Registration Document

COVIVIO
HOTELS

AUTORITÉ
DES MARCHÉS FINANCIERS

AMF

This Registration Document was filed with the French *Autorité des Marchés Financiers* (AMF) on *8 March 2019, in accordance with Article 212-13 of the AMF's General Regulation. It may be used in connection with* a financial transaction if supported by a prospectus approved by the AMF. This document was prepared by the issuer and is binding upon its signatories.

Covivio Hotels
Limited partnership with share capital of €472,231,544
Registered office: 30, avenue Kléber 75116 PARIS
PARIS Trade and Companies Register 955 515 895

2018 REGISTRATION DOCUMENT

KEY FIGURES

Covivio Hotels is a French listed real estate investment company (SIIC) and the market leader in hotel real estate.

Covivio Hotels is now the leading investor in hotel real estate in Europe. With 460 assets of which 384 hotels in its portfolio, valued €6 billion (at 100% end of 2018), Covivio Hotels is the real estate partner of leading hotel operators in France and in Europe. Covivio Hotels is able to support brands in their leasing, operating and development projects, positioning itself alongside them in Europe's most dynamic cities.

Covivio Hotels is backed by institutional shareholders including Covivio, Predica, the life insurance subsidiary of Crédit Agricole, Crédit Mutuel-CIC, BNP Paribas, Generali and Société Générale, and the Caisse des Dépôts et Consignations.

The company's investment policy is focused on building partnerships with leading operators in each business sector, as well as innovative players who stand out for their pioneering, profitable concepts, with a view to offering shareholders a recurring return on investment.

In line with industry reporting Covivio Hotels accounts for three segments:

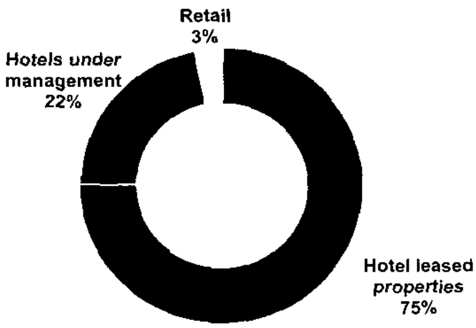
- *hotel leased properties (AccorHotels, B&B, NH Hotel Group, IHG, Motel One, Barcelo Group, Pierre et Vacances,* Club Med);
- hotels under management (Rezidor, Marriott, AccorHotels, IHG);
- retail premises (Courtepaille, Jardiland).

(€K)		**2018**	**2017**
Revenue, Group share		**275,907**	**188,371**
of which:	*Hotel leased properties (Rental income)*	182,953	153,562
	Hotels under management (EBITDA)*	71,516	0
	Retail premises (Rental income)	21,438	34,809

(*) not consolidated in 2017

(€K)		**2018**	**2017**
Portfolio value, Group share		**5,482,955**	**4,013,304**
of which:	*Hotel leased properties*	4,120,771	3,566,176
	Hotels under management*	1,189,174	0
	Retail premises	173,010	447,128

Overall distribution of the portfolio (Group share) by value as at 31/12/2018



(€K)	*2018*	*2017*
Simplified consolidated income statement		
Net rental income	224,870	204,682
Managed hotel income	74,468	0
Net cost of operations	-19,816	-13,617
Depreciation of operating assets	-44,336	0
Net allowances to provisions and other	6,067	295
Current operating income	**241,253**	**191,360**
Income from asset disposals	1,406	4,572
Net valuation gains and losses	99,868	100,161
Income from disposals of securities	119,705	0
Income from changes in scope	-149,187	247
Operating income (loss)	**313,044**	**296,340**
Net financial income	-77,878	-25,894

(€K)	2018	2017
Share of income from companies accounted for under the equity method	8,668	17,575
Net income before tax	**243,835**	**288,021**
Taxes	-16,655	-4,057
Net income	**227,180**	**283,964**
Net income (loss) from discontinued operations	0	-38
Minority interests	-33,178	-31,761
Net income Group Share	**194,002**	**252,165**

	2018	2017
Figures, Group share		
Net income, Group share (€ per share)	1.74	3.01
EPRA earnings (€ million)	198.4	155.5
EPRA earnings (€ per share)	1.78	1.85
EPRA NNNAV (€ million)	3,109.5	2,225.8
EPRA NNNAV per share (€)	26.3	25.3
EPRA NAV (€ million)	3,405.9	2,422.3
EPRA NAV (€ per share)	28.9	27.6
Dividend [(1)] (€ per share)	1.55	1.55

(1) 2018 dividend proposed to the General Meeting of 5 April 2019

Number of shares during the period	2018	2017
Number of shares at opening	87,816,087	74,103,963
Number of shares created by capital increase	30,241,799	13,712,124
Number of shares at period-end[(1)]	118,057,886	87,816,087
(Average number of shares)	111,314,724	83,913,869

[(1)]including treasury shares: 4,840 at 31/12/2018 (versus 2,443 at 31/12/2017)

(€K)	Net 31/12/2018	Net 31/12/2017		Net 31/12/2018	Net 31/12/2017
Simplified consolidated balance sheet					
ASSETS			**LIABILITIES**		
Non-current assets	5,975,918	4,080,354	Shareholders' equity	3,304,207	2,405,158
Current assets	382,380	266,208	Non-current liabilities	3,015,336	1,819,905
Cash	381,401	33,645	Current liabilities	420,155	155,144
ASSETS	6,739,698	4,380,207	LIABILITIES	6,739,698	4,380,207

Features of debt as of 31 December 2018

As of 31 December 2018, the Group share of net financial debt stood at €2,208 million, with an average rate for the period of 2.08% and an average maturity of 5.6 years. In 2018, the average active hedging rate was 79.3%.

1. MANAGEMENT REPORT

1.1. Strategy and outlook

As of 31 December 2018, Covivio Hotels – a real estate company listed on Compartment A of the Euronext regulated market in Paris, having opted for SIIC status – holds a portfolio of 460 assets (of which 384 hotels) with a total appraisal value of €6.0 billion (€5.5 billion Group share), located throughout France and Europe.

The strategy of Covivio Hotels, Europe's leading hotel real estate investor, is based on long term partnerships with the most innovative hotel operators in France and Europe. In 2018, Covivio Hotels completed a major milestone in its development andportfolio upmarket strategy by pursuing its growth strategy in the United Kingdom through the acquisition of a high-end portfolio and accelerating the disposal of its non-strategic assets. The company continued to develop its partnerships, particularly in Germany, Spain and France, and is now the leading hotel investor in Europe. Covivio Hotels supports brands in their leasing, operating and development projects, positioning itself alongside them in Europe's most dynamic cities.

Covivio Hotels and its partners hold regular partnership committee meetings to identify portfolio development opportunities, analyse business and operations, and monitor ongoing programs.

Outlook

In 2019, Covivio Hotels intends to strengthen its leadershipin major European hospitality markets (especially in the United Kingdom, in Germany and in France), thanks to its ability to implement and develop partnerships with leading hotel operators.

1.2. Activity of the company and its subsidiaries

1.2.1. 2018 EVENTS

In 2018, Covivio Hotels completed a major milestone in its development and portfolio upmarket strategy by pursuing its growth strategy in the United Kingdom and accelerating the disposal of non-strategic assets.

Expansion focused on Europe's largest cities and a major acquisition in the UK

In July 2018, Covivio Hotels completed its first acquisition in the United Kingdom for €895 million, with a premium portfolio of twelve 4 and 5* hotels located in the country's major cities. The first ten hotels were acquired in July and November 2018, while the remaining two assets, located in Oxford, were acquired on 14 February 2019.

Simultaneously, Covivio Hotels signed long-term triple net variable leases, with a minimum guaranteed, with InterContinental Hotels Group (IHG), which operates these hotels under several premium brands.

Covivio Hotels has thus established a foothold in the United Kingdom, the top market in terms of investments and fourth most popular tourist destination in Europe. This portfolio of excellent quality includes 2,226 rooms and enjoys the benefit of prime locations in the heart of Britain's large cities. The assets, which have already benefitted from recent work projects, offer significant potential for further growth and generate good profits (EBITDAR margin above 30%). Covivio Hotels and its partner are jointly supporting the upmarket positioning of its portfolio and rebranding under the Kimpton, Voco and Intercontinental brands, with *a target of 6% yield when operating at full speed.*

The assets acquired in 2018 have already proved an estimated 3% value creation as of 31 December 2018, compared to the acquisition price.

Support for hotel operators and upmarket positioning

Covivio Hotels is strengthening its partnership with NH Hotels with the acquisition of 3 NH 4* hotels, located in Berlin, Hamburg and Amsterdam, for €98 million, and the signing of an option to buy the NH Hotel Amersfoort (asset valued at €12 million). These hotels are operated by NH Hotel Group as part of a 20-year lease.

In terms of expansion, in 2018, Covivio Hotels delivered the Motel One Paris Porte Dorée, the first hotel of the European operator Motel One in France, totalling 255 rooms. It also signed off on the development of a 4* hotel of 169 rooms, in the heart of Malaga's historic centre. It will be delivered in 2020 and leased to Room Mate.

The General Meeting of 24 January 2018 approved the merger between Covivio Hotels (formerly *Foncière des Murs*) and FDM Management. The absorption of its subsidiary, created in 2014, to acquire and manage hotel operating properties, allows Covivio Hotels to increase its exposure in 4* hotels in Germany, particularly in Berlin, and to strengthen its sources of value creation and its capacity for growth. The consolidation of operating properties increased the portfolio by €745 million, while simplifying the company's organisation.

All of these operations constitute major steps in the development strategy of Covivio Hotels, *making it possible to form new partnerships and to accelerate the* upmarket positioning and geographic diversification of its portfolio: 74% of the portfolio's hotels are thus classified as mid-range and upscale, compared to 54% *in 2017, and 85% are located in major European cities, compared to 73% in 2017.*

Continued disposal from non-strategic assets

In 2018, Covivio Hotels signed divestment contracts or agreements to sale valued at €543 million. These divestments constitute a significant step in a strategy of upgrading its portfolio and disposing of non-strategic operations. These signings mainly concern:

- disposal of the portfolio of all the Quick restaurants for €163 million;
- the sale of 23 Jardiland assets (54% of the residual portfolio, assets located on the outskirts of French cities), for a total of €108 million;
- disposal of the Sunparks holiday resort, located in De Haan, Belgium, for €102 million; and
- an agreement to sell to an institutional investor, which concerns 59 B&B hotels located in the French provinces and the outskirts of Paris, for a totalamount of €137 million, Group Share.

These sales were completed on the basis of a yield of 6% and a margin of 3% with respect to the latest appraisal values. On 31 December 2018, Covivio Hotels still holds in its portfolio 3% of non- strategic assets, compared to 11% at the end of 2017.

1.2.2. HOTEL REAL ESTATE PORTFOLIO

1.2.2.1. Hotel real estate market in Europe

In France
(Source: MKG)

Although business was disrupted at year-end by protests, France recorded an excellent performance for the year with 7.3% growth in RevPAR at 31 December 2018. The solid performance is mainly due to record visitor numbers in Paris and the surrounding region (+1.2 million hotel arrivals, up 3.6% on 2017), as well *as the vitality of major regional cities. The growth in RevPAR reflects the occupancy rate, which was up 1.2 points, and average prices that were 5.3% higher* than the previous year.

In Belgium and the Netherlands
(Source: MKG)

With growth in RevPAR of 8.5%, Belgium recorded the best performance in western Europe. The upturn was mainly driven by Brussels, which saw an 11.2% rise in RevPAR over the previous year. This result reflects the 2.7 point increase in occupancy rate and the 4.6% rise in average prices. The Netherlands also recorded an excellent performance in 2018, with the rebound in most Dutch cities translating into a 6.5% increase in RevPAR.

In Germany
(Source: MKG)

The German market remained buoyant in 2018, with a uniform increase in RevPAR of 2.7% across all hotel ranges. This result reflects the 0.4 point increase in occupancy rate and the 2.2% rise in average prices.

In Spain and Portugal
(Source: MKG)

Although impacted by political events in Barcelona (-3.4% in 2018), Spain remains positive with growth of 1.5% over the year. Portugal also performed well in 2018, with RevPAR up 3.4%.

In the United Kingdom
(Source: MKG)

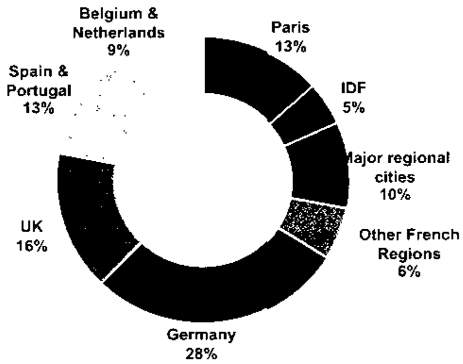
The United Kingdom posted dynamic year-on-year growth, with a 2.1% increase in RevPAR at 31 December 2018. This performance was driven by strong growth in the upscale segment (+3.0%), together with London, which saw a 2.6% rise in RevPAR.

1.2.2.2. Overview of the portfolio

The portfolio comprises 384 hotels (including 20 operating properties and 5 assets under development) and has a balanced distribution both in terms of range and geographically. The hotel real estate business (rental income from operating properties and EBITDA from hotels under management) generated total revenue of €282.9 million in 2018, with a Group share of €254.5 million, up 4.7% year-on-year at like-for-like scope.

Geographic breakdown of hotels by value at 31/12/2018 (€5,310 million in Group share)

As at 31 December 2018, the appraisal value of the hotel portfolio held by Covivio Hotels totalled €5,836 million, or a Group share of €5,310 million (excluding duties).



The detailed list of assets is as follows:

Tenants	Brand	Asset name	Town/City	Country	Number of rooms
AC Hotels	AC Hotels	AC Barcelona Forum	Barcelona	Spain	368
AccorInvest	Novotel	Novotel Gent Centrum	Ghent	Belgium	117
AccorInvest	Novotel	Novotel Brussels Grd Place	Brussels	Belgium	138
AccorInvest	Novotel	Novotel Brussels Airport	Brussels	Belgium	209
AccorInvest	Ibis	Ibis Gent Opera	Ghent	Belgium	134
AccorInvest	Ibis	Ibis Brussels Grd Place	Brussels	Belgium	184
AccorInvest	Ibis	Ibis Antwerpen Centrum	Antwerp	Belgium	150
AccorInvest	Ibis	Ibis Brugge Centrum	Bruges	Belgium	128
AccorInvest	Novotel	Novotel Brugge Centrum	Bruges	Belgium	126
AccorInvest	Ibis	Ibis Brussels Airport	Machelen	Belgium	98
AccorInvest	Ibis	Ibis Brussels Expo Atomium	Grimbergen	Belgium	81
AccorInvest	Ibis	Ibis Paris Rungis	Rungis	France	144
AccorInvest	Ibis Budget	Ibis Budget Aubervilliers	Aubervilliers	France	257
AccorInvest	Ibis	Ibis Fontainebleau	Fontainebleau	France	86

Tenants	Brand	Asset name	Town/City	Country	Number of rooms
AccorInvest	Ibis Styles	Ibis Styles Paris Bercy	Paris	France	364
AccorInvest	Ibis	Ibis Lyon Part Dieu	Lyon	France	144
AccorInvest	Ibis	Ibis Strasbourg Centre Petite France	Strasbourg	France	98
AccorInvest	Ibis	Ibis Strasbourg Centre Ponts Couverts	Strasbourg	France	244
AccorInvest	Novotel	Novotel Paris Gare Lyon	Paris	France	253
AccorInvest	Novotel	Novotel Paris Massy	Palaiseau	France	147
AccorInvest	Ibis Budget	Ibis Budget Mulhouse Dornach	Mulhouse	France	68
AccorInvest	Novotel	Novotel Bordeaux C Meriadeck	Bordeaux	France	137
AccorInvest	Novotel	Novotel Paris St Quentin	Magny-les-Hameaux	France	131
AccorInvest	Novotel	Novotel Atria Charenton	Charenton-le-Pont	France	133
AccorInvest	Novotel	Novotel Atria Rueil	Rueil-Malmaison	France	118
AccorInvest	Novotel	Novotel Atria Grenoble	Grenoble	France	118
AccorInvest	Mercure	Mercure La Grande Motte	La Grande Motte	France	117
AccorInvest	Ibis	Ibis Annecy	Annecy	France	85
AccorInvest	Novotel	Novotel Nimes Centre Atria	Nîmes	France	119
AccorInvest	Novotel	Novotel Lyon Nord	Dardilly	France	107
AccorInvest	Mercure	Mercure Tour Eiffel	Paris	France	405
AccorInvest	Novotel	Novotel Aix Beaumanoir	Aix-en-Provence	France	102
AccorInvest	Ibis	Ibis Paris Bastille Opera	Paris	France	305
AccorInvest	Ibis	Ibis Paris La Fayette	Paris	France	70
AccorInvest	Ibis	Ibis Paris Versailles Parly 2	Le Chesnay	France	72
AccorInvest	Novotel	Novotel Aix Pont de l'Arc	Aix-en-Provence	France	80
AccorInvest	Ibis	Ibis Bordeaux Lac 2	Bordeaux	France	116
AccorInvest	Novotel	Novotel Lille Centre Palais Congres	Lille	France	104
AccorInvest	Novotel	Novotel Genève Aéroport	Ferney-Voltaire	France	80
AccorInvest	Novotel	Novotel Paris Cergy	Cergy-Pontoise	France	191
AccorInvest	Mercure	Mercure Paris La Défense	Nanterre	France	160
AccorInvest	Mercure	Mercure St Quentin	Montigny-le-Bretonneux	France	74
AccorInvest	Novotel	Novotel Paris Roissy	Roissy	France	201
AccorInvest	Novotel	Novotel Paris Pont de Sèvres	Sèvres	France	131
AccorInvest	Novotel	Novotel Rouen Sud	St-Etienne du Rouvray	France	134
AccorInvest	Ibis	Ibis Bordeaux Gare	Bordeaux	France	80
AccorInvest	Ibis	Ibis Chartres Centre	Chartres	France	79
AccorInvest	Ibis	Ibis Limoges Centre	Limoges	France	68
AccorInvest	Mercure	Mercure Lille Le Royal	Lille	France	101
AccorInvest	Ibis	Ibis Rouen Centre Rive Droite	Rouen	France	88
AccorInvest	Ibis	Ibis Rouen Centre Rive Gauche	Rouen	France	80
AccorInvest	Novotel	Novotel Lille Flandres	Lille	France	96
AccorInvest	Ibis Budget	Ibis Budget L'Isle Adam	L'Isle d'Adam	France	69
AccorInvest	Ibis Budget	Ibis Budget Gennevilliers	Gennevilliers	France	119
AccorInvest	Ibis	Ibis Arras	Arras	France	63
AccorInvest	Ibis	Ibis Avignon Gare	Avignon	France	98
AccorInvest	Ibis	Ibis Nancy Centre Gare	Nancy	France	82
AccorInvest	Sofitel	Sofitel Lyon Bellecour	Lyon	France	164
AccorInvest	Mercure	Mercure Lyon Lumière	Lyon	France	78
AccorInvest	Ibis	Ibis Orléans Centre Gare	Orléans	France	67
AccorInvest	Mercure	Mercure Paris Porte St Cloud	Boulogne Billancourt	France	180
AccorInvest	Ibis	Ibis Roissy Paris Nord2	Roissy	France	134
AccorInvest	Mercure	Mercure Angers Centre	Angers	France	84
AccorInvest	Ibis	Ibis Marseille Centre	Marseille	France	52
AccorInvest	Ibis	Ibis Marseille Prado	Marseille	France	116
AccorInvest	Ibis	Ibis Metz Centre Cathédrale	Metz	France	79
AccorInvest	Ibis	Ibis Nice Centre	Nice	France	199
AccorInvest	Novotel	Novotel Strasbourg Halle	Strasbourg	France	96
AccorInvest	Ibis	Ibis Strasbourg Halles	Strasbourg	France	97
AccorInvest	Mercure	Mercure Strasbourg	Strasbourg	France	98
AccorInvest	Ibis Budget	Ibis Budget Toulouse Matabiau	Toulouse	France	130
AccorInvest	Ibis	Ibis Toulouse Aero	Blagnac	France	88
AccorInvest	Novotel	Novotel Toulouse Compans	Toulouse	France	131
AccorInvest	Novotel	Novotel Lyon La Part Dieu	Lyon	France	124
B&B	B&B	Munich City West	Munich	Germany	147
B&B	B&B	Mülheim	Mülheim a.d.Ruhr	Germany	101
B&B	B&B	Hamburg East	Hamburg	Germany	155
B&B	B&B	Munich	Aschheim	Germany	127
B&B	B&B	Nuremberg	Nuremberg	Germany	135
B&B	B&B	Berlin-Potsdamer	Berlin	Germany	92
B&B	B&B	Duisburg	Duisburg	Germany	101
B&B	B&B	Oberhausen	Oberhausen	Germany	102
B&B	B&B	Potsdam	Potsdam	Germany	101

Tenants	Brand	Asset name	Town/City	Country	Number of rooms
B&B	B&B	Mannheim	Mannheim	Germany	100
B&B	B&B	Düsseldorf Airport	Düsseldorf	Germany	100
B&B	B&B	Kassel	Kassel	Germany	94
B&B	B&B	Koblenz	Koblenz	Germany	100
B&B	B&B	Dresden	Dresden	Germany	131
B&B	B&B	Darmstadt	Darmstadt	Germany	102
B&B	B&B	Essen	Essen	Germany	106
B&B	B&B	Stuttgart – Vaihingen	Stuttgart	Germany	108
B&B	B&B	Würzburg	Würzburg	Germany	95
B&B	B&B	Böblingen	Böblingen	Germany	100
B&B	B&B	Hamburg – Harburg	Hamburg	Germany	100
B&B	B&B	Lübeck	Lübeck	Germany	96
B&B	B&B	Köln-Porz	Köln-Porz	Germany	104
B&B	B&B	Munich Airport – Hallbergmoos	Hallbergmoos	Germany	101
B&B	B&B	Bremen	Bremen	Germany	100
B&B	B&B	Kiel	Kiel	Germany	101
B&B	B&B	Cologne	Frechen	Germany	106
B&B	B&B	Regensburg	Regensburg	Germany	96
B&B	B&B	Heidelberg	Heidelberg	Germany	123
B&B	B&B	Mainz	Mainz	Germany	92
B&B	B&B	Erfurt	Erfurt	Germany	95
B&B	B&B	Erlangen	Erlangen	Germany	100
B&B	B&B	Mönchengladbach	Mönchengladbach	Germany	100
B&B	B&B	Bonn	Bonn	Germany	100
B&B	B&B	Herne	Herne	Germany	78
B&B	B&B	Freiburg	Freiburg	Germany	80
B&B	B&B	Ingolstadt	Ingolstadt	Germany	73
B&B	B&B	Braunschweig	Braunschweig	Germany	78
B&B	B&B	Kaiserslautern	Kaiserslautern	Germany	84
B&B	B&B	Hannover	Hannover	Germany	73
B&B	B&B	Baden Airpark	Rheinmünster	Germany	85
B&B	B&B	Aachen	Würselen	Germany	78
B&B	B&B	Osnabruck	Osnabruck	Germany	100
B&B	B&B	Bordeaux Bruges	Bordeaux	France	72
B&B	B&B	Aix-en-Provence Pont de l'Arc	Aix-en-Provence	France	82
B&B	B&B	Leipzig-Nord	Leipzig	Germany	78
B&B	B&B	Bordeaux Mérignac	Mérignac	France	72
B&B	B&B	Bordeaux Lormont	Lormont	France	69
B&B	B&B	Berlin-Süd	Genshagen	Germany	73
B&B	B&B	Euralille	Lille	France	127
B&B	B&B	Konstanz	Konstanz	Germany	100
B&B	B&B	Bordeaux Sud	Villenave d'Ornon	France	60
B&B	B&B	Valencia	Valencia	Spain	125
B&B	B&B	Madrid Airport	Madrid	Spain	124
B&B	B&B	Grenoble Université	Gières	France	72
B&B	B&B	Alicante	Alicante	Spain	120
B&B	B&B	Girona	Salt-Girona	Spain	93
B&B	B&B	Lille Lezennes	Lezennes	France	70
B&B	B&B	Lille Seclin	Seclin	France	80
B&B	B&B	Angers 1	Beaucouze	France	60
B&B	B&B	Agen	Agen	France	72
B&B	B&B	Alençon	Alençon – Valframbert	France	60
B&B	B&B	Angers 2	Beaucouze	France	70
B&B	B&B	Auxerre 1	Monéteau	France	71
B&B	B&B	Annecy	Argonay / Pringy	France	69
B&B	B&B	Aulnay-sous-Bois	Aulnay-sous-Bois	France	113
B&B	B&B	Dreux	Dreux	France	45
B&B	B&B	Auxerre 2	Monéteau	France	70
B&B	B&B	Avignon 1	Le Pontet	France	72
B&B	B&B	Evreux	Evreux	France	83
B&B	B&B	Avignon 2	Le Pontet	France	70
B&B	B&B	Evry Lisses 1	Evry Lisses	France	99
B&B	B&B	Avranches	Avranches	France	60
B&B	B&B	Evry Lisses 2	Evry Lisses	France	84
B&B	B&B	Beauvais	Allonne	France	72
B&B	B&B	Beaune Nord	Savigny-lès-Beaune	France	70
B&B	B&B	Beaune Sud 2	Beaune	France	69
B&B	B&B	Fréjus	Fréjus	France	59
B&B	B&B	Belfort	Belfort	France	78

Tenants	Brand	Asset name	Town/City	Country	Number of rooms
B&B	B&B	Fréjus Roquebrune	Roquebrune-sur-Argens	France	70
B&B	B&B	Besançon	Besançon	France	59
B&B	B&B	Goussainville	Goussainville	France	70
B&B	B&B	Béziers	Villeneuve Les Béziers	France	60
B&B	B&B	Blois	Blois	France	63
B&B	B&B	Herblay	Herblay	France	48
B&B	B&B	Lyon Est Aéroport	Saint-Bonnet-de-Mure	France	70
B&B	B&B	Lyon Gambetta	Lyon	France	116
B&B	B&B	Lyon Eurexpo	Meyzieu	France	91
B&B	B&B	Lyon Montplaisir	Lyon	France	95
B&B	B&B	Hyères	Hyères	France	52
B&B	B&B	La Queue-en-Brie	La Queue-en-Brie	France	47
B&B	B&B	Boulogne-sur-Mer	Boulogne-sur-Mer	France	72
B&B	B&B	Bourges 1	Bourges	France	70
B&B	B&B	Brest Kergaradec	Brest Kergaradec	France	46
B&B	B&B	Brest Port	Brest	France	40
B&B	B&B	Brignoles	Brignoles	France	70
B&B	B&B	Brive La Gaillarde	Ussac	France	70
B&B	B&B	Caen Mémorial	Saint-Contest	France	70
B&B	B&B	Calais Coquelles	Calais Coqueline	France	72
B&B	B&B	La Rochelle Angoulins	Angoulins	France	60
B&B	B&B	Calais Saint Pierre	Calais St Pierre	France	70
B&B	B&B	Le Havre 1	Harfleur	France	72
B&B	B&B	Chalon-sur-Saône Nord	Champforgeuil	France	42
B&B	B&B	Chalon-sur-Saône Sud	Saint-Rémy	France	71
B&B	B&B	Chambéry	Chambéry	France	54
B&B	B&B	Le Havre 2	Harfleur	France	70
B&B	B&B	Le Mans Nord 1	Saint-Saturnin	France	69
B&B	B&B	Chartres 1	Le Coudray	France	60
B&B	B&B	Le Mans Nord 2	Saint-Saturnin	France	72
B&B	B&B	Le Mans Sud	Arnage	France	60
B&B	B&B	Lens Noyelles-Godault	Noyelles-Godault	France	72
B&B	B&B	Lyon Vénissieux	Vénissieux	France	137
B&B	B&B	Lyon Saint-Priest	Saint-Priest	France	72
B&B	B&B	Vefa Lyon Caluire	Caluire et Cuire	France	120
B&B	B&B	Lyon Berthelot	Lyon	France	113
B&B	B&B	Orange	Orange	France	57
B&B	B&B	Narbonne 1	Narbonne	France	63
B&B	B&B	Narbonne 2	Narbonne	France	71
B&B	B&B	Limoges 1	Limoges	France	70
B&B	B&B	Noisy-le-Grand	Noisy-le-Grand	France	70
B&B	B&B	Orgeval	Orgeval	France	72
B&B	B&B	Limoges 2	Limoges	France	61
B&B	B&B	Paray-le-Monial	Paray-le-Monial	France	70
B&B	B&B	Orleans	La Chapelle-Saint-Mesmin	France	61
B&B	B&B	Orly Chevilly-Larue	Chevilly-Larue	France	86
B&B	B&B	Lorient Caudan	Caudan	France	70
B&B	B&B	Orly Rungis	Rungis	France	94
B&B	B&B	Périgueux	Boulazac	France	60
B&B	B&B	Louveciennes	Louveciennes	France	81
B&B	B&B	Roubaix	Roubaix	France	85
B&B	B&B	Perpignan Sud	Perpignan	France	61
B&B	B&B	Paris La Villette	Paris	France	162
B&B	B&B	Poitiers 1	Chasseneuil-du-Poitou	France	70
B&B	B&B	Poitiers 2	Chasseneuil-du-Poitou	France	72
B&B	B&B	Poitiers 3	Chasseneuil-du-Poitou	France	76
B&B	B&B	Pontault Combault	Pontault Combault	France	47
B&B	B&B	Quimper Nord	Quimper	France	62
B&B	B&B	Marseille La Valentine	Marseille	France	84
B&B	B&B	Marseille Saumaty	Marseille	France	70
B&B	B&B	Malakoff – Paris Parc des Expositions	Malakoff	France	233
B&B	B&B	Marne La Vallée	Bussy Saint Georges	France	130
B&B	B&B	Metz Augny	Augny	France	60
B&B	B&B	Metz Semecourt	Semecourt	France	70
B&B	B&B	Rouen Parc des Expositions	Le Grand-Quevilly	France	60
B&B	B&B	Roissy	Roissy	France	226
B&B	B&B	Montpellier 1	Saint-Jean-de-Védas	France	70
B&B	B&B	Rouen Saint-Étienne-du-Rouvray	Saint-Étienne-du-Rouvray	France	57
B&B	B&B	Montpellier 2	Saint-Jean-de-Védas	France	72

