costs	-8.3	-7.8	-1.3	-1.0	-2.0	-27.8	-20.6
Expenses on properties	-1.8	-8.4	-11.5	-0.3	-1.0	-19.2	-23.1
Net losses on unrecoverable receivable	-0.0	-0.8	-1.2	-0.0	-0.0	-2.5	-2.0
Net rental income	**232.3**	**76.9**	**139.8**	**85.1**	**4.9**	539.4	**539.0**
Cost to revenue ratio	**4.2%**	**18.2%**	**9.1%**	**1.5%**	**38.3%**	8.4%	**7.8%**

The cost to revenue ratio (7.8%) **decreased by 0.6 pt** compared to 2017, mainly thanks to **France Offices** (-1.7 pts following the disposal of the residual Logistics assets) and **German Residential**, (-1.6 pts thanks to a stronger position in Berlin and costs optimisation).

E. DISPOSALS: €1.2 Bn GROUP SHARE REALISED AND SECURED IN 2018

(€ million)		Disposals (agreements as of end of 2017 closed)	Agreements as of end of 2017 to close	New disposals 2018	New agreements 2018	Total 2018	Margin vs 2017 value	Yield	Total Realised Disposals
		1		2	3	= 2+3			= 1 + 2
France Offices	100 %	82	28	160	7	167	3.1%	4.6%	242
	Group share	82	28	160	7	167	3.1%	4.6%	242
Italy Offices	100 %	27	-	244	0	244	-3.6%	6.8%	271
	Group share	13	-	172	0	172	-2.4%	6.6%	185
German Residential	100%	122	16	148	13	162	18.7%	4.2%	270
	Group share	78	10	97	8	105	18.5%	4.2%	174
Hotels in Europe [1]	100 %	3	18	132	272	404	1.5%	5.8%	135
	Group share	1	8	56	58	114	-0.3%	6.1%	57
Non-strategic (France Resi., Logistics, Retail in France)	100 %	220	6	296	200	496	8.2%	3.1%	515
	Group share	112	6	190	200	390	7.1%	2.6%	302
Total	**100 %**	**453**	**69**	**980**	**493**	**1,472**	**4.6%**	**4.7%**	1,433
	Group share	**286**	**52**	**674**	274	**948**	**4.7%**	**4.3%**	**960**

Disposals realised and secured in 2018 amounted to €1.2 billion in Group share (€1.9 billion at 100%). Covivio has pursued the reduction of its exposure to secondary locations, consolidated value-creation on mature assets and withdrawn from non-strategic activities:

- **non-core assets:** €526 million Group share (€973 million at 100%) of which 54% in Offices (including the syndication of an additional 9% of the Telecom Italia portfolio), 24% in North Rhine-Westphalia residential assets and 22% in hotels.
- **mature assets:** €206 million Group share (€237 million at 100%), mostly Offices in France (€149 million Group share) including the 10 and 30 Avenue Kléber in Paris, and some privatizations of Residential assets Berlin (€57 million).
- **non-strategic assets :** €502 million Group share (€715 million at 100%) with the entire French Residential portfolio (€277 million), retail assets in France and Italy (€200 million for a shopping gallery in Milan, Quick restaurants and Jardiland assets) and the last Logistics assets (€25 million).

Additionally, disposal agreements amounting to €274 million Group share (€493 million at 100%) were signed in 2018, comprising 59 B&B hotels in France in secondary locations and. Including this latter agreement, non-strategic assets account for less than 2% of the portfolio vs 6% at end-2017.

F. INVESTMENTS: €1.4 Bn REALISED IN GROUP SHARE

(€ million Including Duties)	Acquisitions 2018 realised			Development capex 2018	
	Acquisitions 100%	Acquisitions Group share	Yield Group share	Capex 100%	Capex Group share
France Offices	137	151	n.a.	120	96
Italy Offices	106	63	6.2%[1]	48	28
Acquisition of Beni Stabili shares	n.a.	263	5.4%	-	-
German Residential	468	324	4.5%[2]	81	53
Reinforcement Germany	n.a	51	4.9%	-	-
Hotels in Europe	916	387	5.1%	41	16
Total	**1,626**	**1,239**	**5.0%**	**290**	**194**

[1] Potential yield on acquisitions.

[2] Yield in 2 years after reletting of vacant spaces. Immediate yield is 3.6% on acquisitions realised.

€1.4 billion Group share (€1.9 billion at 100%) of investments were realised in 2018, Covivio continued to strengthen its position in its strategic markets, in particular in France and Italy Offices and in German Residential with:

- **Acquisitions** for €1.0 billion Group share (€1.6 billion at 100%)
  - an asset with a large **redevelopment potential in Paris CBD,** rue Jean Goujon, for €134 million. This acquisition was realised in the context of an asset swap: Covivio sold two core mature assets, occupied by Covivio, located avenue Kléber in Paris CBD.
  - **three assets in Milan** for €63 million Group share (€106 million at 100%) at a potential yield of 6.2%.
  - the acquisition of residential assets worth €324 million Group share (€468 million at 100%) in Germany, including 67% in **Berlin** at an average price of €2,442/m². These assets will generate an attractive yield of 4.5% after re-letting of the vacant surface and have a 40% reversion potential
  - the acquisition of a portfolio of twelve 4* and 5* **hotels located in major cities in the United-Kingdom**, amounting to 2,638 rooms for €379 million Group share (€895 million at 100%) with a 5.1% minimum guaranteed yield and a 6% target yield. Two of the assets will be transferred in 2019.
- **Capex in the development pipeline** with €194 million Group share (€290 million at 100%) of capex, mostly related to development projects in Paris and Milan and acquisitions of land banks in Berlin at around €1,000/m².
- The **reinforcement in Beni Stabili** realised in the second quarter 2018 from 52.4% ownership to 59.9% equivalent to €263 million of acquisitions.

In addition, €225 million (€140 million Group share) of **works on the operating portfolio** were realised, including €95 million of capex in German Residential (see page 47 for more details on German Residential capex).

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

1. Deliveries: 35,000 m² of office spaces and 653 hotel rooms delivered in 2018

Seven projects were delivered in 2018 totalling 35,000 m² of office spaces in France and Italy and 653 hotel rooms, with an average occupancy rate of 97%. These were:

- The first phase of Symbiosis in Milan (20,500 m² of offices), 100% let to Fastweb with a yield on cost of 7.6%, above the initial target (6.8%)
- Colonna in Milan (3,500 m² of offices), 100% let
- Riverside in Toulouse (11,000 m² of offices), 83% let. Negotiations are under way for the leasing of the remaining surfaces
- A Meininger hotel in Milan (131 room) which involved the conversion of an office asset into a hotel
- 2 B&B hotels in Berlin and Greater Paris (Chatenay-Malabry) for 267 rooms in total
- The first Motel One in France, in Paris 12th (255 rooms).

Covivio's value creation amounted to a 25% increase on assets delivered in 2018. In addition, the yield recognised upon delivery of these assets proved to be up to about 6.9%.

Committed projects: €1.6 Bn (€1.3 bn in Group share)

Covivio stepped-up its committed pipeline in 2018 with more than €800 million of new projects, thus more than doubling it to €1.3 billion Group share. Currently, 31 projects are under way in three European countries at 80% in Paris, Berlin and Milan. They will be completed between 2019 and 2021. The new projects include:

- Flow in Montrouge - 23,600 m²: new urban campus in the Montrouge-Malakoff-Châtillon business district. The asset is fully pre-let 18 months ahead of the delivery (scheduled in 2020).
- IRO in Châtillon - 25,600 m²: new office building in the same strategic area of Montrouge-Malakoff-Châtillon. IRO is currently the only project to be delivered in the area until 2020.
- Jean Goujon in Paris CBD – 8,500 m²: full redevelopment into a flagship prime asset of an asset purchased in 2018. Covivio plans to regroup all its Paris team after completion scheduled for 2021.
- Gobelins in Paris 5th – 4,400 m²: former Orange building being redeveloped. Covivio will set-up its new flex-offices & coworking offer, Wellio, on the entire surface.
- N2 in Paris 17th - 15,900 m²: mixed-use project with offices, flex-offices & hotel in the attractive Batignolles area. The project is shared with ACM (50%) and the delivery is scheduled for 2021.
- Via Dante in Milan - 5,100 m²: renovation of a trophy building in the CBD near the Piazza Duomo. Covivio will host its Wellio co-working brand there for the opening of its first site in Milan.
- The Sign in Milan - 26,500 m²: new offices located on the Southwest edge of the centre of Milan. The first building (9,600 m²) is already pre-let to AON two years before delivery in 2020.
- The Symbiosis School in Milan - 9,200 m²: new building part of the Symbiosis area in a growing business district at the South East limit of Milan. This asset is pre-let to Ludum and delivery is scheduled for 2020.
- Residential projects in Berlin – 454 units: €111 million of new construction and extension projects at a cost €3,650/m². Some units will be sold (with more than 40% margin) and some will be let (with a yield on cost of 4.8%).

	Committed projects	Location	Project	Surface [1] (m²)	Delivery	Target rent (€/m²/ year)	Pre-leased (%)	Total Budget [2] (€M, 100%)	Total Budget [2] (€M, Group share)	Target Yield [3]	Progress	Capex to be invested (€M, Group share)
France Offices	Ilot Armagnac (35%share)	Bordeaux	Construction	31,700 m²	2019	190	61%	102	35	6.5%	97%	1
	Cité du numérique	Bordeaux	Construction	19,223 m²	2019	136	38%	39	39	>7%	70%	35
	Hélios	Lille	Construction	9,000 m²	2019	160	100%	22	22	>7%	87%	3
	Total deliveries 2019			**59,923 m²**			**61%**	**163**	**96**	**6.9%**	**84%**	**39**
	Belaïa (50%share)	Orly – Greater Paris	Construction	22,600 m²	2020	198	50%	65	32	>7%	14%	27
	Meudon Ducasse	Meudon - Greater Paris	Construction	5,100 m²	2020	260	100%	22	22	6.4%	9%	18
	Silex II (50%share)	Lyon	Restructuration-extension	30,900 m²	2020	312	44%	166	83	6.0%	47%	50
	Flow	Montrouge - Greater Paris	Construction	23,581 m²	2020	327	100%	115	115	6.6%	25%	79
	Gobelins	Paris	Restructuration	4,360 m²	2020	510	100%	50	50	4.3%	4%	20
	IRO	Châtillon – Gretaer Paris	Construction	25,600 m²	2020	325	0%	139	139	6.3%	25%	104
	Total deliveries 2020			**112,141 m²**			**54%**	**557**	**442**	**6.2%**	**25%**	**297**
	N2 (50%share)	Paris	Construction	15,909 m²	2021	575	0%	148	78	4.6%	2%	69
	Montpellier Orange	Montpellier	Construction	16,500 m²	2021	165	100%	49	49	6.7%	7%	44
	Jean Goujon	Paris	Restructuration	8,455 m²	2021	820	100%	182	182	n.a	1%	38
	Total deliveries 2021			**40,864 m²**			**75%**	**379**	**309**	**5.4%**	**2%**	**151**
	Total France Offices			**212,928 m²**			**63%**	**1,099**	**847**	**6.2%**	**24%**	**486**
Italy Offices	Principe Amedeo	Milan	Regeneration	7,100 m²	2019	490	74%	59	59	5.3%	85%	2
	Ferrucci	Turin	Regeneration	21,000 m²	2019	130	0%	50	50	5.5%	55%	8
	Dante	Milan	Regeneration	5,100 m²	2019	560	100%	54	54	4.8%	6%	8
	Total deliveries 2019			**33,200 m²**			**60%**	**163**	**163**	**5.2%**	**50%**	**19**
	The Sign	Milan	Construction	26,500 m²	2020	285	35%	105	105	>7%	15%	56
	Symbiosis School	Milan	Construction	9,200 m²	2020	225	99%	21	21	>7%	10%	18
	Total deliveries 2020			**35,700 m²**			**46%**	**126**	**126**	**>7%**	**14%**	**74**
	Total Italy Offices			**68,900 m²**			**54%**	**289**	**289**	**6.1%**	**34%**	**93**
German Resi.	**German residential - deliveries in 2019**	**Berlin**	**Constructions Roof extensions**	**5,145 m²**			**n.a**	**16**	**10**	**5.0%**	**38%**	**6**
	German residential - deliveries 2020 and beyond	**Berlin**	**Constructions Roof extensions**	**25,154 m²**			**n.a**	**95**	**62**	**4.7%**	**4%**	**43**
	Total German Residential			**30,299 m²**			**n.a**	**111**	**72**	**4.8%**	**9%**	**48**
Hotels in Europe	B&B Bagnolet (50%share)	Paris	Construction	108 rooms	2019	n.a	100%	8	2	6.2%	56%	1
	B&B Cergy (50%share)	Greater Paris	Construction	84 rooms	2019	n.a	100%	5	1	6.6%	85%	0
	Meininger Munich	Munich - Germany	Construction	173 rooms	2019	n.a	100%	32	14	6.4%	98%	0
	Meininger Porte de Vincennes	Paris	Construction	249 rooms	2019	n.a	100%	45	20	6.2%	88%	2
	Meininger Lyon Zimmermann	Lyon - France	Construction	176 rooms	2019	n.a	100%	18	8	6.1%	75%	2
	Total deliveries 2019			**790 rooms**			**100%**	**108**	**44**	**6.4%**	**87%**	**6**
	Total Hotels in Europe			**790 rooms**			**100%**	**108**	**44**	**6.4%**	**87%**	**6**
	Total						**62%**	**1,606**	**1,252**	**6.1%**	**27%**	**633**

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

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)
Total France Offices	212,928 m²	63%	1,099	847	6.2%	24%	486
Total Italy Offices	68,900 m²	54%	289	289	6.1%	34%	93
Total German Residential	30,299 m²	n.a	111	72	4.8%	9%	48
Total Hotels in Europe	790 rooms	100%	108	44	6.4%	87%	6
Total		**62%**	**1,606**	**1,252**	**6.1%**	**27%**	**633**

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

3. Managed projects: €3.9 Bn (€3.0 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	Paris St-Ouen	Paris	Regeneration	31,000 m²	2021
France Offices	Omega	Levallois - Greater Paris	Regeneration - Extension	20,500 m²	2021
France Offices	Canopée	Meudon - Greater Paris	Construction	50,000 m²	>2022
France Offices	Anjou	Paris	Regeneration	11,000 m²	>2022
France Offices	Opale	Meudon - Greater Paris	Construction	37,000 m²	>2022
France Offices	Montpellier Pompignane	Montpellier	Regeneration-Extension	6,000 m²	>2022
France Offices	Philippe Auguste	Paris	Regeneration	13,200 m²	>2022
France Offices	Campus New Vélizy Extension (50% share)	Vélizy - Greater Paris	Construction	14,000 m²	>2022
France Offices	DS Campus Extension 2 (50% share)	Vélizy - Greater Paris	Construction	11,000 m²	2022
	Total France Offices			**286,700 m²**	
Italy	Symbiosis (building D)	Milan	Construction	20,500 m²	2021
Italy	Symbiosis (other buildings)	Milan	Construction	74,500 m²	2020-2022
Italy	Duca d'Aosta	Milan	Regeneration	2,100 m²	2019
	Total Italy Offices			**97,100 m²**	
Mixed-use	Alexanderplatz - 1st tower	Berlin	Construction	60,000 m²	2024
Mixed-use	Alexanderplatz - 2nd tower	Berlin	Construction	70,000 m²	>2024
Mixed-use	Additonal constructibilty (Hotels portfolio)	France, UK, Germany	Construction	100,000 m²	>2022
	Mixed-Use			**230,000 m²**	**>2022**
	German Residential	**Berlin**	**Constructions Roof extensions**	**183,000 m²**	**>2022**
	Total			**796,800 m²**	

[1] Surfaces at 100%

Covivio plans to launch a certain number of projects in the short term, including:

- Paris St-Ouen – 31,000 m²: demolition-reconstruction project with a 70% enlargement of the building. The asset is located in a fast-developing business district north of Paris 17th (location of the new Paris Courthouse, new stations of metro line 14).
- Omega in Levallois – 20,500 m²: full redevelopment project into a prime asset in the well-established business district of Levallois.
- 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 constructability identified in land banks adjacent to hotels (100,000m²).

H. PORTFOLIO

Portfolio value: +4.4% on a like-for-like basis

(€ million, Excluding Duties)	Value 2017 100%	Value 2018 100%	Value 2018 Group share	LfL [1] change	Yield [2] 2017	Yield [2] 2018	% of portfolio
France Offices	6,351	6,684	5,640	2.2%	5.2%	5.2%	37%
Italy Offices	3,937	3,880	3,188	0.2%	5.5%	5.4%	21%
Residential Germany	4,957	5,823	3,743	11.6%	4.7%	4.3%	24%
Hotels in Europe	4,807	5,836	2,250	3.0%	5.5%	5.2%	15%
Total strategic activities	**20,052**	**22,223**	**14,820**	**4.4%**	**5.2%**	**5.0%**	**97%**
Non-strategic	1,102	574	475	-6.5%	5.0%	5.9%	3%
Retail Italy	297	144	144	-24.6%	6.1%	9.0%	1%
Retail France	447	173	73	-1.5%	6.7%	7.3%	0%
Others (France Resi., Car parks)	358	258	258	-2.3%	3.1%	3.3% [3]	2%
Total Portfolio	**21,154**	**22,797**	**15,295**	**4.0%**	**5.2%**	**5.0%**	**100%**

[1] LfL: Like-for-Like
[2] Yield excluding development projects
[3] Yield excluding car parks and logistics

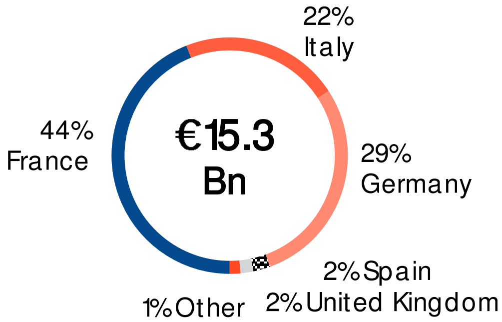
The portfolio grew by €2.5 billion to €15.3 billion Group share (€22.8 billion in 100%) mostly due to the merger with Beni Stabili and the hotel acquisition in the UK.

Like-for-Like value growth remained strong in 2018 with +4.4% on the strategic activities:

- +2.2% in France Offices driven by the rise in value of property assets located in Paris and in major regional cities as well as the result of strong commercialisation efforts on assets under development
- +1.8% in Milan
- +11.6% in German Residential (including +12.4% in Berlin and +13.1% in Hamburg) due to increases in rents and values
- +3.0% in Hotels, driven by asset management on the Spanish portfolio (+5.9%) and the German operating properties (+3.4% in Berlin driven by the Park Inn hotel).

Geographic breakdown of the portfolio at the end of 2018

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 (down from 16% at end-2017).

