

2019 Annual results

Covivio Hotels is strengthening its presence in Europe

Main highlights of the year

Covivio Hotels carried out €417 million of investments in 2019 and signed its first acquisitions in Ireland and Poland. This European development was confirmed at the beginning of 2020 with the secured major investments of a hotel portfolio in Italy, Hungary and the Czech Republic.

Additionally, Covivio Hotels enhanced non core assets disposals for €437 million.

€417 million of investments carried out in 2019 with leading operators in the key European markets

- > On 1 July 2019, Covivio Hotels acquired a 32% stake in a portfolio of 32 Accor hotels in France and Belgium for €176 million, including duties. This strategic portfolio, valued at €550 million, is jointly owned with Caisse des Dépôts et Consignations and Société Générale Assurances, which are already long-standing shareholders.

Following this acquisition, Covivio Hotels manages over 25,000 rooms operated by brands of the Accor Group, Europe's leading hotel operator. Bolstered by its experience, Covivio Hotels will replicate the strategy implemented over the last ten years with its portfolio rented to AccorInvest by identifying the key value drivers together with the operator.

- > Over the first half of 2019, Covivio Hotels finalised the acquisition of 2 hotels in the United Kingdom operated by InterContinental Hotels Group (IHG), and a hotel in the Netherlands leased to NH under agreements signed in 2018 for a total of €91 million and a yield of 5.8%. Leases for a term of 25 and 20 years were signed with these operators, who are leaders in their market.
- > Covivio Hotels carried out its 1st transaction in Ireland in November 2019 with the acquisition, under management contract, of a 120-room 4-star Hilton hotel located in the center of Dublin, in the amount of €45.5 million for a yield of 6.4%. The hotel will undergo conversion work in a project to turn the meeting rooms into 10 additional guestrooms by 2021, creating value of more than 10%. The acquisition is an opportunity for Covivio Hotels to set up in a new European market.
- > Covivio Hotels carried out a 1st transaction in Poland in November 2019 with the signature of an agreement with B&B Hotels for the acquisition of 3 existing assets in Lodz, Warsaw and Kraków for €24 million, and for the development of new hotels aiming to double the accommodation capacity in Poland of Europe's leading independent economy hotel chain.

This new acquisition strengthens the partnership that was established with B&B Hotels in 2010, supporting the hotel group in its development in Poland, after France, Spain and Germany.

The annual financial statements have been audited. The Statutory Auditors' report on annual financial information is being prepared.

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€32 million of capex carried out in 2019

Over the year, Covivio Hotels has delivered 4 hotels under development for a total cost price of €106 million and a value creation of 31%. These are 3 Meininger hotels in Paris, Lyon and Munich, plus a B&B hotel in Cergy-Pontoise. Covivio Hotels carried out capex worth €32 million.

European expansion and a strong move upmarket for the hotel portfolio, confirmed in 2020 by the acquisition of iconic hotels valued at €573 million

At the beginning of January 2020, Covivio Hotels announced that it had signed an agreement for the acquisition of a portfolio of 8 hotels located in Rome, Florence, Venice, Nice, Prague and Budapest; the price is €573 million (capex included), with a yield objective of 5.8% (of which a minimum of 4.7% guaranteed). The portfolio is mainly composed of assets with 5-star ranking, located in the center of major European cities.

This portfolio of high-end establishments in prime locations includes several emblematic hotels such as the Palazzo Naiadi in Rome, the Carlo IV in Prague, the Plaza in Nice and the NY Palace in Budapest.

With this significant transaction, which will be finalised in the second quarter of 2020, Covivio Hotels is firmly established in the Italian hotels market. Third-ranked world destination in number of overnight stays (429 million recorded in 2018), Italy has a hotel real estate offering that is disparate and needs to be renovated, with a very weak rate of penetration of major brands (9.6% vs 48% in France).

Totalling 1,115 rooms, these hotels will be operated under the brands NH Collection, NH Hotels and Anantara Hotels & Resorts. For this, Covivio Hotels and NH Hotel Group have signed 15 year firm triple net leases with variable rent and a guaranteed minimum.

€437 million of hotel and retail sales in 2019 improving the quality of our portfolio

Continuing its strategy of moving assets upmarket, over the year Covivio Hotels disposed of €437 million of assets (sales and sales agreements) based on a yield of 4.9% and generating a margin of 17% on new commitments in relation to the appraisal values of end December 2018. These disposals include primarily:

- > A Westin hotel operating property located in Dresden, Germany, for €48.5 million, representing a margin of 8.8% more than the appraisal value of 31 December 2018. Covivio Hotels will keep the adjacent land reserve, which has strong development potential.
- > A portfolio of 88 B&B assets in France, located primarily outside Paris, for €378 million, i.e. €190 million in terms of Group share, with a yield of 5.5%.
- > Covivio Hotels has also signed a sales agreement covering a portfolio of 11 B&B assets in Germany (€107 million) at a yield of 4.2% and a margin of +39% compared to the 2018 appraisal value.

5.5% growth in hotel values on a like-for-like basis

At end December 2019, the value of the real estate portfolio, Group share, reached €5.973 million (€6.693 million at 100%), compared with €5.483 million on 31 December 2018. On a like-for-like basis, hotel assets grew by 5.5% driven mainly by a compression in rates on assets in Germany and in France, confirmed by the transactions completed 2019 and by development projects delivered during the year (Meininger Porte de Vincennes, Lyon and Munich, as well as B&B Cergy).