Tenants	Brand	Asset name	Town/City	Country	Number of rooms
B&B	B&B	Nantes Saint Herblain	Saint Herblain	France	72
B&B	B&B	Nancy Frouard 2	Frouard	France	71
B&B	B&B	Nantes Saint Sébastien	Saint-Sébastien-sur-Loire	France	70
B&B	B&B	Chartres 2	Le Coudray	France	70
B&B	B&B	Nancy Laxou	Laxou	France	70
B&B	B&B	Châteauroux 1	Deols	France	70
B&B	B&B	Nantes Aéroport	Bouguenais Cedex	France	84
B&B	B&B	Nantes Centre	Nantes	France	60
B&B	B&B	Nantes La Beaujoire	Nantes	France	60
B&B	B&B	Châteauroux 2	Deols	France	64
B&B	B&B	Cherbourg	La Glacerie	France	60
B&B	B&B	Saint Brieux	Trégueux	France	60
B&B	B&B	Cholet	Cholet	France	56
B&B	B&B	Clermont Gerzat 1	Gerzat	France	71
B&B	B&B	Saint Etienne	Villars	France	72
B&B	B&B	Saint-Michel-sur-Orge	Saint-Michel-sur-Orge	France	70
B&B	B&B	Saint-Malo Centre La Découverte	Saint-Malo	France	93
B&B	B&B	Saint-Quentin	Saint-Quentin	France	54
B&B	B&B	Saint-Nazaire	Saint-Nazaire	France	71
B&B	B&B	Saint-Witz	Saint-Witz	France	42
B&B	B&B	Nantes La Chapelle	La Chapelle-sur-Erdre	France	60
B&B	B&B	Nantes	Nantes	France	0
B&B	B&B	Clermont Gerzat 2	Gerzat	France	63
B&B	B&B	Clermont Le Brézet	Clermont Ferrand	France	60
B&B	B&B	Colmar	Wintzenheim	France	70
B&B	B&B	Corbeil	Corbeil-Essonnes	France	47
B&B	B&B	Toulon La Seyne-sur-Mer	La Seyne-sur-Mer	France	72
B&B	B&B	Toulon Ollioules	Ollioules	France	70
B&B	B&B	Rennes Cesson-Sévigné	Cesson-Sévigné	France	91
B&B	B&B	Rennes Atalante Ouest Villejean	Rennes	France	80
B&B	B&B	Tours Nord 1	Tours	France	61
B&B	B&B	Tours Nord 2	Tours	France	70
B&B	B&B	Creil Chantilly	Creil	France	83
B&B	B&B	Tours Sud	Joué-lès-Tours	France	72
B&B	B&B	Troyes Barberey	Barberey-Saint-Sulpice	France	64
B&B	B&B	Dieppe Saint-Aubin	Saint-Aubin-sur-Scie	France	72
B&B	B&B	Troyes Saint-Parres	Saint-Parres-aux-Tertres	France	69
B&B	B&B	Dijon Nord	Dijon	France	70
B&B	B&B	Dijon Sud 1	Marsannay-la-Côte	France	72
B&B	B&B	Dijon Sud 2	Marsannay-la-Côte	France	70
B&B	B&B	Vannes Est	Vannes	France	71
B&B	B&B	Valence Sud	Valence	France	79
B&B	B&B	Valence Nord	Bourg-les-Valence	France	71
B&B	B&B	Douai Cuincy	Cuincy	France	72
B&B	B&B	Villeneuve Loubet Plage	Villeneuve-Loubet	France	70
B&B	B&B	Rennes Saint-Grégoire	Saint-Grégoire Cedex	France	71
B&B	B&B	Villeneuve-Loubet Village	Villeneuve-Loubet	France	71
B&B	B&B	Montélimar	Les Tourrettes	France	70
B&B	B&B	Rennes Chantepie Sud	Rennes	France	84
B&B	B&B	Villepinte	Villepinte	France	91
B&B	B&B	Montlhéry	Linas-Montlhéry	France	50
B&B	B&B	Morlaix	Saint-Martin-des-Champs	France	61
B&B	B&B	Moulins	Toulon-sur-Allier	France	72
B&B	B&B	Mulhouse Ile Napoléon	Illzach	France	70
B&B	B&B	Vefa Porte De Choisy	Ivry-sur-Seine	France	182
B&B	B&B	Nancy Frouard 1	Frouard	France	73
B&B	B&B	Salon Provence	Salon-de-Provence	France	83
B&B	B&B	Valenciennes Marly	Marly	France	83
B&B	B&B	Arras	Arras	France	81
B&B	B&B	Bourges 2	Bourges	France	46
B&B	B&B	Saint-Denis Pleyel	St-Denis	France	138
B&B	B&B	Mulhouse	Mulhouse	France	90
B&B	B&B	Lens	Lens	France	80
B&B	B&B	Sophia Antipolis Le Relais	Biot	France	47
B&B	B&B	Strasbourg Nord Artisan	Vendenheim	France	70
B&B	B&B	Sophia Antipolis Le Biot	Biot	France	67
B&B	B&B	Paris Est Bondy	Bondy	France	118
B&B	B&B	Cannes Ouest La Bocca	Cannes	France	96
B&B	B&B	Châlons-en-Champagne	Châlons-en-Champagne	France	84

Tenants	Brand	Asset name	Town/City	Country	Number of rooms
B&B	B&B	Bayonne Tarnos	Tarnos	France	74
B&B	B&B	Strasbourg Sud Geispolsheim	Geispolsheim	France	82
B&B	B&B	Strasbourg Nord Industrie	Vendenheim	France	72
B&B	B&B	Strasbourg Sud Ostwald	Ostwald	France	69
B&B	B&B	Toulouse Centre	Toulouse	France	92
B&B	B&B	Toulouse Cité Espace	Toulouse	France	72
B&B	B&B	Bagnolet	Bagnolet	France	108
B&B	B&B	Berlin Messe	Berlin	Germany	140
B&B	B&B	Cergy	Cergy-Pontoise	France	84
B&B	B&B	Chatenay Malabry	Chatenay-Malabry	France	127
B&B	B&B	Porte des Lilas	Paris	France	265
B&B	B&B	Vefa Romainville	Noisy-le-Sec	France	107
B&B	B&B	Vefa Torcy	Torcy	France	130
B&B	B&B	Berlin	Berlin	Germany	105
B&B	B&B	Cologne	Cologne	Germany	105
B&B	B&B	Hannover	Hannover	Germany	74
B&B	B&B	Kassel	Kassel	Germany	74
B&B	B&B	Düsseldorf – Ratingen	Düsseldorf	Germany	74
B&B	B&B	Schweinfurt	Schweinfurt	Germany	74
B&B	B&B	Frankfurt-Offenbach	Frankfurt	Germany	74
B&B	B&B	Düsseldorf City	Düsseldorf	Germany	84
Barcelo	Barcelo Hotels & Resorts	Barcelo Corralejo Bay	Fuerteventura	Spain	241
Barcelo	Barcelo Hotels & Resorts	Barcelo Castellana Norte	Madrid	Spain	144
Barcelo	Barcelo Hotels & Resorts	Barcelo Torre De Madrid	Madrid	Spain	256
Club Med	Club Med	Club Med Samoëns	Samoëns	France	420
Club Med	Club Med	Da Balaia	Albufeira	Portugal	372
Hotusa	Exe Hotels	Exe Plaza Castilla	Madrid	Spain	262
Hotusa	Eurostars Hotels	Eurostars Grand Marina	Barcelona	Spain	291
Hotusa	Eurostars Hotels	Eurostars Executive Barbera	Barcelona	Spain	118
IHG	Voco	Voco Oxford Spires	Oxford	UK	181
IHG	Voco	Voco Oxford Thames	Oxford	UK	104
IHG	Kimpton	Kimpton London	London	UK	334
IHG	Kimpton	Kimpton Manchester	Manchester	UK	270
IHG	Kimpton	Kimpton Edinburgh Charlotte Square	Edinburgh	UK	199
IHG	Intercontinental	Intercontinental Edinburgh George Street	Edinburgh	UK	240
IHG	Kimpton	Kimpton Glasgow Blythswood Square	Glasgow	UK	113
IHG	Voco	Voco Cardiff	Cardiff	UK	142
IHG	Voco	Voco York	York	UK	155
IHG	Indigo	Hotel Indigo Leeds	Leeds	UK	120
IHG	Voco	Voco Glasgow Grand Central	Glasgow	UK	243
Independent	Independent	Paseo Del Arte	Madrid	Spain	260
Independent	Holiday Inn	Holiday Inn Ciudad De Las Artes	Valence	Spain	100
Independent	Tryp	Tryp Almussafes	Almussafes	Spain	133
Independent	Holiday Inn	Holiday Inn Tres Cantos	Madrid	Spain	61
Independent	Playa Senator	Playa Capricho	Roquetas De Mar	Spain	323
Independent	Independent	Wotton House	Wotton	UK	125
Meininger	Meininger	Meininger Munich	Munich	Germany	173
Meininger	Meininger	Meininger Lyon Zimmermann	Lyon	France	176
Meininger	Meininger	Meininger Porte de Vincennes	Paris	France	249
Melia	Tryp	Tryp Oceanic Valencia	Valence	Spain	197
Melia	Tryp	Tryp Aeropuerto Barcelona	Barcelona	Spain	205
Motel One	Motel One	Motel One Porte Dorée	Paris	France	255
Motel One	Motel One	Motel One Frankfurt Niederrad	Frankfurt	Germany	271
Motel One	Motel One	Motel One Berlin Mitte	Berlin	Germany	186
NH Hotel Group	NH	NH Amersfoort	Amersfoort	Netherlands	114
NH Hotel Group	NH	NH Frankfurt	Frankfurt	Germany	165
NH Hotel Group	NH	NH Düsseldorf	Düsseldorf	Germany	111
NH Hotel Group	NH	NH Stuttgart	Stuttgart	Germany	208
NH Hotel Group	NH	NH Nuremberg	Nuremberg	Germany	244
NH Hotel Group	NH	NH Oberhausen	Oberhausen	Germany	171
NH Hotel Group	NH	NH Amsterdam	Amsterdam	Netherlands	232
NH Hotel Group	NH	NH Berlin City Ost	Berlin	Germany	99
NH Hotel Group	NH	NH Hamburg Mitte	Hamburg	Germany	134
NH Hotel Group	NH	NH Amsterdam Noord	Amsterdam	Netherlands	290
NH Hotel Group	NH	NH Collection Colon	Madrid	Spain	146
Pierre & Vacances	Sunparks	Kempense Meren	Kempense Meren	Belgium	594
Pierre & Vacances	Sunparks	Oostduinkerke	Oostduinkerke	Belgium	283

Subtotal leased assets					**364**

Tenants	**Brand**	**Asset name**	**Town/City**	**Country**	**Number of rooms**
AccorHotels	Pullman	Pullman Roissy	Roissy	France	305
AccorHotels	Pullman	Pullman Dresden Newa	Dresden	Germany	319
AccorHotels	Mercure	Mercure Potsdam City	Potsdam	Germany	210
AccorHotels	Ibis	Ibis Dresden	Dresden	Germany	612
IHG	Crowne Plaza	Crowne Plaza	Lille	France	121
IHG	Holiday Inn	Holiday Inn Picardy	Le Touquet	France	88
IHG	Crowne Plaza	Crowne Plaza Brussels Airport	Brussels	Belgium	315
Independent	Independent	Grand Hôtel Bellevue	Lille	France	60
Independent	Independent	Art Déco	Lille	France	56
Independent	Independent	Couvent des Minimes	Lille	France	83
Marriott	Autograph C.	Bourgtheroulde	Rouen	France	78
Marriott	Autograph C.	Hermitage Gantois	Lille	France	88
Marriott	Meridian	Méridien Nice	Nice	France	318
Marriott	Westin	The Westin Grand Berlin	Berlin	Germany	400
Marriott	Westin	The Westin Bellevue Dresden	Dresden	Germany	340
Marriott	Westin	The Westin Leipzig	Leipzig	Germany	436
Radisson Hotel Group	Park Inn	Park Inn Leuven	Leuven	Belgium	133
Radisson Hotel Group	Park Inn	Park Inn Alexander Platz	Berlin	Germany	1,028
Radisson Hotel Group	Radisson Blu	Radisson Blu Leipzig	Leipzig	Germany	214
Radisson Hotel Group	Radisson Blu	Radisson Blu Erfurt	Erfurt	Germany	282
AccorHotels	Pullman	Pullman Roissy	Roissy	France	305
AccorHotels	Pullman	Pullman Dresden Newa	Dresden	Germany	319
Subtotal operating properties					**20**
TOTAL hotel real estate assets					384
TOTAL rooms					45,478

1.2.2.3. Partnership with the AccorHotels Group

In 2005, the year of the first investment transaction, Covivio Hotels and the AccorHotels Group signed a partnership agreement to optimise the performance of leases and occupancy agreements.

Regular committee meetings are held so that the parties can:

- decide which portfolio development initiatives to implement in the short and medium-term;
- analyse information on hotel management and the business;
- monitor the implementation of works programmes planned during transactions;
- decide on joint disposals of assets in the portfolio;
- discuss future development operations.

Plans to extend, develop or create new hotels are also regularly examined at partnership meetings.

AccorHotels: key figures
(source: AccorHotels website)

AccorHotels is the sixth-largest hotel operator in the world and the market leader in Europe. It operates in 100 countries with 4,500 hotels and 620,000 rooms.

AccorHotels has a broad and unique portfolio of award-winning, complementary brands. These cover the entire spectrum from luxury to budget and are internationally recognised for their quality of service. They include Raffles, Fairmount, Sofitel, Pullman, Swissôtel, MGallery, Novotel, Suite Novotel, Mercure, Mama Shelter, Ibis, Ibis Styles, Ibis Budget and HotelF1. With 250,000 employees working for AccorHotels brands worldwide, the Group's customers and partners have been benefiting from its knowledge and expertise for almost 45 years.

AccorHotels posted revenue of €3.6 billion in 2018, up 8.8% at like-for-like scope. Net income totalled €2.2 billion, an increase of 400%. Overall RevPAR was up 5.6% year-on-year.

In 2018, AccorHotels divested 65% of AccorInvest, its real estate division (retail premises and hotel operating properties). AccorInvest leases hotels owned by Covivio Hotels and owns or leases a portfolio of 878 hotels with 125,445 rooms in nearly 26 countries.

1.2.2.4. Partnership with B&B

Covivio Hotels directly or indirectly owns 237 B&B hotels in France, Germany and Spain, valued at €1,148 million as at 31 December 2018.

The Covivio Hotels and B&B partnership was formed in 2011.

It regularly examines development projects, particularly off-plan, such as the four hotels currently under construction in France and Germany.

B&B Group: key figures
(source: B&B website)

The B&B Hotels chain was established in France in 1989. Its pioneering concept proved an immediate success and is the reason for the company's continued growth. In 1998, B&B Hotels began operating in Germany. The chain was subsequently bought by the Carlyle Group in 2010. The US investment firm is investing in the European expansion of B&B Hotels, mainly by refurbishing existing hotels and accelerating the opening of new hotels in Europe. A well-known brand in the quality low-cost segment, the B&B Hotels Group has more than 470 hotels worldwide.

1.2.2.5. Partnership with IHG

Covivio Hotels has 12 hotels operated by IHG in the UK, France and Belgium. These were valued at €890 million as at 31 December 2018.

The partnership between Covivio Hotels and IHG began in 2018 with the acquisition of a portfolio of upscale hotels located in major cities in the UK. These assets, which recently underwent refurbishment, offer significant growth potential and a solid return. Through this partnership, IHG is able to develop its high-end and innovative brands in Europe: Voco and Kimpton.

IHG Group: key figures
(source: IHG website)

The IHG Group is one of the world's leading hotel chains and operates in more than 100 countries. At the end of 2018, it was the third-largest hotel group in the world by number of rooms, with a portfolio of 5,603 properties and 836,541 rooms.

1.2.3. PORTFOLIO OF RETAIL PREMISES

1.2.3.1. Market overview

Commercial food service market

Following dynamic growth in 2017, the fast-food market remained buoyant in 2018 (+5% year-on-year). Although this highly competitive sector is witnessing a steady influx of newcomers, it is continuing to benefit from changing consumer habits and an increase in spending power (+1.5%) (*source: Crédit Foncier*).

Garden centre market

The garden centre market contracted slightly in 2018 with a 1.5% fall in revenue (*source: French Fédération nationale des métiers de la jardinerie*).

1.2.3.2. Overview of the portfolio

At 31 December 2018, Covivio Hotels' portfolio of retail premises comprised 76 assets with an estimated value of €173 million. The portfolio consists of 54 restaurants belonging to the Courtepaille Group and 22 Jardiland assets.

List of restaurants held at 31/12/2018:

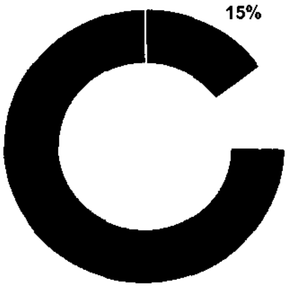
Brand	Town/City	Department
Courtepaille	Péronnas	Ain (01)
Courtepaille	Vallauris	Alpes-Maritimes (06)
Courtepaille	Aix-en-Provence	Bouches-du-Rhône (13)
Courtepaille	Vitrolles	Bouches-du-Rhône (13)
Courtepaille	Caen Nord	Calvados (14)
Courtepaille	Caen Mondeville	Calvados (14)
Courtepaille	Puiboreau	Charente-Maritime (17)
Courtepaille	Trégueux	Côtes-d'Armor (22)
Courtepaille	Valence	Drôme (26)
Courtepaille	Evreux	Eure (27)
Courtepaille	Chartres	Eure-et Loir (28)
Courtepaille	Nîmes	Gard (30)
Courtepaille	Balma	Haute-Garonne (31)
Courtepaille	Toulouse Fenouillet	Haute-Garonne (31)
Courtepaille	Mérignac	Gironde (33)
Courtepaille	Béziers	Hérault (34)
Courtepaille	Chambray-lès-Tours	Indre-et-Loire (37)
Courtepaille	Voreppe	Isère (38)
Courtepaille	Bouguenais	Loire-Atlantique (44)
Courtepaille	Villemandeur	Loiret (45)
Courtepaille	Artenay	Loiret (45)
Courtepaille	La Chapelle-Saint-Mesmin	Loiret (45)
Courtepaille	Reims	Marne (51)
Courtepaille	Heillecourt	Meurthe-et-Moselle (54)
Courtepaille	La Charité-sur-Loire	Nièvre (58)
Courtepaille	Englos	Nord (59)
Courtepaille	Marcq-en-Barœul	Nord (59)

Courtepaille	Mouvaux	Nord (59)
Courtepaille	Villeneuve-d'Ascq	Nord (59)
Courtepaille	Fresnes-lès-Montauban	Pas-de-Calais (62)
Courtepaille	Sailly-Labourse	Pas-de-Calais (62)
Courtepaille	Pierre-Bénite	Rhône (69)
Courtepaille	Châlon-sur-Saône Nord	Saône-et-Loire (71)
Courtepaille	Crèches-sur-Saône	Saône-et-Loire (71)
Courtepaille	Saint-Saturnin	Sarthe (72)
Courtepaille	Le Grand-Quevilly	Seine-Maritime (76)
Courtepaille	Lognes	Seine-et-Marne (77)
Courtepaille	Mareuil-lès-Meaux	Seine-et-Marne (77)
Courtepaille	Moissy-Cramayel	Seine-et-Marne (77)
Courtepaille	Nemours	Seine-et-Marne (77)
Courtepaille	*Guyancourt*	*Yvelines (78)*
Courtepaille	Dury	Somme (80)
Courtepaille	Appoigny	Yonne (89)
Courtepaille	Guillon	Yonne (89)
Courtepaille	Lisses	Essonne (91)
Courtepaille	Les Ulis	Essonne (91)
Courtepaille	Linas	Essonne (91)
Courtepaille	Rosny-sous-Bois	Seine-Saint-Denis (93)
Courtepaille	La Plaine-Saint-Denis	Seine-Saint-Denis (93)
Courtepaille	Créteil	Val-de-Marne (94)
Courtepaille	Rungis	Val-de-Marne (94)
Courtepaille	Limoges	Haute Vienne (87)
Courtepaille	Brie Comte Robert	Seine-et-Marne (77)
Courtepaille	Cergy-Pontoise	Val-d'Oise (95)
TOTAL restaurant assets		54

List of garden centres held at 31/12/2018:

Brand	Town/City	Department
Jardiland	Lescure-d'Albigeois	Tarn (81)
Jardiland	Handle	Rhône (69)
Jardiland	Bassussary	Pyrénées-atlantiques (64)
Jardiland	La Chaussée St-Victor	Loir-et-Cher (41)
Jardiland	St-Germain-du-Puy	Cher (18)
Jardiland	Calais	Pas-de-Calais (62)
Jardiland	Chancelade	Dordogne (24)
Jardiland	Charmeil	Allier (3)
Jardiland	Châteaudun	Eure-et-Loir (28)
Jardiland	Chatellerault	Vienne (86)
Jardiland	Dammaris-les-Lys	Seine-et-Marne (77)
Jardiland	Domerat	Allier (3)
Jardiland	Grande Synthe	Nord (59)
Jardiland	St-Saturnin	Sarthe (72)
Jardiland	Lempdes	Puy-de-Dôme (63)
Jardiland	Limoges	Haute-Vienne (87)
Jardiland	Montauban	Tarn-et-Garonne (82)
Jardiland	Nîmes	Gard (30)
Jardiland	Saintes	Charente-Maritime (17)
Jardiland	Saran	Loiret (45)
Jardiland	Naveil	Loir-et-Cher (41)
Jardiland	Tarbes	Hautes-Pyrénées (65)
TOTAL garden centre assets		22

Geographic breakdown of retail premises by value as at 31/12/2018 (total: €173 million)



1.2.3.3. Partnerships with retail premises

The portfolio of retail premises held by Covivio Hotels comprises 54 Courtepaille restaurants and 22 Jardiland garden centres. At 31 December 2018, the portfolio was valued at €173 million, down from the previous year (-1.5%), with an average yield of 7.3% excluding duties.

Courtepaille: key figures
(Source: Courtepaille website)

The Courtepaille Group, founded in 1961, runs more than 300 restaurants in France. It is the country's second-largest sit-down restaurant chain. The group's restaurants are mainly located on the outskirts of towns and cities, along major arterial roads and in prominent business and leisure parks.

***Jardiland*: key figures**
(Source: Jardiland website)

Jardiland is a distribution company specialising in gardening. It has a network of nearly 200 stores across Europe (France, Spain, Portugal, Switzerland and *Belgium). The group is one of the market leaders in France in the gardening sector. It has more than 5,000 employees. Bought in September 2018 by the* InVivo Group, France's largest agricultural cooperative group, Jardiland is now part of the subsidiary InVivo Retail.

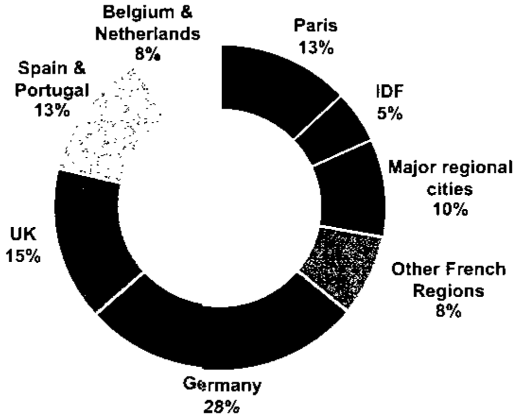
1.3. Portfolio

As at 31 December 2018, Covivio Hotels owned a portfolio of 460 assets (including 20 operating assets and 5 assets under development) valued at a total of €6,009 million, or a Group share of €5,483 million (excluding duties), up 2.8% on 2018 at like-for-like scope. These are freehold assets.

1.3.1. GEOGRAPHIC BREAKDOWN

The geographic breakdown of the Covivio Hotels portfolio by region is as follows:

Geographic breakdown of the portfolio as a % of value at 31/12/2018



The overall breakdown of the portfolio highlights the Company's geographic diversification strategy, with 18% in Paris and the surrounding region, 10% in major regional cities in France and 64% abroad, mostly in major European cities.

1.3.2. BREAKDOWN OF REVENUE

Group share of revenue rose by 0.6% (4.5% at like-for-like scope) to stand at €276 million, compared to €188 million at 31 December 2017. This performance is due to the combined effect of:

- the merger of Covivio Hotels (formerly Foncière des Murs) with FDM Management (+€71.5 million);
- acquisitions and deliveries of assets under development (+€24.8 million);
- disposals made in 2017 and 2018 (-€15.7 million);
- the increase in rental income at like-for-like scope (+€6.2 million), mainly linked to the growth of AccorHotels revenue, boosted by the upturn in the hotel cycle.

Covivio Hotels has excellent visibility over its future cash flows, given the signing of firm long-term leases with tenants who have a solid credit rating and are leaders in their respective industries. In 2018, for example, Covivio Hotels signed ten 25-year leases on IHG 4* and 5* hotels in the United Kingdom.

The average remaining term of firm leases in the Covivio Hotels portfolio was 13.4 years as at 31 December 2018.

Reconciliation of Group share of revenue at 31/12/2018 and revenue in the consolidated financial statements (see Section 3.2.7.1.1)

(€ million)	2018 revenue – consolidated financial statements	Non-controlling interest	2018 revenue – Group share
Hotel real estate (rental income)	208.4	-25.4	183.0
Hotels under management (EBITDA)	74.5	-3.0	71.5
Retail premises (rental income)	21.4	-	21.4
TOTAL	304.4	-28.4	275.9

Annualised revenues
Group share of annualised revenues amounted to €285.4 million at the end of December 2018. This breaks down as follows:

Breakdown by business segment

(€ million)	Number of rooms	Number of assets	2017 annualised revenues	2018 annualised revenues	As % of total rental income
Hotel real estate (rental income)	39,202	359	157.5	206.4	72.3%
Retail premises (rental income)	-	76	30.0	12.7	4.5%
TOTAL	39,202	435	187.6	219.2	76.8%
Hotels under management (EBITDA)	5,486	20	0.0	66.2	23.2%
TOTAL	44,688	455	187.6	285.4	100 %

Breakdown by geographic location

(€ million)	Number of rooms	Number of assets	2017 annualised revenues	2018 annualised revenues	As % of total rental income
Paris	*3,725*	*15*	*22.2*	*26.4*	*9.2%*
Inner suburbs	*678*	*5*	*3.1*	*3.4*	*1.2%*
Outer suburbs	*3,451*	*35*	*9.5*	*10.4*	*3.6%*
Total Paris Regions	7,854	55	34.8	40.2	14.1%
Major regional cities	6,267	68	20.2	20.5	7.2%
Other French Regions	9,172	126	16.2	16.2	5.7%
Rest of world	15,909	110	86.4	129.5	45.4%
TOTAL Hotels lease properties	39,202	359	157.5	206.4	72.3%
Retail premises (rental income)	-	76	30.0	12.7	4.5%
Hotels under management (EBITDA)	5,486	20	0.0	66.2	23.2%
TOTAL	44,688	455	187.6	285.4	100%

Breakdown by tenant / operator

(€ million)	*Number of rooms*	*Number of assets*	*2017 annualised revenues*	*2018 annualised revenues*	*As % of total rental income*
AccorHotels	11,369	78	54.2	68.5	24.0%
IHG	2,340	12	0.0	45.8	16.0%
B&B	19,401	235	39.4	41.4	14.5%
RHG	1,657	4	0.0	22.7	7.9%
Marriott	1,660	6	0.0	23.1	8.1%
NH Hotel Group	1,801	10	12.7	18.2	6.4%
Hotusa	671	3	8.3	8.3	2.9%
Barcelo	641	3	7.4	7.8	2.7%
Club Med	792	2	5.6	5.9	2.1%
AC Hotels	368	1	5.0	6.1	2.1%
Melia	534	3	5.1	4.4	1.5%
Motel One	712	3	2.1	4.3	1.5%
Louvre Hotels	664	8	0.0	2.4	0.8%
Sunparks	877	2	13.4	6.5	2.3%
Independent	1,201	9	4.4	7.5	2.6%
Retail	-	76	29.9	12.7	4.5%
TOTAL	44,688	455	187.6	285.4	100%

1.3.3. LEASE SCHEDULE

The remaining lease term was 13.4 years at 31 December 2018, compared with 10.7 years at 31 December 2017.

(€ million)	By lease end date	As % of the total
2019	13.4	6.1%
2020	0.7	0.3%
2021	6.2	2.8%
2022	7.7	3.5%
2023	8.3	3.8%
2024	0.1	0.1%
2025	5.5	2.5%
2026	1.6	0.7%
2027	2.8	1.3%
2028	6.8	3.1%
Beyond	166.0	75.7%
TOTAL RENTAL INCOME	219.2	100%

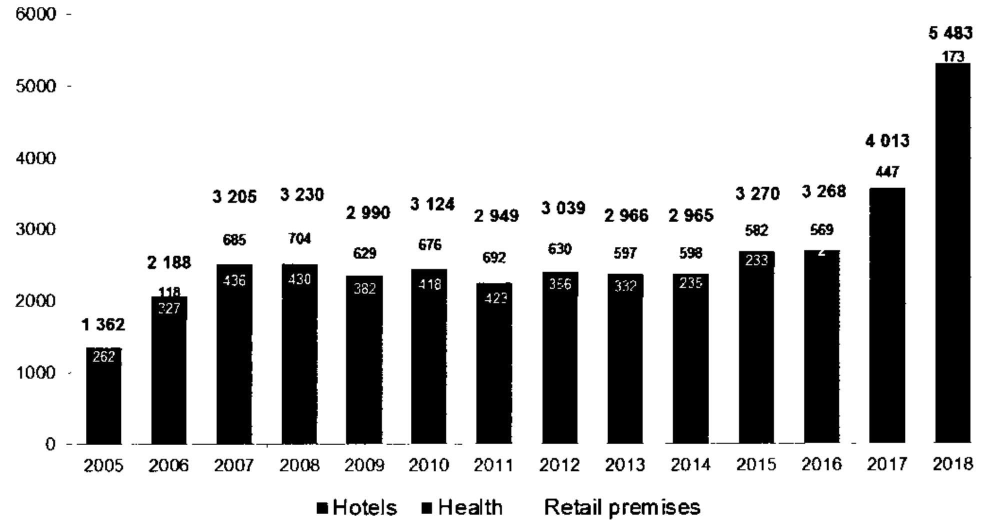
1.3.4. OCCUPANCY RATE

The occupancy rate measures the ratio between the average rental value of the occupied space and the average rental value of the overall portfolio, expressed as a percentage.

The structural rate has been 100% since the company's creation.

1.4. Valuation of assets and NAV

Change in Group share of the portfolio by value excluding duties (in €m)



Reconciliation of Group share of portfolio value as at 31/12/2018 and the value of real estate assets in the consolidated financial statements (see Section 3.2.6.1.2)

Group share of portfolio as at 31/12/2018	**€5,483 million**
Fixed assets	+€1 million
Use rights on investment properties	+€164 million
Non-accrued goodwill of operating property assets	-€49 million
Real Estate Assets Group Share	**€5,599 million**
The companies's fully consolidated non-controlling interest	+€524 million
100% real estate assets – consolidated financial statements	**€6,123 million**

1.4.1. APPRAISALS

As at 31 December 2018, the appraisal value excluding duties totalled €6,009 million, or a Group share of €5,483, compared with €4,013 million as at 31 December 2017. This increase is the result of the merger with FDM Management, investments in the hotel industry in Europe, and the appreciation in value at like-for-like scope. The growth was driven by major European cities, compensating for the impact of disposals.

Change in asset value and capitalisation rate

(€ million)	Value excluding duties 2017	Value excluding duties 2018	Var. 12 months at like-for-like scope	Target Yield (2017)	Target Yield 2018	as % of Total value
Hotels (leased properties and hotels under management)	3,458	5,200	2.9%	5.4%	5.2%	95%
Assets under development	108	110	6.4%	n.a.	n.a.	2%
Total Hotels	**3,566**	**5,310**	**3.0%**	**5.4%**	**5.2%**	**97%**
Retail premises	447	173	-1.5%	6.7%	7.3%	3%
TOTAL	4,013	5,483	2.8%	5.5%	5.3%	100%

(€ million) 2018	Value excluding duties	Value including duties
Hotels (leased properties and hotels under management)	5,310	5,622
Retail premises	173	185
TOTAL	5,483	5,807

The value excluding duties is calculated by deducting a percentage from the value inclusive of duties ranging from 1.8% to 7.6% for France (depending on the Département), 2.5% for Belgium, 6.0% in the Netherlands, 4.5% to 8.6% for Germany (depending on the *Land*), 1.5% to 3.4% for Spain, 6.8% for the UK (6.3% for Scottish assets) and 7.0% for Portugal.

1.4.1.1. Asset valuation method

The overall portfolio is appraised by independent experts on a half-yearly basis (30 June and 31 December), and according to the calculation methods determined by an internal set of specifications based on the guidelines of the oversight bodies:

- recommendation of the French Autorité des Marchés Financiers (AMF);
- instructions from the COB report of 3 February 2000 on real estate appraisals ("Report from the Working Group on expert appraisals of the real estate portfolios of companies issuing public calls for savings" chaired by Georges Barthès de Ruyter).

Covivio also abides by the Listed Real Estate Investment Company (SIIC) Code of Ethics applicable to FSIF (French Federation of Real Estate and Property Management Companies) member companies, particularly in terms of real estate appraisals.

