

Paris, 19 July 2018

2018 half-year results: confirmed positive dynamic

«Covivio*, the new name for Foncière des Régions, symbolises our ambition to set real estate in motion to harness the ever increasing aspirations of our users. The major achievements of recent months illustrate this strategy and are reflected in our accelerated operational and financial performances*".
Christophe Kullmann, Chief Executive Officer of Covivio

Covivio, the new name for Foncière des Régions

- Covivio, a player in living real estate, asserts its European dimension and its proximity to customers
- A unique brand for all Group entities
- 20 years of growth and performance :
    - €23 billion[1] portfolio vs. €100 million
    - Average annual share price performance of 12.8% vs. 7.9% for the EPRA Europe index[2]

Major progress on our strategic pillars

- Merger with Beni Stabili, a key step in organisational simplification
- A step forward in development in major European cities
    - Acquisition of a prime hotel portfolio in the United Kingdom for €976 million
    - New acquisitions in the residential sector in Berlin for €435 million
    - Acceleration of the development pipeline : €1.2 billion of committed projects, mainly in Paris and Milan
- Expansion of the offering to promote customer experience
    - Wellio, the new flexible space and coworking brand
    - Roll-out of the Berlin coliving offering
    - Acceleration of tenant service offerings

New growth in half-yearly results

- Acceleration of like-for-like income growth of 3%
- Like-for-like growth in asset values: +2.8% over 6 months
- S&P rating outlook upgraded to BBB, positive outlook
- EPRA Earnings per share of €2.56, growth of 2.7%
- Increase in EPRA NAV of 7.9% over 12 months, to €95.4 per share

2018 outlook confirmed

- Objective of a 2018 EPRA Earnings per-share growth of around 3%

[1] Proforma of the acquisition of the UK Hotel portfolio
[2] On a 20 year basis. Source: EPRA June-end. Including dividends

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

A leading European operator with a €23 billion (€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 attractiveness, transformation and responsible performance.
A preferred real estate player on the European scale, Covivio is getting closer to its users, listening to their aspirations to combine work, travel and living by co-inventing living spaces.
A global player covering all stages of the real estate value chain, the Group relies on a European development pipeline of €5.1 billion to ensure its sustained growth.

Covivio, the new name for Foncière des Régions

Covivio is the new name for Foncière des Régions[3]. This name change will enable one of the leaders in European real estate to have an identity consistent with its strategy. Covivio, a living real estate player, asserts its European dimension and its proximity to customers, for whom it offers new ways of working, traveling and living.

Since its creation 20 years ago, customer culture, real estate excellence and long term commitment have always guided Covivio's strategy. The company has thus experienced several development phases and significantly grown its portfolio and skills to meet today's challenges and uses. Since its creation, Covivio's portfolio has grown from €100 million to €23 billion and the share price has posted an average annualised performance of 12.8% vs. 7.9% for the EPRA Europe index[4].

This identity change covers all of the company's European businesses. Foncière des Régions becomes Covivio, a single brand combining Foncière des Murs, Immeo in Germany and Beni Stabili in Italy (post merger, expected by end 2018). This new brand thus brings together Covivio's 850 employees under one banner.

Proposed merger with Beni Stabili: a major step forward in European strategy and Group simplification

During the first half-year, the Boards of Directors of Covivio and Beni Stabili approved the proposed merger based on an exchange parity of 8.5 Covivio shares for 1,000 Beni Stabili shares (Covivio Press release on May 25th). The Boards of Directors of the two companies also approved the draft terms of the merger plan on 18 and 19 July. The transaction will be submitted for approval to the Extraordinary General Meetings of Beni Stabili[5], on 5 September, and Covivio, on 6 September. The merger is expected to be completed by end 2018[6].

Over the period, Covivio acquired 7.5% of Beni Stabili's share capital, thus bringing its total stake to 59.9%.

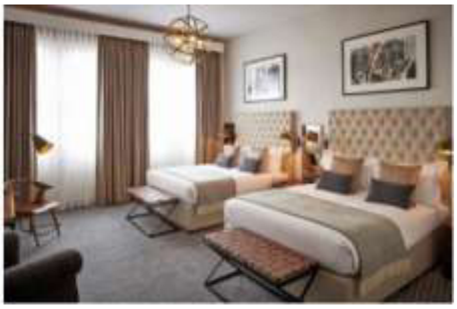
This merger is in line with Beni Stabili's transformation which began two years ago and confirms Covivio's investment strategy in Italy, centred on Milan and the development pipeline. It is also a major step in the organisational simplification of the Group and enables the links between its various business lines to be emphasised. Covivio will thus enhance its

[3] The change in the corporate name of Foncière des Régions to Covivio will be proposed at the General Meeting of Shareholders on 06/09/2018
[4] On a 20 year basis. Source: EPRA June-end. Including dividends
[5] In case of implementation of the proposed merger, Ben Stabili shareholders not voting for the merger may choose the right to withdraw in cash, in accordance with applicable regulations in Italy.
[6] The completion of the merger will also be subject to the listing of the shares on Euronext Paris and finalising the formalities required in France and Italy prior to the merger completion.

position as a leading European integrated real estate player, by strengthening its three strategic pillars: major European cities, real estate development and customer culture.
On the basis of the proposed merger terms and taking into account estimated synergies of around €5 million, the merger would have a slightly accretive impact of about +1% on EPRA Earnings and NAV per share. Through this merger, Covivio's market capitalisation would increase by around €700 million[7] to reach over €7 billion[7], while the company's free float would increase by over €500 million[7] to nearly €4 billion[7].

Continued expansion in Hotels in Europe with the signature of an agreement to acquire a prime portfolio in the United Kingdom for €976 million





After the acquisition of two prime portfolios in Germany (2016) and Spain (2017), Covivio, through its dedicated hotel subsidiary Covivio Hotels, signed an agreement to acquire an iconic portfolio for £858 million (€976 million) comprising fourteen 4 et 5* hotels, located in the main UK cities. At the same time, the Group will sign long term triple net leases on 13 of the properties with InterContinental Hotels Group (IHG) which, when the transaction is completed, will reposition and operate these hotels under several of its luxury and high end brands. The variable rental income, with a guaranteed minimum, should generate a 6% yield once fully operational.

This structuring transaction marks Covivio's entry into the United Kingdom, a leading market in terms of hotel investment and the 4th biggest tourist destination in Europe. It also marks a major step in the development strategy of Covivio's hotel business, enabling it to support the move upmarket and the geographic diversification of its portfolio in this sector.

The hotels, totalling 2,638 rooms, benefit from prime locations in the centre of British cities: nine are located in England (Birmingham, Leeds, Liverpool, London, Manchester, Oxford, Wotton and York), four in Scotland (Edinburgh, Glasgow) and one in Wales (Cardiff). These assets are high quality real estate. Having benefited from recent refurbishment works (£182 million invested between 2014 and 2018), they offer significant growth potential and generate good profitability (EBITDAR of over 30%).

[7]Based on (i) share price as of 19/04/2018 (Covivio: €88.30, Beni Stabili: €0.730 (ii) a 100% straight merger.

Further strategic reinforcement in Germany Residential

Covivio continued its German Residential investment strategy under favourable terms, with 9 acquisition transactions for €435 million (€294 million Group Share), mainly in Berlin (65%) and Hamburg (15%). These investments were carried out at an attractive average price of €2,100 per m² with a 4.6% yield in two years after the re-letting of vacant premises (~6% vacancy). The Group's organic growth outlook are supported by these acquisitions' high rent reversion potential (over 40%). In addition, the acquisition of €19.5 million of land reserves will enable 18,000 m² of additional residential development.

Enhanced customer culture and service offering

To meet user needs, Covivio has developed new initiatives to improve the customer experience.

In the Offices segment, as a partner in the transformation of businesses, Covivio has broadened its offering and launched its flexible space brand Wellio – a unique combination of its hotel expertise and working environment know-how.

The boom in demand for co-working space (20% of Paris take-up at the end of May[8]) is confirming the need to adapt working spaces to new business needs. With its thorough knowledge of Key Accounts and its expertise throughout the real estate value chain, Covivio offers a unique solution suited to the new expectations of companies.

Six sites have already been opened or are due to open in Paris, Marseille, Bordeaux and Milan, representing 19,000 m² and 2,600 workstations. The latest such site to open is in the 13,400 m² Art & Co building in the 12th district of Paris, only a few steps away from Gare de Lyon. It offers 5,000 m² of flexible office space (780 workstations) under the Wellio brand, while the rest of the building has been fully let under a long term lease.

In the Residential segment, Covivio has expanded its offering to furnished apartments and housing units that are serviced or specifically designed for sharing (coliving). The roll-out started in Berlin with 150 rooms to be made available by the end of 2018.

To address the aspirations of users and co-invent spaces that are suited to their needs and offer more services, Covivio has boosted its offering of services to users by calling on a network of partner start-ups such as Welcome at Work (corporate concierge services), Workwell (application for building users combining all the services available to them), Efiester (group catering solutions available to the employees of a building), and Faciloo (application to facilitate dialogue between building users and managers).

Acceleration of development projects

In their pursuit of transformation and attractiveness, companies increasingly opt for new buildings. Backed by a solid track record and a pipeline of projects totalling €5.1 billion in Europe, Covivio has been stepping up its development projects. At the end of June, project commitments amounted to €1.2 billion (€720 million Group Share), up 30% over six months. These operations are already 44% pre-let.

[8] Source : Savills

Over the next 12 months, Covivio intends to launch the construction or restructuring of 16 new assets, thereby doubling the committed pipeline to €2.4 billion (€1.8 billion Group Share), with 84% of the buildings located in Paris, Berlin and Milan. Over 15% of the projects are combinations of office space, hotels, flexible spaces and residential units, enabling the Group to take full advantage of its in-depth knowledge of the products and the growing synergies between them.

In Milan, the development of the Symbiosis district has reached a new phase. While the first building of 20,500 m², 86% pre-let to Fastweb and Cir Food, will be delivered next October, Covivio will launch the development of a new building of 9,400 m². This building has been fully pre-let under a firm lease of 13.5 years to Ludum, a subsidiary of the world's 6th biggest international school group, NACE Schools. The building is due to be delivered in 2020, at a cost of €20.6 million for a target yield of 8.1%.

At the same time, "The Sign" project was launched. It comprises three buildings totalling 26,500 m², of which 9,500 m² have already been pre-let to Aon, the world's leading brokerage company, which also leases premises from Covivio in Paris. This project represents a total investment of €105 million, with an attractive yield of over 7%.

In Paris, Covivio completed an asset swap with an institutional investor, thereby strengthening its presence in Paris' Central Business District, crystallising the value creation on mature assets, and reinforcing its future sources of growth. The Group sold its two Paris assets located at 10 and 30 Avenue Kléber (16th district), totalling 4,800 m² for €104 million (€21,600 per m²) and a 3.3% yield. Covivio will remain as a tenant with a three-year renewable lease.

At the same time, the Group purchased, from the same investor, a 8,500 m² building located on Rue Jean Goujon in Paris 8th district for €134 million (€15,800 per m²). At the end of 2018, upon expiry of the lease with the current tenant, Covivio will fully redevelop the building, showcasing all of the Company's real estate expertise. The Group is considering regrouping all its Paris teams there after the completion of the refurbishment.

In Berlin, Covivio is the owner of a large building land in Alexanderplatz, in the heart of Berlin, allowing to build two new towers for a total leasable area of 140,000 m², which would come in addition to the existing 73,000 m² of the Park Inn, acquired in 2016. Covivio launched an architecture competition in order to develop the first 70,000 m² tower. At the end of the first round of the competition, the jury of the project chose two architecture agencies: Sauerbruch Hutton (Berlin) and Diener & Diener Architects (Basel). The final round of the request for proposals will take place this autumn, for an estimated delivery planned in 2022 and an investment of €450 million.

In line with its strategy and its ambition to conceive an innovative and vibrant real estate, Covivio imagined a mix-use project offering office space, retail and 16,300 m² of residential units, plus additional spaces for coworking, and inhouse-club with roof terrace, restaurants and coffee shops. The objective of Covivio is also to create strong links and synergies between the different spaces and users of the building in order to offer a new experience on the site.

Two major agreements in Italy

Covivio signed a new rental agreement for Galleria del Corso, a shopping mall located in the centre of Milan. Following the termination of the current lease, the asset will be re-let to the Percassi group for 14 years firm, based on a rent of €5.9 million, up 35% over the previous rent.

In line with its strategy of diversifying its rental base and refocusing the Telecom Italia portfolio, Covivio signed an agreement with the company on the:

- sale of 11 non-core assets to Telecom Italia for €158 million;
- re-allocation of the planned €27 million capex programme to core assets in Milan, Rome and Naples;
- early termination of 8 leases expiring in 2021 against a penalty of 1.5 years and €1.6 million in restoration costs.

Covivio is thus reducing its exposure to Telecom Italia, which will account for 20% of the Italy portfolio, down from 41% in 2015, as well as improving the quality of its portfolio.

Further growth in rental income

At the end of June, Covivio's income increased by 3.0% like-for-like over one year, outperforming 2017 like-for-like rental income increase (standing at +2.0%). The Group is reaping the fruit of its asset management policy and strategic choices in buoyant markets.

Office rents thus increased 2.4% on a like-for-like basis in France and 1.5% in Italy, with a rise of 2.0% in Milan (excluding Telecom Italia).

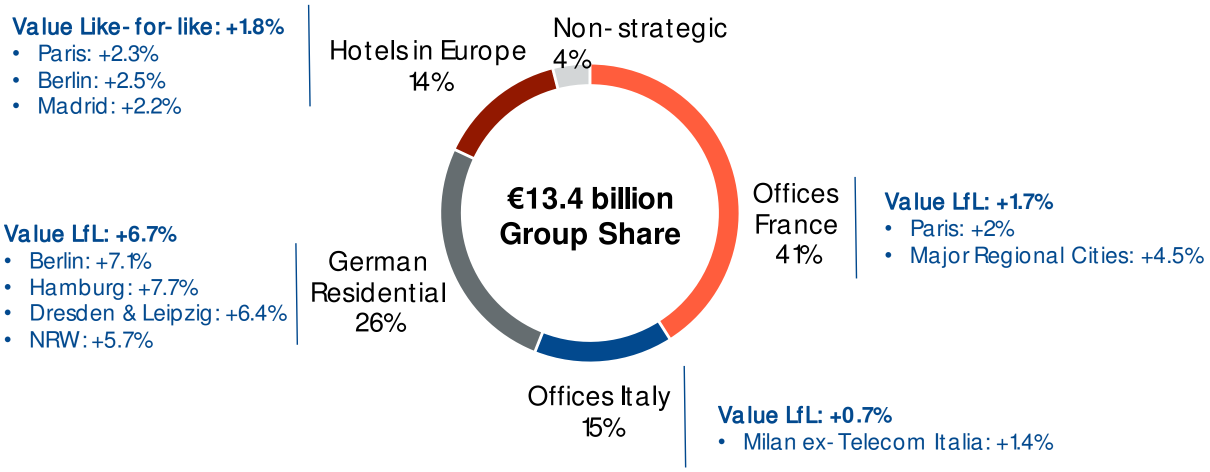
The sharp increase in rents in the German Residential segment continued in 2018, with average rises exceeding 20% on re-lets. Sustained growth of 5.7% was recorded in Berlin, in line with 2017, while growth continued to accelerate in North Rhine-Westphalia, to 4.2% vs. 3.1% in 2017.

Lastly, Hotel income rose 3.6% on a like-for-like basis, with a 3.3% increase for leased hotels (5.0% rise in variable rents) and a 4.2% increase for hotel operating properties.

H1 2018 – €million	**Rental income** 100%	**Rental income** Group Share	**Change**	**Change on** like-for-like basis	**Occupancy rate**	**Firm lease maturity** (in years)
Offices - France	138	123	+0,2%	+2,4%	96,9%	4,5
Offices - Italy	97	42	-12,2%	+1,5%	97,0%	6,8
of which Offices excl. Telecom Italia	*47*	*27*	*+17,7%*	*+1,7%*	*95,5%*	*4,2*
of which Offices Telecom Italia	*49*	*15*	*-39,2%*	*+1,1%*	*100,0%*	*12,4*
Residential Germany	119	75	+7,7%	+4,6%	98,1%	n.a.
Hotels in Europe	128	48	+12,2%	+3,6%	n.a.	n.a.
Lease properties	95	34	-5,8%	+3,3%	100%	11,2
Operating properties (EBITDA)	34	14	+117,7%	+4,2%	n.a.	n.a.
Strategic activities	**481**	**289**	**+1,8%**	**+3,0%**	**97,6%**	**6,0**
Non-strategic (French Resi., Retail France & Italy)	25	14	-20,6%	n.a	94.6%	5,4
Total	**506**	**303**	**+0,4%**	**+2,8%**	**97,4%**	**6,0**

Rise of nearly 3% in asset values, reflecting Covivio's strategic choices

The portfolio, amounting to €22 billion at the end of June & €13.4 billion Group Share (€23 bn & €15 bn post merger with Beni Stabili and hotels acquisition in the UK), increased by 3%, mainly due to the rise in asset values, as the Group bought assets worth €0.5 billion over the half-year and sold others for €0.6 billion. On a like-for-like basis, the gain amounts to 2.8% for the half-year, mainly on the back of the solid 6.7% increase in German Residential.



Increased and strengthened financial results

S&P upgraded its rating outlook on the basis of more solid financial and operational profiles

Acknowledging Covivio's solid financial profile (LTV of 42%, ICR of 5.4x) and ongoing improvements in the quality of its portfolio, S&P upgraded its rating outlook to BBB, positive. Over the half-year, the Group continued its active management of its debt, further reducing its cost to 1.55% vs. 1.87% at end 2017, while maintaining its maturity at six years.

EPRA Earnings Per Share up 2.7% to €2.56

With the growth in operating income, along with the ongoing reduction of financial expenses, EPRA Earnings increased 5%, to €192 million. EPRA Earnings Per Share thus increased 2.7% to €2.56, in line with the year's objective. Net income amounted to €465.3 million.

EPRA NAV up 7.9% year-on-year

With a 2.8% increase in asset values on a like-for-like basis and the good performance of EPRA Earnings, the EPRA NAV rose 7.9% year-on-year to €7.2 billion and €95.4 per share (€6.6 billion and €87.5 in terms of EPRA NNNAV, i.e. +8.7%). Over the half-year, the increase was 0.9%, despite the payment of the dividend last May.

2018 outlook confirmed

With the half-year's major strategic progress, as well as a solid operational performance and ongoing good results, the Group can look ahead to the rest of the year with confidence. Covivio is thus confirming its EPRA Earnings per share growth objective of around 3% for 2018.

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ABOUT COVIVIO

Thanks to its partnering history, its real estate expertise and its European culture, Foncière des Régions is redefining its raison d'être in line with the revolution in usage, inventing today's user experience, designing tomorrow's city and becoming Covivio.

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 Bn€ 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), are admitted to trading on the SRD, and are included in the composition of the MSCI, SBF 120, Euronext IEIF "SIIC France" and CAC Mid100 indices, in the "EPRA" and "GPR 250" benchmark European real estate indices, and in the ESG FTSE4 Good, DJSI World & Europe, Euronext Vigeo (World 120, Eurozone 120, Europe 120 and France 20), Oekom, Ethibel and Gaïa ethical indices.

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

The change of Foncière des Régions' corporate name to Covivio will be proposed in General Meeting on 6th September 2018.

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1. BUSINESS ANALYSIS

Changes in scope:

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

- as part of the potential business combination with Beni Stabili, Covivio increased its investment in its subsidiary by 7.5%, owning 59.9% at end June 2018 compared with 52.4% at the end of 2017;
- the merger of Covivio Hotels and FDMM reduced Covivio's investment in Covivio Hotels from 50% at 31 December 2017 to 42% at 30 June 2018.