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

2. BUSINESS ANALYSIS BY SEGMENT

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

A. FRANCE OFFICES

1. Sustained demand for new space, limited offer, increasing rents[1]

Covivio's France Offices portfolio of €6.7 billion (€5.6 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 full year 2018 showed a dynamic performance by the French Offices market in a favourable economic context:

- High level of **take-up** at 2.5 million m² (-5% vs 2017 and +4% vs five-year average)
  - More than 1 million m² on new or refurbished spaces (+9% vs 2017)
  - Attractiveness of Western Crescent and 1st ring: 470,000 m² take-up combined on new spaces (+20%)
  - Expansion of co-working operators, who took-up 130,000 m².

- Record low **immediate supply** (2.6 million m², -8% vs end-2017) and vacancy rate (5.1%, -0.8 pts):
  - Historic all-time low in all sectors
  - Only 500,000 m² of new space available (19% of immediate offer)
  - 1st ring especially lacks new offer with only 71,000 m² available (13% of immediate offer)

- **Future supply** is fairly stable with 1.1 million m² available on deliveries until 2021 (+1.4% vs 2017)
  - 44% of the surfaces are already pre-let
  - 370,000 m² per year available on deliveries on average, less than 1% of the existing stock and only one third of the annual take-up on new space.

- Average **economic rents** on new or restructured spaces rose by 6% in one year in Greater Paris:
  - Headline rents increased by 3%
  - Incentives decreased by 1.8 pts vs 2017 and stand at 19.9% on average
  - All areas benefitted: +8% in the 1st ring, +7% in Paris CBD, +3% in the Western Crescent.

- **In Lyon**, the vacancy rate in the CBD Part-Dieu, where Covivio is exposed, remains at its historically low levels (less than 3%) and only 20,000 m² of new space are available until 2021. Prime rents therefore rose again by 3% to €325/m².

- **Investments** in France Offices grew at €23 billion in 2018 (+15% rise vs end-2017). There is still a significant gap between prime yields (3 to 3.15% in the CBD of Paris; 3.85% in Lyon), and the OAT 10 years (close to 0.6% in February 2019).

In 2018, the France Offices business was characterized by:

- **Rental income growth** of 2.8% on a like-for-like basis, driven by renewals (up 1.0 pt), indexation (up 0.9 pt) and occupancy (up 0.9 pt)
- Continued **portfolio rotation** with €167 million (Group share) of new disposal commitments for non-core and mature assets, including an asset swap in Paris CBD: Covivio sold its two mature assets at avenue Kléber, which were occupied by the Group, in exchange for a 8,500 m² property with strong redevelopment potential in Paris 8th.

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

- The 2.2% **growth in values** on a like-for-like basis over the year, reflecting the growth in rental values, the valuation of high-potential development projects and the strong performance of the Group's strategic markets, in particular Paris and the major regional cities.

- The **acceleration of the committed pipeline**, more than doubling to €1.1 billion (€847 million Group share)

- The continued development of our co-working brand **Wellio** with the opening of three new sites in Paris (9,800 m²), ideally located opposite the Gare de Lyon, in Montmartre and Miromesnil.

Assets held partially 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 (50.1% owned and fully consolidated),
- the New Vélizy campus for Thales (50.1% owned and accounted for under the equity method),
- Euromed Centre (50% owned and accounted for under the equity method),
- Bordeaux Armagnac (34.7% owned and accounted for under the equity method),
- Cœur d'Orly (50% owned and accounted for under the equity method).

2. Accounted rental income: +2.8% at a like-for-like scope

2.1. Geographic breakdown: success of asset management policy

(€ million)	Surface (m²)	Number of assets	Rental income 2017 100%	Rental income 2017 Group share	Rental income 2018 100%	Rental income 2018 Group share	Change (%) Group share	Change (%) LfL [1] Group share	% of rental income
Paris Centre West	106,741	10	37.1	37.3	40.8	40.8	9.5%	2.1%	17%
Paris South	72,343	8	25.3	20.6	30.0	25.0	21.2%	5.0%	10%
Paris North-East	110,429	6	19.4	19.4	19.5	19.5	0.4%	0.3%	8%
Total Paris	**289,513**	**24**	**81.9**	**77.3**	**90.3**	**85.3**	**10.3%**	**2.4%**	**35%**
Western Crescent and La Défense	226,930	20	72.8	65.6	71.2	63.6	-3.1%	3.6%	26%
Inner rim	466,571	23	52.8	39.3	55.9	40.1	2.0%	2.3%	17%
Outer rim	51,661	23	10.5	10.5	5.9	5.9	-43.6%	3.6%	2%
Total Paris Region	**1,034,675**	**90**	**217.9**	**192.6**	**223.3**	**194.8**	**1.1%**	**2.8%**	**80%**
Major regional cities	430,646	52	30.9	30.9	29.9	29.7	-4.0%	4.6%	12%
Other French Regions	215,862	84	23.3	23.3	17.9	17.9	-23.2%	-0.7%	7%
Total	**1,681,182**	**226**	**272.1**	**246.9**	**271.1**	**242.4**	**-1.8%**	**2.8%**	**100%**

[1] LfL : Like-for-Like

Rental income declined by 1.8%, to €242 million Group share (-€4.5 million) as a result of:

- improved **rental performance** with 2.8% growth on a like for like basis (+€6.1 million) including:
  - +0.9 pt from indexation
  - +1.0 pt from renewals mostly on leases located in Southern Paris and Western Crescent
  - +0.9 pt due to occupancy

  The main growth areas are Southern Paris (asset management work performed on an Orange asset in 2017 and lease renewals), the Western Crescent and the major regional cities (mainly Euromed in Marseille and Majoria in Montpellier).

- asset **acquisitions and deliveries** (+€15.3 million):
    - +€4.3 million due to the acquisition of the Jean Goujon asset in Paris CBD
    - +€11.0 million from assets delivered in 2017 and 2018, which have been fully let
- **vacating for development** (-€2.6 million) in Paris St-Ouen
- **disposals and change of scope** (-€22.3 million), mostly of non-core assets in the outer suburbs and the regions.

3. Annualised rents: €262 million Group share at end-2018

3.1. Breakdown by major tenants

(€ million)	Surface (m²)	Number of assets	Annualised rents 2017 100%	Annualised rents 2017 Group share	Annualised rents 2018 100%	Annualised rents 2018 Group share	Change (%)	% of rental income
Orange	297,474	97	74.2	74.2	67.4	67.4	-9.1%	26%
Suez Environnement	60,350	3	27.8	21.8	28.3	22.1	1.8%	8%
EDF/ Enedis	130,121	22	16.7	16.7	15.8	15.8	-5.5%	6%
Vinci	55,352	5	14.8	14.8	15.0	15.0	1.5%	6%
Dassault	69,395	2	24.9	12.5	25.4	12.7	1.9%	5%
Thalès	88,274	2	17.6	10.8	18.1	11.1	2.6%	4%
Natixis	37,887	3	10.7	10.7	10.9	10.9	1.9%	4%
Eiffage	69,844	23	14.5	9.3	11.9	6.6	-28.9%	3%
Aon	15,592	1	9.0	5.4	9.2	5.5	2.6%	2%
Cisco	11,461	1	4.9	4.9	5.0	5.0	2.1%	2%
Other tenants	845,433	67	107.2	97.4	103.9	89.3	-8.3%	34%
Total	**1,681,182**	**226**	**322.3**	**278.4**	**310.8**	**261.5**	**-6.1%**	**100%**

The 10 largest tenants accounted for 66% of annualised rental income, stable since end-2017. The main changes affecting Key Accounts were the following:

- Orange: decreased exposure thanks to the disposals of non-core assets in French regions. Almost 80% of the Orange portfolio is now made up of assets with strong value-creation potential in Paris (~€1 billion of assets currently valued 8,500/m² with an average rent of €380/m²).
- Eiffage: disposal of 31 non-core assets in other French regions in 2018.

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

(€ million)	Surface (m²)	Number of assets	Annualised rents 2017 100%	Annualised rents 2017 Group share	Annualised rents 2018 100%	Annualised rents 2018 Group share	Change (%)	% of rental income
Paris Centre West	106,741	10	43.3	43.3	34.5	34.5	-20.3%	13%
Paris South	72,343	8	34.0	28.1	34.6	28.5	1.6%	11%
Paris North-East	110,429	6	20.0	20.0	19.6	19.6	-1.9%	7%
Total Paris	**289,513**	**24**	**97.3**	**91.3**	**88.7**	**82.6**	**-9.6%**	**32%**
Western Crescent and La Défense	226,930	20	84.2	75.7	78.6	69.8	-7.7%	27%
Inner rim	466,571	23	74.5	50.1	80.0	52.9	5.6%	20%
Outer rim	51,661	23	7.6	7.6	5.2	5.2	-31.2%	2%
Total Paris Region	**1,034,675**	**90**	**263.6**	**224.7**	**252.6**	**210.5**	**-6.3%**	**81%**
Major regional cities	430,646	52	37.8	32.8	42.8	35.6	8.4%	14%
Other French Regions	215,862	84	20.9	20.9	15.4	15.4	-26.4%	6%
Total	**1,681,182**	**226**	**322.3**	**278.4**	**310.8**	**261.5**	**-6.1%**	**100.0%**

The weight of strategic locations has increased (+2 pts), thanks to **disposals of non-core assets** decreased exposure in the outer suburbs (-1 pt) and in other French regions (-2 pts).

4. Indexation

The indexation effect is +€1.9 million over twelve months. For current leases:

- 86% 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: almost 182,000 m² renewed or let in 2018

	Surface (m²)	Annualised rents 2018 (€m, Group share)	Annualised rents 2018 (€/m², 100%)
Vacating	88,740	22.1	250
Letting	14,221	3.8	280
Pre-letting	64,594	13.8	268
Renewal	102,745	24.3	244

The re-negotiations and renewals took place essentially in Paris and the Western Crescent.

- **102,745 m² have been renegotiated or renewed**, essentially in Paris and the Western Crescent. On average, the leases have been renewed with **an increase of 6.5% on IFRS rents** and 3.2 years of extension of the maturity.

- **78,815 m² have been let or pre-let** over the year, bringing in €18 million in new rental income Group share, including:
  - 23,600 m² in Montrouge Flow, 100% pre-let 18 months before delivery
  - 14,200 m² to Solvay (9,000 m²) and Wellio (5,000 m²) in Lyon Silex 2, 44% pre-let two years ahead of delivery
  - 5,900 m² in Paris Montmartre, including 1,400 m² dedicated to our coworking brand Wellio
  - 10,300 m² in Toulouse Riverside, delivered this year and 83% let
  - 10,100 m² in Bordeaux Armagnac to be delivered in 2019 and 61% let
  - 7,000 m² in Cité du Numérique in Bordeaux now 38% pre-let.

- 88,740 m² were vacated, including **48,000 m² on assets vacated for a redevelopment in 2019** (Paris St-Ouen, Omega in Levallois, Paris rue Jean Goujon)

6. Lease expirations and occupancy rate

6.1. Lease expirations: firm residual lease term of 4.6 years

(€ million)	By lease end date (1st break)	% of total	By lease end date	% of total
2019	37.9	14%	22.1	8%
2020	24.3	9%	22.5	9%
2021	36.6	14%	33.5	13%
2022	24.2	9%	18.6	7%
2023	32.8	13%	30.6	12%
2024	13.3	5%	10.5	4%
2025	37.0	14%	39.4	15%
2026	29.5	11%	29.1	11%
2027	15.0	6%	28.1	11%
2028	4.8	2%	15.3	6%
Beyond	6.1	2%	11.8	5%
Total	**261.5**	**100%**	**261.5**	**100%**

The firm residual duration of leases has dropped by 0.4 point to 4.6 years due to **approaching maturities on significant assets in the managed pipeline**.

On the €38 million in rental income expiring in 2019:

- 4% corresponds to a development launched early 2019 (Gobelins in Paris 5th)
- 38% related to assets in the managed pipeline for which renewals are under control (Vinci in Rueil and Cap 18 in Paris 18th)
- 44% concern long-term partners of the Group (EDF and Orange)
- 13% on core assets very well situated in Paris and Lyon.

6.2. Occupancy rate: a high level of 97.1%

(%)	2017	2108
Paris Centre West	99.6%	99.5%
Southern Paris	100.0%	100.0%
North Eastern Paris	97.3%	92.8%
Total Paris	**99.2%**	**98.0%**
Western Crescent and La Défense	97.9%	99.3%
Inner rim	97.7%	97.1%
Outer rim	94.5%	92.2%
Total Paris Region	**98.3%**	**98.0%**
Major regional cities	94.5%	94.9%
Other French Regions	92.8%	91.1%
Total	**97.4%**	**97.1%**

The occupancy rate remains high, at 97.1%. The slight decline observed this year is due to the vacating of exceptional leases on Cap 18 in Paris North East, where Covivio maintains short-term maturities in view of a development in the medium-term.

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

The level of unpaid rent remains immaterial, given the quality of the client base.

8. Disposals and disposal agreements: €242 M Group share realised

(€ million)	Disposals (agreements as of end of 2017 closed) 1	Agreements as of end of 2017 to close	New disposals 2018 2	New agreements 2018 3	Total 2018 = 2 +3	Margin vs 2017 value	Yield	Total Realised Disposals = 1 + 2
Paris Centre West	-	*13*	*104*	-	*104*	*0.2%*	*3.3%*	*104*
Southern Paris	-	*6*	-	-	-			-
North Eastern Paris	-	*2*	-	-	-			-
Total Paris	-	**21**	**104**	-	**104**	**0.2%**	**3.3%**	**104**
Western Crescent and La Défense	-	-	*36*	-	*36*	*4.5%*	*4.4%*	*36*
Inner rim	*1*	*6*	-	-	-			*1*
Outer rim	*31*	-	*2*	-	*2*	*0.6%*	*13.0%*	*33*
Total Paris Region	**32**	**27**	**141**	**-**	**141**	**1.3%**	**3.7%**	**173**
Major regional cities	8	1	-	4	4	16.8%	6.9%	**8**
Other French Regions	43	1	19	3	23	13.7%	9.8%	**62**
Total 100%	**82**	**28**	**160**	**7**	**167**	**3.1%**	**4.6%**	**242**
Total Group share	**82**	**28**	**160**	**7**	**167**	**3.1%**	**4.6%**	**242**

Covivio has realised €242 million of disposals in 2018, mostly on mature assets, enabling it to finance development and acquisition projects with strong value-creation potential.

- **Mature assets** worth €139 million Group share were sold:
  - the two assets occupied and renovated by Covivio on Avenue Kléber in the Paris CBD for €104 million, acquired in 2005 and 2007 for €44 million. This disposal took place as part of an asset swap in exchange for a property located at Rue Jean Goujon in Paris CBD
  - the Clichy Pégase asset for €36 million, developed by Covivio for a total cost of €23 million and delivered in 2013, fully let to Eiffage.
- €103 million in **non-core asset** disposals have been signed, mainly in other French regions and the outer suburbs.

9. Acquisitions: €151 M realised

(€ million, including Duties)	Surface (m²)	Location	Acquisition Price	Yield
Jean Goujon	8,500	Paris	134.0	n.a.
Cœur d'Orly	-	Orly	14.3	n.a.
Omega (bank branch)	231	Levallois	2.5	n.a.
Total	**8,731**		**150.7**	**n.a.**

Covivio has acquired three assets this year in order to fuel its development pipeline:

- 8,500 m² of offices for €134 million (€15,800/m²) located on **rue Jean Goujon in Paris CBD**. Covivio launched the redevelopment of this asset at end-2018 and plans to regroup all its Paris teams there after completion.
- a 25% stake in the Cœur d'Orly project, increasing its ownership to 50%
- A small surface leased to a bank branch (230 m²) as part of the Omega project, which Covivio will fully redevelop into a prime asset.

10. Development pipeline: €2.8 Bn of projects (€2.6 Bn Group share)

Development projects are one of the growth drivers for profitability and the improvement in the quality of 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 solid 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.

10.1. Delivered projects

One project was delivered in 2018: Riverside, 11,000 m² of office space in the centre of Toulouse. 83% of the surface is already let and negotiations are at an advanced stage to let the remaining surface area. Covivio realised 56% of value creation on this project.

10.2. Committed pipeline: €1.1 billion of projects (€847 million Group share),

In 2018, Covivio launched €738 million (€635 million Group share) of new projects in France, thus more than tripling its committed pipeline to €1.1 billion (€847 million Group share).

For a breakdown of committed projects, see the table on page 17 of this document.

Several projects were committed in 2018, including:

- Flow in Montrouge – 23,600 m²: Construction of an urban campus in the Montrouge-Malakoff-Châtillon business district. The asset is now 100% pre-let 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 coming in the area until 2020, when the delivery is scheduled.

- Jean Goujon in Paris 8th – 8,500 m²: full redevelopment into a flagship prime asset of a building purchased in 2018. Covivio plans to regroup all its Paris team after completion.
  Delivery is scheduled for 2021

- Gobelins in Paris 5th – 4,400 m²: former Orange building being redeveloped. Covivio will set-up its new co-working offer, Wellio, on the entire surface. Gobelins is part of Covivio's ~€1bn portfolio of Orange assets in Paris with significant value creation potential through redevelopment (currently valued at €8,500/m² with an average rent of €380/m²).

- 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.

- Cité Numérique in Bordeaux – 19,200 m²: extension-regeneration program near the new high-speed train station in Bordeaux. Delivery is schedules for 2019.

- Cœur d'Orly- Belaïa – 22,600 m²: project to build a new office building in Cœur d'Orly, the business district of Paris-Orly airport, in partnership with the ADP Group. 50% of the asset has already been pre-let, and delivery is scheduled for 2020.

Furthermore, work continued on several projects, including:

- Silex 2 in Lyon – 30,900 m²: prime office project in Lyon Part-Dieu CBD. 44% is already pre-let two years ahead of delivery (scheduled for early 2021): 9,000 m² to Solvay and 5,000 m² dedicated to coworking through Wellio. The project is shared at 49.9% with ACM
- Îlot Armagnac in Bordeaux – 31,700 m²: construction project for three new offices purchased off-plan near the future high speed (LGV) railway station. Covivio has a 35% stake in the project and will retain 100% ownership of one of the buildings, today 61% pre-let to Regus.
- 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.
- Hélios in Lille-Villeneuve d'Ascq – 9,000 m²: construction project for two new buildings in one of the main office areas in Lille. The asset is already entirely pre-let to the Caisse d'Epargne Group. Delivery is expected in early 2019.

10.3. Managed pipeline: €1.7 billion of projects (€1.7 billion in Group share)

For a breakdown of managed projects, see the table on page 18 of this document.

Covivio plans to launch a certain number of projects in the short term, including:

- Paris St-Ouen – 31,000 m²: demolition-reconstruction project with a 70% extension of the surface. The asset is located in a fast-developing business district north of Paris 17th (location of the new Paris Courthouse, new stations of metro line 14).
- Omega in Levallois – 20,500 m²: full redevelopment project into a prime asset in the well-established business district of Levallois.

In total, more than 285,000 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 arrondissement (50,000 m² of potential new constructions).