Moreover, most of the French real estate appraisers selected – i.e. BNP Real Estate Valuation, Cushman & Wakefield Valuation, CBRE and Crédit Foncier Expertise – are members of AFREXIM (Association française des experts immobiliers – French Association of Real Estate Appraisers), and are considered as such under the real estate appraisal charter endorsed by AFREXIM. As a result of this, the experts adhere to the various French standards. Their valuation methods comply with the RISC and IVSC international codes of conduct, in the same way as foreign appraisers.

Whenever a new asset is acquired or a new appraiser appointed, the asset undergoes a complete appraisal. Interim appraisals are carried out for discounting purposes. Site visits may also be made.

A complete appraisal consists of:

- preparation of a file including the legal, technical and financial documents required to objectively analyse the factors that enhance or reduce the value of the assets under consideration;
- an internal visit of the premises and their environment;
- research and analysis of comparison factors;
- drafting of a report in which the final appraisal must be consistent with the aforementioned observations, and a relevant analysis of the category market in question.

Leasing revenue discount method

This approach consists of capitalising the income originating from or likely to originate from the property at an appropriate rate: this rate is based on proven returns, the characteristics of the asset and its estimated potential. It is based on an analysis of sales of other leased real estate properties and must be applied within a general context of expected returns from the various investments in a given economic environment.

The main criteria for choosing rates of return are as follows:

- geographic location;
- age and condition of the property complex;
- possibility of converting the property complex;
- size and profitability of the establishment.

Discounted cash flow (*DCF*) method

This method takes into consideration future revenue, including billed rental income, anticipated rental income, and work under contract for the lessor and residual gains from any sale at the end of the holding period. This method consists of discounting to present value the flows generated by the asset over a minimum of 10 years and adding in the present exit value of the assets in the 10th year.

For assets where Covivio does not own the land, no residual exit value is added if the remaining lifetime of the contract is less than 30 years.

Unit value comparison method

This method consists in referring to the sale prices found on the market for equivalent assets. The comparison factors used derive specifically from internal databases in which each reference is analysed, classified by situation and by category, and expressed in gross surface units or weighted surface units.

It is more a method of cross-checking the two methods described above, than a principal method.

Specific cases of assets in which Covivio does not own the land

Cases of temporary occupancy authorisation, long-term leases conferring ad rem rights, and construction leases:

These contracts transfer the right of ownership of the property to the lessor or concession holder at the end of the lease, without compensation for the tenant or beneficiary.

Uncertainty is always a factor in this type of contract, and although a preferential right or right of first refusal is often granted by the outgoing lessor or concession holder where the lease is due to be renewed upon expiration, there is no full and complete title to the property and the tenant – in this case Covivio – may have to purchase the asset at market price, sign a simple commercial lease with the new owner, or simply be forced to vacate the property without compensation of any kind.

The inclusion of a resale value to term (residual value) is therefore not possible for this type of contract, unless the residual value of the construction lease or long-term lease conferring ad rem rights is sufficient to offset the acquisition or construction cost over a typical holding period, while allowing a potential buyer a normal operating period. The appraisers believe that below a residual lifetime of 30 years, the asset valuation method for this type of contract should be limited to discounting rental income to term. This is the case, for example, for the Ibis Strasbourg Centre Ponts Couverts, whose lease expires in 2045.

Revenue projections for hotels are made on the basis of site visits, investment plans (construction and refurbishment) and market data. The distribution of revenue between accommodation and other sources of revenue (restaurants, bars, etc.) is in proportion to the average distribution in previous years.

To set the value, given the term of the leases and, for AccorHotels, the specific nature of rental income based on revenue, the DCF method was over-weighted, since it reflected a more dynamic approach to operations.

Land/building distribution: based on the value and floor area of the establishment, the estimated breakdown between land and buildings was carried out according to the AFREXIM ratio method for commercial or mixed-used urban developments for buildings with a lifetime of more than 30 years.

Components method: the estimated distribution between the various building elements and their average age was carried out according to the ratios recommended by the FSIF and on the basis of technical information supplied by inspection questionnaires.

Hotel valuations in Belgium

The appraisals were carried out in accordance with national and international standards(International Valuation Standards) and their implementing procedures, particularly regarding estimates for property investment funds.

The investment value is defined as the most probable value that might be reasonably obtained under normal sale conditions between consenting and informed parties, less transaction fees. It is based on the discounted value of future net rental income for each property.

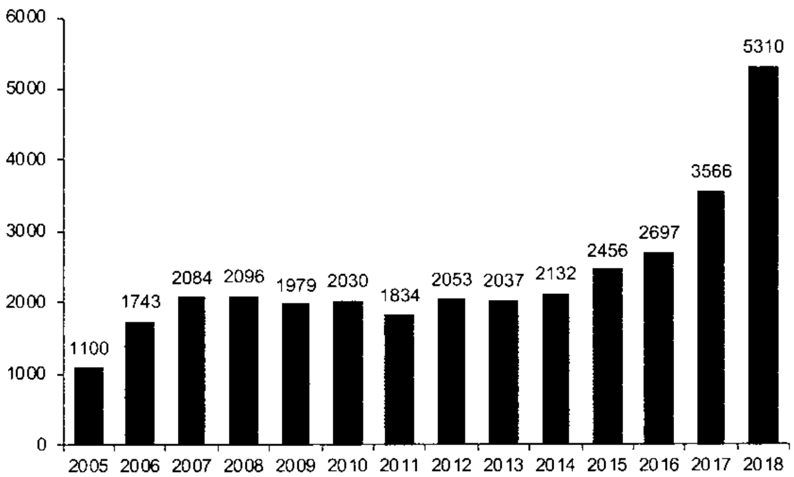
In theory, the sale of a property is subject to the French government receiving transaction fees. The amount of duty depends on the type of sale, the buyer and the location. The first two conditions are only known, and therefore the amount of duties to be paid, once the sale has been completed. An analysis of past sales in the Belgian market reveals average transaction fees of 2.5%.

The probable realisable value of properties valued at more than €2.5 million, less transaction fees, corresponding to fair value as defined by IAS/IFRS, may thus be obtained by deducting from the investment value transaction fees equivalent to 2.5%.

1.4.1.2. Valuation of hotel real estate

The asset valuations in the hotel sector were carried out by BNP Paribas Real Estate Valuation, Cushman & Wakefield, CBRE Valuation, Crédit Foncier Expertise and MKG for hotels in France, CBRE Valuation and Cushman & Wakefield for Belgian assets, BNP Paribas Real Estate Valuation and Cushman & Wakefiled for German and Spanish assets, Christie & Co and Cushman & Wakefield for Dutch assets, HVS for assets in the UK and Cushman & Wakefield for Portuguese assets.

The change in value of the Covivio Hotels portfolio in the hotel real estate segment is shown below (€ million):

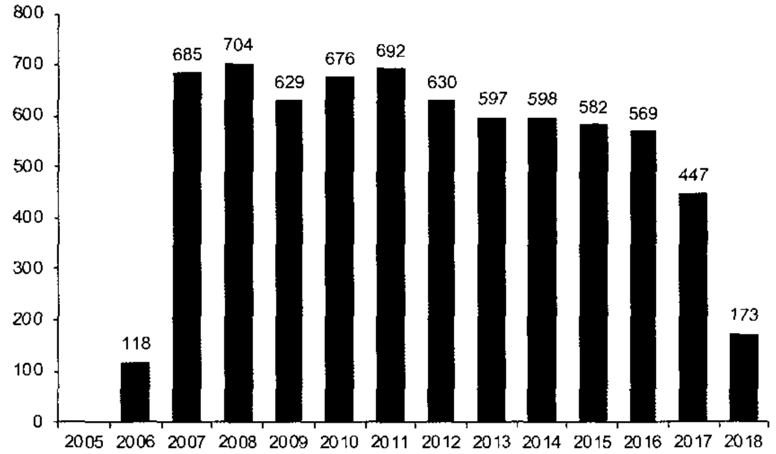


Appraisal values were up 3.0% at like-for-like scope. This is mainly driven by assets under development (+6.4%) and value creation on assets abroad, notably in Spain (+5.9%) and Belgium (+8.6%).

1.4.1.3. Valuation of retail premises

The appraisals were carried out by Crédit Foncier Expertise for the Courtepaille and Jardiland assets.

The portfolio value has changed as follows (€ million):



In the retail premises segment, the 1.5% reduction in values at like-for-like scope was mainly due to the fall in value of the assets of Courtepaille (-1.2%) and Jardiland (-1.9%) at like-for-like scope.

1.4.1.4. Summary of expert appraisals

Business sector	**Country**	**Appraisers**	**Value Appraisal value (€K)**	**% of total portfolio value**
Hotels	France	BNP Paribas Real Estate	74,387	1%
	France	CBRE	268,562	5%
	France	Crédit Foncier Expertises	594,000	11%
	France	Cushman & Wakefield	550,984	10%
	France	MKG	161,589	3%
	Germany	BNP Paribas Real Estate	1,329,366	24%
	Germany	Cushman & Wakefield	171,420	3%
	Belgium	CBRE	134,459	3%
	Belgium	Cushman & Wakefield	55,000	1%
	Belgium	MKG	19,311	0%
	Netherlands	Christie & Co	70,450	1%
	Netherlands	Cushman & Wakefield	64,361	1%
	Portugal	Cushman & Wakefield	73,200	1%
	Spain	Cushman & Wakefield	623,600	11%
	Spain	BNP Paribas Real Estate	12,400	0%
	UK	HVS	841,160	15%
Retail premises	France	Crédit Foncier Expertises	173,010	3%
Assets not subjected to an appraisal			265,696	5%
TOTAL			5,482,955	100%

The summary appraisal report is available in the "Information and management" section in Chapter 5.6 of this Registration Document.

1.4.1.5. Appraisers' details

Appraisers	Address
BNP Paribas Real Estate Valuation	167, quai de la Bataille de Stalingrad – 92867 Issy-les-Moulineaux
CBRE Valuation	145-147, rue de Courcelles – 75824 Paris Cedex
Crédit Foncier Expertises	24, rue des Capucines – 75009 Paris
Christie & Co	5, rue Meyerbeer – 75009 Paris
Cushman & Wakefield Valuation France	Opus 12, 77, esplanade du Général de Gaulle – 92081 Paris La Défense
MKG	5, rue Dantzig – 75015 Paris
HVS	7-10 Chandos Street, Cavendish Square – London W1G 9DQ

The appraisers' fees are calculated on a fixed basis and totalled €934,000 in 2018. For each company, the fees charged represent less than 10% of their revenue.

1.4.2. NET ASSET VALUE (NAV) – EPRA FORMAT

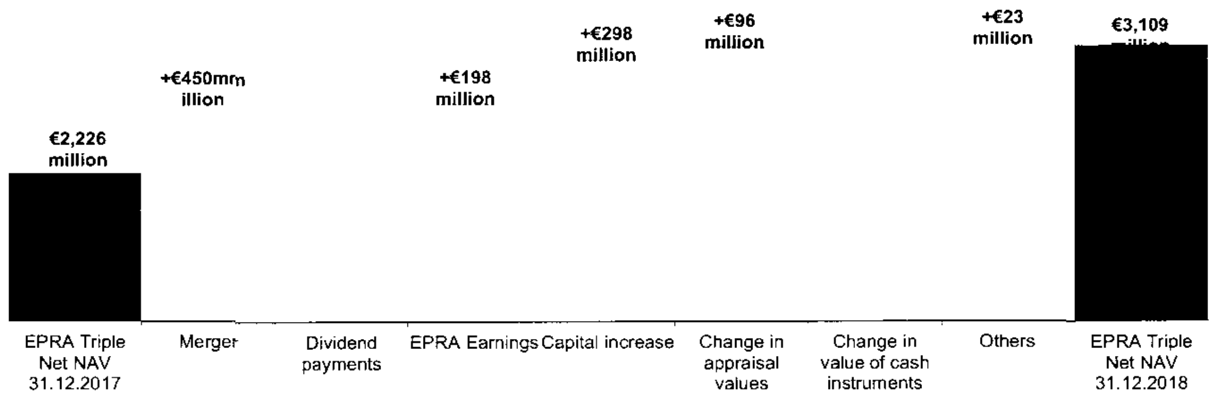
At 31 December 2018, EPRA NAV stood at €3,405.9 million (or €28.90 per share), an increase of 40.6% over 2017. EPRA Triple Net NAV stood at €3,109.5 million (or €26.30 per share), up 39.7% over 2017.

The calculation of NAV and its year-on-year change is as follows:

€ million	31/12/2018	31/12/2017	Change
Group consolidated shareholders' equity	3,038.8	2,184.1	333.0
Portfolio duties United Kingdom	47.4	0	+47.4
Fixed-rate debt	-15.6	-10.4	+5.1
JV of operating properties (*including deferred tax*)	38.9	52.1	15.2
EPRA Triple Net NAV	**3,109.5**	**2,225.8**	353.3
Hedging instruments	+46.7	43.3	-51.9
Deferred tax liabilities	249.7	153.2	23.7
EPRA NAV	**3,405.9**	**2,422.3**	325.1
Number of shares at period-end [1]	118,053,046	87,813,644	13,711,936
EPRA Triple Net NAV / share (€)	**26.3**	**25.3**	-
EPRA NAV / share (€)	**28.9**	**27.6**	-0.7

[1] excluding treasury shares

The change in EPRA Triple Net NAV between 31 December 2017 and 31 December 2018 is as follows:



NAV calculation method

NAV basis – Shareholders' equity:

The entire real estate portfolio held by Covivio Hotels was valued at 31 December 2018 by real estate appraisers, most of whom are AFREXIM members, in compliance with common specifications prepared by the company in accordance with professional practices.

The assets were estimated at values excluding and/or including duties, and rents at market value. Where a sale has been agreed, the assets are valued at the price stated in the preliminary sale agreement.

The other assets and liabilities are valued on the basis of IFRS values in the consolidated financial statements; fair value is essentially applied to the valuation of debt hedges.

The level of exit tax is known and accounted for in the financial statements for all companies that have opted for the fiscal transparency regime.

Adjustments made for the calculation of EPRA NAV:

In line with the EPRA Best Practice Recommendations, EPRA NAV is calculated by restating shareholders' equity for the impact of financial instruments and deferred tax.

1.5. Financial results

1.5.1. CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1.5.1.1. General 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 comprise International Financial ReportingStandards *(IFRS) and* International Accounting *Standards (IAS) as* well as their interpretations.

The annual consolidated financial statements were prepared in compliance with international accounting standard IAS 1 "Presentation of Financial Statements", as adopted by the European Union.

1.5.1.2. Scope of consolidation

The accounts of the Covivio Hotels Group are fully consolidated by the Covivio Group, the parent company of Covivio Hotels, which in turn is an associate of Delfin.

Following the Extraordinary General Meeting of 24 January 2018, the Covivio Hotels Group absorbed FDM Management (operating properties business). As a result of this transaction, the former subgroup FDM Management is now fully consolidated (previously it was equity-accounted). At 31 December 2018, the scope of consolidation comprises 146 companies, compared with 126 companies at 31 December 2017.

The scope and methods of consolidation are detailed in part 3.2 – Notes to the consolidated financial statements (see Section 3.2.3.2).

1.5.1.3. Consolidated income statement

The consolidated financial statements to 31 December 2018 indicate a net profit, Group share of €194 million.

The following table presents the main aggregates of the consolidated income statement.

	Consolidated data		
(in €m)	2017	2018	Var.
Net Rental Income	204,7	224,9	20,2
Managed hotel income	0,0	74,5	74,5
Operating profit	191,4	241,3	49,9
Net valuation gains and losses	100,2	99,9	-0,3
Income from disposals	4,6	-28,1	-32,6
Operating income (loss)	296,3	313,0	16,7
Net financial income	-25,9	-77,9	-52,0
Share of income from equity affiliates	17,6	8,7	-8,9
Taxes	-4,1	-16,7	-12,6
Consolidated net income	**283,9**	**227,2**	**-56,7**
Non-controlling interests	-31,8	-33,2	-1,4
Net income Group Share	252.2	194,0	-58,2

1.5.1.4. Consolidated income statement – Group share

	Figures. Group share		
(in €m)	2017	2018	Var.
Net Rental Income	184,2	199,4	15,2
Managed hotel income	0,0	71,5	71,5
Operating profit	173,9	216,9	43,0
Net valuation gains and losses	82,3	83,8	1,4
Income from disposals	4,6	-28,1	-32,6
Operating income (loss)	261,0	272,6	11,6
Net financial income	-22,5	-70,9	-48,4
Share of income from equity affiliates	17,6	8,7	-8,9
Taxes	-3,9	-16,4	-12,5
Net income Group Share	252.2	194.0	-58.2

By reporting on a Group share basis, all aggregates can be weighted according to the percentage ownership. In 2018, the Covivio Hotels Group, after absorbing the operating properties business, held new consolidated companies which were fully consolidated but not wholly owned.

As a reminder, the fully consolidated (but not wholly owned) companies are:

- SAS Samoëns (Club Med Samoëns): 25.01%
- Foncière B4 HOTEL INVEST: 50.2%
- *Foncière Développement Tourisme*: 50.1%
- Foncière B2 HOTEL INVEST: 50.2%
- OPCI B2 HOTEL INVEST: 50.2%
- Foncière B3 HOTEL INVEST: 50.2%
- MO Dreilinden: 94.0%
- *MO Berlin and Cologne*: 94.0%
- B&B Invest Lux 5: 93.0%
- B&B Invest Lux 6: 93.0%
- Rock portfolio (20 companies from the operating properties business): 94.9%
- LHM Propco: 90%
- MO First Five: 94%

The net rental income, Group share of the Covivio Hotels Group was €199.4 million for the 2018 fiscal year, up €15.2 million from the previous year, mainly due to the acquisition of hotels in the United Kingdom at the end of July 2018.

Income from valuation adjustments totalled €83.8 million at 31 December 2018. This result was affected by the value created by hotels in Spain, France and Belgium.

Net financial income of -€70.9 million consisted of interest expense for -€44.9 million, negative change in fair value of financial assets and liabilities for -€11.6 million (compared with +€13.4 million in 2017), accretion expense for -€0.5 million, amortisation of loan issuance expenses for -€9.3 million, and interest expense on rental liabilities relating to long-term leases on assets in the United Kingdom for -€4.6 million.

The tax recognised chiefly corresponds to taxes of foreign companies not eligible for the special regime for French real estate companies, and companies belonging to the operating properties business.

1.5.1.5. EPRA Earnings

EPRA Earnings resulting from the EPRA presentation

	31 Dec. 2017	31 Dec. 2018
Net Income, Group Share	252.2	194.0
- *Change in asset values*	-82.3	-83,8
- Income from disposal	-4,6	-1,4
- Change in scope	-0,2	29,5
- Changes in the values of financial instruments	-13,4	11,6
- *Interest charges on rental liabilities*	0,0	4,6
- Rental charges	0.0	-3,5
- Deferred tax liabilities	1,7	7,2
- Taxes on disposals	-0,7	1,5
- *Depreciation of properties managed as operating properties*	0,0	36,2
- Fees and amortisation of loan costs for early repayment	1,4	4,6
- EPRA Earnings adjustments for associates	1,5	-2,1
EPRA Earnings	155.5	198.4
Epra earnings/€-shares	**1,85**	**1,78**

1.5.1.6. Balance sheet

1.5.1.6.1 Simplified consolidated balance sheet

The pro-forma column for 31 December 2017 corresponds to the financial information presented in the Covivio Hotels Group Registration Document dated 31 December 2017 and in document E dated 21 December 2017, approved by the French *Autorité des Marchés Financiers* (AMF). These pro-forma accounts present the balance sheet as if the merger with the operating properties business had been effective at 31 December 2017.

(in €m)

Assets	2017	2017 pro forma	2018	Liabilities	2017	2017 pro forma	2018
Fixed assets	3 728	5 051	5 835	Shareholders' equity Group share	2 184	2 680	3 039
Investments in equity affiliates	232	79	84	Minority interests	221	243	265
Financial assets	114	53	39	**Shareholders' equity**	**2 405**	**2 923**	**3 304**
Deferred tax assets	0	16	8	Borrowings	1 711	2 270	2 825
Financial instruments	6	8	14	Rental liability	0	0	164
Assets held for sale	207	207	288	Financial instruments	39	39	45
Cash	34	122	381	Deferred tax liabilities	118	218	249
Others	59	127	90	Others	108	214	153
Total	**4 380**	**5 664**	**6 740**		**4 380**	**5 664**	**6 740**

1.5.1.6.2 Simplified balance sheet, Group share

(in €m)

Assets	2017	2018	Liabilities	2017	2018
Fixed assets	3 286	5 446			
Investments in equity affiliates	232	84			
Financial assets	128	48	**Shareholders' equity**	**2 184**	**3 039**
Deferred tax assets	0	7	Borrowings	1 490	2 574
Financial instruments	5	14	Financial instruments	39	44
Assets held for sale	207	154	Rental liability	0	164
Cash	23	366	Deferred tax liabilities	117	245
Others	55	99	Others	109	153
Total	**3 938**	**6 218**		**3 938**	**6 218**

1.5.1.6.3 Comments on Group share

The balance sheet total at 31 December 2018 stood at €6,218 million, against €3,938 million at the end of 2017 (+€2,932 million), as a result of the merger with FDM Management and the acquisition of the portfolio in the United Kingdom.

Fixed assets and assets held for sale amounted to €5,600 million at the end of 2018, compared with €3,493 million at the end of 2017 (+€2,107 million). The main changes in this item are as follows:

- the integration of the operating properties business following the merger with FDM Management (€1,209 million),
- the acquisition of a portfolio of 10 hotels in the United Kingdom (€841 million),
- the recognition of a right of use on an investment property (€163.7 million),
- the acquisition of 3 NH hotels in Germany and the Netherlands (€98 million),
- the change of consolidation method of the Motel One Porte Dorée hotel (€47.2 million),
- the change in asset value (+€83.8 million),
- the works carried out in 2018 totalling +€78.9 million, of which €40.5 million related to assets under development,
- the disposal of 48 Quick assets (-€163 million), 23 Jardiland assets (-€107 million) and Sunpark de Haan (-€102 million),
- the depreciation of hotels under operation (-€42.8 million).

Assets held for sale amounted to €154 million at the end of 2018. These related to preliminary sale agreements on 59 B&B hotels in France and one Novotel hotel.

Investments in associates decreased by €148 million at the end of 2018, largely owing to the change in consolidation method of the operating properties business and the SCI Porte Dorée (-€153 million).

Shareholders' equity, Group share rose from €2,184 million at 31 December 2017 to €3,039 million at 31 December 2018. This €855 million increase is due primarily to the following effects:

- the absorption of the operating properties business and the issuance of new shares for €530 million,
- the capital increase for €298 million (net of fees) on 26 July 2018,
- total comprehensive income for the period of €194 million,
- the dividend payment of -€164.7 million.

Short-term and long-term borrowing stood at €2,574 million at the end of 2018, compared with €1,490 million at the end of 2017. This €1,084 million increase mainly reflects the integration of the operating properties business (€365.7 million), borrowings arranged to purchase assets in the United Kingdom (€410 million) and a €350 million bond.

Rental liabilities (€164 million) relate to the discounted debt on rights of use linked to long-term leases of assets in the United Kingdom.

Deferred taxes have increased by €121 million (net) year-on-year, mainly due to the integration of the operating properties business (€79.7 million) and acquisitions made in the United Kingdom and the Netherlands (€60 million), less the disposal of Sunpark de Haan (-€27 million).

A detailed explanation of the various line items is provided in the Notes to the consolidated financial statements.

1.5.1.7. *Consolidated cash flow*

(in €m)	2017	2018
Net cash flow generated by operations	182,5	257,4
Net cash flow from investment/disposal activities	-567,0	-142,6
Net cash flow from financing activities	363,8	251,0
Change in net cash	**-20,7**	**365,8**

Net cash flow generated by operations stood at +€257 million in 2018.

This essentially corresponds to operating income (€241 million), less the net working capital requirement relating to the business.

Net cash flow from investment activities/disposals of -€143 million mainly breaks down as follows:

- direct purchases of fixed assets (-€179 million), mostly linked to deferred payment on acquisitions in the hotel sector in Spain, the purchase of two hotel assets in Germany, and works carried out on assets under development,
- acquisitions/disposals of equity investments (-€347 million), including the acquisition of companies that own hotels in the United Kingdom and the *Netherlands (NH Amsterdam Noord) for -€520 million, less disposals of corporate securities (including Sunpark de Haan) for €97.5 million and the change* in consolidation method of companies in the operating properties business for €78 million,
- asset disposals (+€286 million net of fees),
- loan repayment (+€93 million).

Net cash flow from financing operations of +€251 million mainly breaks down as follows:

- the capital increase of 21 June 2018 for +€298 million,
- dividends paid during the fiscal year of -€164.7 million,
- net loans and interest paid for +€144 million.

Net cash flow stands at +€366 million.

A detailed explanation of the various line items in the cash flow statement is given in the Notes to the consolidated financial statements.

1.5.1.8. Debt structure

At 31 December 2018, net financial debt, Group share stood at €2,207.9 million (€2,443.9 million on a consolidated basis).

As a Group share, and restated for assets under a preliminary sale agreement, net financial debt represents 36.3%[1] of total assets revalued at institutional value, including duties (versus 31.2% in 2017).

The bank covenants relating to the financial statements, calculated on a consolidated and Group share basis, are set out in Section 3.2.6.10.4 of the Notes to the consolidated financial statements.

Features of the debt

The average interest rate on debt for the year, calculated at face value, was 2.08%, compared with 2.52% at 31 December 2017.

Debt maturity

The average debt maturity is 5.6 years.

Hedging

At 31 December 2018, the average active hedging rate was 79.3%. Hedging consists of:

- swaps
- options (mainly caps, floors and tunnel options).

In view of the transactions carried out in 2018 and to increase the average hedging term, the hedging profile has been adjusted by an equalisation payment for €12.8 million.

[1] At 31 December 2018, the amount of assets under sale agreements was €153.6 million.After restating the sale agreements, net financial debt amounted to €2,051.4 million, the institutional value *excluding duties was €5,421.6 million, and the amount of duties was €234.8 million.*

The net valuation of hedging instruments was -€30 million at 31 December 2018. Changes in the value of hedging instruments during the period impacted the income statement for -€11.6 million, Group share.

1.5.2. COMPANY FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

The 2018 financial statements mainly reflected

- The change of name from Foncière des Murs to Covivio Hotels on 14 September 2018.
- The disposal of bonds issued by Financière Hope for €59.1 million on 23 January 2018 for the same amount.
- The merger with FDM Management on 24 January 2018 under the preferential tax regime, without retroactive accounting or tax effect. Covivio Hotels purchased the securities of the subsidiaries held by FDM Management on its balance sheet for €438.1 million.
- The contribution of 50% of the securities of SCI Porte Dorée by Caisse des Dépôts et Consignations (CDC) for €10.1 million, giving it 100% ownership of this real estate partnership.
- The acquisition of a portfolio of hotels in the United Kingdom through its subsidiary Murdelux. To finance this acquisition, Covivio Hotels participated in two Murdelux capital increases without issuance of new securities, for €307.2 million on 25 July 2018 and €31.8 million on 7 November 2018.
- The investment by Covivio Hotels in the FDM M Lux capital increase without issuance of new securities on 19 December 2018, for €9.2 million with capitalisation of a receivable.
- The investment by Covivio Hotels in the Constance SAS capital increase for €19.4 million with capitalisation of a receivable. A total of 1,938,890 shares were issued on this occasion.
- The liquidation of Beni Stabili Hotel on 20 December 2018.
- Works/disposals:
  - Works carried out in 2018 on the Meininger Porte de Vincennes Hotel totalled €17.9 million, while works carried out on the Lyon Zimmermann Hotel cost €8 million.
  - The disposal of a Courtepaille restaurant for a total selling price of €1.4 million.
  - The disposal of the remaining 48 Quick restaurants for a total selling price of €162.9 million.
  - The disposal of 23 Jardiland assets for a total of €105 million.
- Capital increase
  - On 24 January 2018, CDC contributed 50% of the securities of SCI Porte Dorée to Covivio Hotels for €10.1 million, together with the receivable that it held on SCI Porte Dorée for €13.4 million. As compensation for this contribution, 975,273 Covivio Hotels shares were created with a par value of €4 and additional paid-in capital of €20.05.
  - On 24 January 2018, FDM Management merged with Covivio Hotels. Covivio Hotels held 31.01% of FDM Management. As compensation for the share of the net asset contribution corresponding to the shares in FDM Management not held by Covivio Hotels, 17,460,738 new shares with a par value of €4 were issued and allocated to the FDM Management shareholders, within the exception of Covivio Hotels. A merger premium of €356.5 million was generated, corresponding to the difference between the value of the contribution brought by FDM Management and the nominal amount of the capital increase.
  - On 21 June 2018, Covivio Hotels conducted a capital increase for a gross amount of €299.3 million (€298.4 million net of fees), consisting of a nominal amount of €47.2 million and additional paid-in capital of €252.1 million. On this occasion, 11,805,788 new shares were issued.
- Financing/refinancing
  - Covivio Hotels arranged £400 million in financing over an eight-year term for the acquisition of a portfolio in the United Kingdom.
  - Covivio Hotels issued its inaugural €350 million bond with a maturity of seven years (coupon 1.875%).
  - Covivio Hotels also raised €150 million in new corporate loans (of which €55 million was drawn in 2018).
  - The renegotiation of several hedges in exchange for an equalisation payment of €12.5 million, of which €0.2 million was recognised in profit or loss in relation to hedging.

The 2018 financial statements show a profit of €218.2 million, compared with €79.6 million in 2017.

1.5.2.1. Changes in the main income statement items

The main components of the 2018 and 2017 comparative income statements are as follows:

(in €m)	2018	2017	Var.
Revenues	**75,8**	**84,9**	**-9,1**
Reversals of provisions and transferred charges, other operating income	8,4	10,1	-1,7
Operating expenses	-55,9	-55,3	-0,6
Operating income	**28,3**	**39,7**	**-11,4**
Financial income	170,1	75,1	95,0
Financial expenses	-54,5	-62,0	7,5
Net financial income	**115,6**	**13,1**	**102,5**
Income from operations	**143,9**	**52,8**	**91,1**
Net non-recurring income	**74,3**	**25,5**	**48,8**
CIT	0,0	1,3	-1,3
Net income or loss	218.2	79.6	138.6

Revenue stood at €75.8 million at 31 December 2018, down 10.72% from 2017.

Net financial income

(in €m)	2018	2017	Var.
Hotel rental income	33,6	32,4	1,2
Retail premises rental income	21,4	34,8	-13,4
Rental income	**55,0**	**67,2**	**-12,2**
Re-invoicing of expenses to tenants	7,0	7,1	-0,1
Provision of services	13,8	10,6	3,2
TOTAL	75,8	84,9	-9,1

The change in rental income is mainly due to the impact of disposals in the retail sector.

Reversals of provisions and transferred expenses of €8.4 million mainly consist of transferred expenses for €8.2 million and reversals of impairment allowances on tangible fixed assets for €0.2 million.