A. RECOGNISED RENTAL INCOME: +3.0% on a like-for-like scope

	100%			Group Share			
(€ million)	H1 2017	H1 2018	Change (%)	H1 2017	H1 2018	Change (%)	Change (%) LfL [1]	% of rent
France Offices	**135.7**	**137.6**	**1.4%**	**123.0**	**123.3**	**0.2%**	**2.4%**	**41%**
Paris	41.0	45.4	11%	38.7	43.6	13%	1.9%	14%
Greater Paris	67.3	67.2	0%	57.0	55.6	-2%	2.5%	18%
Other French regions	27.4	24.9	-9%	27.4	24.2	-12%	3.0%	8%
Italy Offices	**92.3**	**96.5**	**4.6%**	**47.7**	**41.9**	**-12.2%**	**1.5%**	**14%**
Offices - excl. Telecom Italia	43.2	47.3	10%	22.6	26.6	18%	1.7%	9%
Offices - Telecom Italia	49.1	49.2	0%	25.1	15.3	-39%	1.1%	5%
Germany Residential	**112.9**	**118.7**	**5.2%**	**69.9**	**75.3**	**7.7%**	**4.6%**	**25%**
Berlin	48.8	56.6	16%	30.5	36.3	19%	5.7%	12%
Dresden & Leipzig	10.2	11.1	9%	6.3	7.0	10%	2.8%	2%
Hamburg	7.2	7.8	8%	4.6	5.2	11%	3.4%	2%
North Rhine-Westphalia	46.6	43.2	-7%	28.5	26.9	-6%	4.2%	9%
Hotels in Europe	**116.2**	**128.3**	**10.4%**	**42.8**	**48.0**	**12.2%**	**3.6%**	**16%**
Hotels - Lease Properties	**84.5**	**94.6**	**12%**	**36.5**	**34.4**	**-5.8%**	**3.3%**	**11%**
France	44.8	49.5	11%	17.5	15.5	-11%	3.4%	5%
Germany	10.6	13.5	28%	5.1	5.5	9%	1.6%	2%
Belgium	10.6	10.6	0%	5.3	4.5	-16%	5.6%	1%
Spain	14.9	17.4	n.a	6.8	7.3	7%	3.3%	2%
Others	3.7	3.7	n.a	1.8	1.6	-15%	1.6%	1%
Hotels - Operating Properties	**31.7**	**33.7**	**6%**	**6.3**	**13.6**	**117.7%**	**4.2%**	**4%**
Total strategic activities	**457.0**	**481.1**	**5.3%**	**283.5**	**288.5**	**1.8%**	**3.0%**	**95%**
Non-strategic	**34.0**	**25.4**	**-25%**	**17.9**	**14.2**	**-20.6%**	**n.a**	**5%**
Retail Italy	9.5	8.0	-16%	5.0	4.5	-10%	-7.8%	1%
Retail France	18.4	13.2	-28%	9.2	5.5	-40%	1.2%	2%
Other (France Residential)	6.1	4.2	-31%	3.7	4.2	12%	n.a	1%
Total	**491.0**	**506.5**	**3.2%**	**301.4**	**302.8**	**0.4%**	**2.8%**	**100%**

[1] LfL : Like-for-Like

Group share revenues increased by 0.4% year-on-year. This €1.4 million increase is due primarily to the following effects:

- acceleration of like for like growth of 3.0% (+€6.0 million) with:
  - +2.4% in France Offices, thanks to the indexation (0.8 pt.) and good rental performance (1.7 pts including 1.1 pts related to successful renewals),
  - +1.5% in Italy Offices (excluding Retail) mainly due to indexation,
  - +4.6% in Germany Residential, including 2.4 pts due to indexation and 2.2 pts due to renewals,
  - +3.3% in Hotels, of which a 5.0% growth in AccorHotels variable rents thanks to the recovery of the hotel market,
  - +4.2% change in EBITDA for Hotel Operating properties as a result of sound performances at the start of the year, particularly due to a post-terrorist attack recovery;

- acquisitions (€13.9 million) in particular in German Residential (+€7.4 million), with the acquisition of over 2,000 apartments, primarily in Berlin;
- deliveries of new assets (+€7.7 million), mainly in France Offices, particularly Edo in Issy-les-Moulineaux, Art&Co in Paris and O'Rigin in Nancy;
- asset disposals: (-€30.0 million), especially:
  - in France Offices (-€10.8 million), including two mature assets (Winchester in St Germain and Victor Hugo in Issy-les-Moulineaux),
  - in Italy Offices, the syndication of 49% of the Telecom Italy portfolio, of which 40% at end-June 2017 and 9% early 2018;
  - in German Residential (-€5.2 million) with the sale of over 5,000 apartments, including over 60% of non-core assets in North Rhine-Westphalia,
  - in Hotels (-€2.9 million) with the impact of the non-strategic asset disposals of Quick restaurants and Jardiland stores;
- Increase in Covivio's interest in Beni Stabili to 59.9% (+€2.3 million).

B. LEASE EXPIRATIONS AND OCCUPANCY RATES

1. Annualised lease expirations: 6.0 years of average lease term

(Years)	By lease end date (1st break)		By lease end date	
Group share	**2017**	**H1 2018**	**2017**	**H1 2018**
France Offices	5.0	4.5	6.0	5.4
Italy Offices	7.6	6.8	8.1	7.3
Hotels in Europe	11.2	11.2	13.3	13.3
Total strategic activities	**6.6**	**6.0**	**7.7**	**7.0**
Non-strategic	6.4	5.4	7.0	6.3
Total	**6.6**	**6.0**	**7.7**	**7.0**

The average firm residual duration of leases remained high at 6.0 years at end June, having fallen as a result of the syndication in Italy Offices of an additional 9% of the Telecom Italia portfolio. In France, the firm lease duration fell 0.5 point due to approaching maturities on assets earmarked for redevelopment in 2018.

(€ million; Group share)	By lease end date (1st break)	% of total	By lease end date	% of total
2018	33.3	6%	14.3	2%
2019	53.8	9%	30.5	5%
2020	32.5	6%	27.5	5%
2021	37.4	6%	40.9	7%
2022	41.8	7%	37.8	6%
2023	41.7	7%	45.5	8%
2024	13.4	2%	22.4	4%
2025	40.6	7%	43.0	7%
2026	36.6	6%	36.7	6%
2027	19.4	3%	31.3	5%
Beyond	81.0	14%	101.8	17%
Germany Residential	152.7	26%	152.7	26%
Total	**584.2**	**100%**	**584.2**	**100%**
Hotel operating properties	29.1	-	29.1	-
Non-strategic	22.7	-	22.7	-

The percentage of lease terms under three years remained stable at 7% of average annualised rental income, giving the Group excellent visibility over its cash flows, which are thus secured on the medium term.

Of the €87 million in leases due to end in 2018, more than 50% are related to French Offices assets included in the managed pipeline. Some of them will occur in 2018 or early 2019 (Omega in Levallois, Paris-St Ouen, the Orange building Gobelins in Paris 5th).

2. Occupancy rate: a high level of 97.6%

(%)	Occupancy rate	
Group share	**2017**	**H1 2018**
France Offices	97.4%	96.9%
Italy Offices	97.0%	97.0%
Germany Residential	98.4%	98.1%
Hotels in Europe	100%	100%
Total strategic activities	**97.9%**	**97.6%**
Non-strategic	97.9%	94.6%
Total	**97.9%**	**97.4%**

The occupancy rate remained high at 97.6% for strategic activities. France Offices was impacted by the delivery of Riverside in Toulouse (recently delivered and 41% let) whilst Italy Offices was penalised by the syndication of the Telecom Italia portfolio (which is 100% occupied).

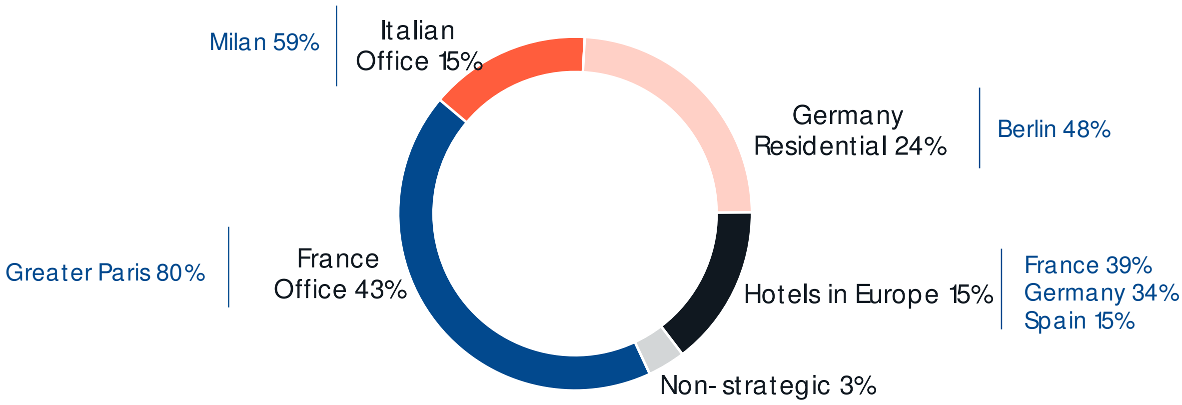
C. BREAKDOWN OF RENTAL INCOME – GROUP SHARE

1. Breakdown by major tenants: a strong rental income base

(€ million, Group share)	Annualised revenues 2018	%
Orange	68.8	11%
Telecom Italia	30.0	5%
AccorHotels	26.9	4%
B&B	17.3	3%
Suez Environnement	21.8	3%
EDF / Enedis	17.1	1%
Vinci	15.0	2%
Dassault	12.5	3%
Thalès	10.9	2%
Natixis	10.7	2%
Mariott	9.7	2%
Intesa San paolo	9.4	2%
Radisson Hotel Group	9.2	1%
Tecnimont	7.8	1%
Eiffage	6.8	1%
Aon	5.4	1%
Lagardère	5.4	1%
NH	5.2	1%
Autres locataires < 5M€	187.0	29%
Résidentiel Allemagne	152.7	24%
Résidentiel France	6.3	1%
Total	**636.0**	**100%**

In the first half of 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 the end of 2017 and 41% at the end of 2014), notably as a result of the syndication of an additional 9% of the Telecom Italia portfolio in the 1st half of 2018.

2. Geographic breakdown of revenues: 60% generated in Paris, Berlin, Milan



The Group continued to focus on European capitals and major cities in early 2018, with the aim of continuously improving the quality of its portfolio. Nearly 60% of the Group's rental income thus comes from Greater Paris, Berlin and Milan.

D. COST TO REVENUE, BY BUSINESS

(€ million, Group share)	France Offices	Italy Offices (incl. retail)	Germany Residential	Hotels in Europe (incl. retail)	Other (France Residential)	Total	
	H1 2018	H1 2018	H1 2018	H1 2018	H1 2018	H1 2017	H1 2018
Rental Income	123.3	46.3	75.3	40.0	4.2	295.1	**289.2**
Unrecovered property operating costs	- 5.9	- 3.3	- 0.7	- 0.8	- 1.5	- 17.6	**- 12.3**
Expenses on properties	- 1.7	- 3.9	- 5.2	- 0.1	- 0.4	- 7.8	**- 11.2**
Net losses on unrecoverable receivable	0.1	- 0.5	- 0.5	0.0	0.0	- 1.2	**- 0.9**
Net rental income	**115.9**	**38.6**	**68.9**	**39.1**	**2.3**	**268.4**	**264.7**
Cost to revenue ratio [1]	**4.5%**	**16.7%**	**8.5%**	**1.3%**	**33.8%**	**7.9%**	**7.5%**

[1] Ratio restated of IFRIC 21 impact

The cost to revenue ratio (7.5%) was down year-on-year:

- in France Offices, the cost to revenue ratio was down (-1.4 pts on 2017) following the disposal of the residual business of the Logistics division;
- in Italy, the cost to revenue ratio was stable and under control at 16.7% (vs. 16.5% in 2017) after a meaningful improvement last year due to the recent improvement in the vacancy rate and the internalisation of property management;
- in Germany Residential, the cost to revenue ratio has been dropping for several years, and now stands at 8.7% (versus 10.7% in 2017) thanks to a stronger position in Berlin and cost optimisation;
- in Hotels in Europe, the rate remains low (at 1.3%), as the Group is mostly signing triple net leases

E. REALISED DISPOSALS: €492 M IN GROUP SHARE

(€ million)		Disposals (agreements as of end of 2017 closed)	Agreements as of end of 2017 to close	New disposals H1 2018	New agreements H1 2018	Total H1 2018	Margin vs H1 2018 value	Yield	Total Realized Disposals
		1		2	3	= 2+3			= 1 + 2
France Offices	100 %	76	34	147	7	**154**	1.2%	4.1%	**224**
	Group share	76	34	147	7	**154**	1.2%	4.1%	**224**
Italy Offices	100 %	20	7	-	159	**159**	- 2.9%	7.0%	**20**
	Group share	8	4	73	49	**121**	- 2.9%	7.0%	**81**
Germany Residential	100%	111	27	9	122	**131**	12.4%	4.6%	**120**
	Group share	65	16	5	69	**74**	12.4%	4.6%	**70**
Hotels in Europe [1]	100 %	3	18	-	115	**115**	- 5.8%	6.9%	**3**
	Group share	1	8	-	48	**48**	- 5.8%	6.9%	**1**
Non-strategic (France Resi., Logistics, Retail in France)	100 %	208	18	17	117	**133**	3.4%	4.1%	**225**
	Group share	100	18	17	71	**87**	4.8%	2.9%	**116**
Total	**100 %**	**418**	**105**	**173**	**520**	**692**	**1.6%**	**5.3%**	**591**
	Group share	**250**	**80**	**242**	**243**	**485**	**1.8%**	**5.0%**	**492**

[1] Including disposals on hotel operating properties

Disposals amounted to €492 million in Group Share (€591 million at 100%) in the first half of 2018, after €1.2 billion in 2017. Covivio maintained a sustained asset rotation in its portfolio, enabling it to reduce its exposure to secondary locations, consolidate value-creation on mature core assets and withdraw from non-strategic activities with:

- non-core assets: €124 million Group Share of disposals of which two thirds in Offices and one third in North Rhine-Westphalia residential assets.

  In six months, the Group has sold a third of its non-core assets worth €100 million. These assets account for only 3% of the France Offices portfolio, taking into account the preliminary sale agreements signed.

- mature core assets: €178 million of disposals Group share

  Disposals mostly in France (€139 million Group Share) including 10 and 30 Kléber in Paris and the Pégase building in Clichy (4.5% margin).

- non-strategic assets : €116 million Group share of disposals

  €79 million Group Share of Retail assets in France comprising the balance of the Quick portfolio and €38 million under preliminary sale agreements primarily consisting of Jardiland assets. At June 30, Retail accounted for only 5.5% of the Covivio Hotels portfolio compared with 11.1% at 31 December 2017.

- The disposal of an additional 9% of the Telecom Italia portfolio realised early 2018 for €73 miilion.

F. ACQUISITIONS: €682 M REALISED IN GROUP SHARE

(€ million Including Duties)	Acquisitions 2018 realized			Acquisitions 2018 secured		
	Acquisitions 100%	Acquisitions Group share	Yield Group share	Acquisitions 100%	Acquisitions Group share	Yield Group share
France Offices	148	148	3.1%	-	-	-
Italy Offices	106	63	6.2% [1]	-	-	-
Reinforcement Beni Stabili	-	263	5.4%	-	-	-
Germany Residential	218	157	4.3% [2]	217	137	5.0% [2]
Reinforcement Germany	-	51	4.9%	-	-	-
Hotels in Europe	-	-	-	1,087	457	5.1%
Total	**472**	**682**	**4.7%**	**1,304**	**594**	**5.0%**

[1] Potential yield on acquisitions.

[2] Yield in 2 years after reletting of vacant spaces. Immediate yield is 3.6% on acquisitions realized and 4.4% on acquisitions secured.

With €682 billion Group share realised in the first half of 2018, Covivio continued to strengthen its position in its strategic markets, in particular in France and Italy Offices and in German Residential with:

- the acquisition of 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 on Avenue Kleber in Paris CBD.
- the acquisition of an asset in the Biccoca business district in Milan for €79 million at a potential yield of 6.3%, and the increase in Covivio's interest in Beni Stabili to 59.9%;
- the acquisition of residential assets worth €218 million in Germany, including €100 million in Berlin and €65 million in Hamburg.

In total, close to 90% of the acquisitions were located in major European cities: Paris, Berlin, Milan and Hamburg.

G. DEVELOPMENT PROJECTS: €5.1 Bn (€3.7 BN GROUP SHARE)

The first half of 2018 was marked by the acceleration of development pipeline commitments. Of projects worth a total of €5.1 billion, €1.2 billion has now been committed (compared with €934 million at the end of 2017). Since the launch of the German Residential pipeline in 2017, the Group has the capacity to develop assets in all of its markets.

1. Deliveries: 20,500 m² of office space and 522 hotel rooms delivered in the first half of 2018

The start of 2018 was marked by the delivery of around 20, 500 m² of office space in France and Italy, as well as 522 hotel rooms, with an average occupancy rate of 85%. These were:

- Riverside (11,000 m²) in Toulouse, 41% let. Negotiations are under way for the leasing of the remaining surface;
- Titano (6,000 m²) in Milan, which involves redeveloping the Piazza Monte Titano asset into a hotel, 100% let to Meininger;
- Colonna (3,500 m²) in Milan, 100% let;
- 2 B&B hotels in Berlin and Chatenay-Malabry, accounting for 267 rooms;
- 1 Motel One hotel in Paris 12th, accounting for 255 rooms.

Covivio's value creation has amounted to a strong 23% on assets delivered in the first half of 2018. In addition, the yield recognised upon delivery of these assets proved to be very high at around 6.1%.

2. Committed projects: €1.2 Bn (€721 million Group share)

Currently, 23 projects are under way in 3 European countries and will be completed between 2018 and 2021. In 2018, Covivio continued its development strategy by launching five major projects:

- Flow project in Montrouge (23,600 m²), consisting of a building project for a new, multipurpose office building located in the attractive, up-and-coming area of Montrouge. Delivery of this asset, launched on spec, is scheduled for 2020.
- N2 in Paris 17th arrondissement, (15,900 m²), which consists of a construction project, in partnership with ACM (50%), for a mixed-use property: office, coworking & hotel. Delivery of this asset is scheduled for early 2021.
- Cœur d'Orly Belaïa (22,600 m²), consisting of a construction project, in partnership with ADP (50%), for an office building in the business district of Paris-Orly airport. Delivery of this asset is scheduled for 2020.
- The Sign project (26,500 m²) located on the South West fringes of the centre of Milan, on Metro line 2. The first building (9,600 m²) is already pre-let to AON. Delivery is scheduled for 2020.
- the Symbiosis School project in Milan (9,400 m²) in an emerging business district at the South East limit of Milan. This asset is 97% pre-let to Ludum and delivery is scheduled for 2020.

Segment	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	2018	190	42%	102	35	6.5%	83%	6
	Total deliveries 2018			**31,700 m²**		**190**	**42%**	**102**	**35**	**6.5%**	**83%**	**6**
	Hélios	Lille	Construction	9,000 m²	2019	160	100%	23	23	> 7%	70%	7
	Total deliveries 2019			**9,000 m²**		**160**	**100%**	**23**	**23**	**>7%**	**70%**	**7**
	Belaïa (50% share)	Orly – Greater Paris	Construction	22,600 m²	2020	198	50%	65	32	> 7%	1%	32
	Meudon Ducasse	Grand Paris	Construction	5,100 m²	2020	260	100%	22	22	6.4%	7%	18
	Silex II (50% share)	Lyon	Construction	30,900 m²	2020	312	17%	166	83	6.0%	22%	68
	Flow	Montrouge – Greater Paris	Construction	23,600 m²	2020	327	0%	115	115	6.6%	33%	71
	Montpellier Orange	Montpellier	Construction	16,500 m²	2020	165	100%	45	45	> 7%	2%	44
	N2 (50% share)	Paris	Construction	15,900 m²	2021	575	0%	158	79	5.0%	0%	0
	Total deliveries 2020 and beyond			**114,600 m²**		**341**	**26%**	**571**	**377**	**6.3%**	**16%**	**232**
	Total France Offices			**155,300 m²**		**319**	**31%**	**695**	**435**	**6.4%**	**24%**	**245**
Italy Offices	Symbiosis (buildings A & B)	Milan	Construction	20,500 m²	2018	310	86%	94	56	> 7%	90%	5
	Total deliveries 2018			**20,500 m²**		**310**	**86%**	**94**	**56**	**>7%**	**90%**	**5**
	Principe Amedeo	Milan	Regeneration	7,000 m²	2019	490	57%	59	35	5.3%	53%	5
	Corso Ferrucci	Turin	Regeneration	45,600 m²	2017-19	130	44%	89	54	5.6%	83%	4
	Total deliveries 2019			**52,600 m²**		**272**	**49%**	**148**	**89**	**5.5%**	**71%**	**9**
	The Sign	Milan	Construction	26,500 m²	2020	285	35%	105	63	> 7%	5%	42
	Symbiosis School	Milan	Construction	9,400 m²	2020	225	97%	21	12	> 7%	0%	12
	Total deliveries 2020 and beyond			**35,900 m²**		**275**	**45%**	**126**	**75**	**> 7%**	**4%**	**53**
	Total Italy Offices			**109,000 m²**		**283**	**57%**	**368**	**220**	**6.5%**	**53%**	**67**
Germany Residential	Birkbuschstraße	Berlin	Extension	4,200 m²	2019	n.a	n.a	14	8	5.1%	n.a	n.a
	Genter Strasse 63	Berlin	Construction	1,500 m²	2019	n.a	n.a	4	3	5.3%	n.a	n.a
	Pannierstrasse 20	Berlin	Construction	890 m²	2019	n.a	n.a	3	2	5.2%	n.a	n.a
	Breisgauer Strasse	Berlin	Extension	1,420 m²	2019	n.a	n.a	5	3	4.7%	n.a	n.a
	Magaretenhöhe	Essen	Extension	5,100 m²	2019	n.a	n.a	9	6	6.8%	n.a	n.a
	Total deliveries 2019 and beyond			**13,110 m²**		**n.a**	**n.a**	**34**	**22**	**5.5%**	**n.a**	**n.a**
	Total German Residential			**13,110 m²**		**n.a**	**na**	**34**	**22**	**5.5%**	**n.a**	**n.a**
Hotels in Europe	Meininger Munich	Munich – Germany	Construction	173 rooms	2018	n.a	100%	33	14	6.4%	92%	1
	Total deliveries 2018			**173 rooms**		**n.a**	**100%**	**33**	**14**	**6.4%**	**92%**	**1**
	Meininger Porte de Vincennes	Paris	Construction	249 rooms	2019	n.a	100%	47	20	6.2%	63%	7
	B&B Bagnolet (50% share)	Paris	Construction	108 rooms	2019	n.a	100%	8	2	6.3%	26%	1
	Meininger Lyon Zimmermann	Lyon - France	Construction	176 rooms	2019	n.a	100%	19	8	6.1%	56%	4
	B&B Cergy (50% share)	Greater Paris	Construction	84 rooms	2019	n.a	100%	5	1	5.9%	51%	1
	Total deliveries 2019 and beyond			**617 rooms**		**n.a**	**100%**	**79**	**30**	**6.2%**	**59%**	**13**
	Total Hotels in Europe			**790 rooms**		**n.a**	**100%**	**112**	**44**	**6.2%**	**69%**	**14**
	Total					**n.a**	**44%**	**1,209**	**721**	**6.4%**	**35%**	**326**

[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)	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)
Total France Offices	155,300 m²	319	31%	695	435	6.4%	24%	245
Total Italy Offices	109,000 m²	283	57%	368	220	6.5%	53%	67
Total German Residential	13,110 m²	n.a	na	34	22	5.5%	n.a	n.a
Total Hotels in Europe	790 rooms	n.a	100%	112	44	6.2%	69%	14
Total		**n.a**	**44%**	**1,209**	**721**	**6.4%**	**35%**	**326**

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
Cap 18	Paris	Construction	50,000 m²	>2020
Rueil Lesseps	Rueil-Malmaison - Greater Paris	Regeneration - Extension	43,000 m²	>2020
Paris St-Ouen	Paris	Regeneration	29,700 m²	>2020
Omega	Levallois - Greater Paris	Regeneration - Extension	19,300 m²	>2020
Canopée	Meudon - Greater Paris	Construction	49,300 m²	2020
Jean Goujon	Paris	Restructuration	8,500 m²	2020
Anjou	Paris	Regeneration	11,000 m²	>2020
Opale	Meudon - Greater Paris	Construction	29,000 m²	2020
Montpellier Majoria (other buildings)	Montpellier	Construction	35,700 m²	2019-2020
Philippe Auguste	Paris	Regeneration	13,200 m²	>2020
Campus New Vélizy Extension (50% share)	Vélizy - Greater Paris	Construction	14,000 m²	2020
DS Campus Extension 2 (50% share)	Vélizy - Greater Paris	Construction	11,000 m²	>2020
Gobelins	Paris	Regeneration	4,900 m²	2020
Cité Numérique	Bordeaux	Regeneration - Extension	19,200 m²	2019
Total France Offices			**337,800 m²**	
Symbiosis (other buildings)	Milan	Construction	95 000 m²	2020-2022
Via Dante	Milan	Regeneration	4,800 m²	2019
Total Italy Offices			**99,800 m²**	
German Residential	**Berlin**	**Extensions & Constructions**	**c.150 000 m²**	
Hotels in Europe - Alexanderplatz	**Berlin**	**Construction**	**c.140 000 m²**	
Total			**727,600 m²**	

[1]Surfaces at 100%

The acceleration of the pipeline will continue in 2018 and 2019 with the launch of the following projects:

- Omega in Levallois (19,300 m²) will be launched in 2018 (redevelopment/extension project);
- Paris-St Ouen (29,700 m²), for a demolition/reconstruction project with extension of the surface;
- Gobelins (4,900 m²) in the 5th arrondissement of Paris, an Orange building which will be redeveloped upon departure of the tenant end-2018.