The assets paid an average yield of 5.2%, excluding duties.

With a unique hotel property portfolio, established in the center of major European cities and valued at €6.4 billion after the transactions engaged in 2019 as a group share (€7.1 billion at 100%), Covivio

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Hotels is pursuing a strategy, initiated 5 years ago, of moving upmarket with geographic and operator diversification. Over this period, Covivio Hotels has doubled its hotel portfolio, as well as the number of countries in which the group is present, while strengthening partnerships in place. Covivio Hotels now partners 16 hotel brands, representing some thirty brand names spread over 12 European countries; 75% of its portfolio consist of midscale and upscale establishments.

LTV ratio down

The net debt of Covivio Hotels reached €2.329 million as a group share, against €2.208 million as at 31 December 2018, giving an average at 2.25% (rate up by 17 bps, due to financing put in place for the acquisition of assets in the United Kingdom). The net debt over EBITDA stands at 8.3 against 8.6 in 2018 and the ratio of secured debt to asset value fell below 30% as of December 2019 (29.7%).

Additionally, the Interest Cover Ratio (ICR) stands at 5.1 versus 5.8 in 2018.

At 31 December 2019, average debt maturity was 5.5 years. The Loan To Value (LTV) ratio, including duties, of 34.9%, dropped by 136 bps over the year. Covivio Hotels has also improve its S&P rating, going from BBB with positive outlook to BBB+ with stable outlook.

The EPRA NAV, up by 12.0%, stands at €3.815 million (representing €31.5/share and +9.3% over one year), under the positive effect of the change in the appraisal values. The EPRA Triple Net NAV is at €3.400 million compared to €3.110 million in 2018. Per share, it has increased by 6.7% over 12 months, to stand at €28.1/share.

1.2% growth in hotel income on a like for like basis

€ million	Income	Income	Income	Income	var.	var.
	31/12/2018	31/12/2018	31/12/2019	31/12/2019	Group share	Group share
	100%	Group share	100%	Group share	(%)	(%) LFL ⁽¹⁾
Hotel Lease properties	208 M€	183 M€	233 M€	213 M€	16,2%	0,7%
Hotel Operating properties (EBITDA)	74 M€	72 M€	70 M€	67 M€	-5,8%	2,3%
Total revenues Hotels	283 M€	254 M€	303 M€	280 M€	10,0%	1,2%
Non-strategic (Retail)	21 M€	21 M€	12 M€	12 M€	-42,2%	-1,9%

(1) on a like-for-like basis


Operating income in Europe continued to grow over 2019, leading to an increase in hotel income of +1.2% on a like-for-like basis (+1.0% including retails). Performance is driven by Belgium (+4.9%) and by Germany (+2.2%). France performance (+0.8%) is still held back, affected by the work programs financed and carried out in 2019 and 2020 by AccorInvest on 40% of the portfolio. These programs increase the value of hotels and are sources of sustainable higher gross. For example, the capex carried out on 5 hotels (1,500 rooms) in 2018 made it possible to improve turnover by 8% compare to 2017.

At the end of December 2019, the firm residual duration of leases in the hotel portfolio amounted to 13.7 years (compared to 13.8 years at the end of 2018), while the occupancy rate remained at 100% across the portfolio.

EPRA Earnings of €209.2 million, up by 5.5%

EPRA Earnings of €209.2 million (against €198.4 million as at 31 December 2018) shows an increase of 5.5%, mainly under the effect of the acquisition of the portfolio of hotels in the United Kingdom.

Per share, EPRA Earnings reached €1.74 on 31 December 2019, against €1.78 on the same date in 2018, representing a drop of 2.4%, mainly explained by the capital increase of €299 million carried out in June 2018 to finance the acquisition in the United Kingdom.

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Dividends

At the General Meeting on 3 April next, Covivio Hotels will propose to vote on distribution of a dividend of €1.55 per share paid in cash, stable for a year. This dividend represents a pay out ratio of 89% of EPRA Earnings and a yield of 5.4% based on the closing price at 31 December 2019.

2020 Outlook

In 2020, Covivio Hotels will pursue its growth in major European cities.

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ABOUT COVIVIO HOTELS

Covivio Hotels specialises in ownership of lease properties in the hotel industry. A listed property investment company (SIIC) and the real estate partner of large players in the hotel industry, Covivio Hotels holds a portfolio valued at €6.7 billion (as at 31 December 2019).

Covivio Hotels is rated BBB+ / with Stable outlook by Standard and Poor's.


ABOUT COVIVIO

Thanks to its partnering history, its real estate expertise and its European culture, Covivio is inventing today's user experience, designing tomorrow's city.

A preferred real estate player at the European level, Covivio is close to its end users, capturing their aspirations, combining work, travel, living, and co-inventing vibrant spaces.

A leading European operator with a portfolio valued at €24 billion, Covivio supports companies, hotel brands and regions to deal with the challenges of attractiveness, transformation and responsible performance.

Creating well-being and sustainable links is the corporate purpose of Covivio, which delivers its role as a responsible real estate operator with all stakeholders: clients, shareholders and financial partners, internal teams, local authorities and future generations. Also, its dynamic approach to real estate provides teams with the prospect of exciting projects and careers.

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Appendices

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

1. The European hotel market continues to grow

Covivio Hotels owns a hotel portfolio worth €6.5 billion (€5.8 billion Group share) focused on major European cities. Benefitting from its geographic diversification (across 9 Western European countries), its broad revenue base (16 hotel operators/partners) and asset management possibilities via different ownership methods (hotel lease and hotel operating properties), Covivio Hotels holds major growth and value creation drivers in its portfolio. The Group is very well positioned to benefit from growth in the European hotel market.