Operating expenses, which total €55.9 million, primarily include the following:

- other purchases and external expenses for €19.5 million, including:
  - fees paid to Covivio and Covivio *Gestion* for €5.6 million
  - fees paid in connection with property management services for €0.9 million
  - construction lease payments for €0.8 million
  - legal fees for €1.74 million
  - administrative expenses for €2.12 million
  - insurance premiums for €0.14 million
  - loan issue costs for €8.2 million
- duties and taxes totalling €6.8 million, including €5.1 million in property management taxes to be reinvoiced
- personnel expenses for €5.1 million
- depreciation expenses for €24.5 million

Net financial income of €115.6 million consists of:

- financial income for €170.1 million, of which primarily:
  - €73.9 million in dividends from subsidiaries and equity investments
  - €45.4 million in interest on loans granted to subsidiaries
  - €43.8 million in accounting surplus following the merger with FDM Management on 24 January 2018
  - €5.7 million in income from swaps and options
  - €0.6 million in foreign exchange gains relating to the acquisition of hotels in the United Kingdom
  - €0.5 million in default interest received as a result of the tax rebates granted on the 3% tax and the tax audit of corporate added-value tax (CVAE), for which a 50% rebate was granted on the amounts paid
  - €0.2 million in interest on Group current accounts
- financial expenses for €54.5 million, of which:
  - €13.3 million in financial expenses on hedging instruments (including equalisation payments relating to the renegotiation of hedges for €12.5 million)
  - €35.5 million in interest on borrowings
  - *€4.7 million in foreign exchange loss relating to the acquisition of hotels in the United Kingdom*
  - €1 million in interest on Group current accounts

Net non-recurring income of €74.3 million is mainly from capital gains on disposals of fixed assets

1.5.2.2. Changes in the main balance sheet items

(in €m)	31/12/2018	31/12/2017
Non-current assets	3 477,7	2 274,8
Current assets	323,7	52,0
Deferred expenses	16,7	12,7
Bond redemption premium	1,5	0,0
Currency translation gains	5,1	0,0
Total assets	3 824,7	2 339,5
Shareholders' equity	2 073,4	1 275,0
Provisions for contingencies and losses	1,0	0,6
Current liabilities	1 745,1	1 063,9
Currency translation gains	5,2	0,0
Total liabilities	3 824,7	2 339,5

Fixed assets rose from €2,274.8 million at 31 December 2017 to €3,477.7 million at 31 December 2018, an increase of €1,202.9 million. The increase is mainly *due to the purchase of securities for €815.6 million, works carried out on two Meininger hotels for €25.9 million, works carried out on AccorHotels hotels for €0.5* million, reversal of the asset impairment allowance for €0.3 million, reversal of the impairment of equity investments for €2.5 million, and new loans to subsidiaries for €967.2 million, offset by asset disposals for -€194.6 million, depreciation allowances for -€19.3 million, asset impairment allowances for -€0.8 million, loan repayments for -€182.5 million, bond redemption for -€62.1 million, and derecognition of securities following restructuring for -€150.2 million.

Current assets stood at €323.7 million at 31 December 2018, compared with €52.0 million at 31 December 2017. The €271.7 million difference is essentially due to the increase in cash and cash equivalents for €259.8 million, the increase in trade receivables for €5.6 million, and the increase in current account receivables for €11.4 million, offset by the decrease of €4.1 million of other receivables,corresponding mainly to the 50% rebate obtained following a tax audit of corporate added-value tax for the period 2010-2014.

The currency translation gain mainly relates to the unrealised loss on the loan from Covivio Hotels to Murdelux in GBP, valued at €5.1 million at the closing rate on 31 December.

Shareholders' equity, before distribution, was €2,073.4 million at 31 December 2018, versus €1,275.0 million at 31 December 2017. This change is largely due to the capital increase completed on 24 January 2018 in exchange for the transfer from CDC of 50% of the securities of SCI Porte Dorée, involving the issuance *of 975,273 shares for €23.4 million. The merger with FDM Management was completed on 24 January 2018. FDM Management had been 31.01% owned by* Covivio Hotels. In return for the net assets not held by Covivio Hotels, 17,460,738 shares were issued for a net amount of €423.5 million. On 21 June, another capital increase was approved to finance the acquisition of hotels in the United Kingdom, involving the issuance of 11,805,788 shares for a net amount of €298.4 million. The change is also due to net income for the year (+€218.2 million) and distribution of the 2017 dividend (-€165.1 million).

Liabilities amounted to €1,745.1 million at 31 December 2018 (versus €1,063.9 million at 31 December 2017), of which €741.6 million in bond issues, €851.1 million in borrowings and debt from credit institutions, €119.8 million in subsidiary current accounts, €20.1 million corresponding to the non-paid up portion of equity investments of Foncière *Développement Tourisme*, €4.8 million in fixed asset payables and €4.5 million in deferred payment relating to the acquisition of Spanish companies.

Currency translation losses mainly relate to the unrealised gain on Covivio Hotels' GBP debt, valued at €5.1 million at the closing rate on 31 December.

1.5.2.3. Non-tax-deductible expenses

In accordance with Article 223 *quater* of the French General Tax Code, the financial statements for the year do not include any expense that cannot be deducted from taxable income under Article 39-4 of that Code.

During the past fiscal year, the company incurred no expenses subject to Articles 223 *quinquies* and 39-5 of the French General Tax Code.

1.5.2.4. Ageing analysis of trade payables and receivables by due date

The table below is presented in accordance with the provisions of Article D. 441-4 of the French Commercial Code, pursuant to Decree No. 2015-1553 of 27 November 2015.

Amounts in €

	Article D.441 I.- 1°: invoices received and not paid on the closing date whose term is due						**whose term is due**					
	0 day (indicative)	1to 30 days	31to 60 days	61to 90 days	Over 91days	Over 1day	0 day (indicative)	1to 30 days	31to 60 days	61to 90 days	Over 91days	Over 1day
(A) Late payment categories												
Number of invoices concerned	0	5	2	-	1	8	10	41	-	-	7	48
Total amount of invoices concerned including tax	0	41087	67286	0	464	108 838	1494 932	2 416 751	0	0	1649 137	4 065888
Percentage of the total amount of purchases including tax during the fiscal year	-	0,07%	0,12%	-	0,00%	0,19%	-	-	-	-	-	-
Percentage of revenues including tax during the fiscal year	-	-	-	-	-	-	1,73%	2,79%	-	-	1,91%	4,70%
(B) Invoices excluded from (A) relating to litigious or unrecorded payables and receivables												
Number of invoices excluded	N/A						N/A					
Total amount of excluded invoices	N/A						N/A					
C) Reference payment terms used (contractual or statutory – Article L 441-6 or L 43-1of the French Commercial Code)												
Payment terms used for the calculation of late payments	Contractual terms:				Statutory terms: 60 days		Contractual terms:				Statutory terms:	
							Comments: no late payment interest is charged					

1.5.2.5. Allocation of income

A proposal will be made to the Combined General Meeting of 5 April 2019 to allocate income for the period of €218,201,880.76, plus retained earnings of €14,140,657.45, as follows:

- payment of the preferential dividend (*"dividende préciputaire"*) of €500,000 to the general partner (*"associé commandité"*) in respect of the fiscal year,
- allocation of €10,910,094.04 to the legal reserve, bringing the amount of the legal reserve to €46,036,528.84,
- payment of €182,989,723.30 in dividends to shareholders.
- €37,942,720.87 to the retained earnings account.

Each share will thus receive a dividend of €1.55.

In accordance with the law, shares held by the company on the dividend payment date do not hold any dividend rights. The General Meeting resolves that the amount corresponding to treasury shares on the dividend payment date, as well as the amount the shareholders may have waived, will be allocated to the "Retained earnings" account.

The dividend will be distributed on 12 April 2019.

Based on the total number of shares that made up the share capital at 31 December 2018, i.e. 118,057,886 shares, and subject to the potential application of the provisions of Article 9 of the company's Articles of Association to the Shareholders subject to Withholding, a total dividend of €182,989,723.30 will be distributed. This dividend only carries entitlement to the 40% allowance in the event of the annual, express, complete and irrevocable option for the progressive scale of tax on income in accordance with the provisions of Article 200 A(2) of the French General Tax Code, and only for any portion of this dividend deducted from earnings liable for corporate income tax. However, under Article 1583°, b bis of the French General Tax Code, this allowance does not apply to earnings *exempt from corporate income tax under the SIIC regime, pursuant to Article 208 C of the French General Tax Code.*

The dividend exempt from corporate income tax under Article 208 C of the French General Tax Code, excluding the preferential dividend not eligible for the 40% allowance, totals €143,588,283.90. The dividend drawn against profits subject to corporate income tax amounts to €39,401,439.40.

In accordance with the law, the General Meeting confirms that the dividends distributed for the previous three fiscal years were as follows:

Fiscal year	Number of shares	Dividend paid per share	Amount eligible for the 40% rebate	Amount not eligible for the 40% rebate
2017	106 252 098	1,55 €	€0 or €0.066 (if IR option)	€1.55 or €1.484 (if IR option)
2016	74 103 963	3,10 €	0 €	3,10 €
2015	74 103 963	1,55 €	0 €	1,55 €

1.5.2.6. Company earnings over the past five fiscal years

In accordance with Article R. 225-102 of the French Commercial Code, the following statement presents the company's earnings over the last five fiscal years:

	Fiscal year 2014	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017	Fiscal year 2018
I – SHARE CAPITAL AT YEAR-END					
a. Share capital	296,415,852	296,415,852	296,415,852	351,264,348	472,231,544
b. Number of ordinary shares outstanding	74,103,963	74,103,963	74,103,963	87,816,087	118,057,886
c. Number of priority dividend shares (without voting rights) outstanding	0	0	0	0	0
Maximum number of future shares to be created	0	0	0	0	0
d1. Through conversion of bonds	0	0	0	0	0
d2. Through exercise of subscription rights	0	0	0	0	0
I – OPERATIONS AND NET INCOME FOR THE FISCAL YEAR					
a. Revenues net of tax	121,853,775	123,939,861	108,703,553	84,929,670	75,832,603
b. Income before tax, employee profit sharing, depreciation and provisions	109,456,264	67,390,980	382,055,857	93,045,651	242,443,368
c. Corporate income tax	26,565	-117,120	0	-1,249,711	0
d. Employee profit sharing due for the year	0	0	0	0	0
e. Income after tax, employee profit sharing, depreciation and provisions	37,817,777	39,512,003	334,397,190	79,582,706	218,201,881
f. Distributed income	114,861,143	114,861,143	229,722,285	164,690,752	182,989,723
III – EARNINGS PER SHARE					
a. Income after tax and employee profit sharing, but before depreciation and provisions	1.48	0.91	5.16	1.07	2.05
b. Income after tax, employee profit-sharing, depreciation and provisions	0.51	0.53	4.51	0.91	1.85
c. Dividend per share	1.55	1.55	3.10	1.55	1.55 [a]
IV – PERSONNEL					
a. Average salaried headcount over the fiscal year	11.67	13.42	14.25	17.75	21.42
b. Total payroll for the fiscal year	999,017	1,215,243	1,549,753	1,928,840	2,390,769
c. Amount paid in employee benefits for the fiscal year (social security, benefits, etc.)	579,102	591,394	725,173	953,361	2,722,681

1.5.2.7. Statutory Auditors' oversight

In accordance with the legislative and regulatory provisions, the Statutory Auditors' reports, which are included in the company's Registration Document, are available for consultation.

1.6. Risks and internal control organisation

To achieve its goals, Covivio Hotels continually assesses the risks inherent in each decision it makes. In early 2019, the company conducted a review of the risk mapping undertaken in 2017. The revised version was submitted to the Covivio Hotels Audit Committee in February 2019. It provided an update on the risks for which action plans had been drawn up the year before during the previous risk mapping process. The company does not consider there to be any material risks other than those presented below, the occurrence of which could have a significant impact on its position, earnings or share price. The management activities of hotel operating properties were also mapped, enabling Covivio Hotels to understand the risks posed by this subsidiary.

Investors are reminded that the list of risks presented below is not exhaustive and that other risks may exist which are unknown or the occurrence of which has not been considered likely, as of the date of this document, to have a material negative impact on Covivio Hotels, its business, financial position, outlook or results. The risk factors are presented below in line with the AMF's recommendations and Article 17 of the Prospectus Regulation III, which requires an indication of the materiality of the risk factors according to the probability of their occurrence and the expected magnitude of their impact. A limited number of risk factors are also presented.

1.6.1. RISK FACTORS, MITIGATION MEASURES AND MATERIALITY OF THE RISK

Risks	Risk management measures	Materiality

1.6.1.1. Risks linked to the Covivio Hotels business sector and strategy

1.6.1.1.1. Risks linked to the economic environment or political instability

Materiality: High

Risks

- A deterioration in the national and international economic conditions and political instability could have a significant adverse impact on Covivio Hotels' business and financial results.
- A decline in occupancy rate and rental income could lead to a decrease in the valuation of its portfolio.

Risk management measures

The mitigation measures in place enabling Covivio Hotels to be largely protected from these risks are:

- the quality of its partnerships and tenants,
- the significant residual term of its leases.

1.6.1.1.2. Risks linked to changes in the real estate market

Materiality: High

Risks

The performance of the hotel real estate market is dependent on tourism, business travel and economic activity in general, as well as on the brands that operate the hotels.

- Covivio Hotels may not always be able to implement its rental strategy or carry out its investments on favourable market terms. The parameters that, were they to change, could affect the valuation of assets are essentially limited to movements in capitalisation rates and changes in rental values.
- Uncertainty surrounding the current economic climate could dampen household and business spending. If so, hotels whose rents are directly indexed to revenue, as well as hotels held as operating properties, would see their revenues decrease.

Risk management measures

- Covivio Hotels' rental strategy seeks to offset the negative impact of these risks by focusing on maintaining a solid rental base with major tenants. Since its creation, the company has had a 100% occupancy rate. The geographical location of the assets held by Covivio Hotels, which are primarily in major regional cities and capitals, offers greater portfolio resilience.
  Long-term agreements with tenants limit the extent of any adjustments.
- More than half of the company's revenue comes from fixed rents. Consequently, the proportion of rent/income indexed to hotel revenue was 41% at the end of 2018.

1.6.1.1.3. Risks linked to asset valuation and portfolio obsolescence

Materiality: Medium

Risks

Covivio Hotels recognises its investment properties at fair value in accordance with IAS 40. As such, it is exposed to a risk of change in the value of an asset decided by expert appraisers; such a valuation may take place following an adjustment of the main assumptions used (yield rate, rental values). These changes in value could have a significant impact on the net asset value of Covivio Hotels.

Risk management measures

The appraisal process implemented within Covivio Hotels is regularly audited. The procedure in place within the company is designed to minimise this risk, for example by requiring new appraisers to be appointed at regular intervals. The significant residual lease term (13.4 years at the end of 2018) increases the resilience of asset values in the event of an economic downturn. For information, an analysis of the sensitivity of asset valuations to yield rates is provided in Section 3.2.6.1.3 of the consolidated financial statements.

1.6.1.1.4. Risks linked to acquisitions

Low

Covivio Hotels' development strategy is based on the acquisition of properties, which exposes it to various risks. Covivio Hotels might not have valued a property (and therefore its price) at fair value and might not obtain the expected return or achieve its targets in terms of appreciation in value.

Covivio Hotels also faces an increasingly competitive market for asset acquisitions.

Covivio Hotels has a team with extensive expertise in the hotel real estate sector, so it fully understands the risks associated with acquisitions. For each acquisition, the company has a due diligence period when it specifically analyses each of the areas (tax, environment, real estate, legal, etc.). If necessary, its teams are assisted by external consultants, whose role it is to audit these transactions and oversee the drafting of the legal documents and associated guarantees. The risks, obstacles and opportunities are reviewed in detail during the validation procedure.

The partnership policy, which enables operations to be "sourced" far upstream, limits the competitive risk.

1.6.1.1.5. Business risks

Low

- *In 2015, Covivio Hotels invested in FDM Management, the* owner of hotel operating properties. Since 24 January *2018, this company has been wholly owned by Covivio* Hotels.
- *The company has therefore increased its exposure to the* business management activity. As a result, its earnings *could be adversely affected if the performance of these* operating properties were to deteriorate.

- Each investment by Covivio Hotels in a business is analysed beforehand, particularly as regards location. All assets benefit from being in a prime location.
- Covivio Hotels has surrounded itself with leading hotel experts and solid teams with extensive experience in the hotel sector.

1.6.1.1.6. Risks linked to tenants

Risk of non-payment by tenants

Low

- Covivio Hotels has chosen to develop rental partnerships with leading brands and is exposed, in terms of revenue, to several major companies, including AccorHotels, B&B, Louvre Hotels Group, NH Hotel Group and Club Méditerranée.
- Covivio Hotels is exposed to the risk that its tenants' financial stability might deteriorate or that they might even become insolvent, which would affect the company's earnings.

- The risk of non-payment is mitigated through careful selection *of its rental partners based on their size and recognised* positioning within their business sector.
- In parallel, Covivio Hotels uses industry software to monitor their financial performance, thus limiting the risk of potential insolvency.
- Monthly reporting of late payment and non-payment is analysed by General Management. As at 31/12/2018, no unpaid debts had been recorded against the company.
- The partnership committees formed with each key tenant enable Covivio Hotels to keep track of their business performance.

Tenant concentration risk

Low

- Owing to the relative importance of each tenant of Covivio Hotels, the company is exposed to concentration risk.
- In the event of default or non-payment by one of them, Covivio Hotels' accounts could be materially affected.

- Covivio Hotels' strategy is to diversify the number of partners it works with and to have a broad spectrum of carefully selected tenants.
- For three years, the numbers of the company's partners have expanded significantly to include NH Hotel Group, Meininger and Motel One. Investments in Spain, Germany and the United Kingdom in recent years have enabled Covivio Hotels to forge new partnerships, thereby diversifying and balancing the weight of each of its tenants.

1.6.1.2. Financial risks

The financial risk management described below is illustrated in more detail in Section 3.2.2 of this document, which includes sensitivity tables and quantified risk impacts.

1.6.1.2.1. Interest rate risk

Medium

A rise in interest rates could have a significant adverse impact on the financial position, results or outlook of Covivio Hotels for several reasons:

- the value of Covivio Hotels' properties could decrease, since the yield rates applied by real estate appraisers during the appraisal process is based partly on interest rates,
- the company's use of debt could lead to a significant increase in financial expenses if rates were to rise dramatically,
- a higher financing cost would reduce Covivio Hotels' ability to finance acquisitions and thus implement its investment strategy.

Fluctuations in the pound to euro exchange rate could have negative repercussions on the company's income, since some of its assets are located in the United Kingdom where rental payments are denominated in pounds.

- Almost all of Covivio Hotels' debt is covered by interest rate hedging contracts (swaps, caps and floors). By limiting the impact of a movement in interest rates on Covivio Hotels' net income, the hedging policy offers sufficient flexibility to avoid any risk of over-hedging in the event of asset disposal.
- The company's policy of paying down debt, instituted several years ago, has helped to reduce this risk. LTV including duties was 36.3% at 31 December 2018 (as a Group share and adjusted for assets under a preliminary sale agreement).
- Covivio Hotels has hedged its currency risk and would therefore be relatively unaffected by these movements.

1.6.1.2.2. Risks linked to covenants and other undertakings stipulated in certain credit agreements

Medium

- Some of the loan agreements contain commitments or covenants that the company undertakes to respect, as further described in part 3, Section 3.2.6.12.5. If Covivio Hotels were to breach one of its financial undertakings and fail to remedy such breach within the contractually stipulated time period, the lenders could demand early repayment of the debt and seize any collateral backing the debt.
- Any failure to meet its financial undertakings could have an adverse impact on Covivio Hotels' financial situation, results and flexibility in conducting business and pursuing its development.

- Monitoring and control of covenants is in place. The process is audited regularly. The covenants are reviewed and analysed semi-annually by Covivio's Audit Committee and Board of Directors.
- The Statutory Auditors audit the ratios of the main companies annually.
- The investment grade BBB rating from Standard & Poor's demonstrates that this risk is properly managed.

1.6.1.2.3. Liquidity risk

Low

- The company runs the risk of experiencing a lack of liquidity if it is unable to raise the necessary resources in the form of equity or borrowing to finance its growth and investments.
- Insufficient liquidity to service the debt could result in an acceleration or early repayment and, if the debt is collateralised, enforcement of the guarantee and, where applicable, seizure of assets.

- The tracking of 18-month liquidity forecasts is analysed each month by the Finance Department and submitted to General Management.
- This risk is managed by multi-year cash management plans and by using confirmed and undrawn lines of credit. Monitoring adherence to covenants is also a priority for the company.

For more information, please refer to Section 3.2.2.2 in Chapter 3 of this document.

1.6.1.3. Regulatory and environmental risks

1.6.1.3.1. Risks related to information systems and cyber crime

High

- A fault, system failure or data loss or theft could have negative impacts on the continuation and performance of the company's business.
- Covivio Hotels may also be subject to cyber attacks, including fraud attempts through clever engineering which may lead to theft, loss of information or business interruption.
- These interruptions, violations or faults affecting information systems could have adverse financial consequences or damage the Company's image.

The measures put in place to reduce this risk are described more fully in Section 1.6.5.2.1 "Efficient and secure information systems":

- Back-up plan
- Business Continuity Plan
- Penetration tests
- Training and awareness-raising on cyber risks
- Cyber risk mapping
- Cyber insurance

1.6.1.3.2. Risks of fraud and corruption

Medium

- The risks faced by Covivio Hotels could have financial and reputational consequences and potentially harm the company's image.
- Lastly, in view of the general legal framework relating to the *Sapin II* Law, Covivio Hotels might not fulfil its compliance obligations regarding the implementation of an anti-corruption policy as required by law, and could face penalties as a result.

- Covivio Hotels trains all its employees in the risks of fraud, corruption and malicious behaviour. (see Section 1.6.5.2.2.)
- The introduction of secure payment processes and the follow-up of management procedures help to mitigate this risk, as does
- the appointment of a Compliance Officer in charge of compliance with anti-fraud and anti-corruption regulations. (see Section 1.6.5.2.3)
- In all its companies, Covivio Hotels enforces the eight anti-corruption measures set out by the *Sapin II* Law. In addition to the Code of Conduct [1], it has introduced a disciplinary procedure [2], dedicated training plans [3] (see Section 1.6.5.2.2), a corruption risk map [4] and a whistleblowing system [5]. Based on the major risks identified by the mapping, Covivio Hotels pays particular attention to the integrity of its key customers and suppliers by conducting due diligence [7]. It also has a specific financial reporting process to detect the main risks of fraud and corruption identified [7]. In 2019, these measures, which are currently being implemented, will be subject to internal control and evaluation [8] in accordance with the Audit Plan approved in 2019 by the Audit Committee.

1.6.1.3.3. Risks linked to changes in property regulations

Medium

- Changes in commercial lease regulations, especially with respect to the term, rent indexation and caps, and the calculation of compensation owed to tenants in case of eviction, could adversely impact the valuation of the company's assets, results, business activity or financial position.
- Covivio Hotels is exposed to the potential risks of changes in the tax regulations applicable to its industry. Consequently, if the tax regulations (basis or rate of taxation) should change, this could have an adverse impact on the company's net financial income.

- Regulatory monitoring is in place to anticipate and analyse such risks. In Germany, local teams monitor the application of these regulations for the assets concerned. For other countries, this monitoring is carried out by the property management agencies in charge of these assets.
- The tax regulatory environment remains fluid and requires thorough and constant monitoring by Covivio Hotels.
- Regular and permanent monitoring of developments in both administrative regulations and case law is in place at a European level.

1.6.1.3.4. Health and environmental risks

Medium

The Group's business is subject to laws and regulations concerning the environment and public health. These laws and regulations govern, in particular, the holding or use of facilities that present specific risks, the use of toxic materials or substances in buildings, and the storage and handling of such substances. If these applicable laws and regulations were to become more stringent, the Covivio Hotels Group might have to meet additional expenses.

Moreover, as the owner of these buildings, facilities or land, Covivio Hotels could be held liable under civil or even criminal law if it breaches its obligations.

Each acquisition by Covivio Hotels is subjected to careful analysis, particularly as regards ground contamination and asbestos. The leases signed by Covivio Hotels transfer liability for environmental and health risks to operators. At the same time, the Real Estate Engineering Department closely monitors these risks during ownership of the buildings and entrusts the management of the asbestos and ground contamination risks to its specialist partner, Provexi. For foreign assets, these risks are monitored by local property managers.

1.6.1.4. Risks linked to the organisation and legal structure of Covivio Hotels

Covivio owns a share of the company's equity and voting rights and remains the principal shareholder of Covivio Hotels. As such, Covivio has four representatives on the 14-member Supervisory Board (see Section 4.2.1.2. of this report).

In addition, Covivio is the sole shareholder of Covivio Hotels *Gestion*, which is the sole limited partner and General Manager of Covivio Hotels (the operating principles of partnerships limited by shares and the powers of the limited partner are described in the Supervisory Board's report on corporate governance contained in Chapter 4.2, and in Section 5.1.1.11, "Rights and status of general partners"). Covivio Hotels *Gestion* thus has unlimited liability for the company's liabilities. Consequently, Covivio, through its subsidiary Covivio Hotels *Gestion*, has a controlling interest in Covivio Hotels as defined in IAS 27. Covivio Hotels, although less than 50% held, is therefore fully consolidated by Covivio, which had a significant influence on the company as at 31 December 2018.

1.6.1.4.1. Risks of dependency on Covivio for certain services

Low

Property management of assets located in France and Germany is carried out by Covivio's specialised subsidiaries (direct and indirect) in those countries. These subsidiaries are bound by service agreements.

Some of the administrative, legal, accounting and financial support services are still provided by Covivio under a network costs agreement, which is a regulated agreement.

The asset management teams in charge of implementing the portfolio strategy are legally employed by Covivio Hotels, which reduces the risk of dependency on Covivio.

As part of its overseas expansion, Covivio Hotels routinely calls upon external local providers for property management or accounting and tax management services. This also gives it more insight into local practices and regulations.

1.6.1.4.2. Legal risks associated with a partnership limited by shares

Low

Covivio Hotels *Gestion* is the sole limited partner and General Manager of Covivio Hotels.

As a result, the company is tied to Covivio Hotels *Gestion* and reliant upon it to manage its assets, irrespective of what might happen to this company or its executives, employees, resources, performance or strategy.

The General Manager is fully empowered to act in any situation on behalf of the company.

It is apparent from the laws applicable to partnerships limited by shares and the company's Articles of Association that the removal of the General Manager can only be authorised by unanimous decision of the limited partners – and therefore with the General Manager's consent – or in rare cases by a decision of the Commercial Court on legitimate grounds, at the request of any partner or of the company itself. It would therefore be difficult for the company's general partners to terminate the General Manager's appointment against its will.

Conversely, Covivio Hotels *Gestion*, limited partner and manager, has unlimited liability for the company's liabilities.

The operating principles of partnerships limited by shares and the powers of the general partner are described in the Supervisory Board's report on corporate governance contained in Chapter 4.2 and Section 5.1.1.11, "Rights and status of general partners".

1.6.2. INSURANCE STRATEGY

The real estate assets of Covivio Hotels and its subsidiaries are covered for property damage and any pecuniary consequences for the non-occupying owner on public liability grounds, under the terms of the insurance schemes described below.

1.6.2.1. "Property damage" and "public liability" insurance

The real estate assets owned by Covivio Hotels and its subsidiaries are geographically dispersed, which protects Covivio Hotels against any single event that could simultaneously affect its entire portfolio.

Most of the risks incurred by partners operating the hotel, restaurant and leisure portfolio of Covivio Hotels are insured under insurance schemes covering the risk of property damage (including damage to the building itself, based on the rebuild cost), operating losses, loss of rental income and public liability. These risks are underwritten by world renowned, leading insurers such as AXA France IARD, Allianz, MMA and Chubb.

In terms of property damage, the insurance taken out covers losses and compensation resulting from a major incident affecting the largest asset in the Covivio Hotels portfolio. Each year, Covivio Hotels reviews the cover taken out by the operator on its behalf. In addition, depending on the portfolio, it also arranges its own property insurance with insurers such as Chubb, Affiliated FM and Amlin.

With regard to the amount of public liability cover, Covivio Hotels has opted to take out, as non-occupying owner of the premises and separately from the cover arranged by operators, extended cover for its public buildings liability which might arise as a result of personal injury, property damage and non-pecuniary losses, whether consequential or non-consequential, caused to third parties, as well as accidental pollution damage caused by the building. With regard to the public liability of the subsidiaries of Covivio Hotels as hotel operators, this is also covered under policies taken out with leading insurers whose insurance schemes offer high levels of cover for the risks insured.

Where necessary, the cover taken out by Covivio Hotels is supplemented by public liability insurance under the group policy arranged by Covivio on its own account and on behalf of its subsidiaries.

1.6.2.2. Corporate insurance

Covivio Hotels and its subsidiaries are covered under a group policy arranged by Covivio with AIG for the personal civil liability of its executives and corporate officers. The general and professional civil liability of Covivio Hotels and its subsidiaries is insured with Liberty Mutual and Chubb under a group insurance scheme arranged by Covivio for itself and its subsidiaries.

Covivio Hotels and its management subsidiary may be called upon to act on behalf of third parties in real estate transactions and management. Therefore, they are specifically covered for professional civil liability with the insurance company AIG under the Hoguet law.

Covivio Hotels is covered for the risks of IT fraud, computer abuse, malware, etc. under the policy taken out by the Group's holding company. In 2017, this scheme was supplemented by a group insurance scheme specifically for cyber risks, to take advantage of the cover now available in the insurance market.

In the case of events that could harm its image and reputation, Covivio Hotels is covered under the insurance policy taken out by Covivio, which allows it to use the services of a public relations firm specialising in crisis communications.

1.6.3. FINANCIAL RISKS LINKED TO CLIMATE CHANGE

Covivio Hotels' sustainable development strategy, including its main climate-related issues, is described in Chapter 2 of Covivio's Registration Document, which also serves as its Declaration of Extra-Financial Performance (DEFP). The reporting process meets the requirements laid down in the French Decree of 9 August 2017 implementing the Order of 19 July 2017 on the disclosure of extra-financial information. It also complies with Article 173 of the French Law on the Energy Transition for Green Growth2 and its Implementing Decree of 29 December 2015.

In 2018, Covivio mapped its CSR risks. This identified the nine major risks that form the basis of its 2018 DEFP. Already commended for its environmental component3 in the 2017 edition, the 2018 DEFP offers a combined financial and extra-financial analysis. The document contains information on the social, societal and environmental goals and achievements of the business, as well as an analysis of the consequences of climate change for the Group and the goods and services it produces. It also describes energy consumption and CO2 emissions related to building use.

Covivio's DEFP details the social and environmental goals, achievements and impact of the Group's business, notably for Covivio Hotels. It describes Covivio's low-carbon strategy, in line with the target of 2°C set by the Paris Agreement of 12 December 2015. The financial risks inherent in climate change appear to be limited in the short-term. A more in-depth and specific analysis will be carried out in 2019-2020, in anticipation of the criteria adopted by the Task Force on Climate-Related Financial Disclosures (TCFD) and designed to link the impacts of climate change to the financial costs this generates for the company.

The DEFP also reflects the dynamics of the 17 Sustainable Development Goals (SDGs) defined by the United Nations. The aim is not only to review past actions and performance, but to share the ambitions, commitments and changes that Covivio will be undertaking over the next decade.

The report is audited by an independent third party (see Section 2.8 of Covivio's Registration Document –www.covivio.eu).

1.6.4. INTERNAL CONTROL ORGANISATION

1.6.4.1. Objective, scope and reference framework for internal control and risk management

1.6.4.1.1. Objective and limitations

To respond to the potential risks, including those outlined in Section 1.6, Covivio Hotels has implemented an internal control system tailored to its business. This contributes to the efficiency of its business activities and teams, as well as the reliability of data.

In particular, it seeks to ensure that:

- activities comply with laws, regulations and internal procedures,
- management actions are consistent with the guidelines defined by the corporate bodies,
- assets, in particular buildings, are adequately protected,
- the risks arising from the business are correctly evaluated and sufficiently controlled,
- internal systems, which contribute to the establishment of financial information, are reliable.

Although this internal control system cannot, by definition, provide a cast-iron guarantee that all types of risks will be fully eliminated, it provides the company with a comprehensive tool that effectively protects against the major risks identified and their potential effects

1.6.4.1.2. Scope under review

Covivio Hotels' internal control and risk management system is applied to all its businesses across the entire scope of consolidation.

In 2018, the company acquired a significant number of companies and assets which immediately came within the scope of its internal control procedures, notably the merger with FDM Management at the end of January. This company and its subsidiaries fall within the scope of internal control.