In the city heart of Berlin, Covivio has identified close to 140,000 m² to be developed on land reserves adjacent to the Park Inn. The architect will be selected in September in partnership with the city of Berlin and construction of the first 70,000 m² building will be launched in 2019 with delivery scheduled for 2022. This mixed use project (Offices/Hotels/Residential) is a perfect illustration of the synergies between Covivio's different activities.

H. PORTFOLIO

Portfolio value: +2.8% on a like-for-like basis

(€ million, Excluding Duties)	Value 2017 100%	Value H1 2018 100%	Value H1 2018 Group share	LfL[1] change 6 months	Yield[2] 2017	Yield[2] H1 2018	% of portfolio
France Offices	6,351	6,498	5,500	1.7%	5.3%	5.2%	41%
Italy Offices	3,937	4,092	1,997	0.7%	5.5%	5.3%	15%
Residential Germany	4,957	5,386	3,451	6.7%	4.7%	4.4%	26%
Hotels in Europe	4,807	4,930	1,859	1.8%	5.5%	5.5%	14%
Total strategic activities	**20,052**	**20,906**	**12,806**	**2.8%**	**5.2%**	**5.0%**	**95%**
Non-strategic	1,102	882	612	0.8%	5.0%	6.5%	4%
Retail Italy	297	298	179	0.9%	6.7%	6.3%	1%
Retail France	447	259	109	-0.5%	6.9%	6.9%	1%
Others (France Resi., Car parks, Logistics)	358	325	325	n.a	3.1%	n.a.	2%
Total Portfolio	**21,154**	**21,787**	**13,418**	**2.7%**	**5.2%**	**5.1%**	**100%**

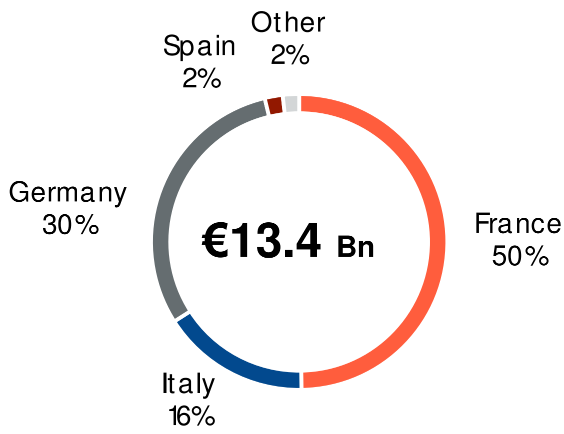
[1] LfL: Like-for-Like
[2] Yield excluding development projects
[3] Yield only on France Residential

Group share portfolio amounted to €13.4 billion (€21.8 billion in 100%) compared with €12.8 billion at the end of 2017, representing growth of €0.6 billion:

Like-for-like change in value reflects the pertinence of the Group's strategic allocation choices:

- +1.7% in France Offices driven by the rise in value of property assets located in Paris and in major regional cities;
- +0.7% in Italy Offices, due to the performance of offices in Milan excluding Telecom Italia (+1.4%);
- +6.7% on Germany Residential (including +7.1% in Berlin and +7.7% in Hamburg) due to rises in rents and values);
- +1.8% in Hotels, driven by value creation in the Spanish portfolio acquired at the end of 2016 (+7.2%).

Geographic breakdown of the portfolio at the end of June-2018



77% in large European cities

I. LIST OF MAJOR ASSETS

The value of the ten main assets represents almost 14% of the portfolio Group share.

Top 10 Assets	Location	Tenants	Surface (m²)	Covivio share
Tour CB 21	La Défense (Greater Paris)	Suez Environnement, AIG Europe, Nokia, Groupon	68,077	75%
Carré Suffren	Paris 15th	AON, Institut Français, Ministère Education	24,864	60%
Art&Co	Paris 12th	Wellio, Adova, Bentley, AFD	13,595	100%
Tours Garibaldi	Milan	Maire Tecnimont, Linkedin, etc.	44,650	52.4%
Dassault Campus	Velizy Villacoublay (Greater Paris)	Dassault Systèmes	56,554	50.1%
Green Corner	St-Denis	HAS et Systra	20,817	100%
Anjou	Paris 8th	Orange	10,067	100%
Paris Carnot	Paris 17th	Orange	11,182	100%
New Velizy	Velizy Villacoublay (Greater Paris)	Thales	46,163	50.1%
Percier	Paris 8th	Chloe	8,781	100%

2. BUSINESS ANALYSIS BY SEGMENT

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

A. FRANCE OFFICES

1. The rental market continues its momentum during a growth cycle[1]

Covivio's €6.5 billion (€5.5 billion Group Share) France Offices portfolio is situated in strategic locations in Paris, the major business districts of the Greater Paris area and the major regional cities. The first half of 2018 showed a dynamic performance by the French offices market in a favourable economic context:

- Growth in take-up continued (1.3 million m², a 15% increase compared with the first half of 2017). This growth was driven by strong demand for large premises (over 5,000 m²), a 36% rise compared with H1 2017, three quarters of this demand was for new premises.

- The Western Crescent and inner suburbs markets clearly benefited from this dynamic, with take-up growing by 29% and 5% respectively. Established business districts are the main locations of such premises, Neuilly-Levallois and the Paris 17th arrondissement/St Ouen segments, where new Covivio development projects (Omega, N2, Paris St Ouen) are located.

- The immediate supply of office space in the Greater Paris area has continued to fall since 2014, standing at 3.1 million m², with a vacancy rate of 5.6% compared with 6.2% at the end of 2017. The proportion of new premises remained low, accounting for 15% of the total, i.e. 460,000 m². Future supply is also limited, with an average of 280,000 m² per year of space still available on deliveries up to 2021. Take-up of new supply accounted for 940,000 m² in 2017.

- Average headline rents on new or restructured spaces rose by 3% on average across the Greater Paris area: +3% in Paris CBD, +4% in Paris South, +3% in the first ring and +2% in the Western Crescent. At the same time, incentives decreased by 1.1 pts on average in the Greater Paris area, standing at 20.7%

- In Lyon, Covivio is exposed to the La Part-Dieu business district, where the rental market continues its strong momentum: the vacancy rate in La Part-Dieu continues at its historically low levels (less than 3%) and it has only a small proportion of new available space (less than 30%). Future supply is also limited: apart from Silex 2, only 8,000 m² are still available on completions up to 2020 in La Part-Dieu. Therefore, prime rents rose to €315/m² in Q1 2018 (5% rise over 6 months).

- Investments in France Offices remained constant at €9.2 billion in the first semester of 2018 (a 59% rise). There is still a significant gap between prime yields, which remain stable(3-3.25% in the CBD of Paris; 3.9% in Lyon), and the OAT 10 years (close to 0.7% in June 2018).

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

In the first half of 2018, Offices France was marked by:

- 2.4% growth in rental income on a like for like basis, mostly driven by renewals (up 1.1 pts) and indexation (up 0.8 pts);
- continued portfolio rotation with €154 million Group Share of new disposal commitments for non-core and mature core assets, including an asset swap in the Paris CBD: Covivio has sold its two mature assets on avenue Kléber, which were occupied by the Group, in exchange for a 8,500 m² property with strong redevelopment potential in Paris 8th arrondissement;
- a 1.7% increase in values on a like for like basis over a six-month period, reflecting the success of the development projects, rental agreements with key accounts and the continuing strong performance by the Group's core markets (Paris and the major regional cities);
- the continued development of our coworking brand Wellio with the opening of a new 5,130 m² site in Paris, ideally located opposite the Gare de Lyon. This completes the "The Line" site in Paris 8th arrondissement, while three other sites are at the planning stage.

Assets held partially are the following:

- CB 21 Tower (75% owned);
- Carré Suffren (60% owned);
- the Eiffage properties located in Vélizy (head office of Eiffage Construction and Eiffage Campus, head office of Eiffage Groupe) and the DS Campus (50.1% owned and fully consolidated);
- the Silex 1 and 2 assets, which are 50.1% owned (fully consolidated);
- the New Vélizy property for Thales (50.1% owned and accounted for under the equity method);
- Euromed Center (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: +2.4% at a like-for-like scope

2.1. Geographic breakdown: performance driven by the Group's target areas (Paris, major business districts in the Greater Paris area and major regional cities)

(€ million)	Surface (m²)	Number of assets	Rental income H1 2017 100%	Rental income H1 2017 Group share	Rental income H1 2018 100%	Rental income H1 2018 Group share	Change (%) Group share	Change Group share (%) LfL [1]	% of rental income
Paris Centre West	109,730	12	18.7	18.7	21.6	22.2	18.8%	1.0%	18%
Paris South	72,209	8	12.6	10.3	14.1	11.6	13.5%	5.6%	9%
Paris North- East	110,323	6	9.7	9.7	9.7	9.7	0.1%	0.0%	8%
Wester Crescent and La Défense	220,140	20	35.3	31.7	36.2	32.4	2.4%	3.7%	26%
Inner rim	414,732	21	26.5	19.8	27.7	19.9	0.5%	0.8%	16%
Outer rim	56,457	25	5.6	5.6	3.3	3.3	-41.0%	4.6%	3%
Total Paris Region	**983,591**	**92**	**108.3**	**95.6**	**112.7**	**99.1**	**3.7%**	**2.3%**	**80%**
Major regional cities	373,086	51	15.3	15.3	15.2	14.4	-6.0%	6.6%	12%
Other French Regions	252,933	93	12.1	12.1	9.8	9.8	-19.0%	-3.9%	8%
Total	**1,609,610**	**236**	**135.7**	**123.0**	**137.6**	**123.3**	**0.2%**	**2.4%**	**100%**

[1] LfL : Like-for-Like

Rental income rose 0.2%, to €123 million Group Share (€0.2 million). This change is the combined result of:

- improved performance by rental property, which grew 2.4% on a like for like basis (€3.8 million) including:
  - +0.8 pts from indexation (+€0.9 million),
  - +1.1 pts from renewals mostly on leases located in Southern Paris and Western Crescent,
  - +0.6 pts due to occupation.

  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 Marseilles and Majoria in Montpellier);
- asset acquisitions and deliveries (+€8.0 million):
  - +€2.1 million due to the acquisition of the Jean Goujon asset,
  - +€5.9 million from assets delivered in 2017 and 2018, which have been fully let :
    - Thaïs in Levallois in the second quarter of 2017;
    - Edo in Issy-les-Moulineaux in the third quarter of 2017;
    - Art&Co and The Line in Paris in the first half of 2018;
- disposals (-€10.8 million), mostly of non-core assets in the outer suburbs and the regions.

3. Annualized rents: €274 million Group share at the end of June 2018

3.1. Breakdown by major tenants

(€ million)	Surface (m²)	Number of assets	Annualised rents 2017 100%	Annualised rents 2017 Group share	Annualised rents H1 2018 100%	Annualised rents H1 2018 Group share	Change (%)	% of rental income
Orange	300,447	97	74.2	74.2	68.8	68.8	-7.3%	25%
Suez Environnement	60,350	3	27.8	21.8	27.9	21.8	0.3%	8%
EDF / Enedis	144,671	23	16.7	16.7	17.1	17.1	2.5%	6%
Vinci	55,352	5	14.8	14.8	15.0	15.0	1.4%	5%
Dassault	69,395	2	24.9	12.5	24.9	12.5	0.0%	5%
Eiffage	75,241	28	14.5	9.3	12.0	6.8	-26.9%	2%
Thalès	88,274	2	17.6	10.8	17.8	10.9	1.4%	4%
Natixis	37,887	3	10.7	10.7	10.7	10.7	0.0%	4%
Aon	15,592	1	9.0	5.4	9.0	5.4	0.0%	2%
Lagardère	12,953	3	5.3	5.3	5.4	5.4	1.2%	2%
Cisco	11,461	1	4.9	4.9	4.9	4.9	0.0%	2%
Autres Locataires	737,988	68	101.9	92.1	106.1	94.6	2.8%	35%
Total	**1,609,610**	**236**	**322.3**	**278.4**	**319.5**	**274.0**	**-1.6%**	**100%**

The 11 largest tenants accounted for 65% of annualised rental income, versus 69% at the end of 2017 and over 80% at the end of 2010. The main changes affecting Key Accounts were as follows:

- Orange: decreased exposure related to disposals of non-core assets in the regions. Almost 80% of the Orange portfolio is now made up of assets with strong value-creation potential in Paris;
- Eiffage: disposal of 17 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 H1 2018 100%	Annualised rents H1 2018 Group share	Change (%)	% of rental income
Paris Centre West	109,730	12	43.3	43.3	44.0	44.0	1.7%	*16%*
Paris South	72,209	8	34.0	28.1	34.2	28.2	0.6%	*10%*
Paris North- East	110,323	6	20.0	20.0	19.6	19.6	-2.1%	*7%*
Wester Crescent and La Défense	220,140	20	84.2	75.7	84.2	75.5	-0.2%	*28%*
Inner rim	414,732	21	74.5	50.1	77.2	51.5	2.8%	*19%*
Outer rim	56,457	25	7.6	7.6	5.4	5.4	-29.5%	*2%*
Total Paris Region	**983,591**	**92**	**263.6**	**224.7**	**264.6**	**224.2**	**-0.2%**	**82%**
Major regional cities	373,086	51	37.8	32.8	38.2	33.0	0.7%	12%
Other French Regions	252,933	93	20.9	20.9	16.8	16.8	-20.0%	6%
Total	**1,609,610**	**236**	**322.3**	**278.4**	**319.5**	**274.0**	**-1.6%**	**100%**

The weighting of strategic locations grew (2 pts) thanks to the acquisition of the Jean Goujon property in the Paris CBD and the delivery of Art&Co in Paris Gare de Lyon. At the same time, disposals of non-core assets decreased exposure in the outer suburbs (-1 pt) and other French regions (-2 pts).

Work continued in this half to streamline the portfolio: disposals of *non-core* assets and property with a low unit value have brought about a 2 pt reduction in the number of assets in the portfolio (46 fewer assets, after 77 fewer assets in 2017).

4. Indexation

The indexation effect is +€0.9 million over twelve months. For current leases:

- 85% of rental income is indexed to the ILAT;
- 14% to the ICC (French construction cost index);
- the balance is indexed to the ILC (construction cost index) or the RRI (rental reference index).

Rents benefiting from an indexation floor (1%) represent 25% of the annualised rental income and are indexed to the ILAT (service sector rental index).

5. Rental activity: almost 60,000 m² renewed or let in H1 2018

	Surface (m²)	Annualised rents H1 2018 (€m, Group share)	Annualised rental income (€/m², 100%)
Vacating	20,117	2.2	115
Letting	4,295	1.2	295
Pre-letting	6,347	0.9	192
Renewal	47,866	7.1	148

The re-negotiations and renewals took place essentially in Paris and the Western Crescent. On average, the leases have been renewed with an increase of 7.6% on IFRS rents.

10,642 m² were leased or pre-leased over the year, bringing in €2.1 million in rental income (Group Share), including:

- the letting of 41% of the Toulouse Riverside asset delivered in the second quarter of 2017.

- the letting of 100% of the Thaïs asset in Levallois (€0.4 million in rental income), delivered in 2017;
- the implementation of an additional 367 m² for Wellio, the new flex-office and coworking brand, at The Line in the Paris CBD (€0.2 million in rental income).

20,117 m² have been vacated, worth €2.2 million in rental income, including 6,619 m² in the Cap 18 asset (€0.9 million), which is ultimately earmarked for redevelopment, and the Orange assets, which have been earmarked for disposal (8,272 m²and €0.8 million).

6. Lease expirations and occupancy rate

6.1. Lease expirations: firm residual lease term of 4.5 years

(€ million)	By lease end date (1st break)	% of total	By lease end date	% of total
2018	23.9	9%	11.1	4%
2019	37.5	14%	21.3	8%
2020	28.0	10%	22.4	8%
2021	31.0	11%	34.6	13%
2022	26.5	10%	23.5	9%
2023	32.6	12%	34.4	13%
2024	9.7	4%	16.2	6%
2025	37.9	14%	39.2	14%
2026	29.1	11%	28.5	10%
2027	13.2	5%	25.1	9%
Beyond	4.4	2%	17.6	6%
Total	**274.0**	**100%**	**274.0**	**100%**

The firm residual lease term fell by 0.5 points, to 4.5 years, due to the approaching maturity of assets earmarked for redevelopment. Of the €24 million in rental income due to mature in 2018, more than 70% are related to assets in the managed pipeline, some of which are due to begin in 2018 (Omega in Levallois, the Citroën headquarters in Paris-St Ouen, the Orange Gobelins building in Paris 5th arrondissement). The remaining lease terminations relates in majority to Orange and EDF assets.

6.2. Occupancy rate: a high level of 96.9%

(%)	2017	H1 2018
Paris Centre West	99.6%	99.6%
Southern Paris	100.0%	100.0%
North Eastern Paris	97.3%	94.4%
Wester Crescent and La Défense	97.9%	98.5%
Inner rim	97.7%	97.7%
Outer rim	94.5%	92.3%
Total Paris Region	**98.3%**	**98.2%**
Major regional cities	94.5%	92.9%
Other French Regions	92.8%	89.1%
Total	**97.4%**	**96.9%**

The occupancy rate remains high, at 96.9%. The slight drop observed this half is due to assets in other French regions and the outer suburbs being vacated pursuant to disposal agreements.

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 very low, given the quality of the client base.

8. Disposals and disposal agreements: €154 M Group share in new commitments

(€ million)	Disposals (agreements as of end of 2017 closed) 1	Agreements as of end of 2017 to close	New disposals H1 2018 2	New agreements H1 2018 3	Total H1 2018 = 2 +3	Margin vs 2017 value	Yield	Total Realized Disposals = 1 + 2
Paris Centre West	-	*13*	*104*	-	*104*	*0.2%*	*3.3%*	*104*
Southern Paris	-	*6*	-	-	-			-
North Eastern Paris	-	*2*	-	-	-			-
Wester Crescent and La Défense	-	-	*36*	-	*36*	*4.5%*	*4.4%*	*36*
Inner rim	*1*	*6*	-	-	-			*1*
Outer rim	*29*	*2*	*1*	*1*	*2*	*0.6%*	*13.0%*	*30*
Total Paris Region	**30**	**28**	**140**	**1**	**141**	**1.3%**	**3.7%**	**170**
Major regional cities	8	1	-	-	-			8
Other French Regions	38	5	8	5	13	0.9%	8.0%	**46**
Total 100%	**76**	**34**	**147**	**7**	**154**	**1.2%**	**4.1%**	**224**
Total Group share	**76**	**34**	**147**	**7**	**154**	**1.2%**	**4.1%**	**224**

Covivio has signed new commitments worth €154 million (new disposals and new agreements), mostly on mature core assets, enabling it to finance development and acquisition projects with strong value-creation potential.

Mature core assets worth €139 million Group share were sold:

- the two renovated assets occupied by Covivio on Avenue Kléber in the Paris CBD for €104 million, acquired in 2005 and 2007 for €44 million and renovated. This disposal took place as part of an asset swap in exchange for a property located on Rue Jean Goujon in the 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.

Also, €15 million in non-core asset disposals have been signed, mainly in other French regions and the outer suburbs.

As a result of the disposals completed and the preliminary sale agreements signed, the proportion of non-core assets in the portfolio has dropped by 2 pts, now standing at 3% of the portfolio.