11. Portfolio values

11.1. Change in portfolio values: €228 million rise in Group Share in 2018

(M€, Including Duties Group share)	Value 2017	Acquisitions	Invest.	Disposals	Value creation on Acquis./Disposals	Change in value	Transfer	Value 2018
Assets in operation	5,233	134	46	-242	33	104	-180	5,127
Assets under development	180	2	117	0	8	26	180	513
Total	**5,412**	**136**	**162**	**-242**	**41**	**130**	**0**	**5,640**

The value of the portfolio has grown by €228 million since end-2017 mostly due to the value creation on existing and newly acquired assets (+€171 million). Disposals (-€242 million) allowed Covivio to finance investments in the committed pipeline, both through acquisition of buildings to be redeveloped and capex (+€298 million in total). Furthermore, upgrading work worth €46 million has been completed on assets in operation.

11.2. Like-for-like portfolio evolution: +2.2% of growth

(€ million, Excluding Duties)	Valeur 2017 100%	Value 2017 Group share	Value 2018 100%	Value 2018 Group share	LfL (%) change [1] 12 months	Yield [2] 2017	Yield [2] 2018	% of total
Paris Centre West	1,021	1,021	1,094	1,094	3.8%	4.1%	3.9%	19%
Paris South	769	632	784	647	1.0%	3.4%	4.4%	11%
Paris North-East	374	374	390	390	2.4%	5.3%	5.0%	7%
Total Paris	**2,164**	**2,028**	**2,269**	**2,131**	**2.6%**	**4.1%**	**4.3%**	**38%**
Western Crescent and La Défense	1,571	1,410	1,579	1,419	1.8%	5.4%	5.4%	25%
Inner rim	1,438	1,000	1,586	1,112	2.2%	5.4%	5.5%	20%
Outer rim	94	94	63	63	0.1%	8.4%	8.9%	1%
Total Paris Region	**5,267**	**4,532**	**5,497**	**4,725**	**2.2%**	**4.9%**	**4.8%**	**84%**
Major regional cities	848	644	1,010	739	3.5%	6.0%	5.8%	13%
Other French Regions	236	236	177	177	-2.8%	8.9%	8.8%	3%
Total	**6,351**	**5,412**	**6,684**	**5,640**	**2.2%**	**5.2%**	**5.2%**	**100%**

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

Values rose by 2.2% on a like-for-like basis especially thanks to:

- +35% on Toulouse Riverside delivered in May 2018 (and 56% since the launch of the project), today let at 83%
- +6.3% on assets under development
- +2.6% in Paris through increases in rental values and upgrading works (mainly The Line and Steel in Paris CBD and Art&Co in Gare de Lyon)
- Major business districts in regional cities with 3.5% growth, particularly in Bordeaux.

The yield of the portfolio is stable at 5.2% thanks to the healthy increase in rental income (+2.8% like-for-like rental growth) accompanying the increase in value.

12. 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 of on an opportunistic basis in managed proportions. This frees up resources that can be reinvested in value-creating transactions, such as development projects or making new investments.

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

- **Non-core assets** form a portfolio compartment 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	82	17	128	**227**
Value Excluding Duties Group share (€ million)	4,869	513	259	**5,640**
Annualised rental income	236	2	24	**262**
Yield [1]	4.9%	n.a	9.2%	**5.2%**
Residual firm duration of leases (years)	4.8	n.a	2.1	**4.6**
Occupancy rate	97.6%	n.a	92.4%	**97.1%**

[1] Yield excluding development

Core assets represent 86% of the portfolio (Group share) at end-2018.

The development portfolio has tripled since end-2017 with the acceleration of the committed pipeline. It now represents 9% of the portfolio (+6 pts vs end-2017).

Non-core assets now represent less than 5% of the portfolio (Group share) at 31 December 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 realised in 2017 and 2018.

The ownership rate in the Italian portfolio is therefore 100% at end-2018 (vs 59.9% at end-June 2018 and 52.4% at end-2017). On the P&L, the ownership rate retained was 52.4% for the first quarter 2018 and 59.9% for the rest of the year.

The figures are disclosed at 100% and in Covivio Group share (GS).

1. Confirmed supportive environment in Milan Office Market[1]

The strategy of Covivio in Italy is focused on Milan, where the Group's acquisitions and developments are concentrated. At year-end 2018, the Group had a portfolio worth €4.0 billion (€3.3 billion Group share). The Milan Office market set new records in 2018 after an already strong 2017.

- The market showed record levels of **take-up,** reaching 381,800 m² (+10% vs end-2017). The demand is driven by Grade A and quality offices since 2015, which represents on average 70%-80% of the total volume.

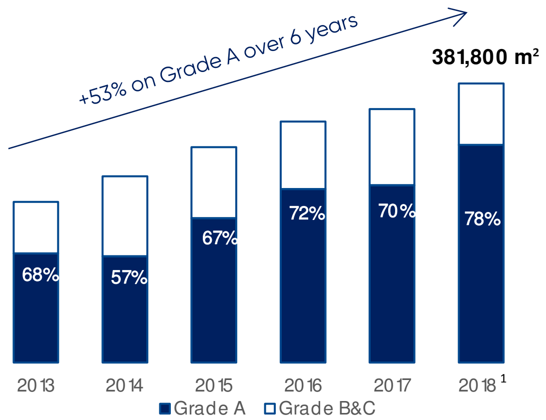
- The **vacancy rate** of Milan dropped again this year since 2017 at 7% in the CBD, Center and semi-center areas on average (-0.4 pts vs 2017), with an especially low vacancy of Grade A offer at 2.3%.
  Only 115,000 m² of Grade A space are available in these three areas combined (out of more than 9 million m² total stock).

- On the **future offer**, the trend is still positive, the expected deliveries until 2021 will not exceed 150,000 m² per year (vs 165,000 m² per year forecasted in 2017).

- **Prime rents** increased during the year reaching €580/m² in the CBD, a 7% growth vs end-2017). Rents are rising in all areas especially in the Centre +8% and in the Semi-Centre +7% since end-2017.

- **Investments** in Milan Offices decreased this year but remain high at €2.1 billion, well above the 10 year average (€1.5 billion).

Take-up in Milan
in volume since 2013



[1] Based on estimated forecasts – C&W end-September 2018

The activities of Covivio in 2018 were marked by:

- The reinforcement in Milan through €106 million of **acquisitions** with a potential yield above 6%. Milan now accounts for 73% of the office portfolio in Group share at year-end 2018.
- The success of the **development pipeline**, with 26,000 m² leased in 2018, including 11,600 m² on the Symbiosis project and 9,200 m² on the Sign project. The committed pipeline is now pre-let at 54%.
- The diversification of the tenant base, with **the syndication of an additional 9% of the Telecom Italia portfolio** representing the equivalent of €139 million Group share disposal.
- **The disposals of non-core and non-strategic assets** for €385 million (€181 million Group share) with a 5.3% margin above end-2017 appraisal value.

2. Accounted rental income: +1.3% like-for-like growth on strategic activities

(€ million)	Surface (m²)	Number of assets	Rental income 2017 100%	Rental income 2017 Group share	Rental income 2018 100%	Rental income 2018 Group share	Change (%)	Change (%) LfL [1]	% of total
Offices - excl. Telecom Italia	526,032	74	88.0	46.1	93.4	54.2	17.5%	1.5%	64%
Offices - Telecom Italia	911,332	129	98.6	40.9	94.3	29.0	-29.1%	1.0%	34%
Development portfolio	199,764	6	0.4	0.2	2.3	1.4	n.a	n.a	2%
Total strategic activities	**1,637,128**	**209**	**187.0**	**87.3**	**190.0**	**84.6**	**-3.1%**	**1.3%**	**100%**
Non-strategic (retail)	91,787	27	17.8	9.3	15.8	9.4	0.4%	-5.2%	
Total	**1,728,915**	**236**	**204.8**	**96.6**	**205.8**	**94.0**	**-2.7%**	**0.6%**	

[1] LfL: Like-for-Like

Between 2017 and 2018, rental income decreased by 3% (-€2.6 million) due to:

- **the reinforcement in Beni Stabili** at 59.9% (vs 52.4%) realised in the second quarter 2018 (+€8.9 million),
- the acceleration of the **rental growth** at like-for-like scope of +1.3% on strategic activities (+€0.9 million), driven by Milan (+1.8%) with:
  - +0.8% of indexation (+€0.6 million)
  - +0.5% related to rental activity (+€0.3 million)
- **acquisitions** in Milan realised in 2017 and 2018 (+€3.6 million),
- **deliveries** of development projects for +€2.4 million, let at 100%,
- **the syndication of 49% of the Telecom Italia portfolio** (-€13.9 million) of which 40% realised at end-June 2017 and 9% early 2018, and
- Non-core and non-strategic asset **disposals** (-€3.4 million).

3. Annualised rental income: €152 million Group share from offices

(€ million)	Surface (m²)	Number of assets	Annualised rents 2017 100%	Annualised rents 2017 Group share	Annualised rents 2018 100%	Annualised rents 2018 Group share	Change (%)	% of total
Offices - excl. Telecom Italia	526,032	74	98.0	51.4	105.0	105.0	104.3%	69%
Offices - Telecom Italia	911,332	129	98.9	31.1	88.1	45.0	44.5%	30%
Development portfolio	199,764	6	1.4	0.7	1.9	1.9	n.a	1%
Total strategic activities	**1,637,128**	**209.0**	**198.3**	**83.2**	**195.1**	**151.9**	**82.5%**	**100%**
Non-strategic (retail)	91,787	27	18.0	9.5	13.0	13.0	37.5%	
Total	**1,728,915**	**236.0**	**216.3**	**92.7**	**208.1**	**164.9**	**77.9%**	

Annualised income increased by 82.5% following the **merger with Beni Stabili**.

The weight of Telecom Italia continued to decrease by 7 points to 30%.

(€ million)	Surface (m²)	Number of assets	Annualised rents 2017 100%	Annualised rents 2017 Group share	Annualised rents 2018 100%	Annualised rents 2018 Group share	Change (%)	% of total
Milan	645,127	55	92.4	45.4	104.3	97.2	114.4%	64%
Rome	83,611	15	11.5	5.3	11.7	7.8	46.0%	5%
Turin	109,327	10	11.7	4.4	7.1	5.3	19.7%	4%
North of Italy (other cities)	483,582	76	48.8	17.2	43.5	26.5	54.1%	17%
Others	315,481	53	33.9	10.9	28.5	15.1	38.3%	10%
Total strategic activities	**1,637,128**	**209.0**	**198.3**	**83.2**	**195.1**	**151.9**	**82.5%**	**100%**
Non-strategic (retail)	91,787	27	18.0	9.5	13.0	13.0	37.5%	

64% of rental income is now generated by offices in Milan (+9 pts vs end-2017), thanks to the acquisitions realised, the syndication of the Telecom Italia portfolio and the new deliveries in Milan.

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 year 2018, the average change in the IPC index has been +1.1% over 12 months.

5. Rental activity

(€ million)	Surface (m²)	Annualised rental income 2018 Group share	Annualised rental income 2018 (100%, €/m²)
Vacating	17,332	4.5	262
Lettings on operating portfolio	21,428	9.8	457
Lettings on development portfolio	26,273	6.5	246
Renewals	22,953	8.0	351

The sustained rental activity in 2018 shows the improvement of the letting market in the areas where Covivio is exposed and the strong asset management work. In particular, the re-lettings have been realised with a **2.2% increase on IFRS rents** and an extension of the maturity by 3.7 years.

- **22.953 m² have been renewed or renegotiated.** Around 9,000m² are located in Milan and were renegotiated/renewed with an average of 7% increase on annualised rents.
- **21,428 m² of new leases** mainly in Milan, with 4,800 m² in Galleria del Corso (sold at the end of 2018) and 2,100 m² in Via Rombon with Total.

- **17,332 m² have been vacated**, of which 4,150 m² on Via Dante in Milan, currently under full **redevelopment.**
- **26,273 m² have been leased on the development pipeline**, mainly in Milan. The committed projects are now 54% pre-let :
  - the full pre-letting of a school to Ludum in the Symbiosis project for 9,200 m².
  - 9,500 m² on The Sign project (building A) pre-let to AON. After choosing Covivio for their French headquarters, AON will set up its Italian headquarters in the Sign.
  - An added agreement with Fastweb for the remaining area of the first Symbiosis buildings (2,400 m²), now fully let.
  - An added agreement with Gattai for 1,200 m² on Milan Principe Amedeo, now pre-let at 74%.
  - 5 new leases on the first phase of Turin Corso Ferrucci on 3,300 m² delivered this year, now let at 54% on the part delivered.

6. Lease expirations and occupancy rates

6.1. Lease expirations: 7.7 years of average firm lease term

(€ million Group share)	By lease end date (1st break)	% of total	By lease end date	% of total
2019	19.8	12%	18.8	11%
2020	7.1	4%	8.5	5%
2021	7.6	5%	8.2	5%
2022	19.8	12%	22.4	14%
2023	12.3	7%	14.1	9%
2024	5.9	4%	10.2	6%
2025	5.6	3%	5.9	4%
2026	14.8	9%	15.6	9%
2027	9.8	6%	9.8	6%
2028	13.4	8%	1.3	1%
Beyond	48.9	30%	50.2	30%
Total	**164.9**	**100%**	**164.9**	**100%**

The firm residual lease term **remains high at 7.7 years,** despite the syndication of 9% additional of the Telecom Italia portfolio. The following are included in the €20 million of rental income coming to term in 2019:

- €3.8 million on assets to be redeveloped
- €4.4 million on assets located in the highly-sought CBD or Porta Nuova, mostly Piazza San Fedele
- €2.4 million on the Telecom Italia portfolio
- €2.0 million for which the renewal is under way, and
- €3.1 million of non-strategic retail that the Group aims to dispose.

6.2. Occupancy rate: a high-level of 97.9%

(%)	2017	2018
Offices - excl. Telecom Italia	95.1%	97.1%
Offices - Telecom Italia	100.0%	100.0%
Total strategic activities	**97.0%**	**97.9%**
Non-strategic (retail)	93.6%	91.0%
Total	**96.6%**	**97.4%**

The occupancy rate of offices excluding Telecom Italia assets has improved and stands at 97.1% (+2 pts vs end-2017) thanks to **letting success in Milan**. Overall, the occupancy rate on strategic activities has increased despite the impact of the diminishing weight of the Telecom Italia portfolio.

7. Reserves for unpaid rent

(€ million)	2017	2018
As % of rental income	0.5%	0.8%
In value [1]	0.4	0.8

[1] net provision / reversals of provision

The level of unpaid rents remains very low (less than 1%).

8. Disposals: €270 M realised in 2018

(€ million, 100%)	Disposals (agreements as of end of 2017 closed) 1	Agreements as of end of 2017 to close	New disposals 2018 2	New agreements 2018 3	Total 2018 = 2 + 3	Margin vs 2017 value	Yield	Total Realised Disposals = 1 + 2
Milan	11	-	141	-	141	25.6%	3.2%	152
Rome	-	-	-	-	-	-	-	-
Other	16	-	244	0	244	-3.7%	6.8%	260
Total 100%	**27**	**-**	**385**	**0**	**385**	**5.3%**	**5.5%**	**412**
Telecom Italia portfolio syndication (Group share)		-	73	-	73	0.0%	6.4%	73
Total Group share	**13**	**-**	**257**	**-**	**257**	**5.3%**	**5.5%**	**270**

During 2018, Covivio realised €270 million of disposals of non-core and non-strategic assets:

- an additional 9% of the **Telecom Italia portfolio** was sold to EDF Invest and Credit Agricole Assurances,
- €159 million (€49 million Group Share) of new disposals agreements for **Telecom Italia assets in secondary locations** (Pisa, Brescia, Como, Palermo),
- €132 million of **non-strategic and non-core assets**, including Excelsior in Milan (shopping gallery) and 2 office buildings located in Turin, thus crystallising the value creation following the re-letting of Excelsior in early 2018, while increasing the exposure of offices in Milan.

9. Acquisitions: €106 M realised in 2018

(€ million, Including Duties)	Location	Acquisitions 2018 realised		Acquisitions 2018 secured	
		Acq. price 100%	Potential Gross Yield	Acq. price 100%	Potential Gross Yield
Piazza Duca d'Aosta	Milan	11	6.1%	-	-
Piazza San Pietro in Gessate	Milan	16	6.0%	-	-
Viale Dell' Innovazione	Milan	79	6.3%	-	-
Total		**106**	**6.2%**	**-**	**-**

In 2018 the Company continued its acquisition strategy in Milan, with 25,800m² for €106 million:

- A portfolio of two assets for a total of 6,000 m². One asset is located in **Piazza Duca D'Aosta**, right in front of the Central Railway Station and next to **Porta Nuova business district**, the other one is located in Piazza San Pietro in Gessate, in front of the Milan Courthouse. Both assets offer a significant value creation with a potential yield of 6%.
- An asset located in the increasingly attractive **Bicocca Business District** in Northern Milan, on the metro line 5. The building, representing 19,800 m² of Grade A office space, offers an attractive yield of 6.3% through reletting of the vacant space (~9%).

10. Development pipeline: €700 M of projects

Covivio has around €700 million of pipeline in offices in Italy Facing high demand for new or restructured spaces, the Group has boosted its development capacity since 2015 year-end, with five committed projects at end-December 2018 that will drive the Group's growth in the coming years.

10.1. Delivered projects

48,500 m² of projects were delivered during the year 2018, mainly in Milan and Turin. The 100% occupancy rate proves the success of the development pipeline strategy:

- Symbiosis AB (20,500 m²) in Milan, the first two buildings of the Symbiosis area, 100% let mainly to Fastweb;
- The Colonna project (3,500 m²), which involved redeveloping an asset, was also delivered during the second quarter of 2018. This asset is fully let.
- The Titano project (6,000 m²), which involved redeveloping the Piazza Monte Titano asset into a hotel let to Meininger, was delivered during the second quarter of 2018.

10.2. Committed projects: €289 million, primarily in Milan

For detailed figures on the committed projects, see page 17 of this document.

- The Sign – 26,500 m²: redevelopment project on Via Schievano, on the South West fringes of the centre of Milan in the Navigli business district. The first building has already been pre-let to AON, which had already selected Covivio for its French headquarters. The project will be delivered in 2020.

  During the last quarter, Covivio signed a preliminary agreement for the acquisition of an area adjacent to The Sign project, for €14.7 million. Following this acquisition, Covivio will be able to develop an additional 10,000 m² of offices.

- Symbiosis School – 9,200 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.

- Via Dante – 5,100 m²: renovation of a trophy building near the Piazza Duomo. Covivio will host its Wellio co-working brand there for the opening of its first site in Milan.

- Principe Amedeo – 7,100 m²: redevelopment of the Principe Amedeo building, acquired in 2017 and located in the Porta Nuova business district. Delivery is scheduled for early 2019. 74%of the building is pre-let mainly to the tenant Gattai.

- Corso Ferrucci – 21,000 m²: The remaining surface area is expected to be delivered by the end of 2019.

10.3. Managed projects: €400 million of projects in Milan

2 projects are in the managed pipeline:

- Other buildings in the Symbiosis project, representing a potential 70,000 m² of office space in a pipeline business district on the South East limit of Milan city-centre, opposite the Prada Foundation.
  The building D (20,500 m² of offices) will be next one to be launched in the short-term.

- Duca d'Aosta a 2,100 m² hotel space located in front of Stazione Centrale railway station.