[2] Law on the Energy Transition for Green Growth of 17 August 2015
[3] Press release of 27/11/2018 – Covivio confirms its position as the leading REIT for CSR policy

1.6.4.1.3. Standards

The company follows the "reference framework" recommended by the *Autorité des Marchés Financiers* (AMF). This AMF reference framework is based on that of *COSO* (Committee of Sponsoring Organisations of the Treadway Commission). It includes a set of methods, procedures and measures that should enable the company to:

- contribute to the management and efficiency of its business activities and the efficient use of its resources,
- give proper consideration to significant operational, financial and compliance risks.

1.6.4.2. Components of the internal control system

In accordance with the AMF recommendations, Covivio Hotels' internal control system is based on the following five components:

1.6.4.2.1. Structured organisation

The internal control system provides a framework for achieving the objectives. This organisation is based on known objectives, a division of responsibilities, and appropriate management of resources and skills.

Delegations of powers and responsibilities

Delegations and sub-delegations of powers are updated as the organisation evolves. The General Manager thus transfers some of its powers and responsibilities to a subordinate authority, the delegatee, more likely to be familiar with the requirements that need to be fulfilled and having the necessary means to apply them.

This delegation ensures better organisation of the company and a stronger correlation between the responsibilities of operational entities and the responsibilities of the executive.

High-performance and secure information systems

The features of the software applications used by Covivio Hotels employees are tailored to their various activities.

The security of the financial transactions conducted using the information systems is ensured by:

- limits on the disbursements per person and a dual-signature requirement when limits are exceeded,
- separation of payment authorisation and the execution of payment transactions.

These measures are updated in keeping with organisational changes.

The security of the infrastructure and the information system is ensured by various mechanisms:

1- A back-up plan to mitigate any physical or electronic attack on the information systems. Daily back-ups are stored outside the building in which the main servers operate.

2 – A business continuity plan has been operational since June 2013. This plan was drawn up jointly by teams from the Information Systems Department and Audit and Internal Control Department, with the help of the global leader in business continuity solutions. The business continuity plan is described in a special procedure. It covers the following points:

- A back-up centre, in the event of an IT incident that results in a computer malfunction for employees. Tests are carried out annually with the service provider to ensure that the system is effective.
- a user help desk, in the event of an incident in the operating assets rendering employees unable to work at their stations.

3 – Annual intrusion tests are performed by a specialist service provider to ensure that the information system is 100% secure. All recommendations made as a result of these tests are regularly monitored until their implementation.

4 – A cyber risk mapping was produced in 2016 with the help of a service provider specialising in this field, in order to improve the Group's security. The risk mapping confirmed that various controls were in place within the Group and that recommendations were being put in place to improve risk management. Following the mapping, Covivio Hotels took out cyber risk insurance, described in more detail in Section 1.6.2 "Insurance policy".

5 – All Group employees attend training and awareness-raising sessions on cyber risks to remind them of best practice and behaviours.

6 – An IT charter has been circulated and appended to the Internal Regulations.

- This charter is first and foremost a Code of Conduct laying down the principles for the proper use of IT and digital resources. It also outlines the penalties applicable in the event of any infringements.
- It defines the areas of responsibility for users and for the company, in accordance with legislation (in particular the French Data Protection Act No. 78-17 of 6 January 1978), to ensure the correct use of the company's IT resources and internet services.
- It helps to protect the integrity of the IT system, particularly the security and confidentiality of data and technical equipment.

7 – The appointment of an external Chief Information Security Officer (CISO) in 2018, responsible for IT security.

Updated, validated and distributed procedures

The procedures are drawn up by the Audit and Internal Control Department, in close collaboration with operational staff.

The procedures describe the risks and control points of sensitive and manageable processes.

The procedures are presented as flowcharts that highlight:

- the risks identified and the resources employed to control such risks,
- the roles and responsibilities of each individual (processing, monitoring, validation, information, archiving),
- the control points exercised, especially the automated controls carried out by information systems.

All procedures, whether they concern updates, renewals or terminations, are approved by an ad hoc committee. The committee includes representatives of the Company's various business lines (operational and support staff) who are selected based on their expertise and their knowledge of the Company's operating methods.

To strengthen their validity and relevance, all procedures are also approved by the Audit and Internal Control Department and by the member of the Management Committee responsible for the procedure.

The validated procedures can be accessed by employees on the company's intranet.

1.6.4.2.2. Employee training

The Audit and Internal Control Department organises training sessions called "Process Mornings". Training is mandatory for all employees and aim to:

- focus participants' attention on the specific procedures of each department or business line, as well as new procedures releases,
- *present the components of the internal control system, including internal charters,*
- act as a reminder of the role of the Compliance Officer and of the Group's Ethical Charter.

In 2018, the training focused on the prevention of fraud and corruption, the protection of personal data, and the risk of cybercrime. Its aim is to make employees aware of the new regulations that apply and the role of each individual.

In addition, all new employees, during their induction programme, meet with the Audit and Internal Control Department, where the department's role and the Group's procedures are explained.

1.6.4.2.3. A recognised ethics approach

The company values compliance with internal procedures, professional ethics and moral standards. Accordingly, it set up a compliance department in early 2018. The company relies on a comprehensive framework that provides guidance on the regulations and proper conduct that must be adhered to by the company, its managers, corporate officers, all employees and partners. The framework consists of the following:

a) Ethical Charter

The Ethical Charter sets out the rules and principles that all employees must follow in their professional practices and in their dealings with stakeholders. The basic principles contained in this Charter are:

- compliance with laws and regulations, including the prevention of insider trading, money laundering, corruption and related offences
- respect for the environment and people (health and safety at work, non-discrimination, respect for third parties, etc.)
- protection of the company's assets (image, assets, resources) and transparency of the information provided
- protection of personal data

It is published on the Covivio website and intranet and circulated at all hierarchical levels. It is also given to all new employees during their induction programme and when they start work.

The Charter is regularly updated to reflect changes in the Group's organisation and the legal framework in which it operates.

It was revised in 2018 during the implementation of the anti-corruption policy pursuant to Law No. 206-1691 of 9 December 2016 on transparency, anti-corruption and economic modernisation (the "*Sapin II* Law").

The Ethical Charter has been approved by employee representatives. It is legally enforceable against Group employees and takes the place of a code of conduct as defined in the *Sapin II* Law. Therefore, any failure to comply with the rules laid down in the Charter, and in particular any proven act of corruption, could lead not only to legal penalties, but to the termination of the employment contract or appointment of the employee concerned.

The Charter emphasises zero tolerance for corruption and influence peddling and the option for any stakeholder (internal or external) to report such acts via the whistleblowing system (alert@covivio.fr).

b) Whistleblowing system

Covivio Hotels has had an internal whistleblowing system since 2015. It was updated in 2018 to reflect the provisions of the *Sapin II* Law.

The whistleblowing system covers various scenarios, including offences and misdemeanours, the infringement of national or international laws, or a serious threat or harm to the public interest. It can also be used by any employee to report non-compliance with the principles enshrined in the Ethical Charter, and more generally in the following areas:

- financial
- accounting
- banking
- anti-fraud and anti-corruption
- non-compliance with competition law
- *prevention of workplace discrimination and harassment, etc.*

All Group employees and their stakeholders may access – or be the subject of – the whistleblowing system. It is covered by an internal procedure disseminated and communicated at European level during "Process Mornings" (see Section 1.6.4.2.2.1.4). Employee training Its existence is also brought to the attention of partners and suppliers via its publication on the Group's website and the reference made to it in the Responsible Purchasing Charter.

The company undertakes to protect the whistleblower in accordance with the applicable regulations. By law, anonymous whistleblowers are taken seriously if the severity of the facts disclosed is established and there is sufficient detailed evidence.

c) Fraud and corruption risk mapping

- The Group's fraud risk was mapped in 2018 to identify the regions most at risk of fraud and corruption. The mapping was carried out with an external consultant, the law firm Taylor Wessing, renowned for its professionalism and expertise in this area. This made the process more objective, informed and transparent
- In the course of its work, Taylor Wessing was asked to make recommendations to improve the management of fraud and corruption risk. All the recommendations have been implemented and are monitored by the General Management.

d) Ethics Officer

- The Ethics Officer is independent and reports only to the General Management. He or she has a duty of confidentiality with regard to the information disclosed. The Ethics Officer has a multi-faceted role: advising employees on conflicts of interest, compliance, stock market regulations, gifts and other benefits in kind received or offered;
- verifying the application of ethical principles;
- performing regulatory oversight on the subject of ethics.

The role of Ethics Officer is held by Covivio's Chief Operating Officer (COO).

e) Compliance officer

The position of Compliance Officer was created in 2018.

To ensure that the Group complies with the ethical rules and principles applicable to it, the Compliance Officer:
- is involved in drafting and updating the ethical charter,
- ensures that it is distributed to all employees when it is updated and to new employees when they join the company,
- is in charge of its implementation; in this respect, the compliance officer ensures that each department puts in place suitable measures to comply with the provisions applicable to it, and relies on the Audit and Internal Control Department to perform the necessary checks,
- carries out due diligence on third parties, and
- in the event of a breach of these rules, ensures that appropriate measures are taken.

1.6.4.2.4. Data protection, a major challenge

a) Protection of personal data

In accordance with the EU's General Data Protection Regulation (GDPR), which strengthens existing national regulations, a compliance procedure has been implemented.

This includes:
- the appointment of a Data Protection Officer (DPO) (who can be contacted by e-mail at dpo@covivio.fr)
- a network of "GDPR officers": as the DPO's operational representatives, they are in charge of compliance of the data processing carried out by their department and are responsible for fostering a culture of data protection within that department
- introducing a GDPR code outlining company policy on data protection and the technical and organisational measures adopted for that purpose
- drafting internal procedures to ensure compliance with company policy
- organising training for all Group employees on best practice in data protection
- keeping records of processing activities and making them available to the supervisory authorities
- working on data security in general (personal or other data) through the appointment of an external Chief Information Security Officer (CISO), in charge of detecting possible security breaches and taking corrective action.

b) Ensuring the security of all data processed by the Group

In addition to data protection, the whole subject of cybersecurity is becoming a major concern for management. The risk of cybercrime and the mitigating measures implemented at Group level are described in more detail in the section on risk factors (see Sections 1.6.1.3.1 and 1.6.5.2.1).

1.6.4.2.5. Risk Management

Risk mapping

As stated in Section 1.6 on risk factors, Covivio Hotels has been carrying out risk mapping every two to three years since 2009. This enables it to gain a better understanding of the risks that could have an impact on the company's results, monitor changes to those risks and improve how they are managed.

Provision of an "incident database"

An "incident database" has been in place since the end of 2013. This gives managers and the General Management a forward-looking vision of the risk and boosts the effectiveness of the mechanisms for managing potential risks and known incidents, thereby preventing their occurrence or repetition and mitigating any consequences.

The deployment of this incident database enables Covivio Hotels to assess risks quantitatively and qualitatively, setting itself the following objectives:

- supporting employees with incident management, especially those that have not yet occurred
- characterising these incidents by assessing their financial impact
- producing risk analysis statements and summaries
- suggesting solutions to limit these risks and any occurrence or repetition thereof
- allocating the necessary resources

Drawing up an internal control manual

The internal control manual aims to improve the governance of internal control and risk management.
It was produced by the Internal Audit and Control Department in a bid to link the objective of "risk management" with the concept of "risk control" in the same document.

The manual highlights recent changes in the internal control system in terms of monitoring recommendations, implementing procedures and standards set by the AMF relating to governance, risk management and key information system elements.

Description and analysis of risks that could impact the results

The main operational risks are detailed in Section 1.6.1 "Risk factors and mitigating measures" of this document.

1.6.4.2.6. Control activities proportionate to risks

The control activities are designed to mitigate the risks that could affect the achievement of the company's goals. The frequency of controls is adapted to the scale and nature of the risks.

Control of risks on investments, disposals and financing

Investments, disposals of assets and shareholdings and the provision of security interests, sureties, endorsements and guarantees are authorised by the Supervisory Board, if such transactions exceed the authorisation thresholds provided for in the Internal Regulations.

Major projects, ongoing developments and activity reports are submitted each month to the General Manager by each of the managers concerned.

The procedures governing these activities are regularly reviewed and updated before being disseminated to the relevant employees.

Control of recurring activities

Recurring activities are controlled in order to identify the necessary actions to:

- deliver the budgeted receipts
- control operating expenses related to assets
- control the direct operating costs they incur (personnel expenses, appraisals, asset management, etc.).
- compliance with the budget for support costs (human resources, information systems, communication, premises, etc.)

Compliance with the budget for insurance expenses, general expenses, legal expenses etc., is the responsibility of the General Management. Group Management Control is responsible for controlling compliance with the budgets.

The control points for rental management and real estate engineering activities are:

- the provision of contractual services
- delivery of the budgeted revenue
- control of direct operating costs they incur (personnel expenses, travel and entertainment expenses, etc.)
- compliance with the budget for support costs (human resources, information systems, communication, premises, etc.)

Reporting process

The monitoring of variances between actual results and management control forecasts, as well as indicators and dashboards, is discussed at monthly business meetings. In addition, Covivio Hotels' asset management teams receive quarterly reports from their foreign service providers. They meet regularly with Covivio Property for rental management and real estate engineering in France, Covivio Immobilien for assets managed in Germany, leading property managers for assets located abroad (Netherlands, Belgium, Spain, Portugal, United Kingdom, etc.) and Covivio Développement for major real estate projects.

1.6.4.2.7 Internal control system

Organisation of the internal control and risk management system

This system is based on the three lines of control presented below:

- The Internal Control system aimed at controlling Group processes. Each operational department and each functional department, both within Covivio Hotels and its subsidiaries, is responsible for establishing and updating the internal control system. This makes it possible to control their activities and oversee employee efficiency and the efficient use of their resources. This internal control system is continually evolving to remain consistent with the strategy, objectives, processes and level of risk management.
- The risk management system aimed at identifying major risks, evaluating them, and ensuring a satisfactory control level for the company.
- Internal Audit, which assesses, through specific assignments, the efficiency of the internal control and risk management systems. It reports directly to General Management and the Audit Committee, and indirectly to the Supervisory Board.

1.6.4.3. Internal control of accounting and financial information

The internal control of the accounting and financial information of Covivio Hotels and its subsidiaries is one of the major elements of the internal control system. It is designed to ensure:

- the compliance of the financial statements and the accounting and financial information with the regulations
- the reliability of the published statements and the information communicated to the market
- the application of instructions set by General Management
- the prevention and detection of fraud and accounting irregularities.

1.6.4.3.1. Company scope

The scope of accounting and financial internal control of Covivio Hotels extends to all its subsidiaries for the production of the consolidated financial statements.

1.6.4.3.2. Agents

Governance bodies

As the consolidating company, Covivio Hotels defines and supervises the process of preparing the accounting and financial information published. This process is facilitated by Covivio's Accounting Department.

The key players are:

- the General Manager of Covivio Hotels, which prepares the financial statements
- the Supervisory Board and the Audit Committee, which examine them.

The Audit Committee, as the representative of the Supervisory Board, conducts the verifications and controls it deems appropriate.

Production of accounting and financial information

The quality of the process of producing the financial statements is the result of:

- formalised accounting procedures suited to recurring tasks and the closing and consolidation of the accounts
- a consolidation manual, adapted to the functionalities of the consolidation software
- validation and updating of accounting scenarios
- verification of balances and the usual validation and control reconciliations, in conjunction with work carried out by management control
- analytical reviews to validate changes in the principal balance sheet entries and the income statement with operations staff
- separation of tasks between commitment powers (banking powers or authorisations to incur expenses) and accounting activities
- review of consolidation reporting for each subsidiary at each closing, to ensure that the Group's accounting principles and methods are correct and harmonised
- review of the impact of taxes and disputes.

Moreover, each key event concerning either the companies or the portfolios is the subject of a specific report compiled by the "company accounting" section of the Accounting Department, analysing its impact on the separate and consolidated financial statements.

The reliability of the processes allows the teams to focus more on control.

Production of the consolidated financial statements

For the preparation of the consolidated financial statements, the Accounting Department has written a detailed consolidation manual that contains specific instructions for French and foreign subsidiaries.

The consolidated financial statements are produced using a software package which is regularly updated to meet the requirements of IFRS and the specific aspects of Covivio Hotels' various operating and financial activities. The consolidated entities have a single accounting plan. The processed data is uploaded into the programme in data packages.

At each half-yearly and annual closing, the accountants of the various consolidation sub-levels receive detailed instructions prepared by the Accounting Department.

Instructions, issued well before the closing date, also inform the various other contributors of the data to be submitted and the deadlines for submission.

Independent reviews

Within the accounting departments of Covivio Hotels and its subsidiaries, the accounting work performed by the department's employees is reviewed by account managers. The accounting treatment of complex operations and the account closings are validated by the Accounting Manager at preparatory meetings for the closing of the corporate and consolidated financial statements.

Control of the communication of financial and accounting information

The General *Manager sends the financial statements to the Supervisory* Board, which reads the report from the Chairman of the Audit Committee.

The General Manager defines the financial communications strategy. The press releases about the financial and accounting information require approval from the Supervisory Board.

Covivio Hotels applies the EPRA Best Practices Recommendations, notably when presenting its financial statements, to harmonise its indicators. This presentation does not alter Covivio Hotels' accounting policies but provides greater clarity, particularly with regard to the operating results from leasing, ancillary activities, proceeds from disposals, recurring net income and net asset value. It also allows comparability with real estate companies that use the same reporting *format.*

Before the publication of the half-yearly and annual results and quarterly information, Covivio Hotels is required to maintain a quiet period during which the company refrains from contacting analysts and investors.

The financial and accounting information of Covivio Hotels is formatted by Covivio's Finance Department, which complies with the general principles and best practices in financial communication as provided in the "Framework and Practices of Financial Communications" guide prepared by the Financial Communications Observatory under the aegis of the AMF.

1.6.5.4. 2019 Outlook

In 2019, the Audit and Internal Control Department will ensure that the year's audit plan is fully and thoroughly implemented. It will strive to improve the management, identification, understanding and hedging of risks within the company. It will focus on continuing its due diligence, particularly in new markets and for new businesses for the company, and on monitoring compliance with new regulations on combating fraud and corruption and the protection of personal data.

1.7. Shareholding structure at 31 December 2018

Built around a strategy of long-term ownership of specialised assets in the hotel and retail sectors, operated by their respective market leaders, the shareholding structure of Covivio Hotels consists of the groups Crédit Agricole Assurances, Assurances du Crédit Mutuel, Generali Vie and Cardif Assurance Vie, together with Covivio.

Following the business combination completed on 24 January 2018 between Covivio Hotels and its subsidiary FDM Management SAS, which specialises in owning hotel operating properties, the company's shareholding structure was strengthened in January 2018 with the addition of new shareholders: Caisse des Dépôts et Consignations, Sogecap (Société Générale Group) and Spirica (Crédit Agricole Assurances Group).

1.7.1. INFORMATION ON THE SHARE CAPITAL

At 1 January 2018, the company's equity stood at €351,264,348. It was made up of 87,816,087 shares with a par value of €4 each.

Following the completion on 24 January 2018 of the following transactions:

- contribution in kind by Caisse des Dépôts et Consignations to Covivio Hotels of 932,191 shares it owned in SCI HOTEL PORTE DOREE in consideration for the granting of 975,273 new shares in the company;
- the merger of FDM Management SAS into Covivio Hotels in consideration for 17,460,738 shares in the company granted to FDM Management SAS partners (excluding the company),

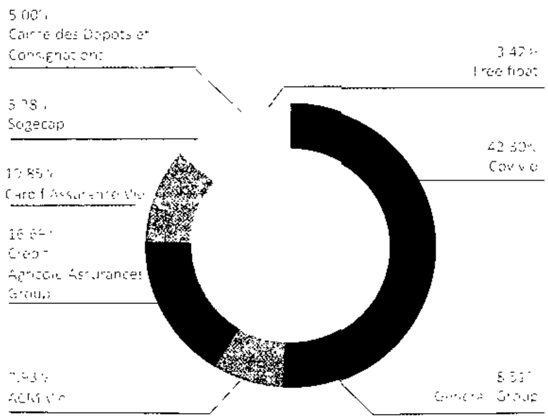
The company's share capital was increased in the amount of €73,744,044 by issuing 18,436,011 new shares with a par value of €4 each.

Moreover, following the completion of a capital increase on 21 June 2018, by free allocation of share warrants for a total of €299,276,725.80 (i.e. a nominal amount of €47,223,152 and share premium of €252,053,573.80), the company's share capital increased by €47,223,152 with the issue of 11,805,788 new shares.

Consequently, at 31 December 2018, the company's equity amounted to €472,231,544. It was made up of 118,057,886 shares with a par value of €4 each.

In accordance with the decision taken at the Combined General Meeting of 10 April 2015 and Article 9 of the Articles of Association, each shareholder has as many votes as the shares they hold or represent. No double voting rights are conferred pursuant to Article L. 225-123, last paragraph, of the French Commercial Code.

The shareholding structure at 31 December 2018 was as follows:



Name of shareholders	Number of shares/Voting rights	Percentage
COVIVIO	49,941,715	42.30%
GROUPE CREDIT AGRICOLE ASSURANCES	19,706,321	16.69%
CARDIF ASSURANCE VIE	12,812,548	10.85%
GROUPE GENERALI	10,050,573	8.51%
ACM VIE	9,362,740	7.93%
SOGECAP	6,234,282	5.28%
CAISSE DES DEPOTS ET CONSIGNATIONS	5,902,897	5.0%
FREE FLOAT	4,041,970	3.42%
TREASURY SHARES	4,840	/
Total	**118,057,886**	**100%**

1.7.2. DISTRIBUTION OF SHARE CAPITAL AND VOTING RIGHTS

For the last three fiscal years, the share capital and voting rights of the company have been distributed as follows:

	31/12/2018			31/12/2017			31/12/2016		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
COVIVIO	49,941,715	42.30	42.30	43,907,730	49.99	49.99	36,982,436	49.91	49.91
GROUPE CREDIT AGRICOLE ASSURANCES	19,706,321	16.69	16.69	13,220,725	15.06	15.06	11,127,859	15.02	15.02
GROUPE GENERALI	10,050,573	8.51	8.51	9,045,516	10.30	10.30	7,619,193	10.28	10.28
CARDIF ASSURANCE VIE	12,812,548	10.85	10.85	8,588,060	9.78	9.78	7,559,812	10.20	10.20
ACM VIE	9,362,740	7.93	7.93	5,483,232	6.24	6.24	4,946,485	6.68	6.68
SOGECAP	6,234,282	5.28	5.28						
CAISSE DES DEPOTS ET CONSIGNATIONS	5,902,897	5	5						
PACIFICA	Subsidiary of Groupe Crédit Agricole Assurances			1,571,739	1.79	1.79	1,654,189	2.23	2.23
FREE FLOAT	4,041,970	3.42	3.42	5,996,642	6.83	6.83	4,211,734	5.68	5.68
TREASURY SHARES	4,840	-	0-	2,443	-	-	2,255	-	-
TOTAL	118,057,886	100	100	87,816,087	100	100	74,103,963	100	100

1.7.3. THRESHOLD CROSSING DISCLOSURES AND DECLARATIONS OF INTENT

Threshold crossing disclosures

During 2018, the company was informed of the following legal and statutory threshold crossings:

Shareholder	Date limit exceeded	Upward threshold crossing		Downward threshold crossing		Shares	Voting rights	% of share capital	% of voting rights
		Legal	Articles of Association	Legal	Articles of Association				
CARDIF ASSURANCE VIE	24 January 2018	10%	10%	/	/	11,531,294	11,531,294	10.85%	10.85%
COVIVIO	24 January 2018	/	/	/	49% to 43%	44,642,805	44,642,805	42.02%	42.02%
SOGECAP	24 January 2018	5%	2% to 5%	/	/	5,312,608	5,312,608	5.0%	5.0%
CAISSE DES DEPOTS ET CONSIGNATIONS	24 January 2018	5%	1% to 5%	/	/	5,312,608	5,312,608	5.0%	5.0%
GENERALI VIE	24 January 2018	/	/	10%	10% and 9%	9,045,516	9,045,516	8.51%	8.51%
GENERALI VIE	26 November 2018	/	/	/	8%	8,857,876	8,857,876	7.50%	7.50%
PREDICA	24 January 2018	/	/	15%	15%	15,501,730	15,501,730	14.59%	14.59%
ACM VIE	24 January 2018	/	7%	/	/	8,426,466	8,426,466	7.93%	7.93%

Declarations of intent

Following the final completion of the company's merger with FDM Management SAS on 24 January 2018, CARDIF ASSURANCE VIE published the following declaration of intent on 30 January 2018, pursuant to Article L.233-7 VII of the French Commercial Code:

"Cardif Assurance Vie hereby declares:

- the allocation of 2,943,234 Covivio Hotels shares to Cardif Assurance Vie as a result of the merger between Covivio Hotels and FDM MANAGEMENT SAS. Therefore, the threshold crossing is not as a result of an acquisition and did not require any financing;
- Cardif Assurance Vie does not act in concert with any entity;
- Cardif Assurance Vie, as an investor, intends to increase its stake in Covivio Hotels, market opportunities and conditions permitting;
- Cardif Assurance Vie does not intend to acquire control of Covivio Hotels;
- Cardif Assurance Vie does not intend to alter the strategy of Covivio Hotels;
- Cardif Assurance Vie does not envisage any of the transactions referred to in Article 223-17(I)(6) of the General Regulation of the AMF;
- Cardif Assurance Vie is not a party to any agreement or financial instrument referred to in Article L. 233-9(I)(4) and (4-bis) of the French Commercial Code;
- Cardif Assurance Vie is not a party to any repurchase agreement involving the shares and/or voting rights of Covivio Hotels;
- Cardif Assurance Vie is a member of the supervisory board of Covivio Hotels;
- Cardif Assurance Vie does not intend to seek the appointment of other representatives."

1.7.4. CHANGES IN EQUITY OVER THE LAST FIVE FISCAL YEARS

Transactions affecting the company's equity over the past five years are detailed below:

		Transaction					After transactions	
Dates	**Type**	**Number of securities**	**Nominal value (€)**	**Share premium (€)**	**Merger premium (€)**	**Contribution premium (€)**	**Number of securities**	**Successive amounts of capital (€)**
21 November 2014	Capital increase with preferential right of subscription	9,880,528	39,522,112	158,088,448			74,103,963	296,415,852
28 March 2017	*Capital increase with preferential* right of subscription	*9,262,995*	*37,051,980*	*163,028,712*			*83,366,958*	*333,467,832*
19 May 2017	Capital increase following payment of the dividend in shares	4,449,129	17,796,516	93,298,235			87,816,087	351,264,348
24 January 2018	Capital increase following the final completion of the company's merger with FDM Management SAS	17,460,738	69,842,952	/	351,367,82 6		105,276,825	421,107,300
24 January 2018	Capital increase following the final completion of the contribution of shares from SCI HOTEL PORTE DOREE	975,273	3,901,092			19,554,224	106,252,098	425,008,392
21 June 2018	Capital increase by free allocation of share warrants	11,805,788	47,223,152	252,053,573.80			118,057,886	472,231,544

1.7.5. INFORMATION ON CROSS-SHAREHOLDINGS AND SHARE BUYBACK PROGRAM

The Combined General Meeting of 6 April 2018 authorised the company, pursuant to Article L. 225-209 of the French Commercial Code, to trade in its own shares, within a limit of a number of shares not exceeding 10% of the share capital for a period of eighteen months.

The features of this share buyback program are as follows:

- the maximum price is €30 per share;
- the maximum amount of funds allocated to the buyback program would be €200,000,000;
- purchase, sale, exchange or transfer transactions may be executed by any means, whether on the market or over the counter, including block purchases or sales, or by using financial instruments, with the following primary aims:
  1. delivering shares upon the exercise of rights attached to securities granting access to the share capital,
  2. holding and delivering them as payment or in exchange under potential external growth transactions, mergers, spin-offs or contributions,
  3. cancelling shares,
  4. implementing a liquidity agreement with an investment service provider under the conditions and according to the methods set by the regulations and recognised market practices,
  5. using them in any other practice that may come to be recognised by law or by the French Financial Markets Authority (*Autorité des Marchés Financiers*) or any other purpose that would provide a basis for the presumption of legitimacy.

These transactions may take place at any time, in compliance with the regulations in force, except during a public tender offer.

The last authorisation brought an end to the previous share buyback program, authorised by the Combined General Meeting of 7 April 2017, which amounted to 2,016 treasury shares held by the company at 6 April 2018 under the liquidity agreement.

The General Meeting has conferred all powers on the General Manager to place any orders on the securities exchange or over the counter, and in general to do whatever is necessary and useful for the execution of the decisions to be taken in connection with such authorisation.

This share buyback program was implemented by decision of the General Manager dated 6 April 2018.

The terms and conditions relating to the new buyback program were set forth in the share buyback program description posted on the company's website on 6 April 2018.

Until 27 June 2018, all purchases and sales were made under the liquidity agreement signed with Natixis on 20 April 2012, and then under the new liquidity agreement signed with ODDO BHF and Natixis from 27 June 2018.

The monthly trading volumes **for 2018** are as follows:

Share buyback program authorised by the GM of 7 April 2017	PURCHASE Number of shares	Average price per share (€)	SALE Number of shares	Average price per share (€)
January	5,201	28.77	5,502	28.92
February	5,305	28.38	3,670	28.65
March	1,473	28.32	4,014	28.52
From 1 to 6 April	1,137	28.55	564	28.80

Share buyback program authorised by the GM of 6 April 2018	PURCHASE Number of shares	Average price per share (€)	SALE Number of shares	Average price per share (€)
From 9 to 30 April	4,926	27.44	2,789	27.66
May	7,794	26.46	8,096	29.96
June	5,353	25.70	7,828	25.99
July	4,140	26.66	2,120	26.70
August	5,715	26.48	5,863	26.65
September	4,860	26.13	4,209	26.25
October	8,688	24.79	7,483	25.05
November	1,987	24.99	4,123	25.21
December	6,596	24.68	4,517	24.75

Accordingly, in 2018, the company proceeded under the liquidity agreement to purchase 63,175 of its own shares at an average price of €26.43 per share, and to dispose of 60,778 of its own shares at an average price of €27.06 per share.

No cancellation of shares took place during the year.

At 31 December 2018, Covivio Hotels thus held 4,840 of its own shares representing 0.004% of the share capital, valued at €117,612 at 31 December 2018, on the basis of the purchase price (i.e. €24.30 per share) and equivalent to a nominal value of €19,360.

The transaction costs during 2018 were €27,371.89 excluding tax.
As the authorisation that was granted by the General Meeting on 6 April 2018 was for a period of 18 months, a new share buyback program will be submitted to the General Meeting on 5 April 2019.

1.7.6. OPTIONS FOR THE SUBSCRIPTION OR PURCHASE OF COMPANY SHARES

Nil.