9. Acquisitions: €148 M realised in Group share

(€ million, including Duties)	Surface (m²)	Location	Tenants	Acquisition Price	Yield
Jean Goujon	8,500	Paris	Gide	134.0	3.1%
Cœur d'Orly	-	Orly	Askia	14.3	n.a.
Total	**8,500**			**148.2**	**3.1%**

Acquisition of an 8,500 m² office building for €134 million (€15,800/m²) located on Rue Jean Goujon in the Paris CBD. At the end of 2018, upon expiry of the lease with the current tenant, Covivio will fully redevelop the building, showcasing all of the Company's real estate expertise. The Group is considering regrouping all its Paris teams there after completion of the refurbishment.

Also, Covivio bought an additional 25% stake in the project Coeur d'Orly and now owns 50% of the project.

10. Development pipeline: €2.7 Bn of projects (2.4 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 thanks to the high standards of delivered assets.

In Greater Paris, the strategy has translated on 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. The Group aims to create value of more than 20% on the committed pipeline.

10.1. Projects delivered

A single project was delivered during the first half of 2018: the Riverside asset, 11,000 m² of office space in the centre of Toulouse. 41% of the premises have already been pre-let, and negotiations are at an advanced stage to let the remaining surface area.
Significant value (>40%) was created on this project, building on Covivio's excellent track record in terms of developments.

10.2. Committed projects: €695 million (€435 million Group share), a 76% rise vs. the end of 2017

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

Several projects were committed over the first half of 2018, including:

- N2 in Paris 17th arrondissement - 15,900 m²: construction project, in partnership with ACM, for a mixed-use property (offices/coworking/hotels): 9,400 m² will be office space, including 4,600 m² for coworking; 4,600 m² will be taken up by hotel activity; 1,900 m² will be taken up by ground floor retail. Delivery of this asset is scheduled for early 2021. This project illustrates the synergies between the Group's different asset classes.

- Flow in Montrouge – 23,600 m²: building project for a new, multi-purpose office building located in the attractive, up-and-coming area of Montrouge. This project was launched on spec. in Q1 2018, with delivery scheduled during 2020.

- Cœur d'Orly Bâtiment Belaïa – 22,600 m²: project to build, in partnership with the ADP Group, an office building in Cœur d'Orly, the business district of Paris-Orly airport. 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: this prime office project opposite the railway station is a key part of the La Part-Dieu CBD urban regeneration programme. The project is shared at 49.9% with ACM. Delivery is expected at the end of 2020.

- Montpellier Orange – 16,500 m²: construction project for a turnkey building for Orange in the Parc de la Pompignane in Montpellier (Majoria). Delivery expected in 2020.

- 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-leased to the Caisse d'Epargne Group.
- Îlot Armagnac in Bordeaux – 31,700 m²: construction project for three new office buildings near the future high speed (LGV) railway station, purchased off-plan under a partnership with Icade. Covivio has a 35% stake in the project, and will retain 100% ownership of one of the buildings. 42% of the asset has already been pre-let and delivery is scheduled for the second half of 2018.
- Ecole Ducasse in Meudon – 5,100m²: construction project for a cooking school for Alain Ducasse Entreprise. The project will be delivered in early 2020.

10.3. Managed projects: €2.0 billion of fully managed pipeline (€2.0 billion in Group Share)

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

Covivio will launch a certain number of projects by end-2018 and early 2019:

- Omega in Levallois – 19,300 m²: the tenant (Lagardère) must vacate the premises at the end of 2018 so that major restructuring and extension work can take place.
- Gobelins in Paris 5th arrondissement – 4,900 m²: Orange building, which will be vacated in 2018 for redevelopment and extension work.
- Paris-St Ouen – 29,700 m²: departure of the tenant in 2018, then launch of a demolition-reconstruction project in the heart of this fast-developing business district (location of the future Paris Courthouse, new headquarters of the Greater Paris Region).
- Jean Goujon in Paris 8th – 8,500 m²: programme to restructure a property purchased this half into office space to bring all Covivio Paris teams together under one roof.

- Cité Numérique in Bordeaux – 19,200 m²: extension-regeneration programme. Delivery of the first phase scheduled for July 2018 (around 4,000 m²) and the remainder for the second quarter of 2019.

In total, around 338,000 m² of new developments and redevelopments will drive the Group's future growth, such as Vinci's headquarters in Rueil-Malmaison (43,000 m² extended and redeveloped) and the Cap 18 project in Paris 18th arrondissement (50,000 m² of construction).

11. Portfolio values

11.1. Change in portfolio values: €88 million rise in Group Share in the first half of 2018

(€ million, Excluding Duties Group share)	Value 2017	Acquisitions	Invest.	Disposals	Value creation on Acquis./Disposals	Change in value	Transfer	Value H1 2018
Assets in operation	5,233	134	22	-224	33	95	24	5,316
Assets under development	179	0	24	0	1	2	-24	184
Total	**5,412**	**134**	**46**	**-224**	**34**	**97**	**0**	**5,500**

The value of the portfolio has grown by €88 million since the end of 2017 due to like for like growth in values, and investments made. Disposals have improved the quality of the portfolio and made it possible to finance investments in the development pipeline. Furthermore, upgrading work worth €22 million has been completed on assets in operation.

11.2. Like-for-like portfolio evolution: +1.7% of growth

(€ million, Excluding Duties)	Value 2017 Group share	Value H1 2018 100%	Value H1 2018 Group share	LfL [1] change 6 months	Yield [2] 2017	Yield [2] H1 2018	% of total
Paris Centre West	1,021	1,082	1,080	2.6%	4.2%	4.1%	20%
Paris South	632	784	647	1.5%	4.4%	4.4%	12%
Paris North- East	374	380	380	1.3%	5.3%	5.1%	7%
Wester Crescent and La Défense	1,410	1,557	1,396	1.0%	5.4%	5.4%	25%
Inner rim	1,000	1,512	1,044	0.9%	5.4%	5.3%	19%
Outer rim	94	66	66	0.6%	8.4%	8.7%	1%
Total Paris Region	**4,532**	**5,381**	**4,612**	**1.4%**	**5.0%**	**5.0%**	**84%**
Major regional cities	644	925	695	4.5%	6.0%	5.5%	13%
Other French Regions	236	192	192	-0.5%	8.9%	8.8%	3%
Total	**5,412**	**6,498**	**5,500**	**1.7%**	**5.3%**	**5.2%**	**100%**

[1] LfL : Like-for-Like

[2] Yield excluding assets under development

Values rose 1.7% on a like for like basis, driven by the core portfolio (+1.9%) notably thanks to:

- the increased value of Toulouse Riverside, delivered in May 2018, 41% of which has been let. Negotiations are at an advanced stage to let the remaining surface area in the second half of 2018;
- rising market values in Paris with 2.0% growth, particularly on assets which have undergone upgrading work (notably The Line, Art&Co, Steel);

- strong performance by business centres in major regional cities, with 4.5% growth on a like for like basis, particularly in Bordeaux.

The target yield of the portfolio under operation has remained stable since the end of 2017, standing at 5.2%, despite disposals of secondary assets with a high yield and the rise in values. This illustrates the robust performance of rental incomes on Covivio's target markets and the ability to retain profitability while improving the quality of the portfolio and growth outlook.

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 in developing our portfolio 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);
  - the land reserve that may be undergoing appraisal;
  - "managed" projects freed 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	87	9	140	**236**
Value Excluding Duties Group share (€ million)	5,038	184	278	**5,500**
Annualised rental income	248	0	26	**274**
Yield [1]	4.9%	n.a.	8.5%	**5.2%**
Residual firm duration of leases (years)	4.7	n.a	2.4	**4.5**
Occupancy rate	97.5%	n.a	91.5%	**96.9%**

[1] Yield excluding development

Core assets represented 92% of the portfolio (Group Share) at the end of the first half, notably following the delivery of Toulouse Riverside and the acquisition of Paris Jean Goujon.

The "pipeline" portfolio remained stable compared to the end of 2017, accounting for 3% of the portfolio, i.e. nine assets. The delivery of Toulouse Riverside, which has become a core asset, was replaced by the launch of two new projects (Meudon Ducasse and N2 Batignolles)

The proportion of non-core assets decreased by 23%, making up 3% of the portfolio (Group share) at the end of June 2018 (including signed preliminary sale agreements), i.e. 2 pts lower than at the end of 2017, notably as a result of disposals in other French regions and the outer suburbs.

B. ITALY OFFICES

Listed on the Milan stock exchange since 1999, Beni Stabili is the largest listed Italian property firm and is a 59.9% subsidiary of Covivio (vs 52.4% at end-2017). During the first semester 2018, Beni Stabili and Covivio agreed to merge. The transaction will be submitted for approval to the EGM of both companies in September and the completion of the merger is expected by end-2018.

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 end-June 2018, the Group had a portfolio worth €4.4 billion (€2.2 billion Group share). After an acceleration in 2017, the Milan office market is pursuing in its cycle of growth: &

- The market still showed good levels of take-up in the first semester 2018 (203,000 m², in line with the record level of the first semester 2017). The demand is still driven by Grade A offices which represent more than 70% of the total volume.
- The immediate offer of new space is still dwindling (-4% vs end-2017), with a vacancy rate on Grade A offer especially low around 2% in the central areas: 2.3% in the CBD and Porta Nuova, 1.7% in the Center and 1.8% in the semi-centre.
- On the future offer, the trend remain unchanged as the expected deliveries until 2020 will not suffice to absorb the appetite of users for Grade A surfaces : 165,000 m² of new spaces per year are set to be delivered by 2020 against an estimated demand for 240,000 m² per year.
- Prime rents kept on increasing and are reaching €570/m² in the CBD and Porta Nuova business district (+6% vs end-2017).
- Good investment trend continues in the first quarter 2018 in Italy with €1.6 billion invested, of which around 60% coming from International investors. Milan remains the most attractive city with 35% of the total investment volume and particularly with regard to the office sector.

The activities of Covivio in H1 2018 were marked by:

- the reinforcement in Milan through €106 million of acquisitions with a potential yield >6%. Milan now represents 68% of the office portfolio in Group share at end-June 2018,
- the success of the development pipeline, with 22,000 m² leased in H1 2018, including 9,200 m² on the Symbiosis project and 9,500 m² in the Sign project. The committed pipeline is now pre-let at 62%.
- 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.

2. Accounted rental income: +1.5% on a like-for-like base

(€ million)	Surface (m²)	Number of assets	Rental income H1 2017 100%	Rental income H1 2017 Group share	Rental income H1 2018 100%	Rental income H1 2018 Group share	Change (%)	Change (%) LfL [1]	% of total
Offices - excl. Telecom Italia	557,482	76	43.2	22.6	47.0	26.4	16.8%	1.7%	49%
Offices - Telecom Italia	1,056,310	141	49.1	25.1	49.2	15.3	-39.2%	1.1%	51%
Development portfolio	216,449	4	0.0	0.0	0.3	0.2	n.a	0.0%	0%
Total strategic activities	**1,830,241**	**221**	**92.3**	**47.7**	**96.5**	**41.9**	**-12.2%**	**1.5%**	**100%**
Non-strategic (retail)	96,889	31	9.5	5.0	8.0	4.5	-10.2%	-7.8%	
Total	**1,927,130**	**252**	**101.8**	**52.7**	**104.5**	**46.3**	**-12.1%**	**0.4%**	

[1] LfL: Like-for-Like

Between the first half 2017 and the first half 2018, rental income decreased by 12% (-€6.4 million) primarily due to:

- The syndication of 49% of the Telecom Italia portfolio (-11.3 million), of which 40% realized at end-June 2017 and 9% early 2018
- acceleration of the rental growth at like-for-like scope of +1.5% on strategic activities, driven by Milan (+1.9%):
  - +0.9 pt (+€0.3 million) of indexation
  - +0.6 pt (+€0.2 million) due to the rental activity of the semester
- acquisitions (+€2.1 million), mainly the Creval portfolio in Milan acquired in H1 2017 (+€1.8 million)
- asset disposals for -€2.3 million
- the decrease in non-strategic retail assets that the Group aims to dispose,
- the increase of the ownership stake in Beni Stabili from an average rate of 52.2% in H1 2017 to 59.9% in H1 2018 (+€3,1 million).
- the delivery of development assets for +€1 million.

3. Annualized rental income: €94 million Group share from offices

3.1. Breakdown by portfolio

(€ million)	Surface (m²)	Number of assets	Annualized rents 2017 100%	Annualized rents 2017 Group share	Annualized rents H1 2018 100%	Annualized rents H1 2018 Group share	Change (%)	% of total
Offices - excl. Telecom Italia	557,482	76	98.0	51.4	105.0	62.9	22.4%	67%
Offices - Telecom Italia	1,056,310	141	98.9	31.1	98.3	30.0	-3.5%	32%
Development portfolio	216,449	4	1.4	0.7	1.4	0.8	n.a	1%
Total strategic activities	**1,830,241**	**221**	**198.3**	**83.2**	**204.7**	**93.8**	**12.7%**	**100%**
Non-strategic (retail)	96,889	31	18.0	9.5	17.4	10.5	10.4%	
Total	**1,927,130**	**252**	**216.3**	**92.7**	**222.2**	**104.2**	**12.5%**	

Annualized income dropped by 13% following the syndication of an additional 9% of the Telecom Italia, allowing the Group to decrease its exposure to its largest tenant.

3.2. Geographic breakdown

(€ million)	Surface (m²)	Number of assets	Annualized rents 2017 100%	Annualized rents 2017 Group share	Annualized rents H1 2018 100%	Annualized rents H1 2018 Group share	Change (%)	% of total
Milan	644,514	53	92.4	45.4	98.6	54.9	21.0%	59%
Rome	83,611	15	11.5	5.3	11.7	4.7	- 12.2%	5%
Turin	156,393	12	11.7	4.4	11.9	6.1	37.4%	7%
North of Italy (other cities)	553,774	81	48.8	17.2	48.8	17.5	1.9%	19%
Others	391,949	60	33.9	10.9	33.7	10.6	- 2.9%	11%
Total strategic activities	**1,830,241**	**221**	**198.3**	**83.2**	**204.7**	**93.8**	**12.7%**	**100%**
Non-strategic (retail)	96,889	31	18.0	9.5	17.4	10.5	10.4%	

58% of rental income is now generated by offices in Milan (+3 pts vs end 2017), thanks to acquisitions realized and the syndication of the Telecom Italia portfolio.

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 around 20% of the portfolio 75% of the CPI increase is applied).

In the first semester 2018, the average change in the IPC index has been +0.6% over 6 months.

5. Rental activity

(€ million)	Surface (m²)	Annualized rental income H1 2018 Group share	Annualized rental income H1 2018 (100%, €/m²)
Vacating	5,948	0.5	143
Lettings on operating portfolio	11,372	4.5	655
Lettings on development portfolio	21,914	2.8	230
Renewals	12,227	1.4	189

The sustained rental activity in first half 2018 shows the improvement of the letting market in the areas where Covivio is exposed and the strong asset management work. In particular, the relettings have been realized with a 10% increase on annualized rents.

- 12,200 m² renewed or renegotiated with an increase of 10% on annualized rents essentially related to a few assets in the Milan area (La Voglia in the Duomo area, Piazza S.Fedele in the CBD and Rozzano, near Milan)
- 11,400 m² of new leases mainly in Milan, with 4,800 m² in Galleria del Corso with Percassi for €5.9 million and 2,100 m² in Via Rombon with Total for €0.5 million.
- 5,900 m² have been vacated, mostly related to the release of Motorspecyalist in Rome, Via Baldovinetti for 3,800 m².
- 21,900 m² have been leased on the development pipeline, mainly in Milan. The committed projects are now 57% pre-let :
    - the full pre-letting of a school to Ludum in the Symbiosis project for 9,200 m² (€1.6 million)
    - 9,500 m² on the The Sign project (building A) for €2.6 million rent, pre-let to AON, a long-term partner of Covivio in France. After choosing Covivio for their French headquarters, AON will set up its Italian headquarters in the Sign.
    - 3 new leases in Turin Corso Ferrucci on 3,300 m² for €0.5 million.

6. Lease expirations and occupancy rates

6.1. Lease expirations: 6.8 years of average firm lease term

(€ million Group share)	By lease end date (1st break)	% of total	By lease end date	% of total
2018	6.0	6%	3.1	3%
2019	14.4	16%	9.2	10%
2020	4.2	5%	4.7	5%
2021	6.3	7%	6.3	7%
2022	12.1	13%	13.3	14%
2023	5.8	6%	8.8	9%
2024	3.6	4%	4.5	5%
2025	0.5	1%	1.4	1%
2026	6.9	7%	7.2	8%
2027	5.2	6%	5.2	6%
Beyond	27.8	30%	29.1	31%
Total	**92.9**	**100%**	**92.9**	**100%**
Retail	10.5	-	10.5	-
Total	**104.2**	**-**	**104.2**	**-**

The firm residual lease term remains high following the syndication of 9% additional of the Telecom Italia portfolio at 6.8 years.

6.2. Occupancy rate: a high-level of 97.0%

(%)	2017	H1 2018
Offices - excl. Telecom Italia	95.1%	95.5%
Offices - Telecom Italia	100.0%	100.0%
Total strategic activites	**97.0%**	**97.0%**
Non-strategic (retail)	93.6%	92.0%
Total	**96.6%**	**96.5%**

The occupancy rate of offices excluding Telecom Italia assets has improved continuously since 2014 and stands at 95.5% (+0.4 pts vs end-2017) thanks to letting success in Milan. Overall, the occupancy rate on strategic activities is stable despite impact of the diminishing weight of the Telecom Italia portfolio.

7. Reserves for unpaid rent

(€ million)	H1 2017	H1 2018
As % of rental income	1.0%	1.0%
In value [1]	0.5	0.6

[1] net provision / reversals of provision

Reserves for unpaid rents are stable over one year, at a low level of 1.0%.

8. Disposals: €159 M signed in the first semester 2018

(€ million, 100%)	Disposals (agreements as of end of 2017 closed) 1	Agreements as of end of 2017 to close	New disposals H1 2018 2	New agreements H1 2018 3	Total H1 2018 = 2 + 3	Margin vs 2017 value	Yield	Total Realized Disposals = 1 + 2
Milan	11	-	-	-	-	-	-	11
Rome	-	-	-	-	-	-	-	-
Other	9	7	-	159	159	-2.9%	7.0%	9
Total 100%	**20**	**7**	**-**	**159**	**159**	**-2.9%**	**7.0%**	**20**
Telecom Italia portfolio syndication (Group share)	-	-	73	-	-	-	-	73
Total Group share	**8**	**4**	**73**	**49**	**49**	**-2.9%**	**7.0%**	**81**

In H1 2018, Covivio has signed €159 million of new disposals agreements for Telecom Italia assets in secondary locations (Pisa, Brescia, Como, Palermo).

Early 2018, an additional 9% of the Telecom Italia portfolio has been sold to EDF Invest and Credit Agricole Assurances, further advancing the strategic objectives of the Group and decreasing the exposure of the Group to its main tenant in Italy.

9. Acquisitions: €106 M realised in the first semester 2018

(€ million, Including Duties)	Location	Acquisitions 2018 realized			Acquisitions 2018 secured		
		Acq. price 100%	Acq. Price Group share	Potential Gross Yield	Acq. price 100%	Acq. Price Group share	Potential Gross Yield
Piazza Duca d'Aosta	Milan	11	7	6.1%	-	-	-
Piazza San Pietro in Gessate	Milan	16	9	6.0%	-	-	-
Viale Dell' Innovazione	Milan	79	47	6.3%	-	-	-
Total		**106**	**63**	**6.2%**	**-**	**-**	**-**

In 2018 the Company continued its acquisition strategy in Milan, signing agreements for €106 million in the first half, which include:

- A portfolio of two assets for total 6,000 m² located in Milan. One asset located in Piazza Duca D'Aosta, right in front of the Central Railway Station and next to Porta Nuova business district, the other one 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 Norther Milan, on the metro line 5. The building, representing 19,800 m² of Grade A office space, offers an attractive yield of 6.2% through reletting of the vacant space (~9%).

  With this acquisition, Covivio strengthens its position in Milan, improves the quality of the portfolio and fuels the growth potential in the near-term.

10. Development pipeline: €831 M of projects

Covivio has a €831 million pipeline in offices in Italy (€498 million Group Share). Faced with high demand for new or restructured space, the Group has boosted its development capacity since 2015 year-end, with five committed projects at end-June 2018 that will drive the Group's growth in the coming years.

10.1. Projects delivered

9,500 m² of projects were delivered during the first half of 2018, exclusively in Milan. The 100% occupancy rate proves the success of the two following projects:

- 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.
- The Colonna project (3,500 m²), which involved redeveloping an asset, was also delivered during the second quarter of 2018. This asset has been fully let.

10.2. Committed projects: €368 million (€220 million Group share), primarily in Milan

For details 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.

- Symbiosis – 29,900 m² : the first phase of the project (buildings A & B) has been pre-let to Fastweb, and 1,200 m² of additional space is intended for catering space for Cir Food. 86% of the building has now been pre-let, and delivery is scheduled for the final quarter of 2018. Another building was begun in the first half: Symbiosis School, 97% pre-let with delivery scheduled for 2020.

- Principe Amedeo – 7, 000 m² : redevelopment of the Principe Amedeo building, acquired in 2017 and located in the Porta Nuova business district. Delivery is scheduled for early 2019, and Covivio will host its Wellio coworking brand there for the opening of its first site in Milan.

- Corso Ferrucci – 45,600 m² : redevelopment of the existing Ferrucci asset in Turin. New negotiations with Regus and ADP resulted in leases being signed in the first half of 2018. 44% of the asset had been pre-let at end June 2018. The remaining surface area is expected to be delivered by the end of 2019.