11. Portfolio values

11.1. Change in portfolio values

(€ million, Group share Excluding Duties)	Value 2017	Acquisitions	Invest.	Disposals	Change in value	Change in value on acq. & disposals	Transfer	Telecom Italia portfolio syndication	Merger effect with BS	Value 2018
Offices - excl. Telecom Italia	1,024	106	20	- 106	2	0	100	-	929	2,073
Offices - Telecom Italia	489	-	14	- 87	3	- 2	-	- 140	444	720
Development portfolio	225	-	63	-	1	-	- 98	-	204	395
Total strategic activities	**1,738**	**106**	**96**	**- 193**	**5**	**- 3**	**1**	**- 140**	**1,577**	**3,188**
Non-strategic (Retail)	155	-	1	- 133	- 40	21	- 1	-	141	144
Total	**1,893**	**106**	**98**	**- 326**	**- 35**	**18**	**0**	**- 140**	**1,718**	**3,332**

The portfolio in Group Share increased by 83% to €3.3 billion at end-2018 as a result of the **merger with Beni Stabili** (vs 52.4% ownership rate end-2017).

Excluding the merger effects, the portfolio decreased under the effect of the disposals (-€326 million), which was partly offset by the investments realised during the year (+€204 million).

11.2. Portfolio in Milan: 73%

(€ million, Excluding Duties)	Value 2017 Group share	Value 2018 100%	Value 2018 Group share	LfL [1] change 12 months	Yield [2] 2017	Yield 2018	% of total
Offices - excl. Telecom Italia	1,024	2,073	2,073	0.1%	5.0%	5.1%	65%
Offices - Telecom Italia	489	1,412	720	0.4%	6.4%	6.2%	23%
Development portfolio	225	395	395	0.3%	n.a	n.a.	12%
Total strategic activities	**1,738**	**3,880**	**3,188**	**0.2%**	**5.5%**	**5.4%**	**100%**
Non-strategic (retail)	155	144	144	- 24.6%	6.1%	9.0%	
Total	**1,893**	**4,024**	**3,332**	**- 1.1%**	**5.5%**	**5.5%**	

[1] LfL: Like-for-Like

Following the additional 9% syndication of the Telecom Italia portfolio early in the year and the disposal of several assets during the second half of 2018, **the weight of the Telecom Italia portfolio was reduced to 23%** (vs 28% at end-2017 and 38% at end-2016).

(€ million, Excluding Duties)	Value 2017 Group share	Value 2018 100%	Value 2018 Group share	LfL [1] change 12 months	Yield [2] 2017	Yield [2] 2018	% of total
Milan	1,117	2,468	2,322	1.8%	4.6%	4.2%	73%
Turin	116	156	130	- 0.4%	7.2%	4.1%	4%
Rome	85	225	143	- 6.3%	4.9%	5.4%	4%
North of Italy	261	630	383	- 4.7%	5.1%	6.9%	12%
Others	159	401	210	- 2.0%	6.3%	7.2%	7%
Total strategic activities	**1,738**	**3,880**	**3,188**	**0.2%**	**5.5%**	**5.4%**	**100%**
Non-strategic (retail)	155	144	144	- 24.6%	6.1%	9.0%	

[1] LfL: Like-for-Like

[2] Yield excluding development projects

- **The weight of Milan has increased** in 2018 and now represents 73% of the office portfolio (+9 pts since end-2017), thanks to the €106 million of acquisitions this year.

- **The weight of non-strategic assets have been reduced** through to the disposals realised: half of the assets were sold last year and only €144 million remain in the portfolio.

- **The outperformance of Milan** portfolio validates the strategy to focus on this city with an objective of 90% of the portfolio in Milan by 2022.

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. Solid economic growth outlook based on positive demographic and macro-economic trends[1]

Covivio owns over 41,600 apartments located in Berlin, Hamburg, Dresden, Leipzig and North Rhine-Westphalia. The asset portfolio represents €5.8 billion (€3.7 billion Group share). The German Residential market has been booming for several years, particularly in Berlin where the Group initiated investments in 2011 and where it currently holds nearly 60% of its residential portfolio.

- Germany's macro-economic indicators are robust, with a GDP growth forecast of over 2% in 2018 and 2019, and a drop in the unemployment rate to 3.3% at the end of 2018. In Berlin, the current demographic trend is continuing, with a forecast of 3.8 million people by 2020 mainly due to strong demographics (vs 3.7 million at end-2018).

- The housing supply and demand imbalance persists in the Berlin market. 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. In 2017, only 15,700 housing were delivered.

- This trend has had a significant impact on market rents, up 5% in 2018 Berlin at €11.7 per m² (at end-June 2018), and on apartment purchase prices, which stand at €4,400 per m² on average in Berlin (up 14% at end-September 2018).

- The Residential market continues to attract investors, with transactions totalling €14 billion at the end of Q3 2018 (+38% vs 2017) under the impact of external growth and the price increase (+23% to €2,400 per m² on average).

In 2018, Covivio's activities were marked by:

- a 4.4% increase in rental income on a like-for-like basis, after a +4.2% increase in 2017. The portfolio's rent increase potential remains high, particularly in Berlin at around 35%;

- ongoing acquisitions in Berlin, Dresden and Leipzig, at attractive prices. Acquisitions totalling €478 million were secured in 2018, of which 67% in Berlin, at an average price of €2,442 / m² and a rent increase potentially exceeding 40%;

- the acceleration of the committed projects with €111 million at end-2018 (€72 million Group share) out of a growing pipeline of €700 million in total;

- the portfolio continued to increase in value, with a like-for-like jump of +11.6%, of which +12.4% in Berlin, validating the pertinence of the Group's strategic allocation choices; and

- the development of the new co-living solution, which relies on the quality of the Group's portfolio in Berlin and will improve profitability and value creation.

[1] Sources : Eurosta, Destatis, Berlin Brandeburg Statistiks office, JLL, CBRE

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

2.1. Geographic breakdown

(€ million)	Surface (m²)	Number of units	Rental income 2017 100%	Rental income 2017 Group share	Rental income 2018 100%	Rental income 2018 Group share	Change Group share (%)	Change Group share (%) LfL [1]	% of rental income
Berlin	1,309,772	17,155	103.4	70.6	116.6	74.8	5.9%	4.9%	49%
Dresden & Leipzig	333,383	5,516	21.3	14.0	23.3	14.8	6.2%	3.4%	10%
Hamburg	143,150	2,366	14.2	9.2	15.9	10.6	15.6%	3.1%	7%
North Rhine-Westphalia	1,116,584	16,565	91.3	50.5	85.3	53.6	6.3%	4.6%	35%
Essen	*377,486*	*5,492*	*28.5*	*16.3*	*28.4*	*17.7*	*8.6%*	*4.6%*	*12%*
Duisburg	*214,497*	*3,302*	*19.5*	*10.0*	*16.1*	*10.1*	*0.7%*	*6.4%*	*7%*
Mulheim	*131,887*	*2,203*	*10.8*	*6.1*	*10.1*	*6.4*	*5.7%*	*4.6%*	*4%*
Oberhausen	*146,178*	*1,966*	*10.4*	*6.2*	*10.5*	*6.5*	*4.5%*	*3.4%*	*4%*
Other	*246,535*	*3,602*	*22.1*	*11.8*	*20.2*	*12.9*	*9.0%*	*3.6%*	*8%*
Total	**2,902,888**	**41,602**	**230.1**	**144.2**	**241.2**	**153.9**	**6.7%**	**4.45%**	**100%**

[1] LfL: Like-for-Like

Recognised rental income (Group share) amounted to €153.9 million in 2018, up 6.77% due to:

- strong like-for-like rental growth of 4.4% (+€5.1 million) with
  - 44% due to indexation (+2.0 pts)
  - 28% due to reletting (+1.2 pts)
  - 22% due to reletting with modernization (+1.0 pts)
  - 6% due to modernisation capex (+0.3 pt).

  Berlin continues to generate very good performance (+4.9%), while growth has significantly accelerated in North Rhine-Westphalia (+4.6%), given the improved quality of the portfolio.
- 2017 and 2018 acquisitions (+€12.7 million) mainly in Berlin, with high rent increase potential;
- disposals (-€10.3 million) mainly involving non-core assets in North Rhine-Westphalia and mature assets in Berlin; and
- the increase of Covivio's stake in its German residential activity from 61.0% to 61.7% at end-2017 (+€2.2 million).

In Berlin, re-lettings took place at an average rent of over €11/m². Covivio is thus gradually realising the rent increase potential of the numerous acquisitions made over recent years.

3. Annualised rental income: €159.9 million in Group share

3.1. Geographic breakdown

(€ million)	Surface (m²)	Number of units	Annualised rents 2017 100%	Annualised rents 2017 Group share	Annualised rents 2018 100%	Annualised rents 2018 Group share	Change Group share (%)	Average rent €/m²/ month	% of rental income
Berlin	1,309,772	17,155	111.7	70.0	125.6	81.2	16.0%	8.0 €/m²	51%
Dresden & Leipzig	333,383	5,516	22.2	14.1	24.4	15.6	10.6%	6.1 €/m²	10%
Hamburg	143,150	2,366	13.5	8.8	16.2	10.6	19.9%	9.4 €/m²	7%
North Rhine-Westphalia	1,116,584	16,565	85.6	53.0	83.1	52.5	-0.9%	6.2 €/m²	33%
Essen	*377,486*	*5,492*	*28.0*	*17.3*	*29.1*	*18.1*	*4.7%*	6.4 €/m²	*11%*
Duisburg	*214,497*	*3,302*	*17.2*	*10.6*	*15.2*	*9.5*	*-10.6%*	5.9 €/m²	*6%*
Mulheim	*131,887*	*2,203*	*10.3*	*6.4*	*10.1*	*6.4*	*0.2%*	6.4 €/m²	*4%*
Oberhausen	*146,178*	*1,966*	*10.6*	*6.5*	*10.3*	*6.9*	*5.4%*	5.9 €/m²	*4%*
Others	*246,535*	*3,602*	*19.5*	*12.2*	*18.3*	*11.6*	*-4.5%*	6.2 €/m²	*7%*
Total	**2,902,888**	**41,602**	**232.9**	**146.0**	**249.3**	**159.9**	**9.5%**	**7.2 €/m²**	**100%**

The trend in annualised rental income, up 9.5%, reflects the reinforcement in high growth potential markets such as Berlin, Hamburg, Dresden and Leipzig while disposing of non-core assets.

- The weight of North Rhine-Westphalia has fallen by 3 pts since 2017. The stronger growth in rental income in this area reflects the better quality of the portfolio (+4.6% like-for-like).
- The strategic markets (Berlin, Hamburg, Dresden and Leipzig) generate 67% of rental income (+3 pts compared to 2017).

The rental income per m² (€7.2/m²/month on average) offers solid growth potential, thanks to the rent increase potential of around 35% in Berlin, 20-25% in Hamburg and, and around 15-20% in Dresden and Leipzig and in North Rhine-Westphalia.

4. Indexation

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

- Rents for re-leased properties:

In principle, rents may be increased freely. As an exception to that unrestricted rent setting principle, 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 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.

5. Occupancy rate: a high level of 98.7%

(%)	2017	2018
Berlin	97.8%	98.3%
Dresden & Leipzig	98.9%	99.2%
Hamburg	99.9%	99.8%
North Rhine-Westphalia	98.8%	98.9%
Total	**98.4%**	**98.7%**

The occupancy rate of assets under operation remains high, at 98.7%. 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)	2017	2018
As % of rental income	0.8%	0.8%
In value [1]	1.2	1.2

[1] net provision / reversals of provison

The unpaid rent amount to 0.8% of rents unchanged versus 2017.

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

(€ million)	Disposals 2017 (agreements as of end- 2017 closed)	Agreements as of end-2017 to close	New disposals 2018	New agreements 2018	Total 2018	Margin vs end-2017 value	Yield	Total Realised Disposals
	1		2	3	= 2 + 3			= 1 + 2
Berlin	44	4	33	11	44	51.3%	2.3%	77
Dresden & Leipzig	20	0	12	0	12	1.9%	5.2%	32
Hamburg	0	0	5	0	5	-11.6%	5.5%	5
North Rhine-Westphalia	58	12	98	2	100	12.4%	4.8%	156
Total 100%	**122**	**16**	**148**	**13**	**162**	**18.7%**	**4.2%**	**270**
Total Group share	**78**	**10**	**97**	**8**	**105**	**18.5%**	**4.2%**	**174**

The new commitments (new disposals and new agreements) signed in 2018 totalled €162 million (€105 million Group share), with a high gross margin of 19%. The commitments are mostly located in North Rhine-Westphalia (62% of commitments) and fit squarely with the Group's policy of rotating assets in the portfolio.

- 1,014 units of non-core assets in North Rhine-Westphalia for €100 million with a 12% margin.
- 174 units disposed of in Berlin, at prices significantly higher than the latest appraisal values (>50% margin, around €3,350/m²), crystallising the value creation achieved.
- 217 units disposed of in other cities (Dresden, Leipzig and Hamburg) for €17 million, in line with the latest appraisal values. The Hamburg asset is part of a portfolio sold with a margin of 8% over the latest appraisal value.

The disposals made in 2018 amounted to €270 million (€174 million Group share) and involved 42% of mature assets and 58% of non-core assets in North Rhine-Westphalia.

8. Acquisitions : €468 M realised in 2018

(€million, Including Duties)	Surface (m²)	Number of units	Acquisitions 2018 realised			Acquisitions 2018 secured		
	(realised & secured)		Acq. price 100%	Acq. price Group share	Gross yield [1]	Acq. price 100%	Acq. price Group share	Gross yield [1]
Berlin	128,714	1,778	314	223	4.3%	10	6	4.8%
Dresden & Leipzig	44,228	655	44	29	6.8%	-	-	0.0%
Hamburg	23,420	380	65	42	4.0%	-	-	0.0%
North Rhine-Westphalia	22,752	302	44	29	4.5%	-	-	0.0%
Total	**219,114**	**3,115**	**468**	**324**	**4.5%**	**10**	**6**	**4.8%**
Reinforcement Group share	**-**	**-**	**n.a**	**51**	**4.9%**	**0**	**0**	**0.0%**

[1] Yield in 2 years after reletting of vacant spaces. Immediate yield of 3.9% on acquisitions realised.

Covivio maintained a steady pace of investments at attractive prices in a highly competitive context, with secured acquisitions totalling €478 million (€330 million Group share) in 2018:

- 67% of the assets acquired are in Berlin, 14% in Hamburg, 9% in Dresden and Leipzig and the rest in North Rhine-Westphalia;
- average price of € 2,135/m² of which €2,442/m² in Berlin;
- a return on acquisition of 3.9%, due to the high average vacancy rate (6%). The 2-year potential yield stands at 4.5% (after re-letting of the vacant surfaces) and will continue to rise due to the high rent increase potential (over 40% on average).

Moreover, Covivio increased its stake in companies holding asset portfolios, mainly in Berlin. All in all, these acquisitions involved €51 million in assets (Group share).

9. Development projects: €700 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 €700 million has been earmarked for new housing extension, redevelopment and new construction projects.

This pipeline will enable Covivio to maximise value creation on its portfolio. Almost half of the development projects will remain in the portfolio and are released with a 5.4% return on the total cost. The other half will be sold in order to unlock the value creation with a margin expected of 40%.

9.1 Committed projects: 111 M€ (72 M€ in Group share)

For details on the committed projects, see page 17 of this document

Nine residential development projects are currently committed in 2018, of which 8 are in Berlin. These totalled 454 apartments over 30,300 m², located in attractive areas of Berlin:

- Prenzlauer-Berg: construction project of four residential buildings totalling 273 units
- Friedrichshain-Kreuzberg district: 3 construction projects for a total of 75 housing units
- Steglitz: extension project involving 67 new housing units (13 units for the first phase of the project)
- Neuköln district: construction of 52 residential units
- Mitte district: construction of 19 residential units
- Zehlendorf district: extension project involving 16 new housing units

9.2 Managed projects: €590 million of projects (€364 million Group share)

In all, 53 additional development projects have already been identified, representing about €590 million in developments. They mainly consist of construction projects in the centre of Berlin for more than 2,300 new housing units spread across 183,000 m².

In 2018, €66 million in land reserves were acquired and will enable the development of 60,000m² of housing.

10. Portfolio values

10.1. Change in portfolio value: 19% growth

(€ million, Group share, Excluding Duties)	Value 2017	Acquisitions	Invest.	Disposals	Value creation on Acquis./ Disposals	Change in value	Change of scope	Value 2018
Berlin	1,728	227	79	- 43	12	164	53	2,220
Dresden & Leipzig	282	29	6	- 20	- 2	31	- 0	324
Hamburg	198	44	4	- 4	0	22	-	263
North Rhine-Westphalia	906	25	23	- 88	1	51	18	935
Essen	309	-	6	- 1	0	22	2	339
Duisburg	174	-	4	- 27	0	8	1	160
Mulheim	106	-	2	- 8	0	8	3	111
Oberhausen	99	-	3	- 9	0	1	7	102
Other	219	25	8	- 43	0	12	2	221
Total	**3,114**	**324**	**112**	**- 155**	**10**	**267**	**70**	**3,743**

In 2018, the portfolio's value increased by 19% to stand at €3.7 billion Group share. The driver of this rapid growth was, above all, the like-for-like increase in value (€267 million or 45% of the growth), and second, the contribution of acquisitions net of disposals and the associated value creation (44% of the growth).

10.2. Change on like-for-like basis: +11.6% of growth

(€ million, Excluding Duties)	Value 2017 Group share	Surface 100%	Value 2018 100%	Value 2018 €/m²	Value 2018 Group share	LfL [1] change	Yield 2017	Yield 2018	% of total value
Berlin	1,728	1,309,772 m²	3,432	2,620 €/m²	2,220	12.4%	4.1%	3.7%	59%
Dresden & Leipzig	282	333,383 m²	508	1,522 €/m²	324	13.2%	5.0%	4.8%	9%
Hamburg	198	143,150 m²	402	2,810 €/m²	263	13.1%	4.5%	4.0%	7%
North Rhine-Westphalia	906	1,116,584 m²	1,481	1,326 €/m²	935	9.2%	5.9%	5.6%	25%
Essen	309	377,486 m²	546	1,446 €/m²	339	9.4%	5.6%	5.3%	9%
Duisburg	174	214,497 m²	257	1,199 €/m²	160	8.6%	6.1%	5.9%	4%
Mulheim	106	131,887 m²	174	1,322 €/m²	111	10.3%	6.0%	5.8%	3%
Oberhausen	99	146,178 m²	152	1,042 €/m²	102	5.5%	6.6%	6.8%	3%
Other	219	246,535 m²	351	1,425 €/m²	223	10.5%	5.6%	5.3%	6%
Total	**3,114**	**2,902,888 m²**	**5,823**	**2,006 €/m²**	**3,743**	**11.6%**	**4.7%**	**4.3%**	**100%**

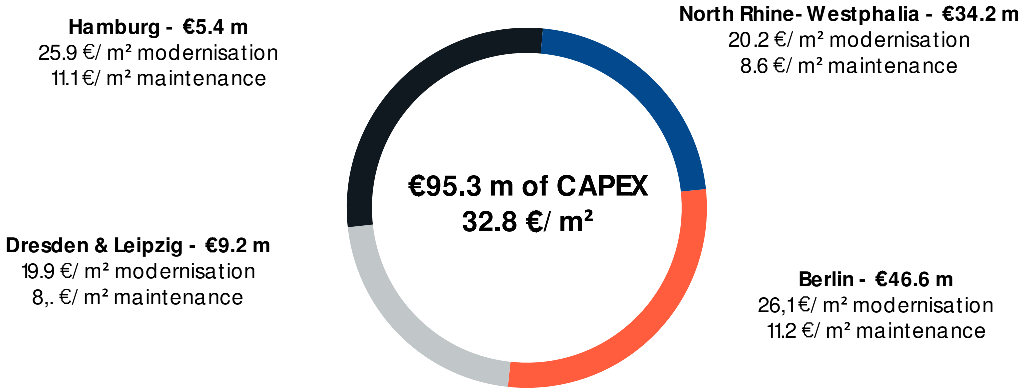
[1] LfL: Like-for-Like

At like-for-like scope, the values increased by +11.6% year-on-year, reflecting the success of the Group's investment policy:

- +12.4% in Berlin after excellent performance in 2017 (+17.3%), mainly due to the substantial increase in rental income and values in highly sought-after locations
- the Berlin portfolio retained significant growth potential with metric values around €3,400/m²
- Hamburg (+13.1%) and Dresden and Leipzig (+13.2%) also generated strong performance under the same effects
- the increase in values was just as significant in North Rhine-Westphalia (+9.2%), demonstrating the improved quality of the portfolio, following the modernisation and non-core asset disposal programmes.