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


- ▶ Revenue per available room (RevPar) in Europe grew by +2.7% in 2019, driven both by the growth in Average Daily Rate (+1.9%) and the occupancy rate (+0.4 pt)
- ▶ The sector's trend is positive: the number of tourists in Europe grew by 4% in Europe in 2019 reaching a 743 million arrivals, well ahead of the latest forecast. Europe accounts for 51% of the global tourism market.
- ▶ Markets where the Group operates showed positive RevPar growth in 2019:

Country	RevPar change YTD (%)	Main driver
France	+1.7%	Paris +0.3%
Germany	+1.9%	Berlin +2.0%
Belgium	+6.1%	Brussels +7.8%
United Kingdom	+1.0%	London +2.6%
Spain	+5.1%	Madrid +10.7%; Barcelona +9.4%

- ▶ Investor appetite for hotels held steady in the beginning of 2019, with €23.3 billion in the twelve months to Q3 2019 (vs €23.0 billion in 2018), with around 50% of the transactions concentrated in the UK, Spain, and Germany. Yields remain overall stable across Europe, except in Italy, where strong investor demand resulted increasing values.

In 2019, Covivio Hotels' hotels activity was characterised by:

- ▶ Steady asset rotation
 - €792 million of acquisitions realized in 2019 (€417 million Group share), including a 32% stake in a portfolio of 32 Accor hotels worth €550 million in Paris and the city-centres of major cities in France and Belgium and a Hilton hotel under management contract in Dublin for €45 million.
 - €642 million of disposals (€437 million Group share), including €357 million (€284 million Group share) of new disposals agreement signed in 2019 on hotels with a 17% margin, mainly non-core B&B Hotel in secondary locations in France & Germany.
 - €573 million of investment secured for 2020 (capex included) with a high-end portfolio of 8 hotels in Rome, Florence, Venice, Budapest, Prague and Nice Covivio Hotels will sign 15-year triple-net leases with NH Hotels offering a 5.8% target yield (4.7% minimum guaranteed).
- ▶ Positive like-for-like hotels revenue growth (+1.2%) driven by the positive EBITDA performance from management contracts (+2.3%), particularly in Germany.
- ▶ The steady increase in hotel portfolio values (+5.5% on a like-for-like basis), in particular due to the high-margin secured on disposals to come in 2020 and the upturn of business in Germany.

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Assets not 100% owned by Covivio Hotels relate to:

- 94 B&B hotels in France (50.2% owned)
- 22 B&B assets in Germany (93.0%) of which 11 are under disposal agreements
- 8 B&B assets in Germany, formerly operating properties converted into leased properties in 2018, 5 of them held at 84.6% and the other 3 at 90%
- 2 Motel One assets in Germany (94.0%) acquired in 2015
- the Club Med Samoëns, delivered in 2017 and owned in partnership with ACM (50%).

2. Recognised revenues: +1.2% on a like-for-like basis

(€ million)	Number of rooms	Number of assets	Revenues 2018 100%	Revenues 2018 QP	Revenues 2019 100%	Revenues 2019 QP	Change QP (%) LfL 1	% of revenues
Paris	5,557	20	27.3	25.7	27.4	26.1	2.7%	9%
Inner suburbs	1,775	8	3.8	3.4	3.9	3.6	-4.7%	1%
Outer suburbs	3,699	36	13.3	10.3	12.3	9.6	2.5%	3%
Total Paris Regions	11,031	64	44.4	39.4	43.6	39.3	2.0%	14%
Major regional cities	6,921	62	25.7	20.5	23.0	19.3	-0.6%	7%
Other French Regions	5,281	69	30.7	16.2	26.8	15.5	0.2%	6%
Total France	23,233	195	100.9	76.2	93.3	74.1	0.9%	26%
Germany	7,305	66	27.9	27.1	34.1	33.0	1.3%	12%
UK	2,226	12	16.5	16.5	42.8	42.8	N/A	15%
Spain	3,699	20	34.3	34.3	34.5	34.5	0.2%	12%
Belgium	2,598	14	20.9	20.9	15.3	15.3	6.1%	5%
Other	1,441	7	8.0	8.0	12.9	12.9	1.7%	5%
Total Hotel - Lease properties	40,502	314	208.4	183.0	233.0	212.6	0.7%	76%
France	1,197	9	13.4	13.6	14.9	14.9	0.4%	5%
Germany	3,501	8	54.9	51.8	49.0	46.5	2.9%	17%
Other (Ireland & Belgium)	568	3	6.1	6.1	6.0	6.0	1.9%	2%
Hotel Operating properties (EBITDA)	5,266	20	74.5	71.5	69.8	67.4	2.3%	24%
Total revenues Hotels	45,768	334	282.9	254.5	302.8	280.0	1.2%	100%