1.7.7. TRANSACTIONS CARRIED OUT BY CORPORATE OFFICERS AND RELATED PERSONS ON THE COMPANY'S SECURITIES

Corporate officers	Purchase of financial instruments	Price per share	Sale of financial instruments	Price per share	Number of securities held at 31 December 2018
Mr KULLMANN	251 shares*	€25.35	/	/	2,515
Mr ESTÈVE	/	/	/	/	790
Ms DEBRUS	1 share	€17.53	/	/	7
COVIVIO INVESTMENTS	/	/	/	/	1
Ms LELONG-CHAUSSIER	/	/	/	/	0
COVIVIO	735,075 shares*	€24.05	/	/	
	1,318,074 share warrants	€0.01	/	/	
	5,106,763 shares**	€25.35	1 share lent to the company FONCIERE MARGAUX	/	49,941,715
	171,442 shares	€25.75	/	/	
	20,705	€25.00	/	/	
Ms CAMUS	/	/	/	/	0
FONCIERE MARGAUX	1 share lent by COVIVIO	/	/	/	1
Ms SEEGMULLER	/	/	/	/	0
PREDICA	2,281,005 shares*	€24.05	/	/	
	1,168,871 share warrants	€0.1163			17,354,019
	1,852,289 shares**	€25.35	/	/	
Mr CHABAS	/	/	/	/	0
ACM VIE	2,943,234 shares*	€24.05	/	/	9,362,740
	936,274 shares**	€25.35	/	/	

Corporate officers	Purchase of financial instruments	*Price per share*	Sale of financial instruments	*Price per share*	Number of securities held at 31 December 2018
Mr MORRISSON	/	/	/	/	0
GENERALI VIE	1,005,057 shares**	€25.35	912,698 shares	€25.20	8,857,876
			279,999 shares	€25.00	
Mr PEZET	/	/	/	/	0
CARDIF ASSURANCE VIE	2,943,234 shares*	€24.05	/	/	12,812,548
	1,281,254 shares**	€25.35	/	/	
Ms ROBIN	/	/	/	/	0
SOGECAP	3,800,826 shares*	€24.05			6,234,282
	590,289 shares**	€25.35			
	3,070 shares	€24.731			
	3,134 shares	€24.7365			
	10,802 shares	€24.9761			
	17,894 shares	€24.8888			
	2,167 shares	€24.90			
	294,318 shares	€25.80			
Mr BRIAND	/	/	/	/	0
CAISSE DES DEPOTS ET CONSIGNATIONS	975,273 shares	€24.05	/	/	5,902,897
	3,800,826 shares*	€24.05	/	/	
	590,289 shares**	€25.35	/	/	
Mr TAVERNE	/	/	/	/	0
Ms DAMERVAL	10 shares	€26.90			10
Mr LUCHET	/	/	/	/	11
Mr OZANNE, Chairman of COVIVIO HOTELS GESTION, General Manager of the company	294,318 share warrants	€0.01			32,702
	32,702 shares**	€25.35			
Maro Lux, a person related to Dominique Ozanne, Chairman of COVIVIO HOTELS GESTION, General Manager of the company	294,318 shares*	€24.05	294,318 share warrants	€0.01	0
			294,318 shares	€25.80	

** Shares allocated on 24 January 2018 in connection with the merger with FDM Management SAS*

*** Share subscription in connection with the company's capital increase by free allocation of share warrants on 21 June 2018.*

1.8. Stock market and dividends

1.8.1. SHARE PRICE AT 31 DECEMBER 2018

The closing share price for the year was €24.30, bringing the market capitalisation to €2,869 million at 31 December 2018.

Performance of the share price of Covivio Hotels in 2018

The shares of Covivio Hotels are admitted to trading on Compartment A of the Euronext Paris market.

Movements in the share price were as follows in fiscal year 2018:

	Low	High	No. of shares traded	Number of trading sessions
January 2018	**27.95**	**29.74**	**108,780**	**22**
February 2018	**27.55**	**28.84**	**52,333**	**20**
March 2018	**27.94**	**28.84**	**63,826**	**21**
April 2018	**26.45**	**28.84**	**96,680**	**20**
May 2018	**25.60**	**27.74**	**100,034**	**22**
June 2018	**25.30**	**27.70**	**155,747**	**21**
July 2018	**26.00**	**27.50**	**41,450**	**22**
August 2018	**26.20**	**27.20**	**34,602**	**23**
September 2018	**25.60**	**27.20**	**34,023**	**20**
October 2018	**24.20**	**26.10**	**99,601**	**23**
November 2018	**24.40**	**25.90**	**74,689**	**22**
December 2018	**23.80**	**25.80**	**381,014**	**19**

1.8.2. DISTRIBUTION OF DIVIDENDS

1.8.2.1. Dividends distributed within the last five fiscal years

Fiscal year	Number of shares	Dividend paid per share	Amount of dividend eligible for 40% tax reduction	Amount of dividend not eligible for 40% tax reduction
2014	74,103,963	€1.55	€0	€1.55
2015	74,103,963	€1.55	€0	€1.55
2016	74,103,963	Ordinary dividend: €1.55 Extraordinary dividend: €1.55	€0	€3.10
2017	106,252,098	€1.55	€0 or €0.066 if election is made for the income tax scale option	€1.55 or €1.484 if election is made for the income tax scale option
2018	118,057,886	€1.55	€0 or €0.0337 if election is made for the income tax scale option	€1.55 or €1.2163 if election is made for the income tax scale option

** Dividend proposed to the Combined General Meeting of 5 April 2019*

In accordance with Article 208 C II of the general tax code, the SIIC status allows the exemption of rental income, real estate capital gains and dividends from SIIC subsidiaries, provided that at least 95% of income from operations, 70% of capital gains and 100% of dividends are distributed to shareholders.

The company's distribution policy has of course taken the provisions laid down by the regulations into account

1.8.2.2. Dividend distribution policy

Covivio Hotels intends to undertake an active distribution policy for cash flow generated over the fiscal year, thus meeting objective of offering a high yield.

The Combined General Meeting of 5 April 2019 will accordingly be asked to approve a dividend payment of €1.55 per outstanding share. This dividend represents a total amount of €182,989,723.30, or 92% of EPRA earnings.

The payout rate of 87% can be seen more clearly by looking at the amount of the dividend and

- the amount of EPRA earnings at €198 million;
- *and EPRA Earnings of €1.78 per-share calculated on the basis of the average number of shares over the fiscal year.*

1.8.3. *SHARES HELD BY CORPORATE OFFICERS*

Number of shares held by corporate officers holding an office in Covivio

	Number of Covivio shares held	
	2018	**2017**
Christophe Kullmann	*84,091**	*67,464***
Dominique Ozanne	29,932	16,863
Olivier Estève	53,452	45,019

(*) fully-owned shares to which may be added 18,000 shares beneficially owned resulting from a bare ownership transfer.
(**) Fully-owned shares to which may be added 24,000 shares beneficially owned resulting from a bare ownership transfer.

1.9. Information about the company and its investments

1.9.1. GROUP ORGANISATION

Covivio Hotels holds direct and indirect investments in 146 companies in France and abroad.

The companies SNC REITs Otello, SNC René Clair and Foncière Ulysse hold real estate assets or investments in the hotel real estate sector in France and Belgium. In partnership with Caisse des Dépôts et Consignations, Covivio Hotels has also created a common investment vehicle for the development of tourism residences in France: the company Foncière Développement Tourisme. This holds the securities of SAS Samoëns, which in turn owns the Club Med village in Samoëns. In addition, Covivio Hotels holds real estate assets in Spain through investments acquired in 2017 (16 hotel real estate assets) and an investment in B&B Invest Espagne SLU (four B&B hotels).

Following the Extraordinary General Meeting held on 24 January 2018, FDM Management SAS was merged into Covivio Hotels. Following this transaction, Covivio Hotels holds Hotel operating properties, either directly or through investments.

At the same time as the merger of FDM Management SAS with Covivio Hotels, Caisse des Dépôts et Consignations contributed 50% of the shares that it held in SCI Hotels Porte Dorée. Covivio Hotels now holds 100% of SCI Hotel Porte Dorée, which has one Motel One hotel real estate asset in France, delivered in 2018.

Murdelux, based in Luxembourg, holds investments in the following companies:

- Portmurs, holder of a Club Med in Da Balaïa, Portugal;
- Sunparks Tréfonds, SunparksOostduinkerke, Foncière Vielsalm and Foncière KempenseMeren, which directly hold two holiday villages operated by Pierre & Vacances in Belgium;
- B&B Invest Lux 1, B&B Invest Lux 2, B&B Invest Lux 3, B&B Invest Lux 4, B&B Invest Lux 5 and B&B Invest Lux 6, which hold 48 hotel real estate assets in Germany. B&B Invest Lux 4 delivered a hotel real estate asset under development in 2018;
- NH Amsterdam Center BV, which holds a hotel real estate asset in the Netherlands through an investment;
- Mo Lux One, which holds two hotel real estate assets in Germany through investments;
- H Invest lux and H Invest lux 2, which directly hold seven NH hotel real estate assets in Germany;
- Ringer, which holds a Meininger hotel real estate asset under development in Germany;
- Amsterdam Noord, which holds an NH hotel real estate asset in the Netherlands through investments;
- Amersfoort, which holds an option to purchase shares in companies holding an NH hotel real estate asset in the Netherlands;
- Rocky portfolio holdings (13 companies), which hold 10 hotel real estate assets in the United Kingdom through investments.

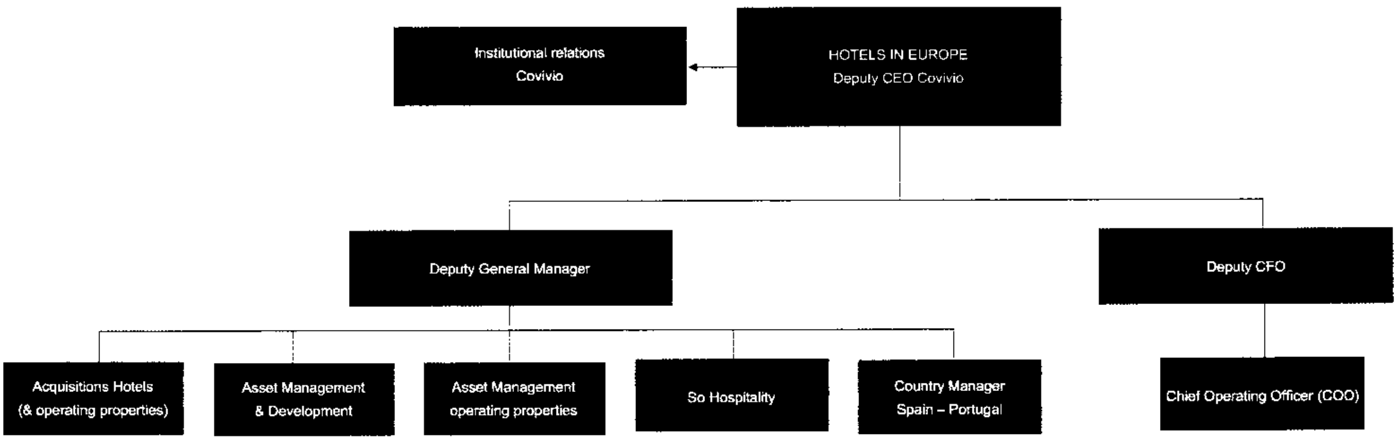
Covivio Hotels holds:

- 50.2% of the company OPCI B2 Hotel Invest, created in partnership with Crédit Agricole Assurances and Assurances du Crédit Mutuel, and used to indirectly hold 181 B&B hotel real estate assets in France. OPCI B2 HI delivered a hotel real estate asset under development in 2018;
- 19.9% of the companies IRIS Holding France and OPCI IRIS INVEST 2010 and 20% of SCI Dahlia, created in partnership with Crédit Agricole Assurances, and used to directly or indirectly hold AccorHotels assets (hotel real estate sector);
- 19.9% of the company OPCI CAMP INVEST, created in partnership with Crédit Agricole Assurances, and used to indirectly hold Campanile assets (hotel real estate sector).

Covivio Hotels has teams to undertake its development and asset management. These teams conduct asset management activities, focused on the real estate strategy to be adopted for the assets held (disposal, renovation, financial management, etc.). Asset by asset, the teams' role is to create value by optimising the profitability/risk ratio.

Covivio provides Covivio Hotels with assistance in the following functional tasks: IT, finance, communication, legal, tax, insurance, human resources, general services and sustainable development.

In France, Covivio Hotels' property management is mainly undertaken by CovivioProperty, a subsidiary of Covivio. This role consists of managing all aspects of the real estate assets lifespan (rental payments, ongoing maintenance, etc.).



1.9.2. EQUITY INVESTMENTS

In accordance with Article L. 233-6 All the French Commercial Code, you are advised that Covivio Hotels has made investments through its subsidiary Murdelux in 23 UK companies and one Luxembourg company as part of the acquisition of the Rocky Portfolio, as well as in the companies Lambda Amsterdam BV and HEM Diesterlkade Amsterdam BV In the Netherlands, which it wholly owns.

1.9.3. RESULTS OF SUBSIDIARIES AND INVESTMENTS

The table of subsidiaries and investments, drawn up in accordance with Article L. 233-15 of the French Commercial Code, is set out in section 3.5 Notes to the company financial statements (Section 3.5.6.6).

1.9.4. RESEARCH AND DEVELOPMENT ACTIVITIES OF THE COMPANY AND ITS SUBSIDIARIES

Covivio Hotels did not conduct any research and development during the past fiscal year.

1.9.5. EVENTS AFTER THE REPORTING PERIOD

None

1.9.6. INFORMATION ON TRENDS

In 2019, Covivio Hotels intends to strengthen its hospitality leader position in the major European markets (especially in the United Kingdom, in Germany and in France). In order to do so, Covivio Hotels will rely on its ability to implement and develop partnerships with leading hotel operators.

1.9.7. RELATED PARTY TRANSACTIONS

Information relating to related parties and affiliates are presented in Section 3.5 – Notes to the company financial statements (see Sections 3.5.6.3 and 3.5.6.4)

1.9.8. COMPETITIVE POSITION

Since its creation in 2004, Covivio Hotels' hotel real estate investment activity in Europe has become increasingly competitive and has seen the development of a number of specialist players including Pandox, Axa Real Estate, Honotel, Algonquin, Event Hotels and Invesco.

With its extensive experience and based on real partnerships developed with its customers, Covivio Hotels Is one of the main players in the market of outsourced hotel properties.

Covivio Hotels is positioned as leader in the hotel real estate sector and is the largest owner of hotel real estate in Europe: In this respect, Covivio Hotels is the leading lessor of hotel real estate operators in Europe (such as AccorHotels, B&B, IHG and NH Hotel Group).

Given the absence of detailed information reported by competitors about the market, and available at the time of publication, we are unable to provide comparative figures.

1.10. General Manager's supplementary report to the Combined General Meeting of 5 April 2019

Ladies and Gentlemen,

We have convened a Combined General Meeting for the purpose of submitting 23 draft resolutions to you. The purpose of this report is to comment on those draft resolutions, the full text of which will be sent to you separately.

I. ORDINARY RESOLUTIONS

Resolutions 1 to 10 are resolutions for the Ordinary General Meeting.

1. Approval of the company and consolidated financial statements, allocation of income and dividend (Resolutions 1, 2 and 3)

Draft **Resolutions 1 and 2** concern the approval of the company and consolidated financial statements for the fiscal year ended 31 December 2018, approved by the General Manager on 8 February 2019, in accordance with the provisions of Article L. 226-7 and L. 232-1 of the French Commercial Code.

In Resolution 3, you are asked to allocate income for the 2018 fiscal year in the amount of €218,201,880.76 and to authorise a dividend of €1.55 per share.

The dividend will be paid on 12 April 2019.

Based on the total number of shares outstanding at 31 December 2018, i.e. 118,057,886 shares, a total dividend of €182,989,723.30 will be allocated.

The allocation of income is presented in Section 1.5.2.4 of this management report.

2. Approval of the commitments referred to in Article L. 226-10 of the French Commercial Code (Resolution 4)

The purpose of **Resolution 4**, which we hereby submit to you, is to approve (i) the Statutory Auditors' special report on the agreements described in Article L.226-10 of the French Commercial Code, as well as (ii) the agreements entered into or executed by the company during the fiscal year ended 31 December 2018. For more information, please refer to the Statutory Auditors' report on regulated agreements, contained in Chapter 3 of the Registration Document entitled "Financial information".

We confirm that no regulated agreements were entered into during the fiscal year ended 31 December 2018.

3. Renewal of the terms of office of members of the Supervisory Board (Resolutions 5to 8)

Since the terms of office, as members of the Supervisory Board, of Cardif Assurances Vie (Resolution 5), Covivio (Resolution 6), Predica (Resolution 7) and Generali Vie (Resolution 8) expire at the end of the Combined General Meeting of 5 April 2019, you will be asked in Resolutions 5 to 8 to reappoint them for a three-year term expiring at the end of the General Meeting of Shareholders held in 2022 to approve the annual financial statements for the fiscal year ending 31 December 2021.

Subject to the approval of said resolutions:

- Cardif Assurances Vie will continue to be represented on the Supervisory Board by Nathalie Robin;
- Covivio will continue to be represented on the Supervisory Board by Audrey Camus;
- Predica will continue to be represented on the Supervisory Board by Emmanuel Chabas; and
- Generali Vie will continue to be represented on the Supervisory Board by Sébastien Pezet.

A brief biography, a list of all appointments and positions held over the last five fiscal years and the number of shares held can be found in Section 4.3.2.4.2 of the Supervisory Board's report on corporate governance.

4. Renewal of a term of office as Principal Statutory Auditor (Resolution 9)

You are hereby requested, under **Resolution 9,** to renew the term of office of the Principal Statutory Auditor Ernst & Young et Autres for a period of six fiscal years expiring at the end of the General Meeting convened in 2025 to approve the financial statements for the fiscal year ending 31 December 2024.

Ernst & Young et Autres is a member of the Ernst & Young network, recognised worldwide for its expertise in auditing multinational companies. It will continue to be represented by Anne Herbein until the limit set by Article L. 822-14 of the French Commercial Code is reached. She will be replaced by another partner at the firm at the end of that period.

This reappointment was recommended by the company's Audit Committee on 8 February 2019 and voted for at the Supervisory Board meeting on 13 February 2019.

5. Authorisation to the General Manager for the company to purchase its own shares (Resolution 10)

In **Resolution 10**, it is proposed that you authorise the implementation of a share buyback program. The principal characteristics of this programme will be as follows:

- the number of shares bought back may not exceed 10% of the company's share capital;
- the purchase price may not exceed €30 per share (excluding acquisition costs);
- the maximum amount of funds reserved for the share buyback program will be two hundred million euros (€200,000,000);
- this programme may not be implemented during a public takeover bid.

The buyback by the Company of its treasury shares would result in:

- delivering shares upon the exercise of rights attached to securities entitled to the award of company shares;
- delivering them as payment or in exchange under potential external growth transactions, mergers, spin-offs or contributions;
- cancelling shares in whole or in part, subject to the adoption of the Resolution 16;
- setting up a liquidity agreement, noting that by law, in the event of acquisition under a liquidity agreement, the number of shares considered for calculation of the 10% limit of the share capital amount would match the number of shares purchased, deducting the number of shares resold during the authorisation granted by the General Meeting and;
- any other practice that may be recognised by the law or the Autorité des Marchés Financiers or any other purpose that could be authorised by the law or regulations in effect, in the understanding that in such a case, the company would inform its shareholders by sending out a notice.

Prior to implementing the programme, a description of the program pursuant to Article 241-1 of the AMF General Regulation will be published on the Covivio Hotels website.

This authorisation would be given to the General Manager for a period of 18 months with effect from the date of the General Meeting of 5 April 2019 and would immediately terminate, for the unused portion, the authorisation given by the Combined General Meeting of 6 April 2018.

II. EXTRAORDINARY RESOLUTIONS

You will be called upon to approve, on an extraordinary basis, the amendment to the company's corporate purpose, a proposed contribution in kind to be granted to the company by Covivio, and the renewal of various financial delegations conferred on the General Manager. You will also be asked to authorise the General Manager, subject to the limits and conditions that you set, to decide whether to issue shares and/or securities granting, directly or indirectly, access to the company's share capital.

The General Manager wishes to continue having the means of swift and flexible access to the funding necessary for the company's development, if necessary by placing shares on the market.

Consequently, it is proposed that you grant the General Manager the following financial authorisations:

- resolution 15: capital increase through the incorporation of reserves, profits or premiums;
- resolution 17: issuance of shares and/or securities granting access to share capital, maintaining shareholders' preferential subscription rights;
- resolution 18: issuance of shares and/or securities granting access to share capital, through public offering, with waiver of shareholders' preferential subscription right and a mandatory priority period for share issues;
- resolution 20: issuance of shares and/or securities granting access to share capital, with a view to compensating in-kind contributions given to the company made up of equity or securities convertible to equity, with waiver of shareholders' preferential subscription right;
- resolution 21: issuance of shares and/or securities granting access to share capital, through a public exchange offer launched by the company, with waiver of shareholders' preferential subscription right;
- resolution 22: capital increases reserved for employees of the company and the companies of the Covivio Group covered by a savings plan, with waiver of shareholders' preferential right of subscription.

You will also be asked:

- in **Resolution 16**, to authorise the General Manager to reduce the company's share capital by cancelling shares purchased under share buyback programs adopted by the company;
- in **Resolution 19**, to authorise the General Manager, in the event of a capital increase with or without waiver of shareholders' preferential right of subscription, to increase the number of securities to be issued in case of over-subscription.

In proposing that you grant these authorisations, the General Manager is keen to inform you, in compliance with the legal and regulatory texts, of the impact of the corresponding resolutions submitted for your approval.

In accordance with the applicable regulations, the General Manager will, where appropriate, prepare a supplementary report relating to the use of these financial delegations, mentioning the following:

(i) the impact of the issuance on the situation of holders of equity securities and securities granting access to share capital (especially as regards their portion of shareholders' equity); and
(ii) the theoretical impact of the aforementioned issuance on the stock market value of the Company's shares.

The Statutory Auditors will prepare their own report on the financial delegations, which will be made available to you in accordance with the legal and regulatory conditions.

I - Approval of the amendment to Article 3 (Purpose) of the Articles of Association (Resolution 11)

By voting on Resolution 11, we propose that you amend Article 3 of the Articles of Association relating to the corporate purpose in order to reflect the change in the company's business activities.

II – Proposal for the contribution in kind made to the company by Covivio (Resolutions 12 to 14)

1. *Reasons and purposes of the Contribution*

Covivio owns all of the capital of Société Civile Immobilière Ruhl-Cote d'Azur, a real estate investment company with capital of €1,524 and its registered office at 30, avenue Kléber in Paris (75116), registration number 784 818 205 in the Paris Trade and Companies Register ("**SCI RUHL**").

The purpose of SCI RUHL is the acquisition of real estate rights assigned to the hotel real estate sector and the construction of a building complex for rental, administration and management purposes. Its main holdings are the buildings containing the Hotel Mercure and the Hotel Le Méridien in Nice (the "**Hotel**").

The company, through its indirect subsidiary, NICE-M, a simplified joint-stock company with capital of €721,995, whose registered office is located at 1, avenue Gustave V de Suède in Nice (06000), registration number 303 916 498 in the Nice Trade and Companies Register, owns the business and operates the Hotel, and the building itself is owned by Covivio through SCI RUHL.

As part of the simplification of the Hotel's management, Covivio (the "**Contributor**") intends to provide the Beneficiary with all shares comprising the capital of SCI RUHL that it holds, numbered 1 to 100 (the "**Shares Contributed**"), as well as the debt claim that it holds with respect to SCI RUHL in the amount of €10,500,000 under an intragroup loan agreement dated 1December 2015, to be repaid by 30 November 2022 (the "**Receivable**").

Mikaël Ouaniche and Alain Abergel, chartered accountants and Statutory Auditors respectively at 63, avenue de Villiers, 75017 Paris and 143, rue de la Pompe, 75116 Paris, were appointed as contribution auditors by order of the President of the Commercial Court of Paris on 22 January 2019.

Since the company's shares are traded on the Euronext regulated market in Paris, the mission of the contribution auditors was extended by the same order to verification of (i) the relevance of the relative values decided by the parties, and (ii) the fairness of the remuneration of the Contribution.

2. Terms and features of the Contribution

The Contributor, subject to the fulfilment of the conditions precedent specified below, contributes full ownership of the Shares Contributed and the Receivable.

2.1 Value of the Contribution

In accordance with the applicable accounting policies,

- the Shares Contributed shall be contributed for the net book value of the Shares Contributed as it appears in the Contributor's financial statements as at 31 December 2018, i.e. €29,584,181; and
- the Receivable shall be contributed at its par value (€10,500,000), which corresponds to its real value insofar as the Receivable is not remunerated.

The total value of the Contribution is therefore €40,084,181.

2.2 Remuneration of the Contribution

In consideration for the Contribution, the Contributor shall be allocated 2,365,503 new shares of the company with a par value of four euros (€4) each (the "**Shares Issued**").

This remuneration was agreed on the basis of the respective valuations of the Receivable, the Shares Contributed and the Beneficiary's share, as detailed below.

The Shares Issued shall be entitled to dividends at the Completion Date (as that term is defined below), it being specified, however, that they would not be entitled to any dividends whose distribution is decided by this General Meeting. Subject to this reservation, the Shares Issued shall be fully fungible with the old shares of the company and enjoy the same rights and bear the same expenses. They shall be subject to all provisions of the company's Articles of Association. The Shares Issued shall, upon their issuance, be admitted to trading on Euronext Paris in a separate listing until the ex-dividend date, to be decided by the third resolution.

The difference between (i) the total value of the Contribution (€40,084,181) and (ii) €9,462,012, which corresponds to the nominal amount of the increase in the company's capital (€30,622,169), shall constitute additional paid-in capital that shall be recognised in the company's liabilities under "Additional Paid-In Capital", to which the rights of new and existing shareholders shall be applicable. The additional paid-in capital may be allocated in accordance with the rules in force and the company's Articles of Association as decided by the General Meeting of Shareholders.

The completion of the Contribution shall cause Covivio to increase its investment by more than 1% within a period of 12 months, thereby crossing a threshold pursuant to Article 234-5 of the General Regulation of the French Autorité des Marchés Financiers (**AMF**), triggering in principle the obligation to submit a tender offer. However, the completion of the Contribution is expected to be conditional upon the granting by the AMF of a waiver from the obligation to submit a tender offer, in accordance with Article 234-9(3) of the AMF General Regulation, which states that the AMF may grant a waiver in the case of an asset contribution subject to the approval of the General Meeting of Shareholders.

2.3 Valuation methods used for the remuneration of the Contribution

The remuneration of the Contribution is based on the value of the assets contributed and the value of our company.

2.3.1 Value of the assets contributed

The value of the Shares Contributed is determined on the basis of the 2018 financial statements of SCI Ruhl Cote d'Azur.

The number of SCI Ruhl Cote d'Azur reference shares used for valuation is 100 shares.

The value of SCI Ruhl Cote d'Azur is determined on the basis of the Net Asset Value ("**NAV**") method, traditionally used for valuations of real estate companies, which gives the amount as €48.1 million.

The Receivable is contributed at its par value (€10,500,000), which corresponds to its real value insofar as the Receivable is not remunerated.

The value of the assets contributed (Shares Contributed and Receivable) is therefore €58.6 million.

2.3.2 Value of the company

The valuation of the company's shares is based on the following sources:

- the company's 2018 financial statements;
- the company's 2017 Registration Document and half-yearly report at 30 June 2018;
- market analyst reports.

The number of shares of the reference company used for valuations was 118,057,886 shares of the company at 31 December 2018 on an undiluted basis (of which 4,840 treasury shares).

The value of the company is determined on the basis of the following methods, traditionally used for real estate company valuations: (i) Net Asset Value (**NAV**), *(ii) share price, (iii) financial analyst price targets and* (iv) multiples of comparable listed companies, as summarised below:

Reference methods	**Value of Covivio Hotels (€/share)**
EPRA triple net NAV at 31/12/2018	26.3
EPRA NAV at 31/12/2018	28.9
Market price at 08/02/2019	24.8
1-month weighted average	24.9
3-month weighted average	25.1
6-month weighted average	25.2
9-month weighted average	25.5
12-month weighted average	25.9
Pre-distribution price targets	26.5
Market multiples: triple net NAV	26.4
Market multiples: Recurring Net Income	34.2

To conclude, the implied value of the company's shares of €24.80 (i.e. the triple net NAV ex-dividend, taking into account a dividend of €1.55 as proposed in Resolution 3), is consistent with the results obtained using the valuation methods presented.

The implied value of the assets contributed is €58.6 million (€0.586 million per share contributed) and corresponds to the EPRA triple net NAV of SCI Ruhl Cote d'Azur and the par value of the Receivable.

The resulting exchange ratio is 23,655 company shares for 1 SCI Ruhl Cote d'Azur share.

2.4 Conditions precedent

The Contribution granted by the Contributor to the company and the resulting increase in the company's capital shall not become final until the fulfilment of the following conditions precedent:

(i) the submission by the contribution auditors, no later than twenty-one (21) days prior to the General Meeting called to approve the completion of the Contribution, of unconditional reports on the valuation of the Shares Contributed and the Receivable and the fairness of the remuneration of the Contribution;

(ii) the granting to Covivio by the AMF of a waiver from the obligation to submit a draft tender offer due to the Contribution exceeding the threshold under Article 234-5 of the AMF General Regulation, in accordance with Article 234-9(3) of the AMF General Regulation;

(iii) the approval of the Contribution, its valuation and the terms of its remuneration by the General Meeting of Shareholders of the company in light of the reports prepared by the contribution auditors.

The date on which the last condition precedent stipulated above is lifted is referred to as the "**Completion Date**". Unless otherwise agreed between the Contributor and the company, these conditions precedent should all be fulfilled no later than 31 May 2019.

Furthermore, the waiver of the obligation to file a draft tender offer referred to in (ii) above is scheduled to be issued by the AMF Board when it meets on 5 March 2019, so that on the date of the company's General Meeting, and subject to the approval of the Contribution and the valuation and terms of remuneration thereof by the General Meeting, all conditions precedent should be met.

2.5 Tax treatment

For corporate income tax:

- the contribution of the Shares Contributed shall be given the favourable tax treatment for mergers set forth in Article 210 A of the French General Tax Code; and
- the contribution of the Receivable shall be tax-neutral insofar as it is contributed at its par value.

With regard to registration fees, the Contribution shall be registered free of charge.

Finally, in accordance with paragraphs 1 and 5 of Article 235 ter ZD of the French General Tax Code, acquisitions of securities following the Contribution are exempt from the tax on financial transactions.

3. Recording the completion of the transaction

Under the terms of Resolution 14, it is proposed that you decide, subject to fulfilment of the remaining conditions precedent for the Contribution, to increase the share capital by a maximum nominal amount of €9,462,012, by issuing a total of 2,365,503 new shares with a par value of four (4) euros each.

It is also proposed that you grant all powers to the General Manager, which may further delegate its authority, to (i) record the fulfilment of all conditions precedent and thus the final completion of the Contribution and related capital increase, (ii) make the corresponding amendments to the company's Articles of Association as a result of the final completion of the Contribution, (iii) offset all duties and expenses occasioned by the above mentioned capital increase against the additional paid-in capital and, if necessary, deduct from said additional paid-in capital the amounts necessary for any allocation pursuant to the applicable rules, and in particular deduct 10% of the nominal amount of the capital increase in order to fund the legal reserve, (iv) submit any reports and notifications and complete any formalities that should be necessary upon completion of the Contribution and the corresponding capital increase, (v) complete all procedures necessary or useful for the creation of new shares in the company issued as consideration for the Contribution and their admission to trading on the Euronext regulated market in Paris, and (vi) more generally, take all measures and complete all formalities and procedures that may be required.

III - Delegation of authority to be granted to the General Manager to increase the share capital of the company through the capitalisation of reserves, earnings or premiums (Resolution 15)

Under **Resolution 15**, you will be called upon to decide on the authorisation to be granted to the General Manager, which may further delegate its authority, to carry out a capital increase, through capitalisation of all or part of the reserves, earnings, premiums or other sums for which capitalisation would be permitted. This transaction would not necessarily translate into the issue of new shares.

This delegation of authority, which would also be granted for a period of twenty-six months, would allow the General Manager to decide whether to proceed with one or more capital increases, subject to a maximum nominal amount of forty-seven million two hundred thousand euros (€47,200,000) (excluding adjustments to protect holders of securities granting access to share capital), representing approximately 10% of the share capital. Furthermore, this cap would be set independently and separately from the capital increase caps resulting from share or security issues likely to be approved under Resolutions **17 to 22**.

This delegation would terminate, with immediate effect, for the unused portion, the delegation granted by the Combined General Meeting of 6 April 2018.

IV - Authorisation to the General Manager to reduce the company's share capital through the cancellation of shares (Resolution 16)

Concurrently with the authorisation given to the company to conduct transactions in its own shares under **Resolution 10**, it is proposed in **Resolution 16** that you authorise the General Manager, which may further delegate such authority, to cancel the shares acquired by the company under the share buyback program presented in **Resolution 10**, or in any resolution having the same purpose and the same legal basis.

As provided for under French law, shares may only be cancelled up to a limit of 10% of the share capital in any 24-month period.