11. Maintenance and modernisation CAPEX

- In 2018, €95 million in CAPEX (€59 million Group share), i.e. €33/m² and €17 million in Opex (€5.8/m²) were completed. CAPEX spending increased by 37% compared to 2017, due both to the increase of the portfolio (+19%) and the increase of spending in € per m²: spending per m² increased by 38% under the impact of the expansion in Berlin, where investment is more intense.
- Modernisation CAPEX, which are used to improve asset quality and increase rental income, still account for 70% of the total. They increased in €/m² in 2018, with an acceleration of the modernisation works in the second semester 2018.



D. HOTELS IN EUROPE

Covivio Hotels, subsidiary of Covivio at 42.3% at end-2018 (versus 50% at end-2017), is a listed property investment company (SIIC) and leading real estate player in Europe. It invests both in hotels in lease and hotel operating properties.

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

1. The European hotel market experiencing a long term growth cycle[1]

Covivio owns a hotel portfolio worth €5.8 billion (€2.2 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. The Group is very well positioned to benefit from growth in the European hotel market.

The upturn in the European hotel market witnessed in 2017 continued in 2018:

- **Revenue per available room** (RevPar) in Europe grew by +4.6% in 2018, boosted by the growth in Average Daily Rate (+3.5%) and the increase in occupancy rate (+0.7 pt).
- The outlook of the sector is positive: growth in **the number of tourists** in Europe reached a record 713 million tourists in 2018 (+6% vs 2017), well ahead of the latest forecast. UNWTO is forecasted +3-4% in 2019.
- All markets where the Group is implanted showed positive RevPar growth in 2018:

Country	RevPar evolution (%)	Main driver
France	+7.3%	Paris +12.1%
Belgium	+8.5%	Brussels + 11.2%
Germany	+2.7%	Berlin +7.1%
United Kingdom	+2.1%	London +2.6%
Spain	+1.5%	Madrid +4.7%
Netherlands	+6.5%	Amsterdam +5.1%

- **Investor appetite for hotels** held steady with €22.9 billion in volume in 2018 (+3% vs 2017). The United Kingdom drew 30% of the transaction volume due to a favourable currency effect. Spain and Germany also stayed quite attractive, with 23% and 18% of transactions.

In 2018, Covivio's hotel activity was characterized by:

- Two transactions that transformed the portfolio:
  - **The acquisition of a portfolio of twelve 4* and 5* hotels in the United Kingdom**, in prime city-centre locations. Covivio signed 25-year firm leases with an attractive 5% minimum guaranteed yield (and 6% target yield) with IHG, a United Kingdom market leader.
  - **The merger of Covivio Hotels with FDMM**, a vehicle specialising in the ownership of hotel operating properties (previously owned at 40.7%), holding mainly 4* and 5* hotels in Germany and Belgium.
- **The acceleration of like-for-like rental growth** (+4.6%) driven by variable rents (+6.5%) and the good performance on EBITDA from management and franchise contracts (+5.6%)

[1] Sources: World Toursim Council, STR, MKG, CBRE

- **The solid increase in hotel portfolio values** (+3.0% on a like-for-like basis), in particular due to the upturn in business in Belgium (+9.8%) and the asset management realised on the Spanish portfolio (+5.9%).

Assets not wholly-owned by Covivio Hotels refer to:

- 182 B&B hotels in France (50.2% owned), of which 59 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 CDC and ACM (25%)

2. Recognised revenues: +4.7% on a like for like basis

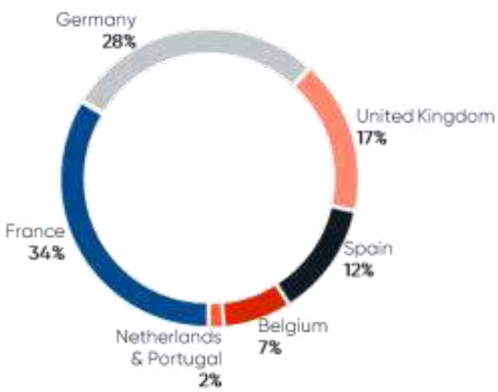
(€ million)	Number of rooms	Number of assets	Revenues 2017 100%	Revenues 2017 Group share	Revenues 2018 100%	Revenues 2018 Group share	Change (%) Group share	Change Group share (%) LfL [1]	% of revenues
Paris	3,725	15	23.8	11.1	27.3	10.9	-1.8%	+9.4%	10%
Inner suburbs	678	5	2.8	1.4	3.8	1.5	+3.9%	+11.0%	1%
Outer suburbs	3,451	35	12.4	4.8	13.3	4.3	-8.7%	+6.7%	4%
Total Paris Regions	**7,854**	**55**	**39.0**	**17.2**	**44.4**	**16.7**	**-3.3%**	**+8.8%**	**15%**
Major regional cities	6,267	68	25.2	10.2	25.7	8.7	-14.5%	+1.5%	8%
Other French Regions	9,172	126	25.5	7.5	30.7	6.8	-9.3%	+0.5%	6%
Total France	**23,293**	**249**	**89.7**	**34.9**	**100.9**	**32.2**	**-7.8%**	**+4.8%**	**30%**
Germany	7,133	65	22.3	10.8	27.9	11.5	+6.4%	+1.7%	11%
Belgium	2,242	12	21.4	10.7	20.9	8.8	-17.6%	+5.4%	8%
Spain	3,699	20	33.3	16.6	34.3	14.5	-12.9%	+4.8%	13%
Other	2,835	13	7.4	3.7	24.5	10.4	+179.7%	+2.4%	10%
Total Hotel - Lease properties	**39,202**	**359**	**174.1**	**76.8**	**208.4**	**77.4**	**+0.8%**	**+4.2%**	**71%**
Hotel Operating properties (EBITDA)	**5,486**	**20**	**67.7**	**13.3**	**74.5**	**31.4**	**+135.5%**	**+5.6%**	**29%**
Total revenues Hotels	**44,688**	**379**	**241.8**	**90.1**	**282.9**	**108.8**	**+20.7%**	**+4.7%**	**100%**
Non-strategic (retail)	-	76	34.8	17.4	21.4	9.1	-47.9%	+1.6%	-
Total	**44,688**	**455**	**276.6**	**107.5**	**304.3**	**117.8**	**+9.6%**	**+4.5%**	**-**

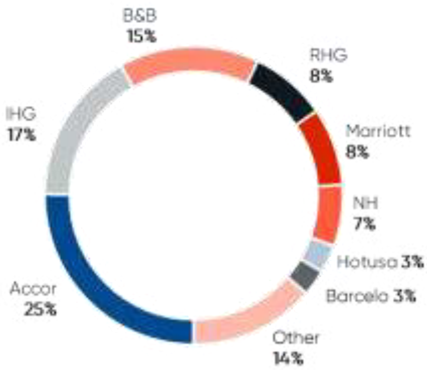
Hotel revenue grew by €10 million Group share in 2018, thanks to:

- +4.2% (+€3 million) **increase in revenues on** a like-for-like basis including:
  - +6.5% generated by AccorHotels variable rents,
  - a 4.8% increase for the Spanish portfolio, partly due to the variable rental income;
- **EBITDA growth** of 5.6% (+€1.4 million) on management contracts on a like-for-like basis, mainly due to the business upturn in Germany (+5.1%) and Belgium (+23.1%);
- **acquisitions and deliveries** of assets under development (+€11.1 million), mainly:
  - acquisition of a hotel portfolio in the United Kingdom leased to IHG
  - acquisition of a portfolio of 2 NH hotels in Germany and 1 in Amsterdam.
- **disposal of non-strategic and non-core assets** (-€7.0 million): hotels in secondary locations in Belgium (Sunparks resorts) and Spain (Jerez de la Frontera), and retail assets in France (Quick restaurants and Jardiland stores).

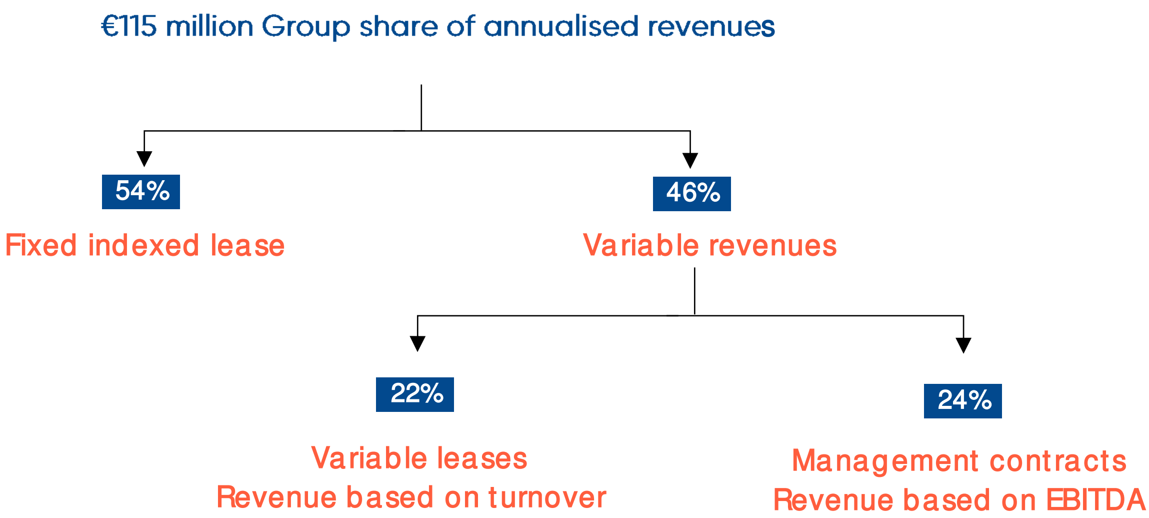
3. Annualised revenue: €115 million Group Share of revenues from Hotels

3.1. Breakdown by operators and by country





3.2. Structure of annualised revenues



Covivio Hotels' annualised revenues profile has improved significantly since end-2017, due to the merger between Covivio Hotels and FDMM in early 2018 and the acquisition in the United Kingdom:

- more **balanced geographic exposure** with the entry in the United Kingdom market and the reinforcement in Germany
- **broader revenue base** through a new partnership with IHG, now second operator on the Covivio portfolio, and reinforcement of the partnership with NH in Netherlands & Germany
- **better exposure to EBITDA from hotel operating properties**, offering an attractive yield with limited risk given the key locations of our city-centre hotels, such as the Park Inn hotel in Berlin.

4. Indexation

54% of rents are indexed to benchmark indices (ICC, ILC, and consumer price index for foreign assets). The 46% remaining revenues are variable.

5. Lease expirations: 13.8 years of firm residual lease term

(€ million, Group share)	By lease end date (1st break)	% of total	By lease end date	% of total
2019	5.7	6%	0.1	0%
2020	0.3	0%	0.3	0%
2021	2.6	3%	2.6	3%
2022	3.2	4%	1.0	1%
2023	3.5	4%	2.4	3%
2024	0.1	0%	1.8	2%
2025	2.3	3%	2.7	3%
2026	0.7	1%	1.0	1%
2027	1.2	1%	1.2	1%
2028	2.9	3%	2.9	3%
Beyond	70.2	76%	76.8	83%
Total (incl. retail)	**92.7**	**100%**	**92.7**	**100%**

Thanks to **the signing of a 25-years firm lease with IHG in the United Kingdom**, the firm residual duration at end-2018 (13.8 years) is at a record high.

The next **expiries in 2019** are mainly related Spanish hotels acquired in 2016, located in **highly sought locations in Madrid & Barcelona** and holding a high rent increase potential.

The occupancy rate remained at 100%.

6. Reserves for unpaid rent

As in 2017, no additional amounts were set aside for unpaid rents in the portfolio in 2018.

7. Disposals and disposal agreements: €489 M of new commitments

(€ million)	Disposals (agreements as of end of 2017 closed) 1	Agreements as of end of 2017 to close	New disposals 2018 2	New agreements 2018 3	Total 2018 2+3	Margin vs 2017 value	Yield	Total Realised Disposals = 1 + 2
Hotel Lease properties	3	18	115	272	**387**	1.6%	5.8%	118
Hotel Operating properties	0	0	17	0	**17**	-4.3%	5.7%	17
Total Hotels - 100%	**3**	**18**	**132**	**272**	**404**	**1.5%**	**5.8%**	**135**
Total Hotels - Group share	**1**	**8**	**56**	**58**	**114**	**-0.3%**	**6.1%**	**57**
Non-strategic (retail) - 100%	187	0	85	0	**85**	0.8%	6.5%	272
Non-strategic (retail) - Group share	79	0	36	0	**36**	0.8%	6.5%	115
Total - 100%	**189**	**18**	**217**	**272**	**489**	**1.4%**	**5.9%**	**407**
Total - Group share	**80**	**8**	**92**	**58**	**150**	**0.0%**	**6.2%**	**172**

Covivio continued its policy of rotating assets with €489 million of new commitments in 2018 (new disposals & new agreements):

- €404 million (114 million Group Share) of **non-core assets**:
  - 59 B&B hotels for €272 million with a 10% margin above end-2017 appraisal value
  - a Tryp hotel in Andalusia, acquired in the Spanish portfolio in 2016, sold for €13 million with a 23% margin on the appraisal value
  - two operating properties part of the Belgian portfolio sold for €17 million in secondary locations
  - a Sunparks holiday village in Belgium sold for €102 million, realised in line with appraisal value as part of a more global operation with Sunparks (disposal and lease extensions on other assets, thus enhancing the liquidity)

- €85 million (€36 million Group Share) of **non-strategic** Jardiland assets.

In addition, €187 million of non-strategic disposals signed in 2017 were realised this year, and mostly included the Quick portfolio which sold for €163 million.

8. Acquisitions: €916 M realised at the end of 2018

				Acquisitions 2018 realised			Acquisitions 2018 secured		
(€ million, Including Duties)	Number of rooms	Location	Tenants	Acq. price 100%	Acq. price Group share	Gross Yield	Acq. price 100%	Acq. price Group share	Gross Yield
UK portfolio (12 assets)	2,638	United Kingdom	IHG	817	346	5.1%	78	33	5.5%
NH Hotels (4 assets)	637	Germany & Netherlands	NH	98	42	5.3%	12	5	6.5%
Total Acquisitions Lease properties	**3,043**			**916**	**387**	**5.1%**	**90**	**38**	**5.6%**
Total Acquisitions Operating properties	-	-	-	-	-	-	-	-	-

Covivio continued its diversification strategy in major European markets with **the acquisition of a portfolio of twelve 4* and 5* hotels in the United Kingdom** for €895 million, located in prime city-centre location of the United Kingdom (London, Edinburgh, Glasgow, Manchester, etc.). Two of them, located in Oxford, will be completed in 2019.

Furthermore, **three NH hotels in Amsterdam, Berlin & Hamburg** were acquired during the period, for a total amount of €98 million. A fourth purchasing option, secured in 2017, will be exercised early 2019.

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

In 2018, Covivio continued to support the expansion of its new and long term partners in their development in the major European cities.

9.1. Delivered projects

In 2018, Covivio delivered 653 hotel rooms via 4 projects, representing €80 million of development costs with a 33% value creation.

- **2 B&B hotels** in Berlin and Chatenay-Malabry (Greater Paris), totalling 267 rooms
- **The Motel One Porte Dorée** in the Paris 12th with 255 rooms, opened in April 2018
- **The Meininger hotel in Milan** (Italy scope) of 131 rooms located piazza Monte Titano.

9.2. Committed projects: €108 million (€44 million Group Share), 100% pre-let

For detailed figures on committed projects, see the table on page 17 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. A third one is also being built in Munich.
  The three hotels represent 600 rooms and €95 million of works.

- Covivio keeps on **accompanying the development of B&B**, with two hotels in construction in Greater Paris for a total of 192 rooms and €13 million total cost. The assets are scheduled to be delivered during 2019 and 2020.

9.3. Managed projects: 100,000 m² of additional constructability

Covivio has identified close to **100,000 m² to be developed on land banks** adjacent to existing hotels. Located in the city-centre 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 highlights the opportunities created by **synergies between Covivio's activities**.

10. Portfolio values

10.1. Change in portfolio values

(€ million, Excluding Duties, Group share)	Value 2017	Acquis.	Invest.	Disposals	Value creation on Acquis./ Disposals	Change in value	Reclustering	Change of scope	Value 2018
Hotels - Lease properties	1,480	387	9	- 53	12	43	36	- 218	**1,698**
Hotels - Operating properties	250	-	4	- 7	-	9	- 19	270	**506**
Assets under development	54	-	15	-	-	3	- 17	- 8	**46**
Total Hotels	**1,784**	**387**	**29**	**- 60**	**12**	**55**	**-**	**44**	**2,250**
Non-strategic (Retail)	224	-	-	- 115	-	- 1	-	- 35	73
Total	**2,008**	**387**	**29**	**- 175**	**12**	**53**	**-**	**9**	**2,323**

The portfolio reached €2.3 billion Group Share at end-2018 (+€315 million), mainly due to the impact of the **acquisitions & investments** realised and the **value creation** related to them (+€428 million), partly offset by the **disposals of non-core hotels and non-strategic assets** (-€175 million).