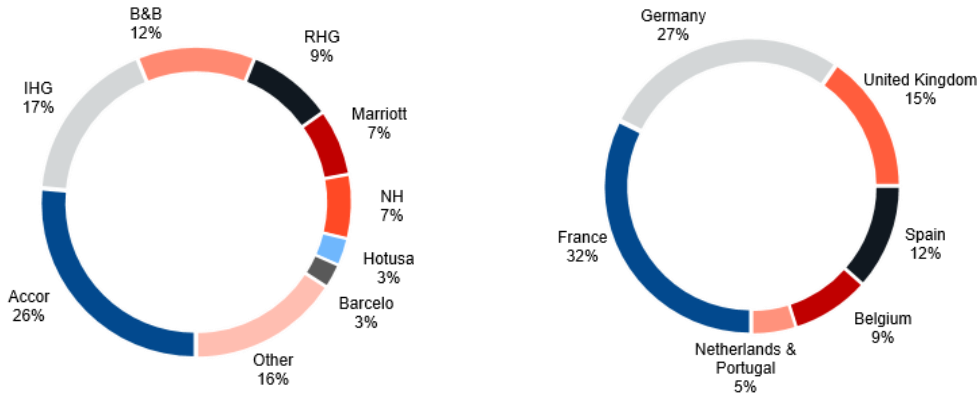
Hotel revenue grew by €25.5 million Group share compared to 2018, due to:

- ▶ +1.2% increase in revenues on a like-for-like basis (+€2.4 million)
 - +1.5% on fixed-indexed leases
 - -0.6% on Accor variable leases, due to the renovation capex realized by Accor in 2019 and part of 2020 on ~40% of the portfolio, that will boost future performance
 - +2.3% EBITDA growth on management contracts, mainly due to the business upturn in Germany (+2.9%), especially in Berlin.
- ▶ acquisitions (+€39.1 million), mainly the hotel portfolio in the United Kingdom leased to IHG realized in the second semester 2018.
- ▶ deliveries (+€3.7 million) of three Meininger hotels in Paris, Lyon and Munich and a B&B hotel in Greater Paris.
- ▶ Disposals (-€19.4 million), both in 2018 and 2019, including the Westin hotel in Dresden

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3. Annualised revenue: €294 million Group share

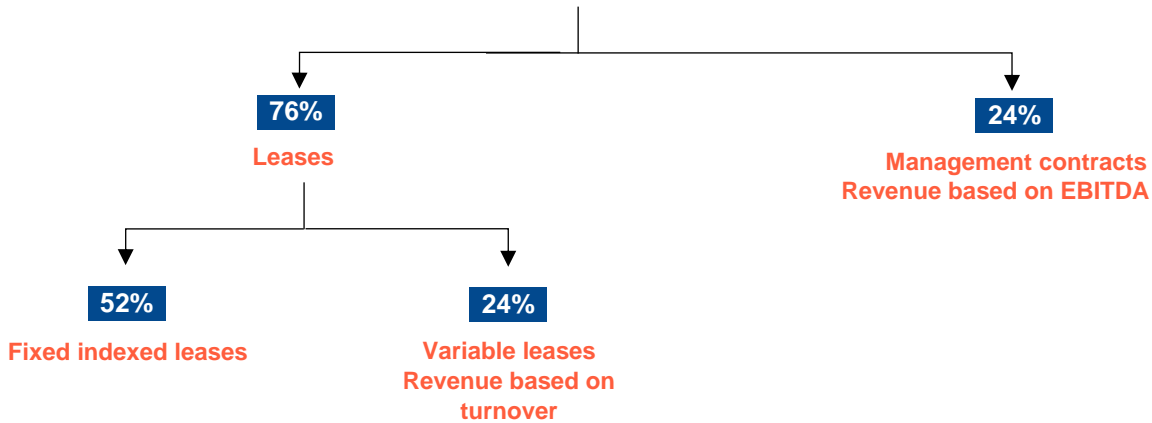
3.1. Breakdown by operators and by country



Post-acquisition of the 8 hotels in major European cities, Italy will represent 5% of total annualised revenues : Budapest and Prague will represent 4%.

3.2. Structure of annualised revenues: balance between fixed & variable revenue

€294 million Group share of annualized revenues



The revenue structure remained stable compared to end-2018, with a balance between fixed revenue & variable revenue. Thanks to this balance, Covivio Hotels benefits both from secured cash-flows with long-term visibility & the capacity to capture the growth supported by a well-oriented European hotel market.

Post-acquisition of the 8 hotels in major European cities, total annualised revenues reaches €327 million with 79% of leases of which 56% of Fixed indexed leases.

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4. Indexation

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

5. Lease expiries: 13.7 of firm residual lease term years

(€ million, Group share)	By lease end date (1 st break)	% of total	By lease end date	% of total
2020	3	1%	0	0%
2021	8	3%	1	1%
2022	8	3%	2	1%
2023	10	4%	6	3%
2024	0	0%	3	1%
2025	5	2%	6	3%
2026	2	1%	2	1%
2027	4	2%	4	2%
2028	1	0%	1	0%
2029	41	18%	43	19%
Beyond	144	64%	156	70%
Total Hotels in lease	224	100%	224	100%

Due to the signature of a 25-year firm lease with IHG in the United Kingdom, on two assets acquired in the first half of 2019, the firm residual duration at end of 2019 is at a record high, above 13 years.

The occupancy rate remained at 100%.