Consequently, you will be asked to authorise the General Manager to reduce the share capital accordingly under the applicable legal conditions.

This authorisation, given for a period of 18 months, would immediately terminate, for the unused portion, the delegation granted by the Combined General Meeting of 6 April 2018.

V - Delegation of authority to be granted to the General Manager to issue shares and/or securities granting access to share capital, maintaining shareholders' preferential right of subscription (Resolution 17)

In **Resolution 17**, it is proposed that you delegate to the General Manager, which may further delegate such authority, powers to issue shares in the company and/or other securities (including warrants for new or existing shares), convertible by any means, immediately or in the future, to equity in the company, in a subsidiary in which the company holds more than 50% of the shares directly or indirectly, or in a company directly or indirectly holding more than 50% of the company's shares, issued for free or against payment, maintaining shareholders' preferential right of subscription.

The General Manager may use this authority in order to have the necessary funds available at the appropriate time to develop the company's business.

In proportion to the value of their shares, shareholders would have preferential subscription rights to the shares and securities issued under this delegation. In case of deferred access to shares of the company – i.e. by transferable securities granting access to company shares by any means – your approval of this resolution would imply a waiver by the shareholders of their preferential right to subscribe for the shares to which these securities would be entitled.

The maximum nominal amount of the capital increases likely to be made would be set at two hundred and thirty-six million euros (€236,000,000), representing approximately 50% of the share capital. This amount would be set independently and separately from the capital increase caps resulting from share and/or security issues approved under **Resolutions 15 and 18 to 22**.

The nominal amount of the debt instruments granting access to share capital that are likely to be issued may not exceed a total amount of one billion euros (€1,000,000,000). This amount would also constitute an overall nominal cap for securities issues made under **Resolutions18 to 21**.

The issue price of the securities granting access to share capital would be determined by the General Manager if and when it implements this delegation, complying with legal and regulatory provisions.

This delegation would be given to the Board of Directors for a period of 26 months with effect from the General Meeting of 5 April 2019 and would immediately terminate, for the unused portion, the delegation granted by the Combined General Meeting of 6 April 2018.

VI - Delegation of authority to the General Manager to issue, through public offering, company shares and/or securities granting access to share capital, with waiver of shareholders' preferential right of subscription and a mandatory priority period for share issues (Resolution 18)

The General Manager may, in the interest of the company and its shareholders, in order to seize the opportunities offered by the financial markets, be required to issue such securities without preferential right of subscription.

You are also asked, through **Resolution 18**, to grant the General Manager, which may further delegate such authority, the power to issue by means of a public offering, without preferential right of subscription for shareholders, company shares or debt securities providing access to existing or new company shares, or shares in a subsidiary which is majority-held by the company, whether directly or indirectly, or a company which directly or indirectly holds more than 50% of the company's shares.

Your decision would imply a waiver of your preferential subscription right to the shares and other equity securities and securities that could be issued based on this delegation, in the understanding that this authorisation implies, in favour of the holders of such securities convertible to equity as may be issued under this delegation of authority automatic waiver by the shareholders of their preferential right of subscription to shares in connection with such securities.

We would like to point out that the General Manager would be obliged to grant shareholders a priority subscription period of at least three (3) trading days, solely for issues of shares through public offering conducted by the General Manager, in accordance with Articles L. 225-135(5), and R. 225-131 of the French Commercial Code; this priority period is an option for the issuance of all securities other than shares.

The nominal amount of the total debt securities issued may not exceed one billion euros (€1,000,000,000), the overall cap for all debt instruments set by **Resolution 17**.

The maximum nominal amount of the capital increases likely to be carried out by the company under this delegation may not exceed forty-seven million two hundred thousand euros (€47,200,000), representing approximately 10% of the share capital, and would be independent and separate from the capital increase caps resulting from the issuance of shares and/or transferable securities authorised by **Resolutions 15, 17 and 19 to 22**.

The issue price of the shares and/or securities convertible to equity would be determined by the General Manager if and when it implements this delegation, complying with legal and regulatory provisions.

This delegation would be given to the Board of Directors for a period of 26 months with effect from the General Meeting of 5 April 201 and would immediately terminate, for the unused portion, the delegation granted by the Combined General Meeting of 6 April 2018.

VII - Authorisation to be given to the General Manager to increase the number of securities to be issued, in the event of a capital increase with or without a preferential right of subscription (Resolution 19).

By voting on Resolution 19, we propose that you authorise the General Manager to decide, as permitted by law, in the event that it records excess demand during a capital increase with or without preferential right of subscription, to increase the number of securities to be issued at the same price as that used for the initial issue, within the deadlines and limits provided for by the applicable regulations.

In the context of a securities issue, this option allows additional securities to be issued within 30 days of the subscription deadline, for up to 15% of the initial issue (this option being known as the "over-allotment option").

The nominal amount of securities issued under this resolution would be offset against the cap applicable to the initial issue.

This delegation would be granted to the General Manager for a period of twenty-six (26) months from the date of the General Meeting, and would immediately terminate, for the unused portion, the delegation granted by the Combined General Meeting of 6 April 2018.

VIII - Delegation of authority to the General Manager to issue shares and/or transferable securities convertible to equity, in order to pay for the contributions in kind granted to the company consisting of capital shares or transferable securities convertible to equity, with waiver of shareholders' preferential right of subscription (Resolution 20)

In accordance with the option offered by Article L. 225-147(6) of the French Commercial Code, you are asked, under **Resolution 20**, to authorise the General Manager, which may further delegate such authority, to issue shares and/or transferable securities convertible to equity, in consideration for the contributions in kind made to the company consisting of shares or transferable securities convertible to equity, when Article L. 225-148 of the French Commercial Code is not applicable.

The maximum nominal value of increases in the company's share capital made immediately or in the future under this delegation would be set at 10% of the share capital of the company (corresponding to its amount on the date of use of this delegation by the General Manager). This cap is set independently and separately from the caps for capital increases resulting from the issue of shares and/or securities authorised by Resolutions **15, 17 to 19, 21 and 22.**

The nominal amount of the total debt securities issued may not exceed one billion euros (€1,000,000,000), the overall cap for all debt instruments set by **Resolution 17**.

You will be requested to expressly waive your shareholder's preferential subscription right to new shares and/or to securities convertible to equity in favour of holders of shares or transferable securities forming the object of a contribution in kind, in the understanding this delegation of authority automatically entails that the shareholders waive, to the benefit of the holders of securities that may be issued and convertible to equity, their preferential subscription rights to the shares to which these securities give right.

The General Manager would notably be required to approve the report of the contribution auditor(s) to be appointed, set the exchange ratio and, if applicable the amount of the balance to be paid in cash, record the number of securities to be issued in remuneration for contributions, determine the dates and conditions of issues of shares and/or transferable securities giving immediate or future access to the company's capital, and value the contributions.

This authorisation would be given for a period of 26 months with effect from the General Meeting of 5 April 2019 and would immediately terminate, for the unused portion, the delegation granted by the Combined General Meeting of 6 April 2018.

IX - Delegation of authority to be granted to the General Manager to issue shares and/or securities convertible to equity, in the event of a public exchange offer initiated by the company, with waiver of shareholders' preferential right of subscription (Resolution 21)

In **Resolution 21**, you are asked to approve the delegation of authority granted to the General Manager, which may further delegate such authority, to proceed to issue shares and/or securities convertible to equity, on one or more occasions, in the event of a public exchange offer initiated by the company.

You will therefore be expressly asked to waive your preferential subscription rights to the new shares and/or securities granting access to share capital that could be issued based on this delegation, in the understanding this authorisation implies, for the holders of such securities convertible to the company's share capital as may be issued under this delegation of authority automatic waiver by the shareholders of their preferential subscription right to shares in connection with such securities.

The maximum nominal amount of the capital increases likely to be carried out immediately and/or in the future under this delegation would be set at forty-seven million two hundred thousand euros (€47,200,000), representing approximately 10% of the share capital, and would be set independently and separately from the capital increase caps resulting from the issuance of shares and/or transferable securities authorised by Resolutions **15, 17 to 20 and 22**.

The nominal amount of the total debt securities issued may not exceed one billion euros (€1,000,000,000), the overall cap for all debt instruments set by **Resolution 17**.

For each individual offer, the General Manager would have to determine the nature and characteristics of the shares to be issued. The amount of the increase in share capital would depend on the result of the offer and the number of securities tendered under the exchange offer, taking into account the exchange ratio and the shares issued.

This authorisation would be given for a period of 26 months with effect from the General Meeting of 5 April 2019 and would immediately terminate, for the unused portion, the delegation granted by the Combined General Meeting of 6 April 2018.

X - Delegation of authority to the General Manager to undertake capital increases reserved for employees of the company and companies in the Covivio Group who are members of a savings plan, with waiver of shareholders' preferential right of subscription (Resolution 22)

You will be asked, under **Resolution 22**, to authorise the General Manager, which may further delegate such authority, to decide to increase the share capital under the provisions of the French Commercial Code and French Labour Code relating to the issuance of shares and/or securities convertible to existing company shares or shares to be issued, for the benefit of employees covered by a company savings plan offered by the company, the Group and/or its affiliates within the meaning of Article L. 225-180 of the French Commercial Code.

This delegation of authority would be granted for a maximum nominal amount of the capital increase immediately or in the future, resulting from the issuance made pursuant to this delegation (including the capitalisation of reserves, earnings or premiums), of five hundred thousand euros (€500,000), representing approximately 0.11% of the share capital, set irrespective of the par value of the shares that may be issued as a result of adjustments made to protect the holders of transferable securities giving future access to shares.

This cap would be independent of any other authorisation granted by the General Meeting.

You will be requested to expressly waive your shareholder's preferential subscription right to new shares or to securities convertible to equity in favour of these employees.

The subscription price of the shares and the discount offered will be set by the General Manager on the understanding that the discount offered may not exceed 20% of the average share price for the twenty trading days preceding the date of the decision to open the subscription period, and 30% of this same average when the retention period provided for in the plan is greater than or equal to ten years, provided that the General Manager may also replace all or part of said discount by the allocation of shares or other securities.

The General Manager may likewise provide for the allocation of free shares or other securities granting access to share capital, it being understood that the total benefit resulting from this allocation as a company contribution or, where applicable, the discount on the subscription price, may not exceed the legal and regulatory limits and that the shareholders would waive all rights to shares or other securities granting access to share capital that may be issued by virtue of this resolution.

This delegation would be given to the Board of Directors for a period of 26 months with effect from the General Meeting of 5 April 2019 and would immediately terminate, for the unused portion, the delegation granted by the Combined General Meeting of 6 April 2018.

XI – Powers for formal recording requirements (Resolution 23)

Resolution23 is a standard resolution concerning the granting of the powers required to make announcements and perform legal formalities relating to holding the General Meeting.

We believe that these transactions, under these conditions, are a timely measure and we ask you to approve the resolutions to be presented to you.

General Manager

2 SUSTAINABLE DEVELOPMENT

The Covivio Hotels' sustainable strategy is derived from the Covivio CSR policy. It cannot be separated from the company's economic model Its implementation is guaranteed by the support of a dedicated team, the Covivio Sustainable Development Department, in co-ordination with the Covivio Hotels teams. At 31 December 2018, Covivio Hotels had 24 employees, all on permanent contracts.

Structured on the basis of the CSR risk mapping study carried out in 2018, Covivio's Statement of Non-Financial Performance (DPEF) is presented in Chapter 2 of its Registration Document. It describes the risks and opportunities identified, the plan of action and results by business sector, and in particular all the components relevant to the Covivio Hotels CSR reporting. It collects information concerning the social and environmental goals and achievements of the company, as well as an analysis of the consequences of climate change on it and on the goods and services it produces. The mapping of the CSR risks identified nine major risks:

- asset obsolescence / green value / products anticipating societal changes;
- control of operating expenses (energy, waste, certification);
- safety / environmental security / compliance with regulations;
- integration into the sustainable town;
- responsible supply chain;
- quality of relations with external stakeholders (customers, suppliers, etc.);
- skills / attractiveness / diversity;
- fraud / corruption / ethics;
- protection of data / smart building.

This study also made it possible to highlight the control actions put in place by Covivio, and the relevant performance indicators defined with regard to these risks.

Covivio's CSR policy is adapted to the market regulations and particularities specific to each country where the Group is developing. It is shared by all its businesses in Europe and at all levels of the company. This CSR policy is described in plans of action, which are rounded out and adapted by regularly analysing the risks and opportunities presented by the environment in its field of activity.

The four aspects of its CSR strategy apply to all its businesses: sustainable buildings, society, social issues and governance

Update the portfolio to include changes that affect sustainable buildings, building use and health
Commitment: promote responsible and energy, environmentally and socially efficient real estate that creates long-term value for the Company and the community.

Build a smarter, inclusive and sustainable city
Commitment: encourage eco-responsible practices and innovation in transport, biodiversity and waste, and take part in sharing knowledge alongside local stakeholders

Develop, diversify and retain our human capital
Commitment: enhance employees' skills through innovative policies and encourage their mobility, diversity and ability to adapt to change

Guarantee ethical practices
Commitment: guarantee an ethical and transparent framework that ensures exemplary practices at all levels of the Company.

The Covivio DPEF presents detailed reporting on greenhouse gas emissions by business, including those of Covivio Hotels, thus complying with the provisions of Article 173 of the French Energy Transition Act for green growth and its implementation decree of 29 December 2015. This reporting explains how Covivio's low-carbon strategy and its objectives and initiatives align with the goal of limiting global warming to 2°C as enshrined in the Paris Agreement of December 2015 It highlights in particular energy consumption and CO_2 emissions linked to the use of buildings, adapted to climate conditions.

Since 2017, this reporting has been aligned to the 17 Sustainable Development Goals (SDGs) defined by the United Nations. It anticipates the recommendations made by the group of climate experts constituting the Task Force on Climate-related Financial Disclosures (TCFD), taking into account the financial impacts inherent in the effects of climate change. In 2017/2018, the study conducted with the CSTB (Scientific and Technical Centre for the Construction Industry) enabled carbon goals in line with the 2°C warming scenario to be determined. These goals were approved by the SBT initiative as from the summer of 2018[4]. Over its whole portfolio, Covivio has committed itself to a 34% reduction in greenhouse gas emissions per square metre by 2030 compared with 2010.

In the face of these challenges, both climate and human, certifications and labels (HQE, BREEAM, Green Hotels, Green Key, etc.) identify the strengths in terms of CSR performance of Covivio Hotels' buildings. At the end of 2018, the proportion of core hotels thus certified held by Covivio in Europe is 52%, with 66% as its goal by 2020 and 100% by the end of 2025. Covivio Hotels is changing the energy and environmental performance of its portfolio by means of such an approach, both comprehensive and addressing the building's entire life cycle.

More than ever, Covivio's development continues to rely on the closeness and trust maintained with a large number of stakeholders (customers, suppliers, non-profit organisations, employees, etc.), on new synergies within the group, and on innovation dynamics both internally ("1001 ideas" , "Adopt1Startup" and other initiatives) and externally (Impulse Partner incubator, Covivio Proptech, new investment vehicle dedicated to start-ups in real estate).

In accordance with the GRI Standards framework and the EPRA 2017 Best Practices Recommendations on Sustainability Reporting, the Covivio DPEF reflects a policy that covers all 360° of sustainable development. Furthermore, it undergoes a verification by an independent third party (see Section 2.8 of the Covivio Registration Document -www.covivio.eu).

The information given in Chapter 2 of the Covivio 2018 Registration Document arealso contained in its sustainable development report which, this year, becomes the "Statement of Non-Financial Performance". (www.covivio.eu/fr).

[4] https://www.covivio.eu/fr/communiques/les-objectifs-climat-de-covivio-salues-par-linitiative-science-based-targets-sbt/

3 FINANCIAL INFORMATION

3.1. Consolidated financial statements as at 31 December 2018

3.1.1. STATEMENT OF FINANCIAL POSITION

Assets

€K	Note	31-déc.-2018	Proforma 31-Dec.-2017	31-déc.-2017
Intangible fixed assets				
Goodwill	3.2.6.1.1	109,938	110,900	0
Intangible fixed assets	3.2.6.1.2	36,506	42,000	0
Tangible fixed assets				
Operating properties	3.2.6.1.2	1,011,948	1,097,400	0
Other tangible fixed assets	3.2.6.1.2	23,575	23,484	84
Advances on acquisitions of tangible fixed assets	3.2.6.1.2	4,710	5,278	3,478
22 Investment properties	3.2.6.1.3	4,648,110	3,771,767	3,724,567
Non-current financial assets	3.2.6.2	39,221	53,110	114,444
Investments in equity affiliates	3.2.6.4.1	83,895	79,153	232,153
Deferred tax assets	3.2.6.6	7,761	15,500	0
Long-term derivatives	3.2.6.12.3	10,252	8,385	5,628
TOTAL NON-CURRENT ASSETS		**5,975,918**	**5,206,977**	**4,080,354**
Assets held for sale	3.2.5.5	288,072	207,396	207,396
Loans & receivables with equity affiliates	3.2.6.3	2,216	733	27,788
Inventories and work-in-progress	3.2.6.5	2,236	2,400	0
Short-term derivatives	3.2.6.12.3	4,179	120	120
Trade receivables	3.2.6.7	36,547	24,985	10,687
Tax receivables	3.2.6.8	22,005	3,509	18,003
Other receivables	3.2.6.8	25,309	93,467	1,874
Accrued expenses	3.2.6.9	1,816	2,040	340
CASH AND CASH EQUIVALENTS	3.2.6.10	381,401	122,279	33,645
TOTAL CURRENT ASSETS		**763,780**	**456,929**	**299,853**
TOTAL ASSETS		**6,739,698**	**5,663,906**	**4,380,207**

Liabilities

€K	Note	31-déc.-2018	Proforma 31-Dec.-2017	31-déc.-2017
Share capital	3.2.6.11	472,232	424,964	351,264
Share premium account		1,329,918	1,117,803	705,403
Treasury shares		-119	-70	-70
Consolidated reserves		1,042,789	903,509	875,309
Net income		194,002	233,465	252,165
TOTAL SHAREHOLDERS' EQUITY, GROUP SHARE	3.1.4	**3,038,822**	**2,679,671**	**2,184,071**
Minority interest	3.1.4	265,384	242,787	221,087
TOTAL SHAREHOLDERS' EQUITY		***3,304,207***	***2,922,458***	***2,405,158***
Long-term borrowings	3.2.6.12	2,569,251	2,219,006	1,673,578
Long-term rental liabilities	3.2.6.12.4	163,281	0	0
Long-term derivatives	3.2.6.12.3	24,595	25,997	25,697
Deferred tax liabilities	3.2.6.6	248,621	218,225	117,503
Pension and other liabilities	3.2.6.13	1,381	1,429	129
Other long-term liabilities	3.2.6.14	8,207	4,298	2,998
TOTAL NON-CURRENT LIABILITIES		**3,015,336**	**2,468,955**	**1,819,905**
Trade payables (1)	3.2.6.14	45,593	68,491	10,249
Trade payables on fixed assets (1)	3.2.6.14	23,591		27,801
Short-term borrowings	3.2.6.12	256,074	50,500	36,955
Short-term rental liabilities		376	0	0
Short-term derivatives	3.2.6.12.3	20,585	13,281	13,081
Advances and pre-payments	3.2.6.14	7,295	7,729	1,229
Provisions	3.2.6.14	8,521	8,415	15
Current tax	3.2.6.14	11,976	8,372	2,372
Other short-term liabilities	3.2.6.14	25,375	105,019	62,619
Adjustment accounts	3.2.6.15	20,771	10,686	823
TOTAL CURRENT LIABILITIES		**420,155**	**272,493**	**155,144**
TOTAL LIABILITIES		**6,739,698**	**5,663,906**	**4,380,207**

(1) At 31 December 2017, accounts payable to suppliers of fixed assets were included in trade payables.

The pro-forma column for 31 December 2017 corresponds to the financial information presented in the Covivio Hotels Group Registration Document dated 31 December 2017 and in document E dated 21 December 2017, approved by the French *Autorité des Marchés Financiers* (AMF). These pro-formafinancial statements present the balance sheet as if the merger with the Operating Properties business had been effective at 31 December 2017.

3.1.2. STATEMENT OF NET INCOME

€K	Note	31 Dec. 2018	31 Dec. 2017
Rental income	3.2.7.1.1	229,921	208,882
Unrecovered rental costs	3.2.7.1.3	-2,429	-2,038
Expenses on properties	3.2.7.1.3	-2,580	-2,154
Net losses on unrecoverable receivables	3.2.7.1.3	-42	-8
NET RENTAL INCOME		**224,870**	**204,682**
MANAGED HOTEL EBITDA	3.2.7.1.2	**74,468**	**0**
Management and administration income		2,196	1,830
Business expenses		-1,539	-1,884
Overhead		-20,381	-13,552
Development expenses		-92	-11
NET COST OF OPERATIONS	3.2.7.1.4	**-19,816**	**-13,617**
Depreciation of operating assets	3.2.6.1.2	-44,336	-19
Net allowances to provisions and other		6,067	314
OPERATING PROFIT		**241,253**	**191,360**
Income from asset disposals		286,135	135,455
Carrying value of investment properties sold		-284,729	-130,883
INCOME FROM ASSET DISPOSALS	3.2.5.4	**1,406**	**4,572**
NET VALUATION GAINS AND LOSSES	3.2.7.2	**99,868**	**100,161**
INCOME FROM DISPOSAL OF SECURITIES (1)	3.1.4	**119,705**	**0**
INCOME FROM CHANGES IN SCOPE (1)	3.1.4	**-149,187**	**247**
OPERATING PROFIT (LOSS)		**313,044**	**296,340**
Costs of net financial debt	3.2.7.3	-50,093	-35,142
Interest charges on rental liabilities	3.2.6.12.4	-4,594	0
Fair value adjustment on derivatives	3.2.6.12.3	-12,780	13,764
Discounting of liabilities and receivables	3.2.7.4	-502	626
Amortisation of loan issue costs	3.2.7.4	-9,909	-5,142
Share in income of equity affiliates	3.2.6.4.1	8,668	17,575
PRE-TAX NET INCOME (LOSS)		**243,835**	**288,021**
Deferred tax liabilities	3.2.7.5.1	-7,231	-1,813
Recurrent Tax	3.2.7.5.2	-9,424	-2,244
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**227,180**	**283,964**
Profit (loss) after tax of discontinued operations		0	-38
NET INCOME FROM DISCONTINUED OPERATIONS		**0**	**-38**
NET INCOME FOR THE PERIOD		**227,180**	**283,926**
Net income from minority interests		-33,178	-31,761
NET INCOME (LOSS) FOR THE PERIOD – GROUP SHARE		**194,002**	**252,165**
Group net income (loss) per share (€)		**1.74**	**2.87**
Group diluted net income per share (€)		**1.74**	**2.87**

(1) The items "Net income from disposal of shares" in the amount of €120 million and "Net income from changes to scope in the amount of -€149 million correspond mainly to net income from the restructuring of the Operating Properties activity in the amount of -€28 million (see 3.1.4)

3.1.3. STATEMENT OF COMPREHENSIVE INCOME

€K	Note	31 Dec. 2018	31 Dec. 2017
NET INCOME FOR THE PERIOD		**227,180**	**283,926**
Currency translation adjustments		-3,026	
OTHER ITEMS OF COMPREHENSIVE INCOME		**-3,026**	**0**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**224,154**	**283,926**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE			
To the owners of the parent company		190,976	252,165
To minority interests		33,178	31,761
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**224,154**	**283,926**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**3.2.8.2**	**1.72**	**2.87**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	***3.2.8.2***	**1.72**	**2.87**

3.1.4. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€K	Share capital	Share premium account	Treasury shares	Non distributed reserves and income (loss)	Group share of total shareholders' equity	Minority interest	Total shareholders' equity
Position at 31 December 2016	**296,416**	**453,759**	**-61**	**1,101,016**	**1,851,130**	**202,252**	**2,053,382**
Stock options & securities transactions			-9	9	**0**		**0**
Distribution of dividends				-229,725	**-229,725**	-12,921	**-242,646**
Others		-3,706		3,706	**0**		**0**
Total comprehensive income (loss) for the period				**252,165**	**252,165**	**31,761**	**283,926**
Of which effective portion of gains or losses on hedging instruments					*0*		*0*
Change in scope				303	**303**	-5	**298**
Position at 31 December 2017	**351,264**	**705,403**	**-70**	**1,127,474**	**2,184,071**	**221,087**	**2,405,158**
Other securities transactions			-49	49	**0**		**0**
Distribution of dividends				-164,687	**-164,687**	-14,105	**-178,792**
Capital increase (1)	47,224	251,022			**298,246**		**298,246**
Total comprehensive income (loss) for the period				**190,976**	**190,976**	**33,178**	**224,154**
Of which currency translation gains				-3,026	-3,026		-3,026
Of which net income (loss)				*194,002*	*194,002*	*33,178*	*227,180*
Change in scope and interest rates (2)	73,744	373,493		82,979	**530,216**	25,224	**555,440**
Position at 31 December 2018	**472,232**	**1,329,918**	**-119**	**1,236,791**	**3,038,822**	**265,384**	**3,304,207**

Dividends paid in cash during the period amounted to €164.7 million.

(1) On 21 June 2018, a capital increase was subscribed for in cash in the amount of €298.2 million in order to acquire a portfolio of hotels in the United Kingdom.

(2) On 24 January 2018, the merger of FDM Management generated an increase in shareholders' equity of €503 million. This change has two components:
- +€530.8 million: capital increase relating to the Covivio Hotels - FDM Management merger and the contribution of 50% of the SCI Porte Dorée shares;
- -€28 miillion: net income from the transaction's restructuring.

in €m	FDM M	SCI Porte Dorée	Total
Sale price of the previously held share (a)	227.7	28.3	256.0
Value of the equity-accounted securities at 31/12/2017 (b)	142.7	10.3	153.0
Income from disposal of the previously held share (a - b)	85.0	18.0	103.0
Impairment of goodwill	-108.5	-22.6	-131.1
Net income from the transaction's restructuring	-23.5	-4.6	-28.1

(1) 25,298,000 shares x €9 = €227.7m
(2) 932,191 shares x €30.34 = €28.3m

The merger with FDM Management generated, under IFRS, income from disposal of the previously held investment (40.7% for the FDM Management group and 50% for SCI Porte Dorée) in the amount of €103 million.

This transaction was carried out through the exchange of shares at a parity close to NAV. Nevertheless, under IFRS, the acquisition price is determined using the market price of Covivio Hotels shares at 24 January 2018 (€29). This measurement resulted in goodwill of €219 million, of which €131 million had no economic basis and was impaired over the fiscal year.

The whole transaction resulted in net income on restructuring of -€28 million with no impact on shareholders' equity (net income/reserves).

3.1.5. STATEMENT OF CASH FLOWS

€K	Note	31-Dec.-2018	31-Dec.-2017
Total net income of continuing operations		227,180	283,964
Total net income of discontinued operations		0	-38
Consolidated net income (including minority interests)		227,180	283,926
Net depreciation and provisions (excluding provisions relating to current assets)		175,671 (1)	40
Unrealised gains and losses relating to changes in fair value	3.2.6.12.3 and 3.2.7.2	-87,083	-113,925
Income and expenses calculated on stock options and related share-based payments		45	184
Other calculated income and expenses	3.2.7.4	7,012	3,078
Gains or losses on disposals		-129,790 (2)	-4,590
Share of income from companies accounted for under the equity method	3.2.6.4.1	-8,668	-17,575
Cash flow from continuing operations after tax and cost of net financial debt		**184,366**	**151,176**
Cash flow from discontinued operations after tax and cost of net financial debt		**0**	**-38**
Cash flow after tax and cost of net financial debt		**184,366**	**151,138**
Costs of net financial debt	3.2.7.3	50,093	35,140
Income tax expense (including deferred taxes)	3.2.7.5.1	16,655	4,057
Cash flow from continuing operations before tax and cost of net financial debt		**251,115**	**190,373**
Cash flow from discontinued operations before tax and cost of net financial debt		**0**	**-38**
Cash flow before tax and cost of net financial debt		**251,115**	**190,335**
Taxes paid		-5,822	-4,808
Change in working capital requirements on continuing operations (including employee benefits liabilities)	3.2.6.7	*12,064*	-3,054
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS		**257,356**	**182,511**
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES OF DISCOUNTED OPERATIONS		**0**	**-38**
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES		**257,356**	**182,473**
Disbursements related to acquisition of tangible and intangible fixed assets	3.2.6.1.2	-179,435	-512,189
Proceeds relating to the disposal of tangible and intangible fixed assets	3.2.6.1.2	286,143	135,447
Disbursements relating to acquisition of financial assets (non-consolidated securities)	3.2.6.2	0	-200
Impact of changes in the scope of consolidation		-346,885 (3)	-174,420
Dividends received (companies accounted for under the equity method, non-consolidated securities)	3.2.6.4.1	3,874	8,322
Change in loans and advances granted	3.2.6.2	93,178	-25,642
Other cash flow from investment activities		575	0
NET CASH FLOW FROM INVESTMENT ACTIVITIES OF CONTINUING OPERATIONS		**-142,550**	**-568,682**
NET CASH FLOW FROM INVESTMENT ACTIVITIES OF DISCOUNTED OPERATIONS		**0**	**1,732**
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**-142,550**	**-566,950**
Amounts received from shareholders in connection with capital increases:			
Paid by parent company shareholders	3.1.4	298,246 (4)	199,223
Purchases and sales of treasury shares	3.1.4	-48	-2
Dividends paid during the fiscal year:			
Dividends paid to parent company shareholders	3.1.4	-164,687	-118,628
Dividends paid to minority interests in consolidated companies	3.1.4	-14,106	-12,921
Proceeds related to new borrowings	3.2.6.12	873,567	687,887
Repayments of borrowings (including finance lease agreements)	3.2.6.12	-681,051	-324,863
Net interest paid (including finance lease agreements)		-48,472	-34,895
Other cash flow from financing activities	3.2.6.12.3	-12,395	-32,045
Impact of exchange rate changes		-64	0
NET CASH FLOW FROM FINANCING ACTIVITIES OF CONTINUING OPERATIONS		**250,990**	**363,756**
NET CASH FLOW FROM FINANCING ACTIVITIES OF DISCOUNTED OPERATIONS		**0**	**0**
NET CASH FLOW FROM FINANCING ACTIVITIES		**250,990**	**363,756**
CHANGE IN NET CASH OF CONTINUING OPERATIONS		**365,797**	**-22,415**
CHANGE IN NET CASH OF DISCONTINUED OPERATIONS		**0**	**1,694**
CHANGE IN NET CASH		**365,797**	**-20,721**
Opening cash position		14,411	35,132
Closing cash position		*380,208*	*14,411*
Change in cash and cash equivalents		**365,797**	**-20,721**

		31-Dec.-2018	31-Dec.-2017
Gross cash (a)	3 2 6 10	381.401	33.645
Debt balances and bank overdrafts (b)	3 2 6 12	-1.193	-19.234
Net cash and cash equivalents (c) = (a) - (b)		**380,208**	**14,411**
Gross debt (d)	3.2 6 12	2.852.908	1.712.721
Amortisation of financing costs (e)	3 2 6 12	-28.777	-21.422
Net debt (d) - (c) + (e)		**2,443,924**	**1,676,888**

(1) Depreciation of the operating assets of the Operating Properties assets in the amount of €44.3 million and immediate impairment of goodwill for €131 million (see 3.1.4).

(2) Net income from the disposal of assets in the amount of €1.4 million, net income from the disposal of company securities for €16.7 million and net income from disposals following the FDM M restructuring operation in the amount of €103 million (see 3.1.4).
Combined net income from restructuring amounted to -€28 million (€103 million - €131 million).

(3) The -€346.9 million impact of changes in the scope of consolidation related to investing activities (§ 39 of IAS 7) primarily concerns:

- €78.1 million in cash acquired following the merger with FDM Management;
- the disposal price of the shares in Sunparks de Haan and three Operating Properties companies for €97.5 million;
- disbursements related to the acquisition of assets located in the United Kingdom and the Netherlands for -€478 million;
- disbursements for deferred payment of TCH and Bardiomar shares for -€14 million and on the Operating Properties activity for -€28 million.