10.3. Managed projects: €463 million (€277 million Group share) of projects in Milan

2 projects are in the managed pipeline. They are:

- other buildings in the Symbiosis project, representing a potential 95,000 m² of office space in a pipeline business district on the South East limit of Milan city-centre, opposite the Prada Foundation;
- Via Dante in Milan, for 4,800 m², involving the regeneration of a building near the Piazza Duomo. The launch of this asset is scheduled for the end of 2018, once the current tenant has vacated the premises.

11. Portfolio values

11.1. Change in portfolio values

(€ million, Group share Excluding Duties)	Value 2017	Acquisitions	Invest.	Disposals	Change in value	Transfer	change in % ownership	Value H1 2018
Offices - excl. Telecom Italia	1 024	63	4	-4	11	21	150	1 268
Offices - Telecom Italia	489	-	1	-77	0	-	59	473
Development portfolio	225	-	19	-	0	-20	32	256
Total strategic activities	**1 738**	**63**	**23**	**-81**	**11**	**1**	**241**	**1 997**
Non-strategic (Retail)	155	-	0	-	1	-1	22	179
Total	**1 893**	**63**	**23**	**-81**	**13**	**0**	**263**	**2 175**

The portfolio increased by 15% to €2.2 billion in Group share at end-June 2018, as a result of the increase in the ownership rate in Beni Stabili to 59.9% (vs 52.4% at end-2017). Investments realized in Milan in H1 2018 (€79 million of acquisitions and capex) were financed through disposals of non-core assets in secondary locations (€81 million).

11.2. Like-for-like growth: +0.7% on strategic activities

(€ million, Excluding Duties)	Value 2017 Group share	Value H1 2018 100%	Value H1 2018 Group share	LfL [1] change 6 months	Yield 2017	Yield H1 2018	% of total
Offices - excl. Telecom Italia	1 024	2 117	1 268	1,0%	5,0%	5,0%	64%
Offices - Telecom Italia	489	1 547	473	0,1%	6,4%	6,4%	24%
Development portfolio	225	427	256	0,2%	n.a	n.a	13%
Total strategic activities	**1 738**	**4 092**	**1 997**	**0,7%**	**5,5%**	**5,3%**	**100%**
Non-strategic (retail)	155	298	179	0,9%	6,1%	5,9%	
Total	**1 893**	**4 390**	**2 175**	**0,7%**	**5,7%**	**5,4%**	

[1] LfL: Like-for-Like

Following the additional 9% syndication of the Telecom Italia portfolio, the weight of the Telecom Italia portfolio has been reduced to 24% (vs 28% at end-2017 and 38% at end-2016).

(€ million, Excluding Duties)	Value 2017 Group share	Value H1 2018 100%	Value H1 2018 Group share	LfL [1] change 6 months	Yield [2] 2017	Yield [2] H1 2018	% of total
Milan	1 117	2 423	1 367	1,7%	4,6%	4,7%	68%
Turin	116	247	132	-0,2%	7,2%	6,4%	7%
Rome	85	217	84	-4,3%	4,9%	5,5%	4%
North of Italy	261	721	261	-1,6%	5,1%	6,7%	13%
Others	159	484	151	-0,2%	6,3%	7,0%	8%
Total strategic activities	**1 738**	**4 092**	**1 997**	**0,7%**	**5,5%**	**5,3%**	**100%**
Non-strategic (retail)	155	298	179	0,8%	6,1%	5,9%	

[1] LfL: Like-for-Like

[2] Yield excluding development projects

The weight of Milan has increased in H1 2018 and now represents 68% of the office portfolio (+4 pts since end-2017), and is driving the like-for-like value increase on the portfolio: +1.4% excluding Telecom Italia assets. This reflects the quality of the portfolio in Milan, located at 60% in the CBD and the Porta Nuova business district, which benefited particularly from the property value increase.

This strong performance validates the strategy implemented by the Group 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 41 087 apartments located in Berlin, Hamburg, Dresden, Leipzig and North Rhine-Westphalia. The asset portfolio represents €5.4 billion (€3.5 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 56% 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 3.4% at the end of May 2018. In Berlin, the current demographic trend is continuing, with a forecast of 3.8 million people by 2020 (versus 3.7 million at end-2018).

- The housing supply and demand imbalance persists in the Berlin market, where the population grew by 40,000 residents in 2017, while 15 700 new housing units were delivered.

- This trend has had a significant impact on market rents, up 9% in Berlin in 2017 at €9.80 per m², and on apartment purchase prices, which stand at an average of €3,710 per m² in Berlin (up 13% since 2016). These strong increases contribute to the Group's good performance and significant potential value creation on the development pipeline.

- The Residential market continues to attract investors, with transactions totalling €8 billion in Q1 2018 (twice higher than Q1 2017) under the impact of external growth and the price increase (+23% to €2,400 per m² on average).

In H1 2018, Covivio's activities were marked by:

- A 4.6% increase in rental income on a like-for-like scope, after +4.2% in 2017. The portfolio's rent increase potential remains high, particularly in Berlin where it exceeds 35%;

- Ongoing acquisitions in Berlin, Dresden & Leipzig, at attractive prices. Acquisitions totalling €435 million were secured during this first half-year, of which 65% in Berlin, at an average price of €2 100 per m² and a rent increase potential exceeding 40%;

- the portfolio continued to increase in value, with a like-for-like jump of +6.7%, of which +7.1% in Berlin, validating the pertinence of the Group's strategic allocation choices;

- 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: +4.6% at a like-for like scope

2.1. Geographic breakdown

(€ million)	Surface (m²)	Number of units	Rental income H1 2017 100%	Rental income H1 2017 Group share	Rental income H1 2018 100%	Rental income H1 2018 Group share	Change Group share (%)	Change Group share (%) LfL [1]	% of rental income
Berlin	1 217 285	15 970	48,8	30,5	56,6	36,3	19,2%	5,7%	48%
Dresden & Leipzig	302 874	5 091	10,2	6,3	11,1	7,0	9,9%	2,8%	9%
Hamburg	146 208	2 404	7,2	4,6	7,8	5,2	11,1%	3,4%	7%
North Rhine-Westphalia	1 191 398	17 622	46,6	28,5	43,2	26,9	-5,7%	4,2%	36%
Essen	*378 417*	*5 503*	*14,4*	*8,8*	*14,2*	*8,8*	*-0,2%*	*0,0%*	*12%*
Duisburg	*236 559*	*3 589*	*10,3*	*6,3*	*8,3*	*5,0*	*-20,0%*	*0,0%*	*7%*
Mulheim	*134 017*	*2 235*	*5,5*	*3,4*	*5,1*	*3,1*	*-7,0%*	*0,0%*	*4%*
Oberhausen	*155 058*	*2 103*	*5,2*	*3,2*	*5,1*	*3,3*	*4,6%*	*0,0%*	*4%*
Other	*287 348*	*4 192*	*11,3*	*6,8*	*10,5*	*6,6*	*-3,6%*	*0,0%*	*9%*
Total	**2 857 765**	**41 087**	**112,9**	**69,9**	**118,7**	**75,3**	**7,7%**	**4,6%**	**100%**

[1] LfL: Like-for-Like

Recognised rental income (Group Share) amounted to €75.3 million in the first half of 2018, up 7.7% under the combined effects of:

- acceleration of like-for-like rental growth of 4.6% (+€2.4 million) with:
  - 53% due to indexation (+2.4 pt);
  - 43% due to reletting (+2.0 pts);
  - 4% due to modernisation CAPEX (+0.2 pt).

Berlin continues to generate very good performance (+5.7%), while growth has significantly accelerated in North Rhine-Westphalia (+4.2%), given the improved quality of the portfolio.

- 2017 and 2018 acquisitions (+€7.4 million) mainly in Berlin, with high rent increase potential;
- disposals (-€5.2 million) mainly involving non-core assets in North Rhine-Westphalia and mature assets in Berlin;
- the increase in Covivio's stake in Covivio Immobilien from 61.0% to 61.7% at end-2017 (+€0.8 million).

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

3. Annualized rental income: 153 M€ in Group share

3.1. Geographic breakdown

(€ million)	Surface (m²)	Number of units	Annualised rents 2017 100%	Annualised rents 2017 Group share	Annualised rents H1 2018 100%	Annualised rents H1 2018 Group share	Change (%)	Average rent €/m²/ month	% of rental income
Berlin	1 217 285	15 970	111,7	70,0	114,4	73,7	5,3%	7,8 €/m²	48%
Dresden & Leipzig	302 874	5 091	22,2	14,1	22,1	14,1	0,2%	6,1 €/m²	9%
Hamburg	146 208	2 404	13,5	8,8	16,1	10,5	18,6%	9,2 €/m²	7%
North Rhine-Westphalia	1 191 398	17 622	85,6	53,0	86,0	54,4	2,6%	6,0 €/m²	36%
Essen	*378 417*	*5 503*	*28,0*	*17,3*	*28,7*	*17,8*	*2,8%*	*6,3 €/ m²*	*12%*
Duisburg	*236 559*	*3 589*	*17,2*	*10,6*	*16,3*	*10,2*	*-4,0%*	*5,8 €/ m²*	*7%*
Mulheim	*134 017*	*2 235*	*10,3*	*6,4*	*10,1*	*6,4*	*-0,6%*	*6,3 €/ m²*	*4%*
Oberhausen	*155 058*	*2 103*	*10,6*	*6,5*	*10,2*	*6,8*	*3,2%*	*5,5 €/ m²*	*4%*
Others	*287 348*	*4 192*	*19,5*	*12,2*	*20,7*	*13,3*	*9,2%*	*6,0 €/ m²*	*9%*
Total	**2 857 765**	**41 087**	**232,9**	**146,0**	**238,6**	**152,7**	**4,6%**	**7,0 €/m²**	**100%**

The trend in annualised rental income, up +4.6%, reflects the strategic repositioning done by the Group. The policy of rotating assets in the portfolio reduced the weight of *non*-core assets in North-Rhine-Westphalia and increased exposure to high growth potential markets such as Berlin, Hamburg, Dresden & Leipzig.

- The weight of North Rhine-Westphalia has fallen by 4 pts since the first half of 2017. The stronger growth in rental income in this area reflects the better quality of the portfolio (+4.2% like-for-like).
- The strategic markets generate nearly 64% of rental income (+4 pts compared to H1 2017).

The relatively low level of rental income per m² (€7.0/m²/month on average on the portfolio) 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 & 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 by more than 10% a rent reference.

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 11% 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 11% 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 98.1%

(%)	2017	H1 2018
Berlin	97,8%	97,2%
Dresden & Leipzig	98,9%	99,3%
Hamburg	99,9%	99,7%
North Rhine-Westphalia	98,8%	98,7%
Total	**98,4%**	**98,1%**

The occupancy rate of assets under operation remains high, at 98.1%.

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

6. Reserves for unpaid rent

(€ million, Group share)	H1 2017	H1 2018
As % of rental income	0,7%	0,6%
In value [1]	0,5	0,5

[1] net provision / reversals of provison

The unpaid rent amount to 0.6% of rents, decreasing slightly compared to 2017, thanks to a pro-active property management policy.

7. Disposals and disposals agreements : €131 M of new committments

(€ million, 100%)	Disposals (agreements as of end of 2017 closed) 1	Agreements as of end of 2017 to close	New disposals H1 2018 2	New agreements H1 2018 3	Total H1 2018 = 2 + 3	Margin vs 2017 value	Yield	Total Realized Disposals = 1 + 2
Berlin	40	9	4	13	18	40%	2,7%	44
Dresden & Leipzig	20	0	0	12	12	2%	5,3%	20
Hamburg	0	0	0	5	5	-12%	5,5%	-
North Rhine-Westphalia	51	19	4	92	96	11%	4,9%	55
Total	**111**	**27**	**9**	**122**	**131**	**12,4%**	**4,6%**	**120**
Total Group share	**65**	**16**	**5**	**69**	**74**	**12,4%**	**4,6%**	**70**

The new commitments (new disposals and new agreements) signed in 2018 totalled €131 million (€74 million Group Share), with a high gross margin of 12%. The commitments are mostly on non-core assets (73% of commitments) and fit squarely within the Group's policy of rotating assets in the portfolio.

- 978 units on non-strategic assets in North Rhine-Westphalia for €96 million with a 11% margin.
- 88 units disposed of in Berlin, at prices clearly higher than the latest appraisal values (>40% margin, around €2 800/m²), crystallising the value creation achieved.
- 217 units disposed of in other vibrant 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 H1 2018 amounted to €120 million (€70 million Group Share) and involved 53% of mature assets and 46% of non-core assets in North Rhine-Westphalia.

8. Acquisitions : €435 M secured in the first semester 2018

(€million, Including Duties)	Surface (m²)	Number of units	Acquisitions H1 2018 realized			Acquisitions H1 2018 secured		
			Acq. price 100%	Acq. price Group share	Gross Yield [1]	Acqu. price 100%	Acqu. Price Group share	Gross Yield
	(realized & secured)							
Berlin	116 509	1826	100	80	4,1%	182	114	4,6%
Dresden & Leipzig	44 228	434	9	6	4,2%	35	23	5,5%
Hamburg	23 420	380	65	42	4,0%	-	-	0,0%
North Rhine-Westphalia	22 752	302	44	29	4,5%	0	0	0,0%
Total	**206 909**	**2 942**	**218**	**157**	**4,3%**	**217**	**137**	**5,0%**
Reinforcement Group share				**51**	**4,9%**			

[1] Yield in 2 years after reletting of vacant spaces. Immediate yield of 3.6% on acquisitions realized and 4.4% on acquisitions secured.

Covivio maintained a steady pace of investments at attractive prices in a highly competitive context, with secured acquisitions totalling €435 million (€294 million Group Share) in H1 2018:

- 65% of the assets acquired are in Berlin, 15% in Hamburg, 10% in Dresden and the rest in North Rhine-Westphalia;
- average price of € 2,100/m² of which €2,400/m² in Berlin;
- a return on acquisition of 4.0%, due to the high average vacancy rate (6%). The 2-year potential yield stands at 4.6% 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: €500 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 €500 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 5.3% return on the total cost. The other half will be sold in order to unlock the value creation with a margin expected over 40%.

9.1 Committed projects : 34 M€ (22 M€ in Group share)

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

Five residential development projects were launched in 2017, of which 4 are in Berlin. These totalled 168 apartments over 13,110 m² :

- Genter Strasse 63, a project for the construction of 19 residential units in the Mitte district in Berlin;
- Pannierstrasse 20, a project for the construction of 12 residential units in the Friedrichshain-Kreuzberg district of Berlin;
- Breisgauer Strasse, an extension project involving 16 new housing units in the Zhelendorf district in Berlin;

- Birkbuschstrasse, an extension project involving 67 new housing units in the Steglitz district in Berlin;
- Margaretenhöhe, an extension project involving 54 new housing units in Essen.

9.2 Managed projects

In all, 48 additional development projects have already been identified, representing about €460 million in developments. They mainly consist of construction projects in the centre of Berlin and in Potsdam for, eventually, more than 2,200 new housing units spread across 150,000 m².
In H1 2018, €20 million in land reserves were acquired and will enable the development of 18.000m² of housing.

10. Portfolio values

10.1. Change in portfolio value: 11% growth

(€ million, Group share, Excluding Duties)	Value 2017	Acquisitions	Invest.	Disposals	Value creation on Acquis./ Disposals	Change in value	Others	Value H1 2018
Berlin	1 728	109	8	- 26	2	110	- 6	1 927
Dresden & Leipzig	282	6	2	- 12	0	15	- 1	292
Hamburg	198	42	1	- 0	- 0	14	- 3	252
North Rhine-Westphalia	906	50	6	- 32	5	42	3	981
Essen	309	10	2	- 0	0	18	-	339
Duisburg	174	5	1	- 14	1	9	-	176
Mulheim	106	3	1	- 6	1	5	-	109
Oberhausen	99	3	1	- 4	2	2	-	103
Other	219	27	2	- 8	1	10	2	253
Total	**3 114**	**208**	**18**	**- 70**	**8**	**181**	**- 7**	**3 451**

In H1 2018, the portfolio's value increased by 11% to stand at €3.5 billion Group Share. The driver of this rapid growth was, above all, the like-for-like increase in value (€181 million or 54% of the growth), and second, the contribution of acquisitions net of disposals and the associated value creation (45% of the growth).

10.2. Change on like-for-like basis: +6.7% of growth

(€ million, Excluding Duties)	Value 2017 Group share	Value H1 2018 100%	Value H1 2018 €/m²	Value H1 2018 Group share	LfL [1] change 6 months	Yield 2017	Yield H1 2018	% of total value
Berlin	1 728	3 007	2 471	1 927	7,1%	4,1%	3,8%	56%
Dresden & Leipzig	282	456	1 504	292	6,4%	5,0%	4,9%	8%
Hamburg	198	392	2 681	252	7,7%	4,5%	4,1%	7%
North Rhine-Westphalia	906	1 532	1 286	981	5,7%	5,9%	5,6%	28%
Essen	309	528	1 396	339	-	5,6%	5,4%	10%
Duisburg	174	274	1 160	176	-	6,1%	6,0%	5%
Mulheim	106	170	1 269	109	-	6,0%	5,9%	3%
Oberhausen	99	161	1 040	103	-	6,6%	6,3%	3%
Other	219	397	1 383	253	-	5,6%	5,3%	7%
Total	**3 114**	**5 386**	**1 885**	**3 451**	**6,7%**	**4,7%**	**4,4%**	**100%**

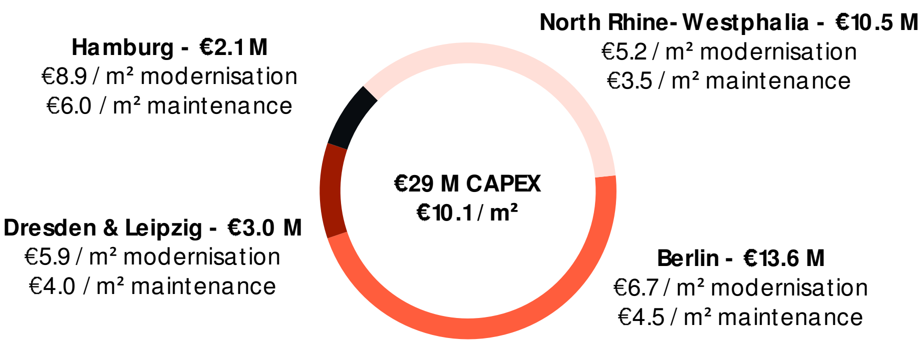
[1] LfL: Like-for-Like

At like-for-like scope, the values increased by +6.7% year-on-year, reflecting the success of the Group's investment policy:

- +7.1% 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 €2 470/ m²;
- Hamburg (+7.7%) and Dresden & Leipzig (+6.4%) also generated strong performance under the same effects;
- the increase in values was just as significant in North Rhine-Westphalia (+5.7%), demonstrating the improved quality of the portfolio, following the modernisation and non-core asset disposal programmes.

11. Maintenance and modernisation CAPEX

In H1 2018, €29 million in CAPEX (€18 million Group Share), i.e. €10.1 per m² and €7.6 million in Opex (€2.6 per m²) were completed. CAPEX spending increased by 15% compare to 2017, in line with the growth of the portfolio. In € per m², spending increased by 17% 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, account for 60% of the total.



D. HOTELS IN EUROPE

Covivio Hotels, a 42% owned subsidiary of Covivio at 30 June 2018 (versus 50% at end 2017), is a listed property investment company (SIIC) specialising in the ownership of hotel lease and hotel operating properties. Through its subsidiary, Covivio is now Europe's leading hotel real estate player.

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

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

Covivio holds a hotel portfolio worth €4.9 billion (€1.9 billion Group Share) focused on major European cities. Benefiting from its geographic diversification (across 7 Western European countries), its broad rental base (18 partner hotel operators) and asset management possibilities via different ownership methods (hotel lease and hotel operating properties), Covivio has 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 into the early part of 2018:

- The major trends underpinning the hotel industry were highly favourable :
  - 5% average rise in the number of tourist arrivals per year for 5 years, with growth likely to continue at a rate of 3.7% a year for 10 years.
  - Annual hotel industry GDP growth averaging 3% for 5 years, with growth likely to continue at a rate of 2.7% for 10 years.

- Revenue per available room (RevPar) continued to rise, up 3.6% at end May 2018, due to the combined effect of an increase in the occupancy rate (+0.9 pts) and in average room prices (+2.2%).

- The upturn in the market continued in France and in Belgium with sharp growth in the early part of the year, particularly in Central Paris (+8.9%) and Brussels (+9.7%). Spain continued to grow, especially Madrid (+7.5%), and the performance in the Netherlands was equally robust, driven by Amsterdam (+4.8%). In Germany, Berlin (+1.0%) and Dresden (+8.6%) proved their resilience with positive growth despite an unfavourable calendar effect in May (school holidays and public holidays).

- Investor appetite for hotels held steady with €21 billion in volume in 2018, or +16% YTD. The United Kingdom drew 34% of the transaction volume due to a favourable currency effect. Spain and Germany also stayed quite attractive, with 20% and 16% of transactions. The difference between hotel lease properties and hotel operating properties remained around 100 bps.

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

- Two transactions that transformed the portfolio:
  - the acquisition of a portfolio of fourteen 4* and 5* hotels in the United Kingdom, in prime, city-centre locations. Covivio signed firm 25-year leases with an attractive potential target yield of 6% with Intercontinental Hotel Group, a UK market leader. The acquisition will be completed early in the second half of 2018,
  - the Covivio Hotels merger with FDMM, a vehicle specialising in the ownership of hotel operating properties, with mainly 4* and 5* hotels in Germany and Belgium.