6. Reserves for unpaid rent

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

7. Disposals and disposal agreements: €284 of new commitments m

(€ million)	Disposals (agreements as of end of 2018 closed)	Agreements as of end of 2018 to close	New disposals 2019	New agreements 2019	Total 2019	Margin vs 2018 value	Yield	Total Realised Disposals = 1 + 2
Hotel Lease properties	283	-	113	133	246	22.9%	4.9%	396
Hotel Operating properties	-	-	111	-	111	3.2%	4.4%	111
Total Hotels - 100%	283	-	224	133	357	16.2%	4.8%	507
Total Hotels - Group share	151	-	162	122	284	16.9%	4.6%	313

Please note that this table does not include the €2 million disposals signed in 2019 on retail portfolio

Covivio Hotels continued its policy of rotating assets with €642 million hotel and retail disposals (€437 million Group share) including €357 million (€284 million Group share) of new commitments hotels in 2019:

- ▶ **non-core assets (€233 million):** including 30 B&B hotels in secondary locations for €113 million, signed with a 12% margin above end-2018 appraisal value and a 5.4% yield; 11 B&B hotels in Germany in secondary locations for €115 million, signed with a 39% margin above end-2018 appraisal value and a 4.2% yield.

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- ▶ **one mature asset (€124 million):** including the five-star Westin Bellevue in Dresden, with 340 rooms for €48.5 million (€46 million Group share), with a margin of +8.8% on the appraisal value. Covivio Hotels is keeping the adjacent land reserve which offers strong residential development potential, thus feeding its development pipeline in Germany.

In addition, €283 million of non-core disposals signed in 2018 were realised this year, mainly a portfolio of B&B hotels in France in secondary locations at a 5.5% yield.

8. Acquisitions: €792 realised in 2019 & €573 m secured for 2020

(€million, Including Duties)	Number of rooms	Location	Tenants	Acquisitions 2019 realised		
				Acq. price 100%	Acq. price Group share	Gross Yield
UK portfolio (2 assets secured in 2018)	285	United Kingdom	Voco	79	79	5,5%
NH Amersfoort (secured in 2018)	114	Netherlands	NH	12	12	7,8%
AccorInvest portfolio (32 assets)	6 221	France	AccorInvest	550	175	5,4% ¹
B&B Poland (3 assets)	433	Poland	B&B	24	24	6,7% ¹
Club Med Samoëns (reinforcement in % ownership)	124	France	Club Med	28	28	5,6%
Méridien Nice	442	France	Accor	58	58	4,9%
Total Lease properties				746	372	5,5%
Hilton Dublin	120	Ireland	Hilton	45	45	6,4%
Total Operating properties	-	-	-	45	45	6,4%

¹ Target yield in 2021 after ramp-up phase post-renovation.

During 2019, Covivio Hotels strengthened its presence in major European cities with €792 million (€417 million Group share) of acquisitions:



- ▶ A 32% stake in a portfolio of 32 Accor hotels in France and Belgium for €175 million, closed in early July 2019. The portfolio, valued at €550 million, comprises high-quality assets (recently renovated, sound EBITDAR margin >30%) located in Paris and in the city center of major regional cities. The purchase price implies a valuation of €88,000 per room, significantly below Covivio Hotels' similar Accor portfolio (valued €114,000 per room at end-2018). The lease type, 100% variable, will enable Covivio Hotels to fully benefit from the growth in future performance.



- ▶ 3 B&B hotels acquired for €24 million in Poland (Warsaw, Krakow & Lodz). Covivio Hotels is accompanying the expansion of a long-term partner in a new dynamic market. B&B aims to open 1,500 rooms in Poland largest cities in the medium-term. The Group signed long-term leases with B&B (15 years firm) with a minimum guaranteed yield of 6.3% and a target yield of 6.7% in 2023 through a variable rent.



- ▶ Acquisition a 4* hotel located in the centre of Dublin, under management contract with Hilton, for €45.5 million and a yield of 6.4%. With 120 rooms, this hotel will benefit from a project to convert meeting rooms into ten additional rooms from now to 2021, generating a target value creation of around 10%.

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- ▶ 3 transactions secured in 2018 and closed in the first half of 2019 for €91 million for 2 hotels in Oxford leased to IHG and 1 NH Hotel in the Netherlands.
- ▶ The increase of Covivio Hotels' stake in the Club Med Samoëns from 25% to 50% following the asset contribution of Caisse des Dépôts to Covivio Hotels.

In addition to the acquisitions realised this year, Covivio Hotels secured **€573 million investments for 2020**:



At end-2019, Covivio Hotels secured the acquisition of a hotel portfolio in 2020 in Rome, Florence, Venice, Budapest, Prague and Nice for €573 million (capex included). This portfolio of high-end hotels mostly classified 5* in prime locations include several emblematic hotels such as the Palazzo Naiadi in Rome, the Carlo IV in Prague, the Plaza in Nice and the NY Palace in Budapest.



Totalling 1,115 rooms, these hotels will be operated under the brands NH Collection, NH Hotels and Anantara Hotels & Resorts. For that, Covivio Hotels and NH Hotel Group (part of Minor International) signed long term triple net lease contracts with minimum guaranteed variable rent. The agreement has an initial duration of 15 years, extendible at NH Hotel Group's option to 30 years. Covivio Hotels is now pursuing a capex program for the entire portfolio, that shows great potential for growth.



9. Development projects

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

Delivered projects

In 2019, Covivio Hotels delivered 682 hotel rooms via 4 projects, representing €106 million (€102 million Group share) of development costs at a 6.2% yield and with 31% value creation.

- ▶ The B&B Cergy in Greater Paris, totalling 84 rooms
- ▶ 3 Meininger hotels: one in Munich of 173 rooms delivered in the first half of 2019. And two in France: Meininger's first opening in Paris and Lyon; in Porte de Vincennes a hotel of 249 rooms and in Lyon of 176 rooms.