10.2. Change on like-for-like basis: +3.0% of growth

(€ million, Excluding Duties)	Value 2017 Group share	Value 2018 100%	Value 2018 Group share	LfL [1] change 12 months	Yield [2] 2017	Yield [2] 2018	% of total value
France	**736**	**2,034**	**666**	**2.1%**	**5.0%**	**5.1%**	**30%**
Paris	295	695	277	2.9%	4.1%	3.8%	12%
Greater Paris (excl. Paris)	124	330	109	1.7%	5.2%	5.2%	5%
Major regional cities	182	481	162	2.0%	5.6%	5.5%	7%
Other cities	135	528	117	1.2%	6.0%	7.9%	5%
Germany	**254**	**634**	**260**	**2.4%**	**5.5%**	**5.5%**	**12%**
Franckfurt	28	60	25	4.1%	5.4%	5.4%	1%
Munich	26	42	18	2.5%	n.a.	4.5%	1%
Berlin	20	61	25	3.8%	5.1%	5.0%	1%
Other cities	180	472	192	1.9%	5.5%	5.8%	9%
Belgium	**169**	**247**	**104**	**9.8%**	**6.1%**	**5.6%**	**5%**
Brussels	32	69	29	7.9%	5.6%	5.4%	1%
Other cities	137	177	75	10.7%	6.3%	5.7%	3%
Spain	**306**	**636**	**269**	**5.9%**	**5.4%**	**5.3%**	**12%**
Madrid	124	270	114	9.4%	4.8%	4.6%	5%
Barcelona	117	235	99	0.0%	5.4%	5.9%	4%
Other cities	65	131	56	9.9%	6.6%	5.9%	2%
UK	**0**	**841**	**356**	**n.a.**	**n.a.**	**4.6%**	**16%**
Other countries	**69**	**208**	**88**	**2.0%**	**5.5%**	**5.4%**	**4%**
Total Hotel lease properties	**1,534**	**4,599**	**1,743**	**3.4%**	**5.3%**	**5.1%**	**77%**
France	**46**	**228**	**96**	**-0.8%**	**6.1%**	**5.9%**	**4%**
Lille	24	123	52	2.4%	5.5%	4.7%	2%
Other cities	22	104	44	-4.4%	7.0%	7.5%	2%
Germany [3]	**188**	**935**	**379**	**2.2%**	**6.5%**	**6.6%**	**17%**
Berlin	120	635	255	3.4%	5.7%	5.8%	11%
Dresden & Leipzig	48	250	100	-0.2%	7.1%	7.4%	4%
Other cities	21	50	23	-2.0%	7.9%	8.8%	1%
Belgium	**16**	**74**	**31**	**4.5%**	**6.3%**	**7.4%**	**1%**
Total Hotel Operating properties	**250**	**1,237**	**506**	**1.8%**	**6.4%**	**6.5%**	**23%**
Total Hotels	**1,784**	**5,836**	**2,250**	**3.0%**	**5.5%**	**5.2%**	**100%**
Non-strategic (Retail)	224	173	73	-1.5%	6.7%	7.3%	-

[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 strong 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:

- **+3.4% like-for-like growth on lease properties**:
  - +9.8% in Belgium with a strong performance on the Accor portfolio,
  - +5.9% in Spain thanks to the asset management carried out (rebranding, renegotiations)
  - +6.4% generated by developments

- **+1.8% like-for-like growth in value for hotel operating properties**, with:
  - +2.2% rise in values in Germany with the portfolio of 9 hotels under management contract, driven by the asset management performed on the Park Inn Alexanderplatz
  - +4.5% in Belgium due to the strong performance of the Crowne Plaza in Brussels

- **3% value creation on the portfolio in the United Kingdom** acquired at the beginning of the second semester 2018, due to rebranding of the portfolio with IHG.

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 31 December 2018, Covivio's scope of consolidation included companies located in France and several European countries (Offices in France and Italy; Residential in Germany, France, Austria, Denmark and Luxembourg; Hotels in Germany, Portugal, Belgium, the Netherlands, Spain and the United Kingdom). The main equity interests in the fully consolidated but not wholly-owned companies are the following:

Subsidiaries	2017	2018
Covivio Hotels	50.0%	42.3%
Covivio Immobilien	61.7%	61.7%
Beni Stabili	52.4%	100%*
Sicaf (portfolio Telecom Italia)	31.5%	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 (extension DS Campus)	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%

* Merged with Covivio on December 31, 2018

Following the merger-absorption of the hotel operating activity (in January 2018), Covivio's stake in Covivio Hotels stood at 42%, compared to 50% on 31 December 2017.

Following Covivio's acquisition on the market of Beni Stabili shares, the stake in Beni Stabili was 59.9% from April to December, compared with 52.4% on 31 December 2017. On 31 December 2018, Beni Stabili merged with Covivio. On January 4 2019,the new Covivio shares were issued to Beni Stabili shareholders, based on an exchange ratio of 8,245 Covivio shares for every 1,000 Beni Stabili shares.

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 20 February 2019.

3.3. Simplified income statement - Group share

(€ million, Group share)	2017	2018	var.	%
Net rental income	539.4	539.0	- 0.4	- 0.1%
EBITDA from hotel operating activity & coworking	0.0	30.5	+30.5	n.a
Income from other activities	7.3	5.1	- 2.2	- 29.8%
Net revenue	**546.7**	**574.6**	**+27.9**	**+5.1%**
Net operating costs	- 64.1	- 68.1	- 4.0	+6.2%
Depreciation of operating assets	- 7.2	- 33.0	- 25.8	n.a
Net change in provisions and other	- 2.9	1.8	+4.7	n.a
Current operating income	**472.5**	**475.4**	**+2.9**	**+0.6%**
Net income from inventory properties	- 2.2	- 0.6	+1.6	- 72.7%
Income from asset disposals	28.8	83.9	+55.1	+191.2%
Income from value adjustments	627.2	403.5	- 223.7	- 35.7%
Income from disposal of securities	- 2.2	50.4	+52.6	n.a
Income from changes in scope & other	- 2.2	- 70.8	- 68.6	n.a
Operating income	**1,121.9**	**941.7**	**- 180.2**	**- 16.1%**
Cost of net financial debt	- 152.2	- 106.8	+45.4	- 29.8%
Interest charges linked to financial lease liability	0.0	- 1.9	- 1.9	n.a
Value adjustment on derivatives	- 0.5	- 6.2	- 5.7	n.a
Discounting of liabilities and receivables	- 6.8	- 9.2	- 2.4	+35.3%
Net change in financial and other provisions	- 14.4	- 14.8	- 0.4	+2.8%
Share in earnings of affiliates	34.8	18.0	- 16.8	- 48.3%
Income from continuing operations	**982.9**	**820.8**	**- 162.1**	**- 16.5%**
Deferred tax	- 61.4	- 56.0	+5.4	- 8.8%
Corporate income tax	- 7.4	- 15.2	- 7.8	+105.4%
Net income for the period	**914.1**	**749.6**	**- 164.5**	**- 18.0%**

5% rise in net revenue - Group share

Net rental income varies under the combined effect of acquisitions, disposals, the impact of indexation in the German Residential segment and the reduced stake in Covivio Hotels.

The net rental income by operating segment is the following:

(€ million, Group share)	2017	2018	var.	%
France Offices	232.4	232.3	- 0.1	- 0.0%
Italy Offices (incl. retail)	80.7	76.9	- 3.8	- 4.7%
German Residential	128.8	139.8	+11.0	+8.5%
Hotels in Europe (incl. retail)	93.1	85.1	- 8.0	- 8.6%
Other (incl. France Residential)	4.5	4.9	+0.4	+8.9%
Total Net rental income	**539.4**	**539.0**	**- 0.4**	**- 0.1%**
EBITDA from hotel operating activity & coworking	0.0	30.5	+30.5	n.a
Income from other activities	7.3	5.1	- 2.2	- 29.8%
Net revenue	**546.7**	**574.6**	**+27.9**	**+5.1%**

France Offices : stable rents mainly due to the combined effect of disposals (- €20 million), deliveries of assets under development (+€11 million), and the acquisition of the property rue Jean Goujon in Paris CBD (+€4 million).

Italy Offices: €3.8 million drop in net rental income Group share, due to the syndication of the Telecom Italia portfolio (- €14 million) and disposals (- €3 million), partly offset by asset acquisitions and deliveries (+€6 million) and the increased stake in Beni Stabili (+€9 million).

German Residential: net rental income Group share is up €11.0 million, driven by acquisitions and rental growth (+€18 million), and offset by disposals (-€10 million). Covivio also reinforced its direct ownership in its German Residential activity.

Hotels in Europe: -€8.0 million decrease in net rental income Group share. This net decrease is due to the reduced stake in Covivio Hotels (-€15 million of rental income), following the merger-absorption of the operating activity, whose result is included in the EBITDA from hotel operating activity & coworking (see below).
Other effects include the impact of retail disposals (-€6 million), offset by acquisitions in United Kingdom and Germany (+€9 million), the rise in Accor and Spain rental income (+€3 million) and the deliveries (+€2 million).

EBITDA from hotel operating activity and coworking: Since the merger-absorption of the hotel operating activity, the companies covered by this scope have been fully consolidated (vs. equity affiliates on 31 December 2017). The EBITDA from this activity contributes €31 million to this income.

Income from other activities: Net income from other activities (€5 million) came from the income generated by car park companies (€4 million) and property development fees (€1 million).

Net operating costs

Net operating costs amounted to €68 million, compared to €64 million in 2017. They rose by +6% mostly as a result of the full consolidation of the hotel operating activity (+€2 million) and the leasing of Paris head office on avenue Kléber (+€1 million), sold early 2018.

Depreciation of operating assets

Depreciation of operating assets (-€33.0 million in 2018 vs -€7.2 million in 2017) rose as a result of the full consolidation of the hotel operating activity. This line includes co-working buildings, depreciation of tangible and intangible fixed assets, and since 2018 fixtures and fittings relating to hotels under management. In accordance with IAS 40, the properties used for coworking and hotels under management do not meet the definition of investment properties and are recognised at amortised cost. The depreciation relating to these two activities is €23 million.

Income from asset disposals

Income from asset disposals saw capital gains of €84 million mainly from the disposal of the Paris head office located at 10 and 30 avenue Kléber (€58 million). This property was not recognised at fair value in the consolidated accounts as it was occupied by the Group.

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. For 2018, the change in the fair value of investment assets was positive at €403 million Group share (+4.4% on a like-for-like basis on strategic activities). For more details on the evolution of the portfolio by activity, see chapter 2 of this document.

Income from disposal of securities, changes to scope and other

These two items have a negative €20.4 million impact on the income statement. They include mostly the impact of the merger-absorption of the hotel operating activity, as well as costs relating to share deals in accordance with IFRS 3.

▶ Interest charges linked to finance lease liability

Following the acquisition of a portfolio of 10 hotel assets in the United Kingdom, 6 of which in leasehold, the Group applies the IAS 40 §25 standard. This standard requires the rental cost to be replaced with an interest payment while recognising a usage fee and a debt on rental liabilities on the balance sheet. The interest cost for rental liabilities was €2 million.

▶ Financial aggregates

The changes in the fair value of financial instruments were -€6 million, due to the negative change in the value of hedging instruments (-€28 million) and the positive change in the value of ORNANE bonds (+€22 million).

Share in income of equity affiliates

Group share	% interest	Contribution to earnings
OPCI Covivio Hotels	8.41%	3.9
Lénovilla (New Vélizy)	50.10%	2.2
Euromed	50.00%	3.7
Cœur d'Orly	50.00%	2.4
Bordeaux Armagnac (Orianz / Factor E)	34.69%	5.8
Total		**18.0**

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 shared with Crédit Agricole Assurances.
- Euromed in Marseille relates to two office buildings in Marseille (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 development project in partnership with Icade of three buildings near the new high-speed train station in Bordeaux. Upon completion, Covivio will retain one building at 100%.

EPRA Earnings of affiliates

(€ million, Group share)	France Offices	Hotels (in lease)	2018
Net rental income	10.4	4.0	14.4
Net operating costs	-0.3	-0.3	-0.6
Operating result	**10.1**	**3.7**	**13.7**
Cost of net financial debt	-1.8	-0.7	-2.5
Other financial depreciation	-0.3	-0.1	-0.4
Corporate income tax	-	-0.1	-0.1
Share in EPRA Earnings of affiliates	**7.9**	**2.8**	**10.7**

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 (Germany, Belgium, the Netherlands, United Kingdom and Portugal);
- French or Italian subsidiaries with taxable activity.

Corporate income tax amounted to - €15.2 million, including taxes on sales (- €2.1 million).

EPRA Earnings increased by 6.4% to €381 million (+€23.1 million vs 2017)

	Net income Group share	Restatements	EPRA E. 2018	EPRA E. 2017
Net rental income	**539.0**	**-**	**539.0**	**539.4**
EBITDA from hotel operating activity & coworking	30.5	-	30.5	-
Income from other activities	5.1	-	5.1	7.3
Net revenue	**574.6**	**-**	**574.6**	**546.7**
Operating costs	- 68.1	-	- 68.1	- 63.7
Depreciation of operating assets	- 33.0	22.8	- 10.2	- 7.2
Net change in provisions and other	1.8	0.4	2.3	- 2.9
Operating income	**475.3**	**23.2**	**498.6**	**472.9**
Net income from inventory properties	- 0.6	0.6	-	-
Income from asset disposals	83.9	- 83.9	-	-
Income from value adjustments	403.5	- 403.5	-	-
Income from disposal of securities	50.4	- 50.4	-	-
Income from changes in scope & other	- 70.8	70.8	-	-
Operating result	**941.6**	**- 443.0**	**498.6**	**472.9**
Cost of net financial debt	**- 106.8**	**6.7**	**- 100.1**	**- 111.0**
Interest charges linked to finance lease liability	- 1.9	1.9	0.0	-
Value adjustment on derivatives	- 6.2	6.2	0.0	-
Discounting of liabilities and receivables	- 9.2	-	- 9.2	- 6.8
Net change in financial provisions	- 14.8	6.7	- 8.1	- 11.2
Share in earnings of affiliates	18.0	- 7.3	10.7	18.1
Pre-tax net income	**820.7**	**- 428.8**	**391.9**	**395.4**
Deferred tax	- 56.0	56.0	0.0	0.0
Corporate income tax	- 15.2	4.6	- 10.6	- 3.7
Net income for the period	**749.5**	**- 368.2**	**381.3**	**358.2**

- The restatement of depreciation of operating assets neutralised the real estate depreciation of coworking and hotel operating activities.
- There was a €6.7 million impact on the cost of debt due to early debt restructuring costs. Excluding these costs, the cost of debt was €11 million lower than in 2017.
- The interest charges linked to finance lease liabilities, as per the IAS 40 §25 standard, (€1.9 million) was cancelled and replaced by the lease expenses paid. The lease expenses paid are included in the restatement of Net change in provisions and other for an amount equal to - €1.5 million while the remaining restatement of +€1.1 million corresponds to provisions linked to tax litigation due to sale of assets in Italy from 2006.

EPRA Earnings by activity

(€ million, Group share)	France offices	Italy offices (incl. Retail)	German Residential	Hotels in lease (incl. retail)	Hotel operating properties	Corporate or non-attributable sector (including French Resi.)	2018
Net rental income	232.3	76.9	139.8	85.1	0.0	4.9	539.0
EBITDA from Hotel operating activity & Coworking	- 0.9	-	-	-	31.4	-	30.5
Income from other activities	0.7	-	0.4	-	-	4	5.1
Net revenue	**232.1**	**76.9**	**140.2**	**85.1**	**31.4**	**8.9**	**574.6**
Net operating costs	- 20.4	- 11.5	- 24.3	- 3.6	- 1	- 7.3	- 68.1
Depreciation of operating assets	- 2.1	- 0.6	- 1.1	-	- 2.8	- 3.6	- 10.2
Net change in provisions and other	0.4	1.9	0.1	- 3.1	- 0.6	3.6	2.3
Operating result	**210**	**66.7**	**114.9**	**78.4**	**27**	**1.6**	**498.6**
Cost of net financial debt	- 21.3	- 12.8	- 24.6	- 11.2	- 7.8	- 22.4	- 100.1
Discounting of liabilities & receivables and financial provision	- 12.5	- 2.1	- 0.5	- 1.2	- 0.9	- 0.1	- 17.3
Share in earnings of affiliates	7.9	-	-	2.8	-	-	10.7
Corporate income tax	- 1.7	- 0.6	- 4.6	- 1.5	- 1.8	- 0.4	- 10.6
EPRA Earnings	**182.4**	**51.2**	**85.2**	**67.3**	**16.5**	**- 21.3**	**381.3**

3.4. Simplified consolidated income statement (at 100%)

(€ million, 100%)	2017	2018	var.	%
Net rental income	850.0	883.8	+33.8	+4.0%
EBITDA from hotel operating activity & coworking	0.0	75.8	+75.8	n.a
Income from other activities	6.2	4.8	- 1.4	- 22.7%
Net revenue	**856.2**	**964.4**	**+108.2**	**+12.6%**
Net operating costs	- 101.4	- 106.3	- 4.9	+4.8%
Depreciation of operating assets	- 9.9	- 60.1	- 50.2	n.a
Net change in provisions and other	- 6.0	6.3	+12.3	n.a
Current operating income	**739.0**	**804.3**	**+65.3**	**+8.8%**
Net income from inventory properties	- 4.4	- 1.1	+3.3	- 75.0%
Income from asset disposals	43.7	97.4	+53.7	+122.9%
Income from value adjustments	915.9	620.7	- 295.2	- 32.2%
Income from disposal of securities	- 4.1	119.3	+123.4	n.a
Income from changes in scope	- 3.3	- 160.0	- 156.7	n.a
Operating income	**1,686.7**	**1,480.6**	**- 206.1**	**- 12.2%**
Income from non-consolidated companies	0.0	0.0		n.a
Cost of net financial debt	- 236.9	- 188.0	+48.9	- 20.6%
Interest charge related to finance lease liability	0.0	- 4.5		n.a
Value adjustment on derivatives	0.1	- 16.1	- 16.2	n.a
Discounting of liabilities and receivables	- 6.8	- 9.5	- 2.7	+39.7%
Net change in financial and other provisions	- 23.3	- 25.7	- 2.4	+10.3%
Share in earnings of affiliates	43.2	22.8	- 20.4	- 47.2%
Income before tax	**1,463.0**	**1,259.6**	**- 203.4**	**- 13.9%**
Deferred tax	- 98.4	- 90.0	+8.4	- 8.5%
Corporate income tax	- 12.0	- 26.1	- 14.1	+117.5%
Net income for the period	**1,352.6**	**1,143.5**	**- 209.1**	**- 15.5%**
Non-controlling interests	- 438.5	- 393.9	+44.6	- 10.2%
Net income for the period - Group share	**914.1**	**749.6**	**- 164.5**	**- 18.0%**

Since the merger-absorption of the hotel operating activity, the companies covered by this scope have been fully consolidated (vs. equity affiliates on 31 December 2017). The EBITDA from this activity is presented in the "EBITDA from hotel operating activity & coworking" aggregate, and amounts to €76 million of this income.

- **€108 million (+13%) rise in consolidated net revenue**

Net revenue increased by €108 million, mainly due to the full consolidation of the hotel operating activity, acquisitions, delivery of assets under development and the effect of indexation on the German Residential sector. This increase was offset by disposals.