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

The Group's operational profile improved significantly as a result of these two transactions:

- entry into the UK hotel market, the 4th biggest destination in Europe,
- greater focus on major European cities: 80% of the portfolio,
- improved asset quality: 73% top and mid-range assets;

- acceleration of like for like rental growth (+3.3%) driven by the hike in AccorHotels variable rents (+5.0% at end-May);

- a solid increase in hotel portfolio values (+1.8% on a like for like basis over 6 months), in particular due to the upturn in business in Belgium (+2.8%) and the Spanish portfolio (+2.4%) acquired in 2017.

Assets not wholly owned by Covivio Hotels re fer to:

- 181 B&B hotels in France acquired since 2012 (50.2% owned), as well as 22 B&B assets in Germany (93.0%);
- 2 Motel One assets (94.0%) acquired in 2015;
- the Club Med Samoëns, delivered in 2017 and owned in partnership with CDC and ACM (25%)
- 8 Première Class hotels in operating properties, 5 of them held at 84.6% and the other 3 held at 90%
- the portfolio of 9 operating properties in Germany acquired in 2016, held at 94.9%.

2. Recognised income +3.6% on a like for like basis

(€ million)	Number of rooms	Number of assets	Revenues H1 2017 100%	Revenues H1 2017 Group share	Revenues H1 2018 100%	Revenues H1 2018 Group share	Change (%) Group share	Change Group share (%) LfL [1]	% of revenues
Paris	4,082	17	11.8	5.5	13.0	5.1	-7.2%	7.3%	11%
Inner suburbs	678	5	1.4	0.7	1.8	0.7	-3.3%	3.6%	1%
Outer suburbs	3,535	35	6.2	2.4	6.6	2.1	-11.1%	5.4%	4%
Total Paris Regions	**8,295**	**57**	**19.4**	**8.6**	**21.3**	**7.9**	**-8.0%**	**6.5%**	**16%**
Major regional cities	6,443	68	12.5	5.1	12.7	4.2	-17.1%	0.0%	9%
Other French Regions	9,172	126	12.9	3.8	15.5	3.4	-9.8%	1.6%	7%
Total France	**23,910**	**251**	**44.8**	**17.5**	**49.5**	**15.5**	**-11.0%**	**3.4%**	**32%**
Germany	6,410	56	10.6	5.1	13.5	5.5	8.7%	1.6%	12%
Belgium	3,124	13	10.6	5.3	10.6	4.5	-15.8%	5.6%	9%
Spain	3,797	21	14.9	6.8	17.4	7.3	6.9%	3.3%	15%
Other	604	2	3.7	1.8	3.7	1.6	-15.0%	1.6%	3%
Total Hotel - Lease properties	**37,845**	**343**	**84.5**	**36.5**	**94.6**	**34.4**	**-5.8%**	**3.3%**	**72%**
Hotel Operating properties (EBITDA)	**6,294**	**31**	**31.7**	**6.3**	**33.7**	**13.6**	**117.7%**	**4.2%**	**28%**
Total revenues Hotels	**44,139**	**374**	**116.2**	**42.8**	**128.3**	**48.0**	**12.2%**	**3.6%**	**100%**
Non-strategic (retail)	-	94	18.4	9.2	13.2	5.5	-39.7%	1.2%	
Total	**44,139**	**468**	**134.6**	**52.0**	**141.5**	**53.6**	**3.0%**		

[1] LfL: Like-for-Like

At end June 2018, hotel revenue stood at €48 million Group Share, up 12% on the first half of 2017. This increase was due to the following:

- 3.3% (+€1.0 million) increase in hotel rental income on a like for like basis with:
  - +5.0% generated by variable AccorHotels rents,
  - Spanish portfolio up 3.3%, partly due to rises in variable rental income as a result of strongly performing hotels;
- EBITDA growth of 4.2% on a like for like basis, mainly due to the business upturn in Belgium;

- acquisitions and deliveries of assets under development (+€7.4 million):
  - 2 B&B hotels and the Motel One Porte Dorée in Paris, delivered in the first half of 2018,
  - the acquisition of a portfolio of 5 NH hotels in Germany;
- non-strategic asset disposals (-€2.9 million): 62 Quick restaurants, 5 Jardiland assets and a Courtepaille restaurant.

3. Annualised revenue: €94 million Group Share

3.1. Geographic breakdown

(€ million)	Number of rooms	Number of assets	Annualised revenues 2017 100%	Annualised revenues 2017 Group share	Annualised revenues H1 2018 100%	Annualised revenues H1 2018 Group share	Change (%)	% of rental income
Paris	4,082	17	23.8	11.1	25.2	9.9	-10.7%	11%
Inner suburbs	678	5	3.4	1.6	3.5	1.3	-14.7%	1%
Outer suburbs	3,535	35	12.4	4.8	13.0	4.1	-13.3%	4%
Total Paris Regions	**8,295**	**57**	**39.6**	**17.4**	**41.8**	**15.4**	**-11.8%**	**16%**
Major regional cities	6,443	68	25.3	10.1	26.4	8.6	-15.2%	9%
Other French Regions	9,172	126	30.8	8.1	31.4	6.9	-14.2%	7%
Total France	**23,910**	**251**	**95.7**	**35.6**	**99.6**	**30.9**	**-13.3%**	**33%**
Germany	6,410	56	26.0	12.6	26.9	10.9	-13.8%	12%
Belgium	3,124	13	20.8	10.4	13.3	5.6	-46.0%	6%
Spain	3,797	21	32.9	16.4	35.7	13.8	-15.8%	15%
Other	604	2	7.5	3.8	8.1	3.4	-9.5%	4%
Total Hotel - Lease properties	**37,845**	**343**	**182.8**	**78.8**	**183.7**	**64.6**	**-18.0%**	**69%**
France	1,198	9	13.0	2.6	14.6	6.1	132.2%	7%
Germany	4,575	18	47.2	9.6	51.4	20.6	114.2%	22%
Belgium	521	4	5.0	1.0	5.7	2.4	135.0%	3%
Total Hotels - Operating properties	**6,294**	**31**	**67.5**	**13.3**	**71.7**	**29.1**	**119.4%**	**31%**
Total Hotels	**44,139**	**374**	**250.3**	**92.1**	**255.3**	**93.7**	**1.8%**	**100%**
Non-strategic (retail)	-	94	30.0	15.0	12.1	5.1	-66.1%	
Total	**44,139**	**468**	**280.3**	**107.1**	**267.5**	**98.8**	**-7.8%**	

Covivio Hotels' annualised revenue profile has improved significantly since the end of 2017, primarily due to the effect of the merger between Covivio Hotels and FDMM in early 2018:

- better exposure to hotel operating properties, offering an attractive yield with limited risk, given the key locations of our city-centre hotels;
- more weight for Germany in the portfolio and, in particular, for Berlin which is booming;
- reduction in the weight of non-strategic assets, highlighted by ongoing sales of Quick and Jardiland assets.

Variable rents represent around 34% of annualised rental income and concern:

- AccorHotels rental income, 100% indexed to Hotel Revenues;
- the variable portion of leases, with an indexation clause on performance (guaranteed minimum rent + variable rent). This concerns a portion of the hotel portfolio in Spain and the recently-acquired NH hotels in Germany and the Netherlands.

3.2. Breakdown by tenant

(€ million; Rents for lease properties and Ebitda for operating properties)	Number of rooms	Number of assets	Annualised revenues 2017 100%	Annualised revenues 2017 Group share	Annualised revenues H1 2018 100%	Annualised revenues H1 2018 Group share	% of rental income
AccorHotels	11,369	78	64.5	29.1	65.4	26.9	29%
B&B	19,593	236	60.2	19.7	62.4	17.3	18%
Radison Hotel Group	1,641	4	22.9	4.4	22.9	9.2	10%
Mariott	1,661	6	21.3	4.2	24.1	9.7	10%
NH	1,279	7	12.7	6.4	12.9	5.2	6%
Hotusa	671	3	8.3	4.1	8.3	3.5	4%
IHG	524	3	5.7	1.2	6.1	2.6	3%
Sunparks	1,759	3	13.4	6.7	6.5	2.7	3%
Barcelo	641	3	7.4	3.7	8.4	3.0	3%
Club Med	792	2	9.9	2.8	10.6	2.6	3%
AC Hotels	368	1	5.0	2.5	7.3	2.6	3%
Indépendants	1,149	10	7.8	2.9	7.9	3.2	3%
Melia	632	4	5.1	2.5	4.2	1.8	2%
Motel One	712	3	2.2	1.0	4.4	1.8	2%
Louvre Hotels	750	9	3.9	0.8	4.0	1.7	2%
Meininger	598	2	0.0	0.0	0.0	0.0	0%
Total Hôtels	**44,139**	**374**	**250.3**	**92.1**	**255.3**	**93.7**	**100%**
Non-strategic (retail)	**-**	**94**	**30.0**	**15.0**	**12.1**	**5.1**	
Total	**44,139**	**468**	**280.3**	**107.1**	**267.5**	**98.8**	

The diversification of the income base continued through new partnerships with leading Spanish operators (Barcelo, Hotusa, Melia) and the strengthening of the partnership with NH Hotels. Exposure to AccorHotels fell below the 30% mark and will be as low as 24% once the acquisition of the UK portfolio, to be operated by Intercontinental Hotel Group, is complete.

4. Indexation

67% of rents are indexed to benchmark indices (ICC, ILC, and consumer price index for foreign assets).

5. Lease expiring 11.2 years of firm residual lease term

(€ million, Group share)	By lease end date (1st break)	% of total	By lease end date	% of total
2018	3.3	5%	0.0	0%
2019	1.8	3%	0.0	0%
2020	0.3	0%	0.3	0%
2021	0.0	0%	0.0	0%
2022	3.2	5%	1.0	1%
2023	3.3	5%	2.3	4%
2024	0.1	0%	1.6	3%
2025	2.1	3%	2.4	4%
2026	0.7	1%	1.0	1%
2027	1.0	1%	1.0	1%
Beyond	48.9	76%	55.1	85%
Total Hotels	**64.6**	**100%**	**64.6**	**100%**
Non-strategic (retail)	5.1		5.1	

The firm residual duration of leases was stable and remained high for hotels at 11.2 years at end June 2018, due to the delivery of 3 assets with 14-year leases. The next expiries in 2018 and 2019 relate to Spanish portfolio assets acquired in 2016 which have 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 H1 2018.

7. Disposals and disposal agreements: €194 M in new commitments

(€ million)	Disposals (agreements as of end of 2017 closed) 1	Agreements as of end of 2017 to close	New disposals H1 2018 2	New agreements H1 2018 3	Total H1 2018 = 2 + 3	Margin vs 2017 value	Yield	Total Realized Disposals = 1 + 2
Hotel Lease properties	3	18	0	115	**115**	-5.8%	6.9%	**3**
Hotel Operating properties	0	0	0	0	**0**	n.a.	n.a.	**0**
Total Hotels - 100%	**3**	**18**	**0**	**115**	**115**	**-5.8%**	**6.9%**	**3**
Total Hotels - Group share	**1**	**8**	**0**	**48**	**48**	**-5.8%**	**6.9%**	**1**
Non-strategic (retail) - 100%	187	0	0	79	**79**	0.7%	6.5%	**187**
Non-strategic (retail) - Group share	78	0	0	33	**33**	0.7%	6.5%	**78**
Total - 100%	**189**	**18**	**0**	**194**	**194**	**-3.3%**	**6.7%**	**189**
Total - Group share	**80**	**8**	**0**	**82**	**82**	**-3.3%**	**6.7%**	**80**

Covivio continued its policy of rotating assets with:

- €115 million (€48 million Group Share) of non-core assets,
  - a Tryp hotel in Andalusia worth €13 million, acquired for the Spanish portfolio in 2016 and sold with a 23% margin on the appraisal value.
  - a Sunparks holiday village in Belgium under a preliminary sale agreement for €102 million. The negative sale margin on this asset was offset, in full, by the rise in the value of other Sunparks villages due to extended leases, also improving the liquidity of these assets;

- €79 million (€33 million Group Share) of non-strategic assets relating to 17 Jardiland assets.

At the same time, several agreements signed in 2017 were implemented in 2018, including the remainder of the Quick portfolio (€163 million) and 5 Jardiland assets (€22 million).

8. Acquisitions: €1.1 Bn secured at the end of June-2018

				Acquisitions H1 2018 realized			Acquisitions H1 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 (14 assets)	2,638	United Kingdom	IHG	-	-	-	976	410	5.0%
NH Hotels (4 assets)	637	Germany & Netherlands	NH	-	-	-	111	47	5.7%
Total Acquisitions Lease properties	**3,043**			**-**	**-**	**-**	**1087**	**457**	**5.1%**
Total Acquisitions Operating properties	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

With regard to hotel investment properties, Covivio continued its diversification strategy with the signing of a preliminary purchase agreement for a portfolio of fourteen 4* and 5* hotels in the UK, totalling 2,638 rooms for £858 million (€976 million). This transaction is described in greater detail at the beginning of this section.

Furthermore, 4 call options on NH hotels that were bought in 2017 will be exercised between late 2018 and early 2019.

9. Development pipeline: €1.1 Bn in identified projects

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

9.1. Committed projects: €112 million (€44 million Group Share), 100% pre-let

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

In the early part of the year, Covivio delivered 522 hotel rooms via 3 projects:

- 2 B&B hotels in Berlin and Chatenay-Malabry (Greater Paris), accounting for €20 million and 267 rooms;
- the Motel One Porte Dorée in Paris 12th arrondissement, totalling works of €37 million and 255 rooms, opened in April 2018.

The Group also continued to work on its other committed projects:

- 2 hotels are being built in the Greater Paris area with our long-time B&B partner. They represent a total of 192 rooms and €13 million.

- Covivio is supporting the development of Meininger in France, with 2 hotels under construction in total in Paris and Lyon which will be the operator's first to open in these cities. These 2 hotels represent 425 rooms and €66 million.

In addition, a Meininger hotel was delivered in Milan last May (Italy Hotels) and another one is being built in Munich. This last hotel represents 173 rooms and €33 million. It is due to be delivered in the second half of 2018. These two projects involve the conversion of an office building into a hotel, demonstrating the Group's capacity to make the best use of its asset management options and the expertise of its local platforms.

9.2. Managed projects: €1 billion development project in the centre of Berlin

Covivio has identified close to 140,000 m² to be developed in the very heart of Berlin, on Alexanderplatz, on land reserves adjacent to the Park Inn. The architect will be selected in September in partnership with the city of Berlin and construction of the first 70,000 m² building will be launched in 2019 with delivery scheduled for 2022. This mixed use project (Offices/Hotels/Residential) is a perfect illustration of the synergies between Covivio's different 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 in % ownership	Merger FDMM & change of % ownership	Value H1 2018
Hotels - Lease properties	1,480	-	7	-1	-	27	20	-247	12	1,298
Hotels - Operating properties	250	-	1	-	-	10	-	-100	364	524
Assets under development	54	-	8	-	-	3	-20	-7	-	37
Total Hotels	**1,784**	**-**	**16**	**-1**	**-**	**39**	**-**	**-354**	**376**	**1,859**
Non-strategic (Retail)	224	-	-	-78	-	-1	-	-36	-	109
Total	**2,008**	**-**	**16**	**-80**	**-**	**39**	**-**	**-390**	**376**	**1,968**

At end June 2018, the portfolio amounted to nearly €2.0 billion Group Share, unchanged from the end of 2017. The impact of non-core and non-strategic disposals (-€95M) was offset by capex and a rise in values (+€55M).

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

(€ million, Excluding Duties)	Value 2017 Group share	Value H1 2018 100%	Value H1 2018 Group share	LfL [1] change 6 months	Yield [2] 2016	Yield [2] 2017	% of total value
Total France	**736**	**1,988**	**648**	**1.7%**	**5.0%**	**4.9%**	**35%**
Paris	295	673	267	2.3%	4.1%	4.0%	14%
Greater Paris (excl. Paris)	124	322	107	1.3%	5.2%	5.1%	6%
Major regional cities	182	466	157	0.9%	5.6%	5.6%	8%
Other cities	135	527	117	1.7%	6.0%	5.9%	6%
Germany	**254**	**534**	**219**	**1.5%**	**5.5%**	**5.4%**	**12%**
Franckfurt	28	59	24	3.4%	5.4%	5.1%	1%
Munich	18	39	16	2.3%	n.a.	n.a.	1%
Berlin	20	46	19	3.0%	5.1%	4.9%	1%
Other cities	188	391	160	0.9%	5.5%	5.5%	9%
Belgium	**169**	**346**	**145**	**3.0%**	**6.1%**	**5.9%**	**8%**
Brussels	32	68	28	5.3%	5.6%	5.3%	2%
Other cities	137	279	117	1.6%	6.3%	6.2%	6%
Spain	**306**	**626**	**263**	**2.4%**	**5.4%**	**5.4%**	**14%**
Madrid	124	252	106	2.2%	4.8%	4.7%	6%
Barcelona	117	238	100	1.6%	5.4%	5.9%	5%
Other cities	65	136	57	4.3%	6.6%	6.4%	3%
Other countries	**69**	**143**	**60**	**1.1%**	**5.5%**	**5.7%**	**3%**
Total Hotel lease properties	**1,534**	**3,637**	**1,335**	**1.9%**	**5.3%**	**5.2%**	**72%**
France	**46**	**224**	**94**	**-0.2%**	**6.1%**	**6.2%**	**5%**
Lille	24	119	50	1.7%	5.5%	5.8%	3%
Other cities	22	105	44	-2.3%	7.0%	6.6%	2%
Germany	**188**	**988**	**396**	**2.0%**	**6.6%**	**6.5%**	**21%**
Berlin	120	634	253	2.4%	5.7%	5.5%	14%
Dresden & Leipzig	48	250	100	2.1%	7.1%	7.7%	5%
Other cities	21	105	43	-5.7%	7.9%	7.8%	2%
Belgium	**16**	**80**	**34**	**2.3%**	**6.3%**	**6.4%**	**2%**
Total Hotel Operating properties	**250**	**1,293**	**524**	**1.6%**	**6.4%**	**6.5%**	**28%**
Total Hotels	**1,784**	**4,930**	**1,859**	**1.8%**	**5.4%**	**5.5%**	**100%**
Non-strategic (Retail)	224	259	109	-0.5%	6.7%	6.9%	0%

[1] LfL : Like-for-Like

[2] Yield excluding assets under development ; EBIDTA yield for hotel operating properties

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

- 1.9% growth in the value of hotel lease properties, with:
  - +2.4% on the Spanish portfolio acquired at end 2016,
  - +3.0% in Belgium with the return to growth in rental income in the hotel sector,
  - +6.5% generated by developments;

- the robust performance of operating properties (+1.6%):
  - the portfolio of 9 hotels in Berlin, Dresden, and Leipzig under management contracts held its momentum with a 2.1% rise in values up to 16.0% since the acquisition in August 2016,
  - +7.1% value created with the Méridien hotel in Nice acquired in December 2017.

Furthermore, the size of the non-strategic portfolio was reduced by 5% in 2018 thanks to disposals of Retail assets Quick and Jardiland and the increase in operating properties.

3. FINANCIAL INFORMATION AND COMMENTS

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

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

CONSOLIDATED ACCOUNTS

3.1. Scope of consolidation

On 30 June 2018, the Covivio scope of consolidation included companies located in France and several European countries (Offices in France and Italy; Residential in Germany and France, Austria, Denmark and Luxembourg; Hotels in Germany, Portugal, Belgium, The Netherlands and Spain). The main ownership interests in the fully consolidated but not wholly-owned companies are the following:

Subsidiaries	31-dec-17	30-june-2018
Covivio Hotels	50.0%	42.0%
Covivio Immobilien	61.7%	61.7%
Beni Stabili	52.4%	59.9%
Sicaf (portefeuille Telecom italia)	31.5%	30.5%
OPCI CB 21 (Tour CB 21)	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)	50.1%	50.1%
SCI 9 rue des Cuirassiers	50.1%	50.1%
SCI 11, Place de l'Europe (Campus Eiffage)	50.1%	50.1%

Following the merger-absorption of the operating properties activity (in January 2018) and the creation of 18,436,011 new Covivio Hotels shares, Covivio's stake in Covivio Hotels now stands 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 is now 59.9% compared with 52.4% on 31 December 2017.

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 19 July 2018.

3.3. Simplified income statements- Group share

(€ million, Group share)	H1 2017	H1 2018	var.	%
Net rental income	268.4	264.7	- 3.7	- 1.4%
Income from other activities	3.3	15.2	11.9	-
Net income	**271.7**	**279.9**	**8.2**	**3.0%**
Net operating costs	- 31.1	- 32.1	- 1.0	3.1%
Depreciation of operating assets	- 3.1	- 16.1	- 13.0	-
Net change in provisions and other	- 0.6	- 0.8	- 0.2	-
Current operating income	**237.0**	**230.8**	**- 6.2**	**- 2.6%**
in % of net rent rental income	*88.3%*	*87.2%*	-	-
Net income from inventory properties	- 0.2	- 0.3	- 0.1	67.5%
Income from asset disposals	- 0.7	55.6	56.3	-
Income from value adjustments	350.3	295.1	- 55.2	- 15.8%
Income from disposal of securities	- 3.3	43.3	46.6	-
Income from changes in scope	- 1.6	- 58.7	- 57.1	-
Operating income	**581.5**	**565.8**	**- 15.7**	**- 2.7%**
Cost of net financial debt	- 91.3	- 52.5	38.8	- 42.5%
Value adjustment on derivatives	30.4	- 5.4	- 35.8	-
Discounting of liabilities and receivables	- 3.1	- 4.6	- 1.5	49.7%
Net change in financial and other provisions	- 7.5	- 6.1	1.4	- 18.9%
Share in earnings of affiliates	18.7	10.8	- 7.9	- 42.4%
Income from continuing operations	**528.6**	**507.9**	**- 20.7**	**- 3.9%**
Deferred tax	- 34.8	- 37.0	- 2.2	6.3%
Corporate income tax	- 4.8	- 5.6	- 0.8	16.5%
Net income for the period	**489.0**	**465.3**	**- 23.7**	**- 4.8%**

Since the merger-absorption of the operating properties 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 "Income from other activities" aggregate, and contributes €14 million to this income.