Committed projects: 1 B&B hotel in Greater Paris

Covivio Hotels continues to support the development of B&B, with one more hotel in construction in Greater Paris (Bagnole) of 108 rooms for €8 million in total cost (€4 m Group share). The asset is scheduled to be delivered in second half 2020.



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10. Portfolio values

10.1. Change in portfolio values

(€ million, Excluding Duties, Group share)	Value 2018	Acquis.	Invest.	Disposals	Change in value	Reclustering	€ change	Value 2019
Hotels - Lease properties	4,011	329	21	-200	246	106	46	4,561
Hotels - Operating properties	1,189	90	10	-96	39	-	-	1,240
Assets under development	110	-	1	-	1	-106	-	5.0
Total Hotels	5,310	418	32	-296	286	-	46	5,807

The hotels portfolio reached €5.8 billion Group share at end 2019, mainly due to the impact of the acquisitions and investments realised (+€450 million) and the increase in property values (+€286 million), partly offset by disposals of non-core and mature hotels (-€296 million).

Post-acquisition of the 8 hotels in major European cities, the total hotel portfolio reaches €6.4 billion Group share.

10.2. Change on like-for-like basis: **+5.5% growth**

(€million, Excluding Duties)	Value 2018 QP	Value 2019 100%	Value 2019 QP	Lfl. ¹ change	Yield ² 2018	Yield ² 2019	% of total value
France	1 575	2 299	1 676	5,7%	5,1%	4,9%	29%
Paris	655	876	737	5,6%	4,4%	4,3%	13%
Greater Paris (excl. Paris)	259	520	322	6,9%	5,4%	5,0%	6%
Major regional cities	383	542	396	5,4%	5,5%	5,6%	7%
Other cities	278	360	222	5,1%	5,8%	5,5%	4%
Germany	6 14	7 55	7 31	18,8%	5,4%	4,7%	13%
Franckfurt	58	75	73	13,6%	5,4%	4,8%	1%
Munich	42	73	71	20,0%	4,5%	4,2%	1%
Berlin	59	73	70	19,1%	4,9%	4,1%	1%
Other cities	454	534	516	19,4%	5,5%	4,8%	9%
Belgium	2 47	2 96	2 69	3,3%	5,7%	5,8%	5%
Brussels	69	103	84	7,2%	5,7%	5,4%	1%
Other cities	177	193	185	1,8%	5,7%	5,9%	3%
Spain	6 36	6 68	6 68	4,6%	5,3%	5,1%	12%
Madrid	270	285	285	5,4%	4,6%	4,4%	5%
Barcelona	235	239	239	1,8%	5,9%	5,8%	4%
Other cities	131	145	145	7,9%	6,0%	5,2%	2%
UK	8 41	9 66	9 66	0,0%	4,9%	4,9%	17%
Other countries	208	257	257	5,9%	5,4%	5,3%	4%
Total Hotel lease properties	4 12 1	5 2 4 1	4 5 6 6	6,1%	5,2%	5,0%	79%
France	2 2 8	2 7 3	2 7 3	-2,4%	6,1%	5,3%	5%
Lille	123	116	116	-5,8%	5,3%	5,1%	2%
Other cities	104	157	157	0,3%	7,0%	5,4%	3%
Germany³	8 8 7	8 8 2	8 3 7	5,4%	6,3%	6,2%	14%
Berlin	603	612	581	5,8%	5,5%	5,2%	10%
Dresden & Leipzig	238	217	206	5,5%	7,5%	8,0%	4%
Other cities	47	53	50	1,0%	9,5%	9,3%	1%
Other countries	74	131	131	4,0%	7,7%	6,8%	2%
Total Hotel Operating properties	1 1 8 9	1 2 8 5	1 2 4 0	3,4%	6,3%	6,1%	21%
Total Hotels	5 3 1 0	6 5 2 6	5 8 0 7	5,5%	5,4%	5,2%	100%
Non-strategic (Retail)	1 7 3	1 6 6	1 6 6	-3,8%	7,3%	7,3%	-

¹ Lfl.: Like-for-Like

² Yield excluding assets under development; EBITDA yield for hotel operating properties

³ Yields excluding retail surfaces in the German hotels

87% of the portfolio is located in major European cities (cities with more than 2 million overnight stays per year)

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

- ▶ **+6.1% like-for-like growth on lease properties:**

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- +5.7% in France with the value creation on the B&B portfolio due to recent disposals with high margin above appraisal values
 - +18.8% in Germany with the value creation on the B&B portfolio due to recent disposals secured with high margin (€115 million of assets with 39% margin).
- ▶ **+3.4%** like-for-like growth in value for hotel **operating properties**, with +5.4% rise in values in Germany of the portfolio of 9 hotels under management contract.