The net revenue by operating segment is the following:

(€ million, 100%)	2017	2018	var.	%
France Offices	257.4	260.6	+3.2	+1.2%
Italy Offices (incl. Retail)	172.8	172.2	-0.6	-0.3%
German Residential	205.8	219.4	+13.6	+6.6%
Hotels in Europe (incl. Retail)	206.6	226.7	+20.1	+9.7%
Other (mainly France Residential)	7.4	4.9	-2.5	-33.8%
Total Net rental income	**850.0**	**883.8**	**+33.8**	**+4.0%**
EBITDA from hotel operating activity & coworking	0.0	75.8	+75.8	n.a
Income from other activities	6.2	4.8	-1.4	-22.7%
Net revenue	**856.2**	**964.4**	**+108.2**	**+12.6%**

3.5. Simplified consolidated balance sheet (Group share)

(€ million, Group share) Assets	2017	2018	Liabilities	2017	2018
Investment properties	11,171	13,140			
Investment properties under development	409	748			
Other fixed assets	211	699			
Equity affiliates	244	201			
Financial assets	298	175			
Deferred tax assets	4	61	**Shareholders' equity**	**6,363**	**7,561**
Financial instruments	37	33	Borrowings	6,780	7,879
Assets held for sale	352	325	Financial instruments	285	192
Cash	1,089	901	Deferred tax liabilities	331	501
Other	365	474	Other liabilities	422	625
Total	**14,181**	**16,759**	**Total**	**14,181**	**16,759**

Fixed Assets

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

(€ million, Group share)	2017	2018	var.
France Offices	4,989	5,253	263
Italy Offices (incl. Retail)	1,873	3,318	1,445
German Residential	3,024	3,691	667
Hotels in Europe (incl. Retail)	1,651	2,314	663
France Residential	240	0	-240
Car parks	14	11	-3
Total Fixed Assets	**11,791**	**14,587**	**2,796**

The change in fixed assets in France Offices (+€263 million) is mainly due to the acquisition of the asset located rue Jean Goujon in Paris CBD (+€134 million), the increase of fair value of investment properties (+€108 million), and the work completed on investment properties under development (+96 million), partly offset by the disposals of the properties located at 10 and 30 avenue Kléber in Paris (accounted for at a net book value of €43 million), the disposal of one building located in Clichy (- €36 million) and a remaining Logistics asset (- €25 million).

The change in fixed assets in Italy Offices (+€1,445 million) is mainly due to the merger of Beni Stabili with Covivio. The acquisition of three assets in Milan had an impact of €106 million, and work on assets under development totalled €61 million. At the same time, the Italian portfolio decreased, mostly as a result of the reduced stake in the Telecom Italia portfolio from 60% to 51%, and disposals over the period, which amounted to almost €400 million.

The change in fixed assets for German Residential (+€667 million) is mainly due to acquisitions over the period (+€282 million via the acquisition of companies and €114 million via assets transactions), and the works completed over the period (+€61 million). This sector benefits from strong growth in appraisal values of €292 million. Decreases are due to asset disposals (- €159 million), essentially non-core assets in North Rhine-Westphalia.

The positive changes in the Hotels portfolio (+€663 million) were mainly due to the full consolidation of the hotel operating activity (+€566 million), the acquisitions of a portfolio in the United Kingdom (€421 million including €55 million in usage fees on leaseholds), the acquisition of an NH Hotel in Amsterdam (+€27 million), and a €36 million increase in fair value. At the same time, the portfolio value in Group share fell due to the decreased stake of Covivio in Covivio Hotels (now 42% versus 50% at end-2017) and asset disposals (- €158 millions).

Assets held for sale

Assets held for sale consists of assets for which a preliminary sales agreement has been signed. The €27 million decrease between 2017 and December 2018 comes from completed sales and newly signed preliminary sale agreements. In 2018, the Hotels in Europe sector had disposable assets worth €119 million relating to 23 Jardiland (- €45 million) and 48 Quick restaurants (- €68 million), which were sold in the first half of 2018.

Other Assets

Other assets rose by €109 million: €46 million of this increase was due to the change of ownership rate linked to Beni Stabili and €22 million due to the full consolidation of the hotel operating activity.

This line item includes settlement of €92 million in expenses (property expenses to be re-invoiced to tenants). Note that Other liabilities include calls for funds (provisions for losses) received from tenants for €106 million.

Total Group shareholders' equity

Shareholders' equity increased from €6,363 million at the end of 2017 to €7,561.4 million at 31 December 2018, i.e. an increase of €1,195 million, due mainly to:

- income for the period: +€745 million
- the capital increase net of costs following the Beni Stabili's merger and the partial conversion of the French Ornane +€581 million
- the change of scope (+€216 million) mainly due to the merger of Covivio Hotels and FDM Management and the merger between Covivio and Beni Stabili at a discount to NAV (the exchange rate was 8, 245 Covivio shares for 1,000 Beni Stabili shares)
- the impact of the cash dividend distribution: - €337 million.

The issuance of 8,073,934 new shares was related to the merger of Beni Stabili (7,499,887), the conversion of part of the Ornane maturing in 2019 (392,701) and the free share plan (181,346).

▶ **Other liabilities**

The line item increased by €203 million following the recognition of leasehold liabilities (hotel portfolio in the United Kingdom and certain assets in Spain) for a total amount of +€69 million. This item increased also by €43 million due to the full consolidation of the hotel operating activity, and €30 million was due to the change in Beni Stabili's ownership rate.

3.6. Simplified consolidated balance sheet (at 100%)

(€ million, 100%) Assets	2017	2018	Liabilities	2017	2018
Investment properties	17,733	19,270			
Investment properties under development	685	870			
Other fixed assets	230	1,414			
Equity affiliates	369	250	Shareholders' equity	6,363	7,561
Financial assets	355	153	Non-controlling interests	3,804	3,797
Deferred tax assets	6	68	**Shareholders' equity**	**10,168**	**11,358**
Financial instruments	48	47	Borrowings	10,121	11,060
Assets held for sale	520	559	Financial instruments	323	235
Cash	1,297	1,172	Deferred tax liabilities	551	844
Other	491	582	Other liabilities	571	887
Total	**21,733**	**24,384**	**Total**	**21,733**	**24,384**

▶ **Investment properties, properties under development and other fixed assets**

These three fixed asset items increased by €2,906 million, mainly as a result of value adjustments for €631 million, asset acquisitions and works for **€3,676 million** (including developments), and reclassification as Assets held for sale for -€1,260 million.

€3,676 million in asset acquisitions and works break down into operating segments as follows:

- **France Offices:** €313 million including the acquisition of the asset rue Jean Goujon in Paris (€134 million), €120 million of works on buildings under development and €56 million of works on operating assets.
- **Hotels in Europe**: €2,509 million including the full consolidation of the hotel operating activities (€1,263 million), the acquisition of a hotel portfolio in the United Kingdom (€1,029 million including in usage fees on leaseholds), 3 hotels in Netherlands and Germany (€145 million) and works for €71 million (including €43 million on assets under development).
- **German Residential:** €603 million including acquisitions worth €504 million and €99 million worth of works on buildings.
- **Italy Offices:** €222 million including the acquisition of three assets in Milan (€106 million), €54 million of works on properties and €62 million of works on buildings under development.

▶ **Investments in equity affiliates**

Investments in equity affiliates decreased by €119 million. This change is due to the full consolidation of the companies FDM Management (hotel operating activity) and SCI Porte Dorée (Motel One) i.e. -€153 million, the income from the period (€23 million), less dividend distributions, allocations of shares of losses, change in scope and increases in share capital (+€11 million).

Financial Assets

Financial assets decreased by €202 million, mainly due to the use of down payments made (- €140 million in German Residential) and the repayment of the bond loan granted by Covivio Hotels in the hotel operating activity in 2016 (- €59 million).

Deferred tax liabilities

Net deferred taxes represent €776 million in liabilities versus €545 million on 31 December 2017. This €231 million increase is mainly due to the full consolidation of the hotel operating activity (+€88 million) and the growth of appraisal values in Germany (+€119 million).

Other liabilities

The increase in Other liabilities is mainly due to the impact of usage fees on leaseholds (+€164 million).

4. FINANCIAL RESOURCES

Recognising Covivio's sound financial profile (42% LTV, ICR of 5.08x) and the ongoing enhancement of the quality of its portfolio, Standard and Poor (S&P) raised Covivio's rating outlook to BBB, positive outlook.
In September 2018, Covivio Hotels also obtained the rating BBB, positive outlook from S&P, underwritten by the solid fundamentals and perspectives of the hotel industry and the well diversified and secured profile of Covivio Hotels.

Early 2019, the Group continued to strengthen its financial profile by tightening its LTV guidance from 40-45% to below 40%.

4.1. Main debt characteristics

Group share	2017	2018
Net debt, Group share (€ million)	5,691	**6,978**
Average annual rate of debt	1.87%	**1.53%**
Average maturity of debt (in years)	6.2	**6.0**
Debt active hedging spot rate	75%	**76%**
Average maturity of hedging	6.3	**6.9**
LTV Including Duties	40.4%	**42.0%**
ICR	4.36	**5.08**

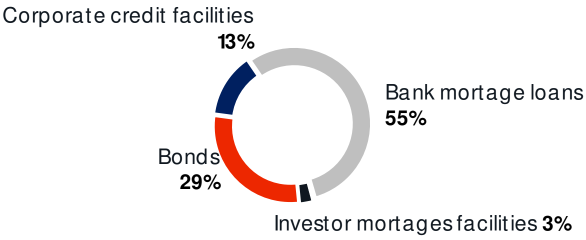
4.2. Debt by type

Covivio's net debt stands at €7 billion in Group share at end-2018 (€9.9 billion on a consolidated basis), up by almost €1.3 billion compared with end-2017, due essentially to the merger with Beni Stabili and the full consolidation of the hotel operating activity. The investment realised this year (€1.4 billion Group share of acquisitions and capex) were partially offset by disposals (€1.0 billion Group Share realised and €0.3 billion secured).

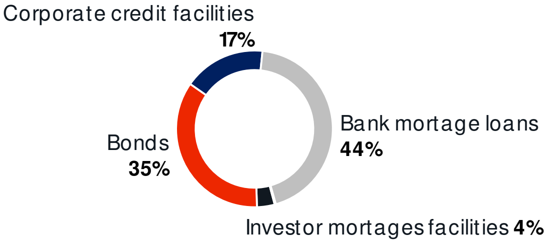
With regards to commitments attributable to the Group, the share of corporate debts (bonds and loans) was increased to around 52%.

In addition, at end-2018, Covivio's available liquidity totalled nearly €2.6 billion Group share (€3.0 billion on a consolidated basis). In particular, Covivio had €1.3 billion in commercial paper outstanding at 31 December 2018.

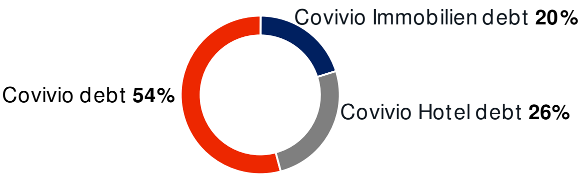
Consolidated commitments
by type



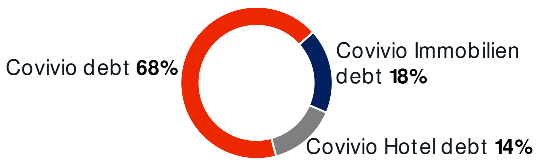
Group share commitments
by type



Consolidated commitments
by company

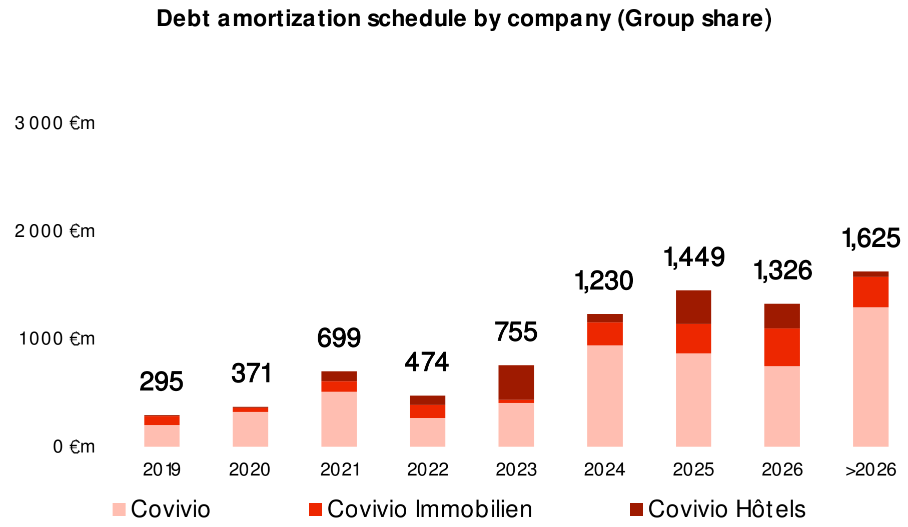


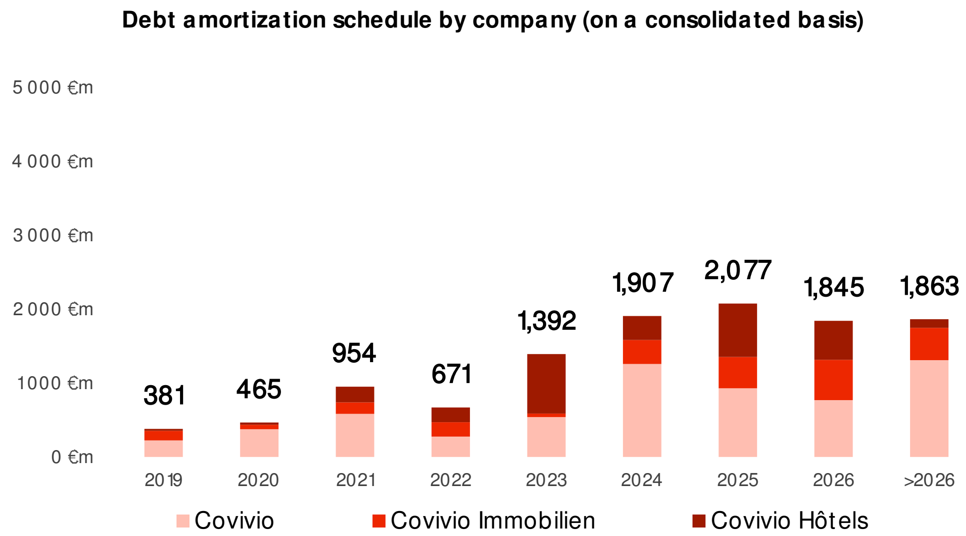
Group share commitments
by company



4.3. Debt maturity

The average maturity of Covivio's debt remained relatively stable at 6.0 years at end-December 2018 (excluding commercial paper).





Until 2023, there is no major maturity that has not been already covered or is already under renegotiation. The larger ones relate to bond maturities in 2022 (a bond and a convertible bond) representing less than 5% of the consolidated debt.

4.4. Main changes during the period

Sustained financing and refinancing activity: €3.6 billion in 100% (€2.9 billion Group share)

- In 2018, Covivio raised or renegotiated €2.2 billion of financing, with an objective to lengthen its debt maturities in a supportive environment. It includes €1.3 billion in France and €0.9 billion in Italy.

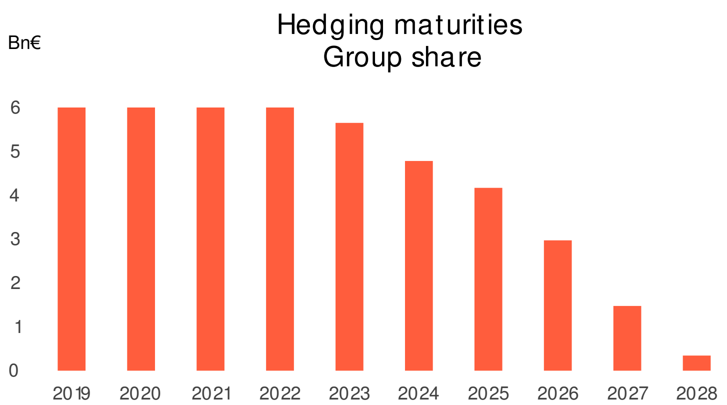
- Covivio Hotels raised or secured €955 million (€404 million Group share) of new funding, essentially:
  - €150 million of new corporate credits with long maturities close to 7 years
  - £400 million (approximately €455 million) of bank mortgage loan backed by the hotel portfolio acquired in the United Kingdom.
  - A first bond issued in September 2018 of €350 million with a 7-year maturity and a 1.875% coupon, right after obtaining a BBB rating, positive outlook, from S&P. This bond issue allowed Covivio Hotels to lengthen is debt maturity and improve its financial costs. Early 2019, the bulk of the proceeds have been used to repay debt with shorter terms and higher margins.

- In Germany (Covivio Immobilien) Covivio raised €483 million (€298 million Group share) including:
  - €286 million with an average maturity of 10 years to finance acquisitions mostly in Berlin, Dresden, Leipzig and Hamburg
  - €197 million of new money through existing liabilities to optimise their maturity and conditions.

4.5. Hedging profile

In the year 2018, the hedge management policy remained unchanged, with debt hedged at 90% to 100% 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 31 December 2018, Covivio is hedged at 85% over 5 years (Group share). The average term of the hedges is 6.9 years (in Group share).



4.6. Average interest rate on the debt and sensitivity

The average interest rate on Covivio's debt continued to improve, standing at 1.53% in Group share, compared to 1.87% in 2017. This reduction was mainly due to the "full year" effect of the issue, by Covivio, in May 2017, of a 1.50%, 10-year bond, the refinancing (in Italy) of a €350 million, 4.125% bond with a new €300 million, 1.625% bond, and by the impact of hedge restructuring.

For information purposes, an increase of 25 basis points in the three-month Euribor rate would have a negative impact of 0.8% 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 in Group share for Covivio and on a consolidated or Group share basis depending on the debt anteriority for Covivio Hotels and the other subsidiaries of Covivio (if their debt includes them).

- The most restrictive consolidated LTV covenants amounted, at 31 December 2018, to 60% for Covivio and Covivio Hôtels.

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	2018
LTV	60.0%	45.4%
ICR	200%	508%
Secured debt ratio	25.0%	9.6%

All covenants were fully complied with at the end December 2018. No loan has an accelerated payment clause contingent on Covivio's rating, which is currently BBB, positive outlook (S&P rating).