▶ 3% rise in net income - Group Share

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

The net rental income by operating segment is the following:

(€ million, Group share)	H1 2017	H1 2018	var.	%
France Offices	114.0	115.9	1.9	1.7%
Italy Offices (incl. retail)	44.4	38.6	- 5.8	- 13.1%
Germany Residential	63.4	68.9	5.5	8.7%
Hotels in Europe (incl. retail)	44.8	39.1	- 5.7	- 12.7%
France Residential	1.9	2.2	0.3	15.8%
Total Net rental income	**268.4**	**264.7**	**- 3.7**	**- 1.4%**

France Offices: stability of rents due to the combined effect of disposals (-€11 million), deliveries of assets under development (+€6 million - Edo, Art&Co & Co, The Line, Silex1, etc.), new leases signed and lease renewals (+€3 million) and the acquisition of the property on Rue Jean Goujon in Paris (+€2 million).

Italy Offices : €6.3 million drop in net rental income Group Share, due to the splitting of the Telecom Italia portfolio (-€11 million) and disposals (-€1 million), offset by asset acquisitions and deliveries (+€3 million) and the increased stake in Beni Stabili (+€3 million).

Germany Residential: net rental income Group Share up €5.4 million, driven by acquisitions and indexation effects (+€10 million), and decreased by disposals (-€5 million).

Hotels in Europe: -€5.8 million decrease in net rental income Group share. This net decrease is due to the reduced stake in Covivio Hotels following the merger-absorption of the operating properties activity (-€7.5 million), the impact of retail disposals (-€2.5 million), offset by acquisitions in Spain and Germany (+€3 million) and the rise in Accor rental income (€1 million). To offset its decreased stake in Covivio Hotels, the Group increased its stake in the operating property activity. This activity is now consolidated and its result is included in the Income from other activities, which increases by €12 million.

- **Net operating costs**

Net operating costs was €32million, compared with €31 million on 30 June 2017. It rose slightly due to structural costs as a result of the operating properties activity, but remained stable as a percentage of net income at around 11.5%.

- **Depreciation of operating assets**

Depreciation of operating assets (-€3.1 million on 30 June 2017 compared with -€16.1 million on 30 June 2018) rose as a result of the full consolidation of the operating properties activity. Depreciation of operating assets includes the real estate depreciation of the head offices, coworking buildings and depreciation of tangible and intangible fixed assets. It now also includes depreciation of assets and 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 €10 million. Depreciation has also increased in response to the higher rate of ownership of the Car Parks activity, which was fully consolidated in the first half of 2018, compared to 59.5% in the first half of 2017 (+€3 million).

- **Income from asset disposals**

Income from asset disposals saw capital gains of €55 million from the disposal of the Paris head office located at 10 & 30 Avenue Kléber. This property, as it was occupied by the Group, was not recorded at fair value in the consolidated accounts.

- **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 the first half of 2018, the change in the fair value of investment assets was positive, at €295 million (Group Share). Change in the fair value of investment assets by operating segment can be broken down as follows:

- Residential Germany: +€185 million
- France Offices: +€76 million
- Hotels in Europe: +€25 million
- Italy Offices: +€9 million

- **Income from disposal of shares and changes to scope**

These have a negative €15.4 million impact on the income statement. They include the share acquisition costs in accordance with IFRS 3 and the impacts of the merger-absorption of the operating properties activity.
Operating income excluding income from share disposals and income from changes to scope remained stable at €581 million (€566 million after inclusion of share transactions).

Financial aggregates

The changes in the fair value of financial instruments were -€5 million, due to the negative change in the value of hedging instruments (-€13 million) and the positive change in the value of ORNANE bonds (+€7 million).

Share in income of equity affiliates

Group share	% interest	Value 2017	Contribution to earnings	Value 2018	Change (%)
OPCI Foncière des Murs	9.95%	39.6	1.5	33.1	-16.4%
Lénovilla (New Velizy)	50.10%	71.2	2.6	68.9	-3.2%
Euromed	50.00%	39.3	1.0	40.3	2.5%
FDM Management	50.10%	71.6	0.0	0.0	-100.0%
Other Equity Interests	20.35%	22.6	5.7	30.5	35.1%
Total		**244.2**	**10.8**	**172.8**	**-41.3%**

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

- OPCI Foncière des Murs 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 Marseilles relates to two office buildings in Marseilles (Astrolabe and Calypso; 1/3 of their surface area is used for coworking) and there is a 210 room hotel in partnership with Crédit Agricole Assurances.
- FDM Management is a subsidiary of Covivio Hotels, dedicated to the ownership of hotel operating properties. In early 2018, this company merged with Covivio Hotels and is thereby fully consolidated.

The change over the period (-€71 million) is due to the full consolidation of the operating properties activity, the income earned over the period (+€11 million) and the allocation of losses and dividend payouts to partners (-€6.6 million).

EPRA Earnings of affiliates

(€ million, Group share)	France offices	Hotels (in lease)	2018
Net rental income	4.3	1.9	6.2
Net operating costs	-0.2	-0.2	-0.3
Depreciation of operating properties	1.4	-	1.4
Operating result	**5.5**	**1.7**	**7.3**
Cost of net financial debt	-0.8	-0.3	-1.2
Other financial depreciation	-0.1	-	-0.2
Corporate income tax	-	-	-
Share in EPRA Earnings of affiliates	**4.5**	**1.3**	**5.8**

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, and Portugal);
- French SIIC or Italian subsidiaries with taxable activity.

Corporate income tax of -€5.6 million includes taxes on sales (-€1.3 million).

EPRA Earnings rose 5% to €191.6 million (+€9 million vs. June 2017)

	Net income Group Share	Restatements	EPRA E. H1 2018	EPRA E. H1 2017
Net rental income	**264.7**	**2.8**	**267.5**	**271.8**
Income from other activities	15.2	0.9	16.1	3.3
Net income	**279.9**	**3.7**	**283.6**	**275.1**
Operating costs	-32.1	-	-32.1	-30.3
Depreciation of operating assets	-16.1	10.5	-5.6	-3.1
Net change in provisions and other	-0.8	-	-0.8	-0.6
Operating income	**230.8**	**14.2**	**245.0**	**241.1**
Net income from inventory properties	-0.3	0.3	0.0	0.0
Income from asset disposals	55.6	-55.6	0.0	0.0
Income from value adjustments	295.1	-295.1	0.0	0.0
Income from disposal of securities	43.3	-43.3	0.0	0.0
Income from changes in scope	-58.7	58.7	0.0	0.0
Operating result	**565.8**	**-320.7**	**245.0**	**241.1**
Cost of net financial debt	**-52.5**	**6.5**	**-46.0**	**-56.0**
Value adjustment on derivatives	-5.4	5.4	0.0	0.0
Discounting of liabilities and receivables	-4.6	-	-4.6	-3.1
Net change in financial provisions	-6.1	1.8	-4.3	-4.5
Share in earnings of affiliates	10.8	-4.9	5.8	9.7
Pre-tax net income	**507.9**	**-311.9**	**195.9**	**187.3**
Deferred tax	-37.0	37.0	0.0	0.0
Corporate income tax	-5.6	1.3	-4.3	-4.6
Net income for the period	**465.3**	**-273.6**	**191.6**	**182.7**

- Net income: the IFRIC 21 interpretation requires 12 months of property taxes to be recorded where the taxpayer is guarantor for the payment of this tax. The restatement of net rental income and income from other activities resulted in the property tax charge not re-invoiced to tenants changing to a frequency of 6 months. The net income restated in this way contributed to EPRA Earnings of €283.6 million, up 3% compared to 30 June 2017.
- The restatement of depreciation and provisions neutralised the real estate depreciation of coworking activities and hotel operating properties
- Profit and losses from disposal of shares and changes to scope (-43.3 + 58.7 = -€15.4 million) are mainly due to the effects of the merger-absorption of the operating properties activity.
- There was a €6.5 million impact on cost of debt due to early debt restructuring costs. Excluding these costs, the cost of debt was €46 million lower than in 30 June 2017.

EPRA Earnings by activity

(€ million, Group share)	France offices	Italy offices (incl. Retail)	Germany Residential	Hotels in Europe (incl. Retail)	Hotel operating properties	France Residential	Corporate or non-attributable sector	2018
Net rental income (before adj. IFRIC 21)	115.9	38.6	68.9	39.1	-	2.3	-	264.7
Net rental income (after adj. IFRIC 21)	117.8	38.6	68.9	39.4	-	2.8	-	267.5
Income from other activities	- 0.9	-	0.5	-	14.8	-	1.7	16.1
Net operating costs	- 9.7	- 4.9	- 12.5	- 1.4	- 0.6	- 0.4	- 2.7	- 32.1
Depreciation of operating assets	- 1.1	- 0.3	- 0.5	-	- 1.5	-	- 2.2	- 5.6
Net change in provisions and other	-	- 0.6	0.1	- 1.5	- 0.1	- 0.3	1.7	- 0.8
Operating result	**106.1**	**32.8**	**56.5**	**36.5**	**12.6**	**2.1**	**- 1.5**	**245.0**
Cost of net financial debt	- 10.2	- 5.9	- 10.8	- 5.7	- 2.8	0.4	- 11.1	- 46.0
Discounting of liabilities & receivables and financial provision	- 6.2	- 1.1	- 0.5	- 0.4	- 0.5	-	- 0.1	- 8.9
Share in earnings of affiliates	4.5	-	-	1.3	-	-	-	5.8
Corporate income tax	- 0.5	-	- 1.9	- 0.6	- 1.2	-	0.1	- 4.3
EPRA Earnings	**93.6**	**25.7**	**43.3**	**67.2**	**20.2**	**2.4**	**- 12.6**	**191.6**

3.4. Simplified consolidated income statement (at 100%)

(€ million, 100%)	H1 2017	H1 2018	var.	%
Net rental income	419.0	434.9	15.9	3.8%
Income from other activities	3.8	36.1	32.3	-
Net income	**422.8**	**471.1**	**48.3**	**11.4%**
Net operating costs	- 50.7	- 51.1	- 0.4	0.8%
Depreciation of operating assets	- 4.4	- 28.8	- 24.4	-
Net change in provisions and other	- 0.8	- 0.2	0.6	- 80.1%
Current operating income	**367.0**	**391.0**	**24.0**	**6.5%**
Net income from inventory properties	- 0.5	- 0.5	0.0	8.0%
Income from asset disposals	- 0.6	55.3	55.9	-
Income from value adjustments	539.2	456.8	- 82.4	- 15.3%
Income from disposal of securities	- 6.3	103.0	109.3	-
Income from changes in scope	- 2.5	- 136.0	- 133.5	-
Operating income	**896.3**	**869.6**	**- 26.7**	**- 3.0%**
Income from non-consolidated companies	0.0	0.0	0.0	-
Cost of net financial debt	- 137.3	- 96.1	41.2	- 30.0%
Value adjustment on derivatives	33.7	- 10.8	- 44.5	-
Discounting of liabilities and receivables	- 2.8	- 4.8	- 2.0	72.4%
Net change in financial and other provisions	- 12.1	- 10.8	1.3	- 10.9%
Share in earnings of affiliates	22.3	12.6	- 9.7	-
Income before tax	**800.1**	**759.6**	**- 40.5**	**-**
Deferred tax	- 57.6	- 60.3	- 2.7	4.7%
Corporate income tax	- 6.3	- 10.2	- 3.9	61.2%
Net income for the period	**736.3**	**689.2**	**- 47.1**	**- 6.4%**
Non-controlling interests	- 247.2	- 223.9	23.3	- 9.4%
Net income for the period - Group Share	**489.0**	**465.3**	**- 23.7**	**- 4.8%**

Since the merger-absorption of the operating properties 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 "Income from other activities" aggregate, and contributes €35 million to this income.

€48.3 million (11.4%) rise in consolidated net rental income

Net rental income increased by €16 million, mainly due to acquisitions, delivery of assets under development and the effect of indexation on the Germany Residential sector. This increase was offset by disposals. The net rental income by operating segment is the following:

(€ million, 100%)	H1 2017	H1 2018	var.	%
France Offices	126.6	129.9	3.3	2.6%
Italy Offices (incl. Retail)	85.9	88.4	2.5	2.9%
Germany Residential	102.4	108.8	6.4	6.2%
Hotels in Europe (incl. Retail)	101.0	105.7	4.7	4.6%
France Residential	3.0	2.2	- 0.8	- 26.7%
Total Net rental income	**419.0**	**434.9**	**15.9**	**3.8%**

3.5. Simplified consolidated balance sheet (Group share)

(€ million, Group Share) Assets	2017	H1 2018	Liabilities	2017	H1 2018
Investment properties	11,171	11,551			
Investment properties under development	409	430			
Other fixed assets	211	729			
Equity affiliates	244	173			
Financial assets	298	185			
Deferred tax assets	4	9	**Shareholders' equity**	**6,363**	**6,561**
Financial instruments	37	39	Borrowings	6,780	7,122
Assets held for sale	352	332	Financial instruments	285	200
Cash	1,089	926	Deferred tax liabilities	331	409
Other	365	438	Other liabilities	442	518
Total	**14,181**	**14,810**	**Total**	**14,201**	**14,810**

Fixed Assets

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

(€ million, Group Share)	2017	H1 2018	var.	incl. Like-for-like change
France Offices	4,989	5,127	137	75
Italy Offices (incl. Retail)	1,873	2,112	239	9
Germany Residential	3,024	3,362	338	185
Hotels in Europe (incl. Retail)	1,651	1,882	231	25
France Residential	240	214	- 26	1
Car parks	14	12	- 2	0
Total Fixed Assets	**11,791**	**12,710**	**918**	**295**

The change in fixed assets in France Offices is mainly due to the disposal of the properties located at 10 & 30 Avenue Kléber in Paris (-€103 million), the acquisition of the asset on Rue Jean Goujon (+€134 million), the increased fair value of investment properties (+€75 million), and the work completed on investment properties under development (+€26 million).

The change in fixed assets in Italy Offices (+€239 million) is mainly due to changes in the stake in Beni Stabili and in Sicaf (Telecom Italia), a net increase of €182 million, and the acquisition of three assets in Milan (+€64 million).

The change in fixed assets in Hotels in Europe is mainly due to the full consolidation of the operating properties activity (+€512 million), increased appraisal values (+€25 million), acquisitions and works over the half-year (+€15 million), less retail disposals (-€85 million) and the impact of the reduced stake as a result of the merger-absorption of FDM M (-€242 million).

The change in fixed assets for Germany Residential is mainly due to acquisitions over the period (+€202 million), the +€19 million in works completed over the period, the +€185 million change in fair value, and the -€68 million in buildings reclassified as assets held for sale during the period.

Assets held for sale

Assets held for sale consists of assets for which a preliminary sales agreement has been signed. The €20 million decrease between 2017 and June 2018 comes from completed sales and newly signed preliminary sale agreements. In 2017, the Hotels in Europe sector had disposable assets worth €93 million relating to five Jardilands and 48 Quick restaurants, which were sold in the first half of 2018.

Total Group shareholders equity

Shareholders' equity increased from €6,363 million at the end of 2017 to €6,561 million at 30 June 2018, i.e. an increase of €198 million, due mainly to:

- income for the period: +€465 million;
- the capital increase net of costs following the conversion of ORNANE-type bonds France +€30 million;
- the impact of the cash dividend distribution: -€337 million;
- Changes to scope: +€36 million.

Other Assets

This item rose by €73 million; €24 million of this increase was due to the full consolidation of the operating properties activity.

This line item includes settlement of €118 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 €118 million.

Other liabilities

This item increased by €76 million; €43 million of this rise was due to the full consolidation of the operating properties activity.

3.6. Simplified consolidated balance sheet (at 100%)

(€ million, 100%) Assets	2017	H1 2018	Liabilities	2017	H1 2018
Investment properties	17,733	18,251			
Investment properties under development	685	689			
Other fixed assets	230	1,509			
Equity affiliates	369	225	Shareholders' equity	6,363	6,561
Financial assets	355	194	Non-controlling interests	3,804	4,424
Deferred tax assets	6	16	**Shareholders' equity**	**10,168**	**10,985**
Financial instruments	48	52	Borrowings	10,121	10,788
Assets held for sale	520	623	Financial instruments	323	237
Cash	1,297	1,324	Deferred tax liabilities	551	713
Other	491	586	Other liabilities	571	746
Total	**21,733**	**23,469**	**Total**	**21,733**	**23,469**

▶ Investment properties and properties under development

These two fixed asset items increased by €522 million, mainly as a result of value adjustments for €448 million, asset acquisitions and work for **€676 million** (including on developments) in the amount of €86 million, and reclassification as Assets held for sale for - €603 million.

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

- France Offices: **€190 million** including the acquisition of the asset on Rue Jean Goujon (€134 million), €26 million of works on buildings and €28 million of works on buildings under development;
- Hotels in Europe: **€64 million** including a €16 million option to purchase a NH Hotel in Germany, €17 million of scheduled works and €21 million of works on buildings under development;
- Germany Residential: **€261 million** including acquisitions worth €231 million and €30 million worth of work on buildings;
- Italy Offices: **€161 million** including the acquisition of three assets in Milan (€106 million), €18 million of works on properties and +€37 million of works on buildings under development.

▶ Investments in equity affiliates

Investments in equity affiliates decreased by €143 million. This change is due to the full consolidation of the companies FDM Management (operating properties activity) and SCI Porte Dorée (Motel One) i.e. -€153 million, the income from the period (€13 million), less dividend distributions, allocations of shares of losses and change in scope (- €3 million).

▶ Financial Assets

Financial assets decreased by €161 million, mainly due to the use of downpayments made (Germany Residential sector: - €115 million), the repayment of the bond loan granted by Covivio Hotels in the operating properties activity in 2016 (- €59 million), changes in loans to equity affiliates (- €11 million) and a downpayment of +€30 million for acquisitions in the United Kingdom.

▶ Deferred tax liabilities

Net deferred taxes represent €697 million in liabilities versus €545 million on 31 December 2017. This €152 million rise is mainly due to the full consolidation of the operating properties activity (+€84 million) and the growth of appraisal values in Germany.

Other liabilities

The €175 million rise in this item is mainly due to the full consolidation of the operating properties activity (+€114 million).

4. FINANCIAL RESOURCES

Recognising Covivio's sound financial profile (42% LTV, ICR of 5.4x) and the ongoing enhancement of the quality of its portfolio, S&P raised Covivio's rating outlook to BBB, positive outlook.

4.1. Main debt characteristics

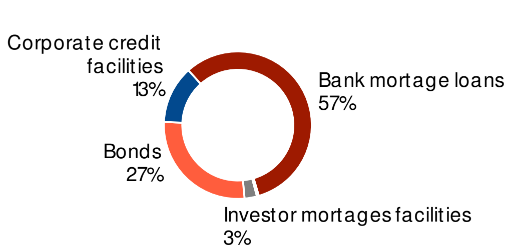
Group Share	2017	H1 2018
Net debt, Group share (€ million)	5,691	**6,196**
Average annual rate of debt	1.87%	**1.55%**
Average maturity of debt (in years)	6.2	**6.0**
Debt active hedging spot rate	75%	**79%**
Average maturity of hedging	6.3	**7.3**
LTV Including Duties	40.4%	**42.4%**
ICR	4.36	**5.41**

4.2. Debt by type

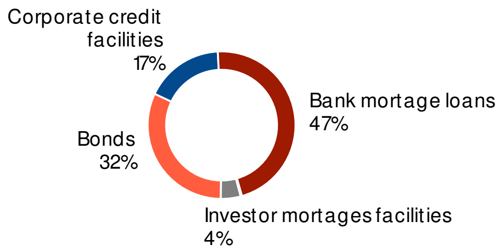
Covivio's net debt (Group Share) was €6.2 billion (€9.5 billion on a consolidated basis) at 30 June 2018, up by almost €500 million compared with the end of 2017, due to the acceleration of investments made this half year, (acquisitions of €660 million Group Share, including the increase in ownership in Beni Stabili, and €51 million of development capex), partially offset by disposals (€491 million, Group Share).

As regards commitments attributable to the Group, the share of corporate debts (bonds and loans) was almost unchanged at 49%.

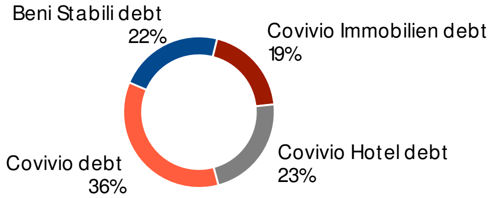
In addition, at end June 2018, Covivio's cash and cash equivalents totalled nearly €2.0 billion Group Share (€2.5 billion on a consolidated basis). In particular, Covivio had €1.2 billion in commercial paper outstanding at 30 June 2018.