- **Bridge table on the portfolio:**

Portfolio (as of 31/12/2019)	5 973 M€
Use rights for investment properties	+ 203 M€
Usage rights on operating assets	+ 27 M€
Equity affiliates > 30%	- 176 M€
Non-accrued goodwill of operating property assets	- 112 M€
Real Estate Assets Group Share	5 915 M€
The companies's fully consolidated non-controlling interest	+ 342 M€
100% Real estate assets - IFRS accounts	6 257 M€

- **Bridge table on NAV:**

Shareholders' equity Group - IFRS Accounts	3 278 M€
Fair value of operating property assets net of deferred taxes	+ 90 M€
Fixed-rate debt	- 26 M€
Restatements of duties	+ 58 M€
EPRA Triple Net NAV	3 400 M€
Financial instruments and fixed-rate debt	+ 116 M€
Deferred tax liabilities	+ 299 M€
EPRA NAV	3 815 M€

- **Bridge table on rental income:**

€ millions	Income 2019 IFRS accounts	Non-controlling interest	Income 2019 Group share Covivio Hotels
Hotels	233 M€	- 20 M€	213 M€
Retail premises	12 M€		12 M€
Total Rental Income	245 M€	-20 M€	225 M€
Managed hotel EBITDA	70 M€	-3 M€	67 M€

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- **Details of the calculation of Loan-to-Value (LTV):**

(€ million) – Group Share	2018	2019
Net book debt	2 208	2 329
Receivables linked to associates (fully consolidated)	-19	-35
Pledges	-154	-122
Security deposits received	-1	0
Purchase debt	18	11
Net debt Group Share	2 051	2 183
Appraised value of real estate assets (including duties)	5 712	6 081
Pledges	-154	-122
Financial assets	7	27
Receivables linked to associates (equity method)	7	61
Share of equity affiliates	84	207
Value of assets	5 656	6 254
LTV Excluding Duties	37,8%	36,5%
LTV Including Duties	36,3%	34,9%

- **Reconciliation with consolidated accounts:**

Net debt

(€M)	Consolidated accounts	Minority interests	Group share
Bank Debt	2 583	121	2 462
Cash and cash-equivalents	165	32	133
Net debt	2 419	90	2 329

Portfolio

(€M)	Consolidated accounts	Portfolio of companies under equity method (>30%)	Fair value of investment properties	Minority interests	Group share
Investment & development properties	4 729	550	1 281	-709	5 851
Assets held for sale	133			-11	122
Total portfolio	4 862	550	1 281	-720	5 973
				Duties	275
				Portfolio Group Share Including Duties	6 248
				Advances and pre-payments on fixed assets	6
				Portfolio for LTV calculation	6 254

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Interest Coverage Ratio (ICR)

€ million	2018	2019
EBE (Net rental income (-) operating expenses (+) results of other activities)	261	275
Cost of debt	-45	-54
ICR	5,82	5,10

- **Bridge table of EPRA Earnings:**

€ million	Net income 100% IFRS Accounts	Non- controlling interest	Net Income, Group Share	Restatements	EPRA Earnings
Net Rental Income	240,3	-20,3	220,0	0,0	220,0
Managed hotel income	69,9	-2,5	67,4	0,0	67,4
Operating costs	-21,5	5,7	-15,9	0,0	-15,9
Depreciation of operating assets	-42,3	1,0	-41,3	35,2	-6,0
Net allowances to provisions and other	10,6	0,0	10,6	-6,3	4,3
OPERATING PROFIT	257,0	-16,1	240,9	29,0	269,9
Income from disposals of assets	27,0	-7,4	19,6	-19,6	0,0
Net valuation gains and losses	245,0	-23,3	221,7	-221,7	0,0
Income from disposal of securities	4,1	-0,1	4,0	-4,0	0,0
Income from changes in scope	-15,0	0,0	-15,0	15,0	0,0
OPERATING PROFIT (LOSS)	518,2	-47,0	471,2	-201,3	269,9
Costs of net financial debt	-63,6	3,9	-59,7	1,2	-58,4
Interest charges on rental liabilities	-12,9	0,0	-12,9	9,0	-3,8
Fair value adjustment on derivatives	-51,4	1,4	-50,0	50,0	0,0
Discounting of liabilities and receivables	0,0	0,0	0,0	0,0	0,0
Net change in financial and other provisions	-3,6	0,8	-2,8	2,8	0,0
Share in income of equity affiliates	20,4	0,0	20,4	-10,0	10,4
PRE-TAX NET INCOME (LOSS)	407,0	-40,8	366,2	-148,2	218,0
Deferred tax liabilities	-2,2	0,7	-1,6	1,6	0,0
Recurrent Tax	-12,8	0,4	-12,4	3,6	-8,8
NET INCOME FOR THE PERIOD	392,0	-39,8	352,3	-143,0	209,2

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- Balance sheet:

€ millions	2018	2019	€ millions	2018	2019
INTANGIBLE ASSETS			Capital Stock	472,2	484,1
Goodwill	109,9	142,4	Share Premium	1 329,9	1 372,0
Other intangible assets	36,5	0,2	Stocks own	-0,1	-0,1
TANGIBLE ASSETS			Consolidation reserve	1 042,8	1 069,7
Operating buildings	1 011,9	1 022,6	Fiscal Year Net Result	194,0	352,3
Other tangible assets	23,6	24,0	CONSOLIDATED SHAREHOLDERS QUIT	3 038,8	3 278,0
Under construction assets	4,7	3,1	Minority interest	265,4	208,2
Investments property	4 648,1	4 931,8	TOTAL SHAREHOLDERS EQUITY	3 304,2	3 486,1
			Long-term borrow ing debt	2 569,3	2 534,4
Non current financial assets	39,2	93,0	Long-term lease liability	163,3	227,8
Investments in related companies	83,9	206,5	Fair value of net financial instruments - liabilities	24,6	83,1
Deferred taxes - assets	7,8	3,5	Deferred taxes - liabilities	248,6	273,5
Fair value of net financial instruments - asset	10,3	12,5	Provision for retirement indemnities	1,4	1,3
TOTAL NON CURRENT ASSETS	5 975,9	6 439,6	Other liabilities (non current)	8,2	4,3
Assets held for sale	288,1	132,6	TOTAL NON CURRENT LIABILITIES	3 015,3	3 124,6
Loans and financial lease receivables	2,2	2,9	Trade payables	45,6	36,1
Inventories and w ip	2,2	2,3	Payables related to assets	23,6	11,6
Fair value of net financial instruments - assets	4,2	4,3	Short-term borrow ing debt	256,1	49,1
Trade receivables	36,5	21,8	Short-term lease liability	0,4	2,7
Tax receivables	3,3	5,3	Fair value of Net Financial instruments - Liabilities	20,6	22,7
Other receivables	44,0	38,4	Advances and deposit	7,3	11,7
Deferred charges	1,8	1,5	Short-term provisions	8,5	8,2
Cash and cash equivalent	381,4	164,7	Corporate income tax liabilities	12,0	16,5
TOTAL CURRENT ASSETS	763,8	373,8	Tax liabilities	25,4	21,1
TOTAL ASSETS	6 739,7	6 813,4	Other liabilities	20,8	23,0
			TOTAL CURRENT LIABILITIES	420,2	202,7
			TOTAL LIABILITIES	6 739,7	6 813,4