Detail of Loan-to-Value calculation (LTV)

(€ million Group hare)	2017	2018
Net book debt	5,691	6,978
Receivables linked to associates (full consolidated)	- 61	- 57
Receivables on disposals	- 352	- 325
Security deposits received	- 5	- 34
Purchase debt	59	59
Net debt	**5,333**	**6,620**
Appraised value of real estate assets (Including Duties)	12,958	15,775
Preliminary sale agreements	- 352	- 325
Financial assets	104	16
Receivables linked to associates (equity method)	137	92
Share of equity affiliates	270	201
Value of assets	**13,118**	**15,759**
LTV Excluding Duties	**42.9%**	**44.2%**
LTV Including Duties	**40.7%**	**42.0%**

4.7. Reconciliation with consolidated accounts

Net debt

€ million	Consolidated accounts	Minority interests	Group share
Bank debt	11,060	- 3,181	**7,879**
Cash and cash-equivalents	1,172	- 271	**901**
Net debt	**9,887**	**- 2,910**	**6,978**

Portfolio

€ million	Consolidated accounts	Portfolio of companies under equity method	Fair value of investment properties	Fair value of trading activities	Right of use of Investment properties	Minority interests	Group share
Investment & development properties	20,139	668	1,502	93	- 164	- 7,269	**14,970**
Assets held for sale	559					- 234	**325**
Total portfolio	**20,698**	**668**	**1,502**	**93**	**- 164**	**- 7,502**	**15,295**

Duties	785
Portfolio group share including duties	16,080
(-) share of companies consolidated under equity method	- 315
(+) Advances and deposits on fixed assets	10
Portfolio for LTV calculation	**15,775**

Interest Coverage Ratio

	Consolidated accounts	Minority interests	Group share
EBE (Net rents (-) operating expenses (+) results of other activities)	862.1	- 353.9	**508.2**
Cost of debt	175.8	- 75.7	**100.1**
ICR			**5.08**

5. EPRA REPORTING

5.1. Change in net rental income (Group share)

€ million	2017	Acquisitions	Disposals	Developments	Change in percentage held/consolidation method	Indexation, asset management and others	2018
France Offices	232	4	- 19	8	- 2	9	232
Italy Offices (incl. retail)	81	3	- 3	2	- 4	- 2	77
German Residential	129	12	- 9	0	2	7	140
Hotels in Europe (incl. retail)	93	9	- 7	2	- 14	3	85
Other (France Residential)	5	0	- 2	0	3	0	5
TOTAL	**539**	**27**	**- 40**	**12**	**- 15**	**16**	**539**

Reconciliation with financial data

€ million	2018
Total from the table of changes in Net rental Income (GS)	539
Adjustments	-
Total net rental income (Financial data § 3.3)	**539**
Minority interests	-
Total net rental income (Financial data § 3.4)	**539**

5.2. Investment assets – Informations on leases

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

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

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

(€ million, Group share)	Gross rental income (€ million)	Net rental income (€ million)	Annualised rents (€ million)	Surface (m²)	Average rent (€/m²)	Vacancy rate at year end	EPRA vacancy rate at year end
France Offices	242	232	262	1,681,182	185	2.9%	3.0%
Italy Offices (incl. retail)	94	77	165	1,728,915	120	2.6%	2.8%
German Residential	154	140	160	2,902,888	86	1.3%	1.3%
Hotels in Europe (incl. retail)	86	85	93	n.a.	n.a.	0.0%	0.0%
Other (France Residential)	8	5	7	56,523	121	n.a.	n.a.
Total	**585**	**539**	**686**	**6,369,509**	**108**	**2.0%**	**2.1%**

5.3. Investment assets- Asset values

The EPRA net initial yield is the ratio of:

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

(€ million, Group share)	Market value	Change in fair value over the year	Duties	EPRA NIY
France Offices	5,640	108	307	4.5%
Italy Offices (incl. Retail)	3,332	- 26	120	4.0%
German Residential	3,743	292	258	3.7%
Hotels in Europe (incl. Retail)	2,323	36	99	5.0%
Ohter (France Resi. and car parks)	258	- 6	0	n.a
Total 2018	**15,295**	**403**	**785**	**4.2%**

Reconciliation with financial data

€ million	**2018**
Total portfolio value (Group share, market value)	**15,295**
Fair value of the operating properties	- 712
Fair value of companies under equity method	- 315
Inventories of real estate companies and others	- 74
Right of use on investment assets	69
Fair value of car parks facilities	- 51
Investment assets Group share [1] (Financial data § 3.5)	**14,213**
Minority interests	6,485
Investment assets 100% [1] (Financial data § 3.5)	**20,698**

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

€ million	**2018**
Change in fair value over the year (Group share)	**403**
Others	-
Income from fair value adjustments Group share (Financial data § 3.3)	**403**
Minority interests	217
Income from fair value adjustments 100% (Financial data § 3.3)	**621**

5.4 Assets under development

M€	Ownership type	% ownership (Group share)	Fair value December 2018	Capitalised financial expenses over the year	Total cost incl. financial cost [1] (€M, Group share)	% progress	Delivery date	Surface at 100% (m²)	Pre-leasing	Yield (%)
Hélios	FC [2]	100%	21	0.7	22	87%	2019	9,000 m²	100%	>7%
Silex 2	FC	50%	53	1.0	83	47%	2020	30,900 m²	44%	6.0%
Meudon Ducasse	FC	100%	4	0.1	22	9%	2020	5,100 m²	100%	6.4%
Flow	FC	100%	50	0.8	115	25%	2020	23,600 m²	100%	6.6%
Montpellier Orange	FC	100%	10	0.0	49	7%	2020	16,500 m²	100%	6.7%
Iro	FC	100%	35	0.1	139	25%	2020	25,600 m²	0%	6.3%
Cité Numérique	FC	100%	5	0.0	38	70%	2019	19,200 m²	38%	>7%
Total France Offices			**178**	**2.6**	**468**					
Ferrucci	FC	100%	87	1.4	50	74%	2019	21,000 m²	0%	5.5%
Symbiosis	FC	100%	143	4.6	21	10%	2020	9,200 m²	99%	>7%
Principe Amedeo	FC	100%	62	1.0	59	85%	2019	7,100 m²	74%	5.3%
The Sign	FC	100%	46	0.9	105	15%	2020	26,500 m²	35%	>7%
Dante	FC	100%	43	0.2	54	6%	2019	5,100 m²	0%	4.8%
Total Italy Offices			**381**	**8.1**	**289**					
Meininger Munich	FC	42%	18	0.4	14	98%	2019	173 rooms	100%	6.4%
B&B Cergy	FC	21%	1	0.0	1	85%	2019	84 rooms	100%	6.6%
Meininger Porte de Vincennes	FC	42%	20	0.4	20	88%	2019	249 rooms	100%	6.2%
Meininger Lyon Zimmermann	FC	42%	6	0.1	8	75%	2019	176 rooms	100%	6.1%
B&B Bagnolet	FC	21%	1	0.0	2	56%	2019	108 rooms	100%	6.2%
Total Hotels in Europe	**FC**		**46**	**1.0**	**44**					
Total			**604**	**11.8**	**801**					

[1] And €450 million of projects in companies consolidated under the equity method (Ilot Armagnac, Belaïa), in German Residential, projects committed in 2019 (Paris Gobelins, Jean Goujon) and N2 in Paris. The total cost of committed projects is therefore €1,252 million (cf. 1.G. Development projects).
[2] FC : Full consolidation

Réconciliation with financial data	2018
Total fair value of assets under development	604
Project under technical review and non-committed projects	143
Assets under development (Financial data § 3.5)	**748**

5.5 Information on leases

	Firm residual lease term (years)	Residual lease term (years)	Lease expiration by date of 1st exit option Annualised rental income of leases expiring						
			N+1	N+2	N+3 to 5	Beyond	Total %	Total (€m)	Section
France Offices	4.6	5.4	14%	9%	36%	40%	100%	262	2.A.6
Italy Offices (incl. retail)	7.4	7.9	12%	4%	24%	60%	100%	165	2.B.6
Hotels in Europe (incl. retail)	13.4	14.9	6%	0%	10%	83%	100%	93	2.D.5
Total	**7.0**	**7.9**	**12%**	**6%**	**27%**	**54%**	**100%**	**519**	**1.B.1**

5.6 EPRA Net Initial Yield

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

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

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

- EPRA net initial yield is the ratio of:

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

(€ million, Group share)	Total 2017	France Offices	Italy Offices (incl. Retail)	German Residential	Hotels in Europe (incl. retail)	France Residential	Total 2018
Investment, saleable and operating properties	12,707	5,640	3,332	3,743	2,323	206	15,244
Restatement of assets under development	- 331	- 344	- 381	-	- 46	-	- 771
Restatement of undeveloped land and other assets under development	- 127	- 287	- 14	-	0	-	- 302
Restatement of Trading assets	- 30	- 16	-	- 37	-	-	- 53
Restatement of operating hotel properties	- 250						-
Duties	690	307	120	258	99	-	785
Value of assets including duties (1)	**12,659**	**5,301**	**3,058**	**3,964**	**2,376**	**206**	**14,904**
Gross annualised IFRS revenues	593	248	148	160	121	7	683
Irrecoverable property charge	- 49	- 10	- 27	- 15	- 2	- 3	- 56
Annualised net revenues (2)	**543**	**237**	**121**	**145**	**119**	**4**	**627**
Rent charges upon expiration of rent free periods or other reductions in rental rates	27	12	15	-	-	-	27
Annualised topped-up net revenues (3)	**570**	**250**	**136**	**145**	**119**	**4**	**654**
EPRA Net Initial Yield (2)/ (1)	**4.3%**	**4.5%**	**4.0%**	**3.7%**	**5.0%**	**2.0%**	**4.2%**
EPRA "Topped-up" Net Initial Yield (3)/ (1)	**4.5%**	**4.7%**	**4.4%**	**3.7%**	**5.0%**	**2.0%**	**4.4%**
Transition from EPRA topped-up NIY to Covivio's yields							
Impact of adjustments of EPRA rents	0.4%	0.2%	0.9%	0.4%	0.1%	1.3%	0.4%
Impact of restatement of duties	0.3%	0.3%	0.2%	0.3%	0.2%	0.0%	0.3%
Covivio yield rate	**5.2%**	**5.2%**	**5.5%**	**4.3%**	**5.3%**	**3.3%**	**5.0%**

5.7. EPRA cost ratio

(€million, Group share)	2017	2018
Cost of other activities and fair value	- 27.8	- 20.4
Expenses on properties	- 19.2	- 23.3
Net losses on unrecoverable receivables	- 2.5	- 2.0
Other expenses	- 5.0	- 4.3
Overhead	- 78.7	- 86.0
Amortisation, impairment and net provisions	- 3.7	2.3
Income covering overheads	23.1	22.6
Cost of other activities and fair value	- 5.3	- 9.7
Property expenses	1.2	0.6
EPRA costs (including vacancy costs) (A)	**- 117.9**	**- 120.2**
Vacancy cost	12.7	10.2
EPRA costs (excluding vacancy costs) (B)	**- 105.3**	**- 110.0**
Gross rental income less property expenses	587.7	584.1
EBITDA from hotel operating properties & coworking, income from other activities and fair value	27.0	56.0
Gross rental income (C)	**614.7**	**640.0**
EPRA costs ratio (including vacancy costs) (A/C)	**19.2%**	**18.8%**
EPRA costs ratio (excluding vacancy costs) (B/C)	**17.1%**	**17.2%**

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

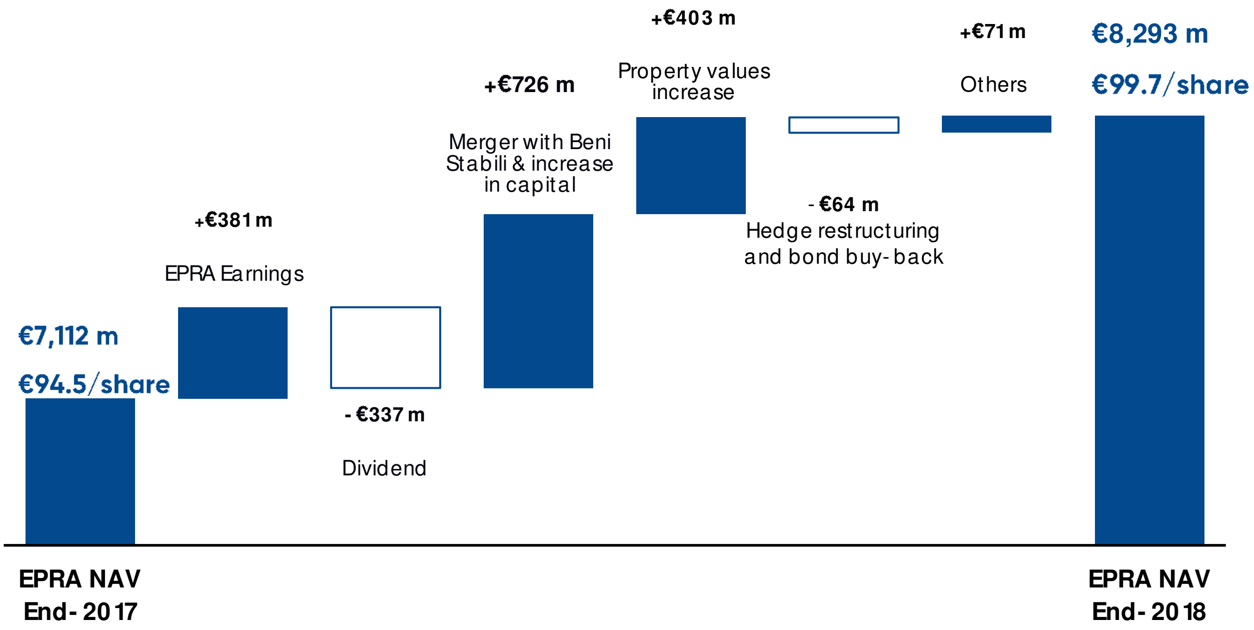
5.8. EPRA Earnings

(€million)	2017	2018
Net income Group share (Financial data §3.3)	**914.1**	**749.6**
Change in asset values	- 627.2	- 403.5
Income from disposal	- 24.4	- 133.7
Acquisition costs for shares of consolidated companies	2.2	70.8
Changes in the value of financial instruments	0.5	6.2
Interest charges related to finance lease liabilities	0.0	1.9
Interest charges	0.0	- 1.5
Deferred tax liabilities	61.4	56.0
Taxes on disposals	3.6	4.6
Adjustment to amortisation	0.0	24.7
Adjustments from early repayments of financial instruments	44.7	13.3
EPRA Earnings adjustments for associates	- 16.7	- 7.3
EPRA Earnings	**358.2**	**381.3**
EPRA Earnings in €/share	**4.86**	**5.08**

5.9. EPRA NAV and EPRA NNNAV

	2017	2018	Var.	Var. (%)
EPRA NAV (€ m)	7,112	**8,293**	1,181	16.6%
EPRA NAV / share (€)	94.5	**99.7**	5.2	5.5%
EPRA NNNAV (€ m)	6,492	**7,625**	1,132	17.4%
EPRA NNNAV / share (€)	86.3	**91.7**	5.4	6.2%
Number of shares	75,247,258	**83,186,524**	7,939,266	10.6%

Evolution of EPRA NAV



Reconciliation between shareholder's equity and EPRA NAV

	M€	€/share
Shareholders' equity	**7,561.4**	**90.9**
Fair value assessment of operating properties	35.6	
Fair value assessment of car parks facilities	25.9	
Fair value assessment of hotel operating properties	16.5	
Fair value assessment of fixed-rate debts	-60.5	
Restatement of value Excluding Duties on some assets	45.7	
EPRA NNNAV	**7,624.6**	**91.7**
Financial instruments and fixed-rate debt	199.5	
Deferred tax liabilities	447.4	
ORNANE	21.4	
EPRA NAV	**8,292.9**	**99.7**
IFRS NAV	**7,561.4**	**90.9**

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 European TEGoVA standards 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 31 December 2018 by independent real estate experts such as REAG, DTZ, CBRE, JLL, BNP Real Estate, Yard Valtech, VIF, MKG and CFE. This did not include:

- buildings that do not meet the criteria of the revised IAS 40 (certain buildings in development), which are valued at cost
- 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 flows 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 shared 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 value adjustment is recognised in EPRA NNNAV for a total of €35.6 million.

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 €25.9 M€ at 31 December 2018.

Fair value adjustment for own occupied buildings and operating hotel properties

The merger-absorption of the operating hotel properties activity realised in January 2018 implied the integration at fair value of operating hotel properties. As a consequence, the adjustment applied in 2017 is captured in the shareholder's equity. However, in accordance with IAS 40, these assets are not recognised at fair value in the consolidated financial statements. In line with EPRA principles, EPRA NNNAV is adjusted for the difference resulting from the fair value appraisal of the assets for €16.5 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 is adjusted for the fair value of fixed-rate debt. The impact was -€60.5 million at 31 December 2018.

Recalculation of the base cost excluding duties of certain assets

When a company, rather than the asset that it holds, can be sold off, transfer duties are recalculated based on the company's net asset value (NAV). The difference between these recalculated duties and the transfer duties already deducted from the value has an impact of €45.7 million at 31 December 2018.

5.10. CAPEX by type

€ million	2017		2018	
	100%	Group share	100%	Group share
Acquisitions [1]	683	358	446	328
Renovation on portfolio excl. Developments [2]	165	101	225	140
Developments [3]	277	163	204	136
Capitalized expenses on development portfolio [4] (except under equity method)	29	17	22.5	14
Total	**1,154**	**639**	**897**	**619**

[1] Acquisitions including duties

[2] Renovation on portfolio excluding developments

[3] Total renovation expenses (excl under equity method) on development projects

[4] Commercialization fees, financial expenses capitalized and other capitalized expenses

5.11. EPRA performance indicator reference table

EPRA information	Section	in %	Amount in €	Amount in €/share
EPRA Earnings	5.8		€381 m	5.08 €/share
EPRA NAV	5.9		€8,293 m	99.7 €/share
EPRA NNNAV	5.9		€7,625 m	91.7 €/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	2.1%		
EPRA costs ratio (including vacancy costs)	5.7	18.8%		
EPRA costs ratio (excluding vacancy costs)	5.7	17.2%		
EPRA indicators of main subsidiaries	5.2 & 5.6			

6. FINANCIAL INDICATORS OF THE MAIN ACTIVITIES

	Covivio Hôtels			Covivio Immobilien		
	2017	**2018**	**Var. (%)**	**2017**	**2018**	**Var. (%)**
EPRA Earnings (M€)	155.5	**198.4**	+27.6%	118.6	**129.6**	+9.3%
EPRA NAV (€ million)	2,422	**3,406**	+40.6%	2,751	**3,240**	+17.8%
EPRA NNNAV (€ million)	2,226	**3,109**	+39.7%	2,306	**2,691**	+16.7%
% of capital held by Covivio	50.0%	**42.3%**	- 7.7 pts	61.7%	**61.7%**	+0.0 pts
LTV Including Duties	31.2%	**36.3%**	+5.1 pts	36.9%	**36.0%**	- 0.9 pts
ICR	5.46	**5.82**	+36 bps	4.5	**5.3**	+84 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 annualised rental income for renewed leases, vacated premises and new lettings during the period under review.

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

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

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.

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

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:

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

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

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

Recurring Net Income

The RNI is defined as the recurring result from operational activities and it is used as a measure of the company performance. The RNI per share is calculated on the diluted average number of shares over the period (excluding auto-control).

Calculation :

(+) Net Rental Income

(-) Net Operating Costs (including costs of structure, costs on development projects, revenues from administration and management and costs related to business activity)

(+) Income from other activities

(+) Costs of the net financial debt

(+) RNI from non-consolidated affiliates

(-) Recurrent Tax

(+) RNI from discontinued operations

(=) Recurring Net Income

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 annualised 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

<u>Restatement done:</u>

- 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