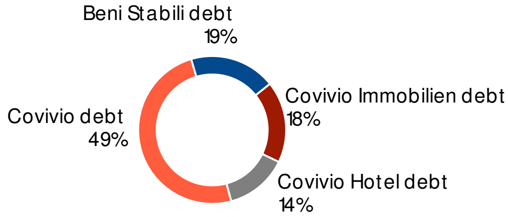
Consolidated commitments by type



Group share commitments by type



Consolidated commitments by company

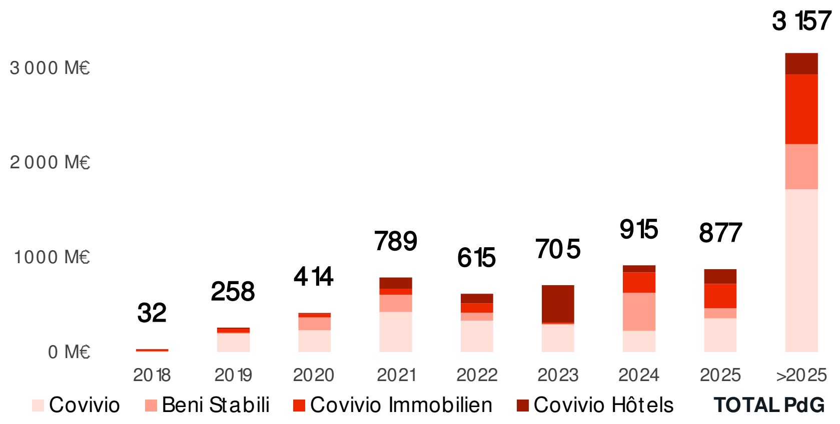


Group share commitments by company

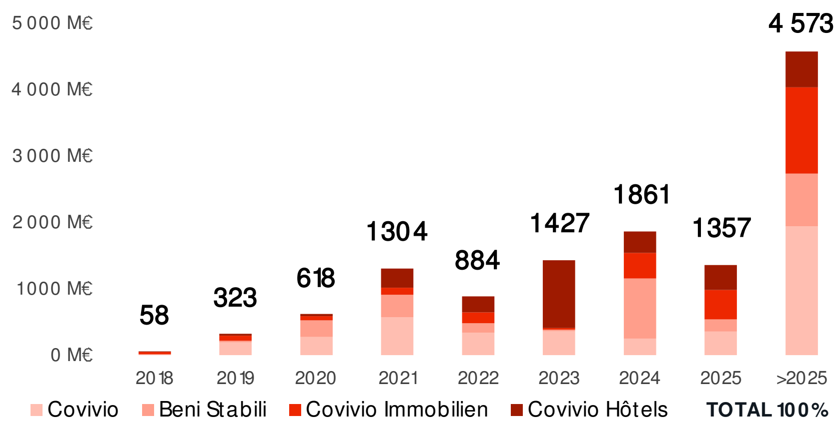
4.3. Debt maturity

The average maturity of Covivio's debt remained stable at 6.0 years at end June 2018.

Debt amortisation schedule for each company (Group share)



Debt amortisation schedule by company (on a consolidated basis)



4.4. Main changes during the period

Sustained financing and refinancing activity: €1.9 billion in 100% (€1.3 billion Group Share)

- Over the first half of 2018, Covivio raised or renegotiated €628 million (€612 million, Group Share) of financing with an objective to lengthen its debt maturities in a supportive environment:
  - €333 million in 10-year mortgage debt, including on partnership projects;
  - €200 million, between 6 and 7 years, as part of renegotiations engaged in 2017 of all corporate debt which will be completed in the second half of the year. After the closing, early July, some additional €200 million have been completed.
  - €95 million increase in the bond issue maturing in 2027, thus reaching €595 million (coupon 1.50%).

- In Italy (Beni Stabili) Covivio continued the work aiming to raise the debt maturity and lower the cost arranging €456 million (€273 million Group share) in financing at medium/ long term whilst repaying short term expensive debt:
    - €157 million of new corporate credits (after a similar amount during the previous semester)
    - repayment of €600 million on two bond issue: €350 million at maturity (2018 issue at 4.125%) and €250 million early repayment (issue 2019 at 3.50), partially reimbursed thanks to a first 10-year bond issue for Beni Stabili (€300 million at 2.375% coupon) realised at the end of the first quarter 2018.

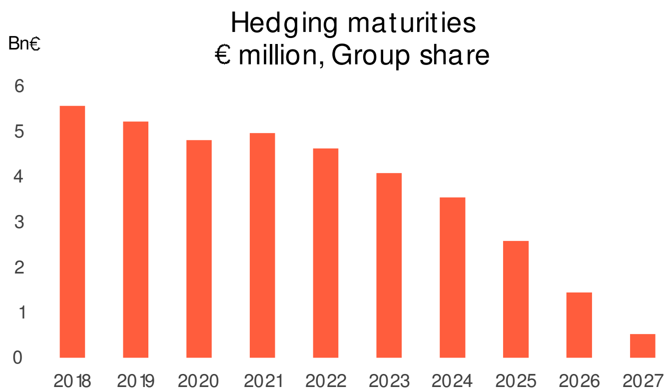
- Covivio Hotels (Foncière des Murs) raised or secured €575 million (€242 million Group share) of new fundin, essentially:
    - €100 million of new coporate credits with long maturities (7 years)
    - £400 million (around €455 million) of bank mortgage loan backed by the hotel portfolio being acquired in the United Kingdom.

- In Germany (Covivio Immobilien) Covivio raised €198 million (€122 million Group share) including:
    - €111 million with an average maturity of 9 years to finance acquisitions mostly in Berlin, Dresden, Leipzig and Hamburg
    - €87 million of new money through existing liabilities to optimise their maturity and conditions, and even raise their amount.

4.5. Hedging profile

In the first half of 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 30 June 2018, Covivio is hedged (Group Share) at 79% over 5 years (identical to end 2017). The average term of the hedges is 7.3 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 1.55% 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 (Beni Stabili) 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 0.6% 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 30 June 2018, to 60% for Covivio, Covivio Hôtels and Beni Stabili.
- The threshold for the consolidated ICR covenants differs from one REIT to another, depending on the type of assets, and may be different from one debt to another even for the same REIT, depending on debt seniority.

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

- for Covivio : 200%;
- for Covivio Hôtels : 200%;
- for Beni Stabili: 150%.

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**	**June 2018**
LTV	60.0%	46.1%
ICR	200%	462%
Secured debt ratio	25.0%	6.7%

All covenants were fully complied with at the end June 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 Share)	2017	H1 2018
Net book debt	5,691	6,196
Receivables linked to associates (full consolidated)	-61	-52
Receivables on disposals	-352	-332
Security deposits received	-5	-16
Purchase Debt	59	68
Net debt	**5,333**	**5,863**
Appraised value of real estate assets (Including Duties)	12,958	13,855
Preliminary sale agreements	-352	-332
Financial assets	104	36
Receivables linked to associates (equity method)	137	87
Share of equity affiliates	270	173
Value of assets	**13,118**	**13,819**
LTV Excluding Duties	**42.9%**	**44.8%**
LTV Including Duties	**40.7%**	**42.4%**

4.7. Reconciliation with consolidated accounts

Net debt

€ million	Consolidated accounts	Minority interests	Group share
Bank debt	10,788	-3,666	**7,122**
Cash and cash-equivalents	1,324	-399	**926**
Net debt	**9,464**	**-3,268**	**6,196**

Portfolio

€ million	Consolidated accounts	Portfolio of companies under equity method	Fair value of investment properties	Discontinued activities	Fair value of trading activities	Minority interests	Group share
Investment & development properties	18,940	623	1,561	-	41	-8,079	**13,086**
Assets held for sale	623	-	-	-	-	-291	**332**
Total portfolio	**19,563**	**623**	**1,561**	**-**	**41**	**-8,369**	**13,418**

Duties	717
Portfolio group share including duties	14,135
(-) share of companies consolidated under equity method	-297
(+) Advances and deposits on fixed assets	17
Portfolio for LTV calculation	**13,855**

Interest Coverage Ratio

	Consolidated accounts	Minority interests	Group share
EBE (Net rents (-) operating expenses (+) results of other activites)	460.9	-211.7	**249.2**
Cost of debt	-84.0	37.9	**-46.1**
ICR	**5.49**		**5.41**

5. EPRA REPORTING

5.1. Change in net rental income (Group share)

€ million	H1 2017	Acquisitions	Disposals	Developments	Change in percentage held/consolidation method	Indexation, asset management and others	H1 2018
France Offices	114	2	-10	6	0	4	116
Italy Offices (incl. retail)	44	2	-2	1	-9	3	39
Germany Residential	64	7	-5	0	1	3	69
Hotels in Europe (incl. retail)	45	2	-3	1	1	-7	39
France Residential	2	0	-1	0	2	0	2
TOTAL	**269**	**13**	**-21**	**7**	**-6**	**3**	**265**

Reconciliation with financial data **€ million**	**H1 2018**
Total from the table of changes in Net rental Income (GS)	**265**
Adjustments	0
Total net rental income (Financial data § 3.3)	**265**
Minority interests	170
Total net rental income (Financial data § 3.4)	**435**

5.2. Investment assets- Lease data

- 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.

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

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

(€ million, Group share)	Gross rental income (€ million)	Net rental income (€ million)	Annualised rents (€ million)	Surface (m²)	Average rent (€/m²)	Vacancy rate at year end	EPRA vacancy rate at year end
France Offices	123	116	274	1,609,610	199	3.1%	3.2%
Italy Offices (incl. retail)	46	39	104	1,927,130	115	3.5%	3.6%
Germany Residential	75	69	153	2,857,765	84	1.9%	1.9%
Hotels in Europe (incl. retail)	40	39	70	n.a.	n.a.	0.0%	0.0%
France Residential	4	2	6	65,489	96	n.a.	n.a.
Total	**289**	**265**	**607**	**6,459,994**	**94**	**2.6%**	**2.6%**

5.3. Investment assets- Asset values

The EPRA net initial yield is the ratio of:

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

(€ million, Group share)	Market value	Change in fair value over the year	Duties	EPRA NIY
France Offices	5,500	91	311	4.3%
Italy Offices (incl. Retail)	2,175	13	76	4.2%
Germany Residential	3,451	199	235	3.8%
Hotels in Europe (incl. Retail)	1,968	32	80	4.9%
France Residential and car parks	325	3	15	1.6% [1]
Total 2016 excl. Discontinued activities	**13,418**	**339**	**717**	**4.2%**

[1] *The yield is presented on France residential only*

Reconciliation with financial data

€ million	H1 2018
Total portfolio value (group share, market value)	**13,418**
Fair value of the operating properties	- 725
Fair value of companies under equity method	- 297
Inventories of real estate companies and others	- 31
Fair value of car parks facilities	- 54
Investment assets Group share [1] (Financial data § 3.5)	**12,312**
Minority interests	7,251
Investment assets 100% [1] (Financial data § 3.5)	**19,563**

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

€ million	H1 2018
Change in fair value over the year (group share)	339
Others	-
Income from fair value adjustments Group share (Financial data § 3.3)	**339**
Minority interests	118
Income from fair value adjustments 100% (Financial data § 3.3)	**457**

5.4 Information on leases

	Firm residual lease term (years)	Residual lease term (years)	Lease expiration by date of 1st exit option Annualised rental income of leases expiring					Total (€m)	Section
			N+1	N+2	N+3 to 5	Beyond	Total %		
France Offices	4.5	5.4	9%	14%	31%	46%	100%	274	2.A.6
Italy Offices (incl. retail)	6.6	7.1	7%	15%	24%	54%	100%	103	2.B.6
Hotels in Europe (incl. retail)	10.8	12.5	5%	3%	8%	84%	100%	70	2.D.5
Total	**6.0**	**6.9**	**7%**	**12%**	**25%**	**52%**	**100%**	**447**	**1.B.1**

5.5 EPRA topped-up yield rate

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

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

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

EPRA net initial yield is the ratio of:

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

(€ million, Group share)	Total 2017	France Offices	Italy Offices	Germany Residential	Hotels in Europe	France Residential	Total H1 2018
Investment, saleable and operating properties	12,707	5,500	2,175	3,451	1,968	246	13,339
Restatement of assets under development	- 331	- 147	- 175	-	- 37	-	- 359
Restatement of undeveloped land and other assets under development	- 127	- 37	- 81	-	0	-	- 118
Restatement of Trading assets	- 30	- 13	-	- 5	-	-	- 18
Restatement of operating hotel properties	- 250	-	-	-	-	-	-
Duties	690	311	76	235	80	15	717
Value of assets including duties (1)	**12,659**	**5,614**	**1,996**	**3,681**	**2,010**	**261**	**13,561**
Gross annualised rental income	593	255	100	153	99	6	613
Irrecoverable property charge	- 49	- 12	- 17	- 13	- 1	- 2	- 44
Annualised net rental income(2)	**543**	**244**	**83**	**140**	**98**	**4**	**569**
Rent charges upon expiration of rent	27	19	4	-	0	-	23
free periods or other reductions in rental rates	**570**	**262**	**88**	**140**	**98**	**4**	**592**
EPRA Net Initial Yield (2)/(1)	**4.3%**	**4.3%**	**4.2%**	**3.8%**	**4.9%**	**1.6%**	**4.2%**
EPRA "Topped-up" Net Initial Yield (3)/(1)	**4.5%**	**4.7%**	**4.4%**	**3.8%**	**4.9%**	**1.6%**	**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%	0.0%	0.9%	0.3%
Impact of restatement of duties	0.3%	0.3%	0.2%	0.3%	0.2%	0.1%	0.3%
Impact of restatement of duties	**5.2%**	**5.2%**	**5.4%**	**4.4%**	**5.1%**	**2.6%**	**5.0%**

5.6. EPRA cost ratio

(€million, Group share)	H1 2017	H1 2018
Unrecovered rental costs	-14.5	-9.5
Expenses on properties	-7.8	-11.3
Net losses on unrecoverable receivables	-1.2	-0.9
Other expenses	-2.2	-2.2
Overhead	-39.0	-40.1
Amortisation, impairment and net provisions	-0.6	-0.8
Income covering overheads	10.4	10.3
Cost of other activities and fair value	-3.4	-3.9
Property expenses	-0.2	-0.2
EPRA costs (including vacancy costs) (A)	**-58.5**	**-58.6**
Vacancy cost	7.5	5.0
EPRA costs (excluding vacancy costs) (B)	**-51.0**	**-53.6**
Gross rental income less property expenses	295.3	289.2
Income from other activities and fair value	12.7	22.5
Gross rental income (C)	**307.9**	**311.6**
EPRA costs ratio (including vacancy costs) (A/C)	**19.0%**	**18.8%**
EPRA costs ratio (excluding vacancy costs) (B/C)	**16.6%**	**17.2%**

The calculation of the EPRA cost ratio excludes car parks activities. Following the restructuration of the hotel activity realised early 2018, it includes operating hotel properties only in 2018.

EBITDA from operating hotel properties and coworking activity are included in the income from other activities

The EPRA cost ratio excluding vacancy is increasing with the integration of the operating hotel properties activities, which has a higher cost ratio compared to hotels in lease, and the launching of our coworking activity Wellio which is still in a ramp-up period. In German residential, the cost ratio keeps on improving.

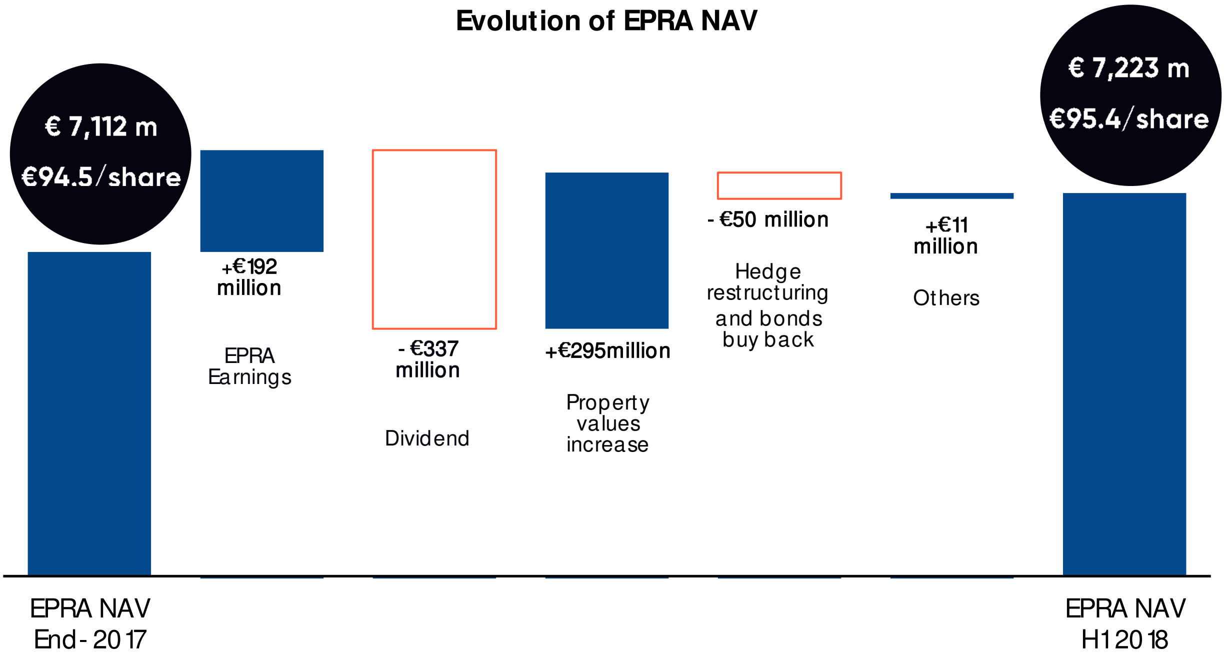
5.7. EPRA Earnings

(€million)	H1 2017	H1 2018
Net income Group share (Financial data §3.3)	**489.0**	**465.3**
Change in asset values	-350.3	-295.1
Income from disposal	5.0	-98.5
Acquisition costs for shares of consolidated companies	1.6	58.7
Changes in the values of financial instruments	-30.4	5.4
Deferred tax liabilities	34.8	37.0
Taxes on disposals	0.2	1.3
Adjustment to amortisation	0.0	10.5
Adjustments from early repayments of financial instruments	38.4	8.3
EPRA Earnings adjustments for associates	-9.0	-4.9
EPRA Earnings	**182.7**	**191.6**
EPRA Earnings/€-shares	**2.49**	**2.56**

5.8. EPRA NAV and EPRA NNNAV

	2017	H1 2018	Var.	Var. (%)
EPRA NAV (€ m)	7,112	**7,223**	111	1.6%
EPRA NAV / share (€)	94.5	**95.4**	0.9	0.9%
EPRA NNNAV (€ m)	6,492	**6,624**	132	2.0%
EPRA NNNAV / share (€)	86.3	**87.5**	1.2	1.4%
Number of shares	75,247,258	**75,717,504**	470,246	0.6%

Evolution of EPRA NAV



Reconcilation between shareholder's equity and EPRA NAV

	M€	€/share
Shareholders' equity	**6,560.9**	**86.7**
Fair value assessment of operating properties	32.1	
Fair value assessment of car parks facilities	26.7	
Fair value assessment of hotel operating properties	10.4	
Fair value assessment of fixed-rate debts	-31.8	
Restatement of value Excluding Duties on some assets	25.7	
EPRA NNNAV	**6,624.1**	**87.5**
Financial instruments and fixed-rate debt	153.5	
Deferred tax liabilities	404.6	
ORNANE	41.1	
EPRA NAV	**7,223.3**	**95.4**
IFRS NAV	**6,560.9**	**86.7**

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 30 june 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 32.1 M€.

Fair value adjustment for the car parks

Car parks are valued at historical cost in the consolidated financial statements. NAV is restated to take into account the appraisal value of these assets net of tax. The impact on EPRA NNNAV was €26.7 M€ at 30 June 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 in fait value of operating hotel properties. As a consequence, the adjustment applied in 2017 is captures 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 10.4 M€. 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 31.8 M€ at 30 June 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 NAV. The difference between these recalculated duties and the transfer duties already deducted from the value has an impact of 25,7 M€ at 30 June 2018.

5.11. EPRA performance indicator reference table

EPRA information	Section	in %	Amount in €	Amount in €/share
EPRA Earnings	5.7		€192 m	2.56 €/share
EPRA NAV	5.8		€7,223 m	95.4 €/share
EPRA NNNAV	5.8		€6,624 m	87.5 €/share
EPRA NAV/ IFRS NAV reconciliation	5.8			
EPRA net initial yield	5.5	4.2%		
EPRA topped-up net initial yield	5.5	4.4%		
EPRA vacancy rate at year-end	5.2	2.6%		
EPRA costs ratio (including vacancy costs)	5.6	18.8%		
EPRA costs ratio (excluding vacancy costs)	5.6	17.2%		
EPRA indicators of main subsidiaries	5.2 & 5.5			

6. FINANCIAL INDICATORS OF THE MAIN ACTIVITIES

	Covivio Hôtels			Beni Stabili		
	2017	**H1 2018**	**Var. (%)**	**2017**	**H1 2018**	**Var. (%)**
EPRA Earnings (M€, à fin juin)	76.9	**94.0**	22.2%	50.0	**46.1**	- 7.8%
EPRA NAV (€ million)	2,422	**3,205**	32.3%	1,897	**1,865**	- 1.7%
EPRA NNNAV (€ million)	2,226	**2,954**	32.7%	1,871	**1,835**	- 1.9%
% of capital held by Covivio	50.0%	**42.0%**	- 8.0 pts	52.4%	**59.9%**	+7.5 pts
LTV Including Duties	31.2%	**28.9%**	- 2.3 pts	46.1%	**46.4%**	+0.3 pts
ICR	5.46	**6.02**	+0.56	4.11	**5.36**	+1.25

	Covivio Immobilien		
	2017	**H1 2018**	**Var. (%)**
EPRA Earnings (M€)	59.5	**63.7**	+0.1 pts
EPRA NAV (€ million)	2,751	**2,989**	8.7%
EPRA NNNAV (€ million)	2,306	**2,504**	8.6%
% of capital held by Covivio	61.7%	**61.7%**	+0.0 pts
LTV Including Duties	36.9%	**34.8%**	- 2.1 pts
ICR	4.5	**5.3**	+0.80

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. Bordeaux, Grenoble, Lille, Lyon, Metz, Aix-Marseille, Montpellier, Nantes, Nice, Rennes, Strasbourg 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

Restatement done:

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

Like-for-like change in value

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

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

Restatement done:

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