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- Income statement:

€ millions	2018	2019	Var.
Rental Income	229,9	245,4	15,5
Un-recovered rental costs	-2,4	-2,4	0,0
Rental costs on property	-2,6	-2,7	-0,1
Bad debts	-0,0	0,0	0,1
Net Rental Income	224,9	240,3	15,4
Hotel Operative Activity Income	253,5	232,3	-21,2
Hotel Operative Activity Costs	-179,0	-162,4	16,6
Profit From Hotel Operating Activity	74,5	69,9	-4,6
Income from other activities	2,2	3,0	0,8
Costs relating to the services activities	-1,5	-1,4	0,1
Structure costs	-20,4	-22,5	-2,0
Development costs	-0,1	-0,6	-0,5
Operating Costs	-19,9	-21,5	-1,7
Depreciation of operating assets	-44,3	-42,3	2,1
Net allowances to provisions and other	6,1	10,6	4,6
CURRENT OPERATING INCOME	241,2	257,0	15,8
Income from disposals of assets	1,4	27,0	25,6
Net valuation gains and losses	99,9	245,0	145,1
Income from disposal of securities	119,7	4,1	-115,6
Income from changes in scope	-149,2	-15,0	134,2
OPERATING INCOME	313,0	518,2	205,2
Costs of net financial debt	-50,1	-63,6	-7,6
Interest charges on rental liabilities	-4,6	-12,9	-8,3
Fair value adjustment on derivatives	-12,8	-51,4	-38,6
Net change in financial and other provisions	-0,5	0,0	-0,3
Amortization of borrowings' cost	-9,9	-3,6	1,1
Share in income of equity affiliates	8,7	20,4	11,7
INCOME FROM CONTINUING OPERATIONS	243,8	407,0	163,2
Deferred tax	-7,2	-2,2	5,0
Corporate income tax	-9,4	-12,8	-3,4
NET INCOME FOR THE PERIOD	227,2	392,0	164,8
Non-controlling interests	-33,2	-39,8	-6,6
NET INCOME FOR THE PERIOD - GROUP SHARE	194,0	352,3	158,3



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- **Glossary:**

1) Definition of the acronyms and abbreviations used :

GS: Group share

Chg: Change

LFL: Like-for-Like

2) Firm residual term of leases

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

3) Triple net lease

Lease contract reached between a landlord and a tenant. A "triple net" lease means a lease for which all the taxes and expenses (works, maintenance) related to proper functioning of the building are at the expense of the tenant.

4) Loan To Value (LTV)

Calculation of the LTV is detailed in the Appendices.

5) 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.

6) EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation):

This is gross operating income after rent. The calculation can be described in the following manner:

(+) Total revenues (revenues)
(-) Purchases and External Expenses
(-) Personnel Expenses
= EBITDAR
(-) Rental income
= EBITDA

7) EBITDAR Margin:

EBITDAR corresponds to the gross operating income before rent. It is used to compare companies with different ownership policies.

The EBITDAR margin corresponds to the following calculation: EBITDAR / Total revenue

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The level of operating profits of hotels varies depending on the hotel category.

8) Portfolio

The portfolio presented includes investment properties and properties under development, as well as operating properties and properties in inventory for each of the entities, stated at their fair value. The portfolio value also include the asset under premises and the assets owned by more than 30% (fully consolidated or consolidated by equity method)

9) Value Yield

The portfolio returns are calculated according to the following formula:

$$\frac{\text{Annualised gross rental income}}{\text{Value excluding duties on the scope in question}}$$

10) Average annual rate of debt

$$\frac{\begin{aligned} &\text{Financial cost of bank debt for the period} \\ &+ \text{Financial cost of hedges for the period} \end{aligned}}{\text{Average used financial net debt outstanding in the year}}$$

11) 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.

12) 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.

On hotel operating properties, the change in constant scope is calculated based on EBITDA.

Restatement done:

- Deconsolidation of acquisitions and disposals realised on the N and N-1 periods
- Restatements of under work assets, i.e.:
 - restatement of released assets for work (realised on N and N-1 years)
 - restatement of deliveries of under-work assets (realised on N and N-1 years).

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13) 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, works, developments including the vacating and delivery of properties.

Restatement done:

- Deconsolidation of acquisitions and disposals realised on the period
- Restatement of work realised on assets during period N (including assets under development).



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