(4)The €298.2 million from the "Capital increase paid by shareholders" item represents the transaction completed on 21 June 2018.

3.2. Notes to the consolidated financial statements

3.2.1 ACCOUNTING PRINCIPLES AND METHODS

3.2.1.1 General principles - Accounting standards

The consolidated financial statements of the Covivio Hotels group at 31 December 2018 were prepared in accordance with the international accounting standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union as of the preparation date. These standards comprise International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as well as their interpretations.

The financial statements were approved by the Management Board on 13 February 2019.

Accounting principles and methods used

The accounting principles applied to the consolidated financial statements as at 31 December 2018 are identical to those used for the consolidated financial statements as at 31 December 2017, with the exception of new standards and amendments whose application is mandatory as from 1 January 2018 and which were not applied early by the Group.

The new standards subject to mandatory application on or after 1 January 2018 include:

- IFRS 9 "Financial instruments: Hedge Accounting", adopted by the European Union on 22 November 2016. This standard will replace IAS 39 concerning financial instruments. The Group will apply the provisions relating to the recognition and measurement of financial instruments, and to the impairment of financial assets retrospectively from 1 January 2018, without restating comparative figures upon first application. The impacts of the implementation of *this standard, in particular concerning the treatment of debt renegotiations, are immaterial;*
- IFRS 15 "Revenue from Contracts with Customers", adopted by the European Union on 22 September 2016; In May 2014, the IASB and the FASB published IFRS 15, which changes how revenue is recognised and supersedes IAS 18 "Revenue" and IAS 11 "Construction Contracts". IFRS 15 establishes a fundamental principle that requires revenues from contracts with customers to be recognised in a way that reflects the amount to which a seller expects to be entitled when transferring control of a good or service to a customer.

  Amendments to IFRS 15, adopted by the European Union on 31 October 2017. Clarifications have been made to IFRS 15 concerning the following: identification of performance obligations, principal versus agent application, licenses, and transitory provisions; The Covivio Hotels Group defines with its suppliers the terms and conditions of the services provided to tennants and, in this respect, acts as agent and not as principal, given that it does not control the services provided within the meaning of the criteria and indicators of IFRS 15.
  The Group did not recognise any impact on its earnings or shareholders' equity:
- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", adopted by the European Union on 3 November 2017. *They are intended to remedy the temporary accounting consequences of the lag between the coming into effect of IFRS 9 and that of the new standard* on insurance contracts that supersedes IFRS 4 (IFRS 17);
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions", adopted by the European Union on 26 February 2018. This amendment covers three aspects that concern the following: the effects of vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled;
- annual improvements to IFRS (2014-2016 cycle), adopted by the European Union on 7 February 2018. These improvements consist of minor amendments to IFRS 1 "First-time adoption of IFRS", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures";
- Amendments to IAS 40 "Transfers of Investment Property" adopted by the European Union on 14 March 2018. Further details on paragraphs 57 and 58 of IAS 40 have been provided by the IASB. An entity is required to transfer a property from investment property to inventories when, and only when, there is a change in use. There is a change in use when the property becomes or ceases to be an investment property, under the definition of that term, and there is evidence of such a change;
- IFRIC 22 "Foreign currency transactions and advance consideration", adopted by the European Union on 28 March 2018. This interpretation deals with the issue of the exchange rate to be used for advance payments.

New standards awaiting adoption by the European Union, whose application is possible as of 1 January 2018:

- Amendments to IAS 28 "Long-term interests in equity affiliates and joint ventures", published on 12 October 2017; adoption by the European Union is expected in 2019; According to the IASB, the amendments should come into force on 1 January 2019;
- annual improvements to IFRS (2015-2017 cycle), published on 12 December 2017. Adoption by the European Union is expected in 2019; According to the IASB, the amendments should come into force on 1 January 2019. These improvements made changes to IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 23 "Borrowing Costs" and IAS 12 "Income Taxes";
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement", published on 7 February 2018. Adoption by the European Union is expected in 2019; According to the IASB, the amendments should come into force on 1 January 2019;
- Amendment to IFRS 3 "Definition of a business", published on 22 October 2018. Adoption by the European Union is expected in 2019. According to the IASB, the amendments should come into force on 1 January 2020;
- Amendments to IAS 1 and IAS 8 "Definition of material", published on 31 October 2018. Adoption by the European Union is expected in 2019. According to the IASB, the amendments should come into force on 1 January 2020;
- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture", published on 11 September 2014.

The new amendments and standards adopted by the European Union whose application was not mandatory on 1 January 2018 and which are not being applied early by the Covivio group are the following:

- IFRS 16 "Leases", adopted by the European Union on 31 October 2017. According to the IASB, the amendments should come into force on 1 January 2019. On 13 January 2016, the IASB published IFRS 16, which will supersede IAS 17 "Leases", as well as the corresponding interpretations (IFRIC 4, SIC 15 and SIC 27). The most significant change is that all the leases concerned will be recognised on the lessee's balance sheet, providing better visibility on their assets and liabilities. The Group undertook an initial survey of leases. At present, they mainly involve leases for company cars and construction leases,

  IAS 40 "Investment property" already includes a restatement similar to IFRS 16 for construction leases that qualify as finance leases. In this case, a right of use (integral part of an investment property) is recognised as an asset on the balance sheet, with a lease debt under liabilities. As such, the long-term leases conferring ad rem rights related to the acquisitions during the fiscal year in the United Kingdom are already restated in the financial statements at 31 December 2018 (cf. §. 3.2.6.12.4). The impact of the first-time application of IFRS 16 will consequently be limited to leases other than the long-term leases conferring ad rem rights and that have a low value;
- Amendment to IFRS 9 "Prepayment Features with Negative Compensation" adopted by the European Union on 22 March 2018. According to the IASB, the amendments should come into force on 1 January 2019;
- IFRIC 23 "Uncertainty over Income Tax Treatments", adopted by the European Union on 23 October 2018. According to the IASB, the amendments should come into force on 1 January 2021.

IFRS standards and amendments published by the IASB but not adopted by the European Union, not yet mandatory for financial years beginning on or after 1 January 2018:

- IFRS 17 "Insurance Contracts", published on 18 May 2017. According to the IASB, the amendments should come into force on 1 January 2021. IFRS 17 lays out the principles as to the recognition, valuation, presentation and disclosures concerning insurance contracts within the scope of application of the standard. This standard has no impact on the financial statements;
- Amendments to references to the IFRS conceptual framework, published on 29 March 2018. Adoption by the European Union is expected in 2019. According to the IASB, the amendments should come into force on 1 January 2020.

3.2.1.2 Consolidation principles

3.2.1.2.1 Consolidated subsidiaries and structured entities – IFRS 10

These financial statements include the financial statements of Covivio Hotels and the financial statements of the entities (including structured entities) that it controls and its subsidiaries. Covivio Hotels has control when it:

- has power over the issuing entity;
- is exposed or is entitled to variable returns due to its ties with the issuing entity;
- has the ability to exercise its power in such as manner as to affect the amount of returns that it receives.

The Covivio group must reassess whether it controls the issuing entity when facts and circumstances indicate that one or more of the three factors of control listed above have changed.

A structured entity is an entity structured in such a way that the voting rights or similar rights do not represent the determining factor in establishing control of the entity; this is particularly the case when the voting rights only involve administrative tasks and the relevant business activities are governed by contractual agreements.

If the Group does not hold a majority of the voting rights in an issuing entity in order to determine the power exercised over an entity, it analyses whether it has sufficient rights to unilaterally manage the issuing entity's relevant business activities. The Group takes into consideration any facts and circumstances when it evaluates whether the voting rights that it holds in the issuing entity are sufficient to confer power to the Group, including the following:

- the number of voting rights that the Group holds compared to the number of rights held respectively by the other holders of voting rights and their distribution;
- the potential voting rights held by the Group, other holders of voting rights or other parties;
- the rights under other contractual agreements;
- the other facts and circumstances, where applicable, which indicate that the Group has or does not have the actual ability to manage relevant business activities at the moment when decisions must be made, including voting patterns during previous shareholders' meetings.

Subsidiaries and structured entities are fully consolidated.

3.2.1.2.2 Equity affiliates – IAS 28

An equity affiliate is an entity in which the Group has significant control. Significant control is the power to participate in decisions relating to the financial and operational policy of an issuing entity without, however, exercising control or joint control on these policies.

The results and the assets and liabilities of equity affiliates are accounted for in these consolidated financial statements according to the equity method.

3.2.1.2.3 Joint arrangements (or joint control) – IFRS 11

Joint control means the contractual agreement to share the control exercised over a company, which only exists in the event where the decisions concerning relevant business activities require the unanimous consent of the parties sharing the control.

Joint ventures

A joint venture is a partnership in which the parties which exercise joint control over the entity have rights to its net assets.

The results and the assets and liabilities of joint ventures are recognised in these consolidated financial statements according to the equity method.

Joint operations

A joint operation is a partnership in which the parties exercising joint control over the operation have rights to the assets, and obligations for the liabilities relating to it. Those parties are called joint operators.

A joint operator must recognise the following items relating to its interest in the joint operation:

- its assets, including its proportionate share of assets held jointly, where applicable;
- its liabilities, including its proportionate share of liabilities assumed jointly, where applicable;
- the income that it made from the sale of its proportionate share in the yield generated by the joint operation;
- its proportionate share of income from the sale of the yield generated by the joint operation;
- the expenses that it has committed, including its proportionate share of expenses committed jointly, where applicable.

The joint operator accounts for the assets, liabilities, income and expenses pertaining to its interests in a joint operation in accordance with the IFRS that apply to these assets, liabilities, income and expenses.

No Group company is considered to constitute a joint operation.

3.2.1.3 Estimates and judgments

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

The significant estimates made by the Covivio Hotels in preparing the financial statements mainly relate to:

- the valuations used for testing impairment, in particular assessing the recoverable value of goodwill and intangible fixed assets;
- measurement of the fair value of investment properties;
- assessment of the fair value of derivative financial instruments;
- measurement of provisions.

Due to the uncertainties inherent in any valuation process, Covivio Hotels reviews its estimates based on regularly updated information. The future results of the transactions in question may differ from these estimates.

When preparing the consolidated financial statements, the Group uses the following specific estimates:

- with respect to tax: the tax is calculated on an actual basis for the listed parent company as well as for material non-SIIC subsidiaries.

In addition to the use of estimates, Group management makes use of judgements to define the appropriate accounting treatment of certain business activities and transactions when the IFRS standards and interpretations in effect do not precisely handle the accounting issues involved.

3.2.1.4 Operating segments (IFRS 8)

Covivio Hotels holds a wide range of real estate assets to collect rental income and benefit from appreciation in the assets held. Segment reporting has been structured by customer type and asset type.

As a result, the operating segments are as follows:

- Hotel real estate: assets primarily leased to AccorHotels, IHG, B&B, Motel One, NH, Pierre & Vacances and Club Med;
- Retail premises: assets leased to Jardiland and Courtepaille;
- Operating Properties: operating hotel real estate.

These segments are reported on separately and analysed regularly by Covivio Hotels management in order to make decisions on what resources to allocate to the segment and to assess their performance.

3.2.1.5 Valuation methods and rules applied by Covivio Hotels

3.2.1.5.1 Business combinations (IFRS 3) and goodwill from acquisitions

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

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

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

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

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

After its initial recognition, the goodwill is subject to an impairment test at least once a year. Impairment testing consists of comparing the net book value of tangible and intangible fixed assets and related goodwill with the valuation of hotel real estate in the "Operating Properties" activity carried out by real estate appraisers.

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

3.2.1.5.2 Investment properties (IAS 40 revised)

Investment properties are real estate properties held for purposes of leasing within the context of operating leases or long-term capital appreciation (or both).

Investment properties represent the majority of the Group's portfolio.

Under the option offered by IAS 40, investment properties are assessed at their fair value. Changes in fair value are recorded in the income statement. Investment properties are not depreciated.

The Covivio Hotels portfolio is appraised by independent experts who are members of AFREXIM (in particular Cushman & Wakefield, BNP Paribas Real Estate, CBRE, Crédit Foncier Expertise) on a half-yearly basis, with two appraisals, one on 30 June and the other on 31 December.

The calculation methods are determined by a detailed internal brief based on the guidelines of the oversight bodies:

- recommendation of the *Autorité des Marchés Financiers* (AMF);
- instructions from the COB report of 3 February 2000 on real estate appraisals ("Report from the Working Group on expert appraisals of the real estate portfolios of companies issuing public calls for savings" chaired by Georges Barthès de Ruyter).

These valuation methods comply with the RISC and IVSC codes of conduct.

The assets were estimated at values excluding and/or including duties, and rents at market value. They are accounted for at their net market value.

The methodology changes according to the type of asset:

Valuation of hotel real estate

The value of hotel real estate was determined by discounting future annual net income on the basis of the following principles:

- most of the cash flow forecasts were valued over ten years;
- cash flow is determined on the basis of rental income, which is in turn dependent on hotel real estate revenues, and direct investments by Covivio Hotels are deducted from cash flow;
- rental income is calculated by applying a fixed rate to hotel revenues. Rates vary depending on the brand and the asset location;
- discount and capitalisation rates are determined on the basis of risk-free interest rates plus a risk premium related to the property.

Appraisals were carried out by BNP Paribas Real Estate, CBRE, MKG, Cushman & Wakefield and Crédit Foncier Expertise for assets held in France.

For the German portfolio, appraisals were conducted by BNP Paribas Real Estate and Cushman & Wakefield.

For the Dutch and Belgian portfolio, appraisals were conducted by CBRE, Christie & Co and Cushman & Wakefield.

For the Spanish portfolio, appraisals were conducted by BNP Paribas Real Estate and Cushman & Wakefield.

For the UK portfolio, appraisals were conducted by HVS.

Valuation of the Club Méditerranée holiday villages

The holiday villages are valued by capitalising the rental income they are likely to generate, as well as by discounting all rental income over a ten-year period. Appraisals are carried out by Cushman & Wakefield (Club Med Da Balaïa, by capitalisation of revenue only) and BNP Real Estate (Club Med Samoëns), based on specifications prepared by the Group in line with professional practices.

Valuation of Jardiland garden centres

The garden centres were valued by capitalising the rental income they are likely to generate (having regard to the estimated level of the standardised rent that the asset is likely to carry) as well as by discounting all the rental income over the residual term of the lease. Appraisals are conducted by Crédit Foncier Expertise, based on specifications prepared by the Group in line with professional practices.

Valuation of Courtepaille restaurants

The restaurants were valued by capitalising the rental income they are likely to generate (having regard to the estimated level of the standardised rent that the asset is likely to carry) as well as by discounting all rental income over a ten-year period. Appraisals are carried out by Crédit Foncier Expertise, based on specifications prepared by the Group in line with professional practices.

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

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

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

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

3.2.1.5.3 Assets under development (IAS 40)

Assets under construction are recognised according to the general fair-value principle, except where it is not possible to determine this fair value on a reliable and ongoing basis. In such cases, the asset is valued at cost.
As a result, development programmes and extensions or remodelling of existing assets that are not yet commissioned are valued at their fair value, and are treated as investment properties whenever the administrative and technical fair-value reliability criteria i.e. administrative, technical and commercial criteria are met.

In accordance with revised IAS 23, the borrowing cost during a period of construction and renovation is included in the cost of the assets. The capitalised amount is determined on the basis of fees paid for specific borrowings and, where applicable, for financing from general borrowings based on the weighted average rate of the particular debt.

3.2.1.5.4 Long-term leases conferring ad rem rights (IAS 40)

Under IAS 40 (§.25 and 50.d), when a real estate asset is held under a lease (long-term lease conferring ad rem rights or construction lease) and classified as an investment property, a right of use (integral part of an investment property) is recognised at the lower of fair value of the real estate asset and the present value of minimum lease payments. An equivalent amount is recognised in liabilities, at amortised cost.

3.2.1.5.5 Tangible fixed assets (IAS 16)

Under the benchmark treatment method proposed by IAS 16, hotel real estate managed by the Operating Properties activity (occupied or operated by the Group's teams - ownoccupied buildings) are valued at historical cost less cumulative depreciation and any impairment losses. They are amortised over their expected useful life according to a components based approach.

Hotel operating properties are depreciated according to their expected useful life:

Buildings	50 to 60 years
General facilities and building improvements	10 to 30 years
Equipment and furniture	3 to 20 years

If the appraisal value for Operating Properties is less than the Net book value, impairment is recognised, where possible on the fund value and then on the value of tangible fixed assets.

3.2.1.5.6 Non-current assets held for sale (IFRS 5)

In accordance with IFRS 5, when Covivio Hotels decides to dispose of an asset or group of assets, it classifies them as assets held for sale if:
- the asset or group of assets is available for immediate sale in its current condition, subject only to normal and customary conditions for the sale of such assets;
- its or their sale is likely within one year and marketing for the property has been initiated.

For Covivio Hotels, only assets corresponding to the above criteria or for which a sale commitment has been signed are classified as assets held for sale.

If a sale commitment exists on the account closing date, the price of the commitment net of expenses constitutes the fair value of the asset held for sale.

3.2.1.5.7 Financial assets

Financial assets

Other financial assets consist of investment-fund holdings, which cannot be classified as cash or cash equivalents.

These securities are accounted for upon acquisition at acquisition cost plus transaction costs. They are then valued at fair value in the income statement on the closing date. The fair value is arrived at on the basis of recognised valuation techniques (reference to recent transactions, discounted cash flows, etc.). Some securities that cannot be reliably valued at fair value are valued at acquisition cost.

Dividends received are recognised when they have been approved by vote.

Loans

Upon initial recognition, the loans are measured at fair value plus directly attributable transaction costs.

At each reporting date, loans are recorded at their amortised cost. Moreover, impairment is booked and accounted for on the income statement when there is an objective indication of impairment as a result of an event occurring after the initial recognition of the asset.

Cash and cash equivalents

Cash and cash equivalents include cash, short-term deposits, and money-market funds. These are short-term, highly liquid assets that are easily convertible into a known cash amount, and for which the risk of a change in value is negligible.

3.2.1.5.8 Investments in equity affiliates and joint ventures

Investments in equity affiliates and joint ventures are accounted for by the equity method. According to this method, the Group's investment in equity affiliates or joint ventures is initially accounted for at cost, increased or reduced by the changes, subsequent to the acquisition, in the share of the net assets of the affiliates. The goodwill related to equity affiliates is included in the book value of the investment, if it is not impaired. The share in income for the period can be found under "Share in income of equity affiliates".

The financial statements of associates and joint ventures are prepared for the same accounting period as for the parent company, and adjustments are made, where relevant, to adapt the accounting methods to those of Covivio Hotels.

3.2.1.5.9 Trade receivables

Trade receivables consist of operating lease receivables and receivables from hotels under operation. These items are valued at amortised cost. In the event that the recoverable value is lower than the net book value, the Group may be required to account for an impairment charge through profit or loss.

Receivables from operating lease transactions

For operating lease receivables, impairment is recognised at the first non-payment. The impairment rates applied by Covivio Hotels are as follows:

- no provisions are set aside for existing or vacated tenants whose receivables are less than three months overdue;
- 50% of the amount of the receivable for existing tenants whose receivables are between three and six months overdue;
- 100% of the total amount of the receivable for existing tenants whose receivables are more than six months overdue;
- 100% of the total amount of the receivable for departed tenants whose payables are more than three months overdue.

Receivables of hotels under operation

For hotels under operation, receivables are impaired according to the payment delays recorded.

The receivables and theoretical impairment arising from the rules above are reviewed on a case-by-case basis in order to factor in any specific situations.

3.2.1.5.10 Treasury shares

If the Group buys back its own equity instruments (treasury shares), these are deducted from shareholders' equity. No profit or loss is accounted for in the income statement when Group equity capital instruments are purchased, sold, issued or cancelled.

3.2.1.5.11 Retirement commitments

The retirement commitments are accounted for in accordance with revised IAS 19. The liabilities arising from defined-benefits pension schemes are provisioned on the statement of financial position for existing staff at the closing date. They are calculated according to the projected credit units method based on valuations made at each year-end. The past service cost corresponds to the benefits granted, either when the Company adopts a new defined benefits scheme, or when it changes the level of benefits of an existing scheme. When new benefits are granted upon adoption of a new scheme or change in an existing scheme, the past service cost is immediately accounted for in the income statement.

Conversely, when the adoption of a new scheme or change in an existing scheme gives rise to the vesting of benefits after its implementation date, the past service cost is accounted for as an expense on a straight-line basis over the average remaining period until the benefits become fully vested. Actuarial gains and losses result from the effects of changes in actuarial assumptions and experience adjustments (differences between actuarial assumptions and what has actually occurred).

Actuarial gains and losses result from the effects of changes in actuarial assumptions and experience adjustments (differences between actuarial assumptions and what has actually occurred). The change in these actuarial gains and losses is accounted for in Other items of comprehensive income.

The expense recognised in operating income includes the cost of the services rendered during the year, amortisation of past service costs and the effects of any reduction or liquidation of the scheme; the cost of discounting is accounted for in net financial income. The valuations are made taking into account the Collective Agreements applicable in each country and in keeping with the various local regulations. For each employee, the retirement age is the social security eligibility age.

3.2.1.5.12 Financial liabilities

Financial liabilities include borrowings and other interest-bearing debt.

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

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

Companies belonging to the Covivio Hotels Group hold real estate assets via finance lease agreements: finance leases (Operating Properties) or long-term leases conferring ad rem rights/construction leases. In this case, the liability recognised as counterparty to the asset is initially recorded at the lower of the fair value of the real estate asset and the present value of minimum lease payments. This liability is amortised as lease payments are made and gives rise to the recognition of a financial expense.

The rental liability in respect of long-term leases conferring ad rem rights/construction leases is presented in the balance sheet item Short- or long-term rental liabilities, with the financial expense in the item Interest charges on rental liabilities.

3.2.1.5.13 Derivatives and hedging instruments

The Covivio Hotels group uses derivatives to hedge its floating rate debt against interest rate risk (hedging of future cash flows) and exchange rate risk.

Derivative financial instruments are recorded on the statement of financial position at fair value. The fair value is calculated using valuation techniques that use mathematical calculations based on recognised financial theories and parameters that incorporate the prices of market-traded instruments. This valuation is carried out by an external service provider.

Given the characteristics of its debt, Covivio Hotels does not qualify for hedge accounting. All derivative instruments are accounted for at their fair value, and changes are reflected in the income statement.

3.2.1.5.14 Current taxes and deferred taxes

SIIC tax regime (French companies)

Opting for the SIIC tax regime in France involves the immediate liability for an exit tax at the reduced rate of 19% on unrealised capital gains relating to assets and securities of entities not subject to corporation tax. The exit tax is payable over four years, in four instalments, starting with the year the option is taken up. In return, the Company is exempted from income tax on the SIIC business and is subject to distribution obligations.

Exemption of SIIC revenues

The revenues of the SIIC are exempt from taxes concerning:

- income from the leasing of assets;
- capital gains realised on asset disposals, investments in companies having opted for the tax treatment or companies not subject to corporation tax in the same business, as well as the rights under a lease contract and real estate rights under certain conditions;
- dividends of SIIC subsidiaries.

Distribution obligations

The distribution obligations associated with exemption profits are the following:

- 95% of the earnings derived from asset leasing;
- 70% of the capital gains from disposals of assets and shares in subsidiaries having opted for the tax treatment or subsidiaries not subject to corporation tax for two years;
- 100% of dividends from subsidiaries that have opted for the tax treatment.

The Exit Tax liability is discounted on the basis of the initial payment schedule determined from the first day the relevant entities adopted SIIC status.

The liability initially accounted for is discounted and an interest charge is applied at each closing, allowing the liability to reflect the net discounted value as at the closing date. The discount rate used is based on the yield curve, given the deferred payment.

Ordinary law regime and deferred taxes

Deferred taxes result from temporary differences in taxation or deduction and are calculated using the liability method, and on all temporary differences in the Company financial statements, or resulting from consolidation adjustments. The valuation of the deferred tax assets and liabilities must reflect the tax consequences that would result from the method by which the Company seeks to recover or settle the book value of its assets and liabilities at year-end. Deferred taxes are applicable to Covivio Hotels entities that are not eligible for the SIIC regime.

A net deferred tax asset is recognised in the case of deferrable tax losses in the likely event that the entity in question, not eligible for the SIIC regime, will have taxable future profits against which the tax losses may be applied.

In the case where a French company intends to opt directly or indirectly for SIIC tax treatment in the near future, an exception under the ordinary law regime is applied by anticipating the application of the reduced rate (Exit Tax) in the valuation of deferred taxes.

SOCIMI regime (Spanish companies)

The Spanish companies owned by Covivio Hotels opted into the SOCIMI tax regime, with effect from 1 January 2017. Opting in to the SOCIMI regime does not trigger the payment of an exit tax when the option is taken. However, gains made during the period outside the SOCIMI regime in which the assets were held are taxable when said assets are disposed of.

Income from leasing and the disposal of assets held under the SOCIMI regime are tax exempt, provided 80% of rental profits and 50% of the gains on asset disposals are distributed. These gains are determined by allocating the gains taxable in the period outside the SOCIMI regime on a straight-line basis over the whole period of ownership.

3.2.1.5.15 Rental income

According to the presentation of the income statement, rental income is treated as revenues. Service charges are now shown in specific lines of the income statement below net rental income.

As a general rule, invoicing is quarterly in advance or in arrears. The rental income of investment properties is accounted for on a straight-line basis over the term of the ongoing leases. Any benefits granted to tenants (rent-free periods, step rental leases) are amortised on a straight-line basis over the duration of the lease agreement, in compliance with SIC 15.

Rental income for the period is comprised of rental income received during the period. For hotel real estate managed by AccorHotels Group, such receipts are calculated as a percentage of revenue in the previous fiscal year. Accounting adjustments are carried out at year-end to reflect revenues for the fiscal year.

3.2.1.5.16 Breakdown of hotel real estate assets operated

Revenue from hotel and real estate assets under management corresponds to the amount of sales of products and services related to ordinary activities. It breaks down into the provision of various hospitality services (accommodation, catering and other services).
All revenue from hotels under management Is measured at the fair value of the counterparty received or to be received, net of discounts, rebates and reductions, VAT and other taxes.

3.2.1.5.17 Earnings per share (IAS 33)

Basic earnings per share are calculated by dividing the income attributable to holders of ordinary Covivio Hotels shares (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) over the period.

To calculate the diluted earnings per share, the average number of shares outstanding is adjusted to reflect the conversion of all potential dilutive ordinary shares.

The dilutive effect is calculated using the treasury stock method. The number calculated using this method is added to the average number of shares outstanding and becomes the denominator. To calculate the diluted earnings, the income attributable to the holders of ordinary Covivio Hotels shares is adjusted by:

- all dividends or other items under dilutive potential ordinary shares that were deducted to arrive at the income attributable to the holders of ordinary shares;
- interest accounted for during the fiscal year to the dilutive potential ordinary shares;
- any change in the income and expenses resulting from the conversion of the dilutive potential ordinary shares.

3.2.1.5.18 IFRS 7 – Reference table

Market risk	§ 3.2.2.6
Liquidity risk	§ 3.2.2.2
Sensitivity of financial expenses	§ 3.2.2.3
Sensitivity of the fair value of investment properties	§ 3.2.6.1.3
Counterparty risk	§ 3.2.2.4
Covenants	§ 3.2.6.12
Exchange rate risk	§ 3.2.2.7

3.2.2. FINANCIAL RISK MANAGEMENT

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

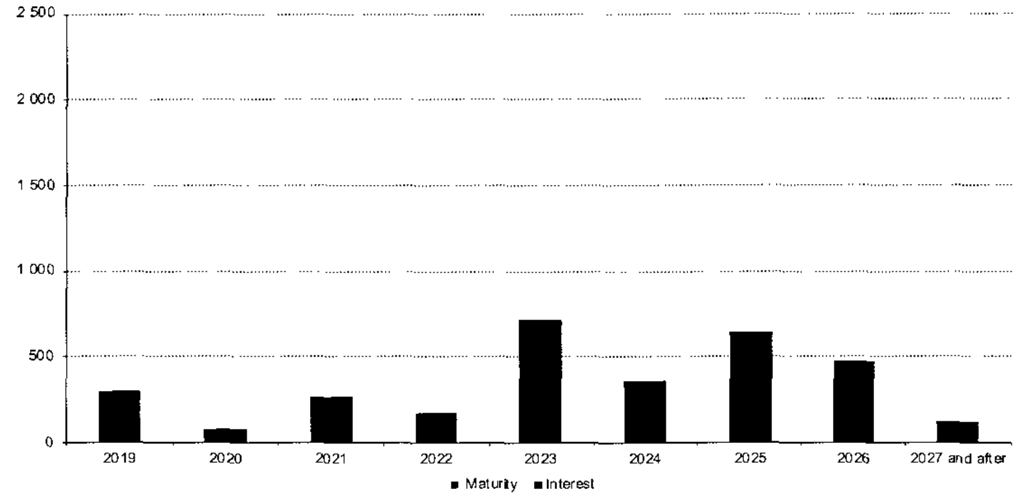
3.2.2.1 Marketing risk for properties under development

The Group is involved in property development. As such, it is exposed to a number of different risks, particularly risks associated with construction costs, completion delays and the marketing of the assets. However, in light of the deals already signed across all assets, this risk is limited.

3.2.2.2 Liquidity risk

Liquidity risk is managed in the medium and long term with multi-year cash management plans and, in the short term, by using confirmed and undrawn lines of credit. At the end of December 2018, Covivio Hotels' available cash and cash equivalents amounted to €693 million, including €291 million in usable unconditional credit lines, €381 million in short-term investments and cash equivalents and €21 million in unused overdraft facilities.

The graph below summarises the maturities of the borrowings (in €M), including interest expenses as at 31 December 2018:



The Covivio Hotels Group debt totalled €2,839 million as at 31 December 2018 (see 3.2.6.12).

The interest payable up to the extinguishing of all the debt, estimated on the basis of the outstanding amount as at 31 December 2018 and the average interest rate on the debt, totalled €302.8 million.

Covivio Hotels raised or secured approximately €975 million in new financing, including chiefly:

- €150 million of new corporate credit with maturities of close to seven years;
- £400 million to finance the acquisition of a hotel real estate portfolio in the United Kingdom;
- a €350 million 7-year inaugural bond (coupon 1.875%), after obtaining a BBB rating with a positive outlook from Standard & Poor's. This issue is designed to extend the average maturity of Covivio Hotels' debt while at the same time improving the financial conditions. At early 2019, most of the issue proceeds had been allocated to the redemption of shorter-term and higher-margin debt.

3.2.2.3 Interest rate risk

The Group's exposure to the risk of changes in market interest rates is linked to its floating rate and long-term financial debt.

To the extent possible, bank debt is almost systematically hedged via financial instruments (see 3.2.6.12.3). As at 31 December 2018, after taking interest rate swaps into account, an average of 79.3% of the Group's debt was actively hedged, and the bulk of the remainder was covered by interest rate caps, which resulted in the following sensitivity to changes in interest rates:

- the impact of a 100 bps rate increase as at 31 December 2018 is a decrease of €4,205 thousand on 2019 net income, Group share;
- the impact of a 50 bps rate increase as at 31 December 2018 is a decrease of €2,019 thousand on 2019 net income, Group share;
- the impact of a 50 bps rate decrease as at 31 December 2018 is a rise of €1,681 thousand on 2019 net income, Group share.

3.2.2.4 Financial counterparty risk

Given Covivio Hotels' contractual relationships with its financial partners, the Company is exposed to counterparty risk. If one of its partners is not in a position to honour its undertakings, the Group's net income could suffer an adverse effect.

This risk primarily involves the hedging instruments entered into by the Group and for which a default by the counterparty could make it necessary to replace a hedging transaction at the current market rate.

The counterparty risk is limited by the fact that Covivio Hotels is a borrower, from a structural standpoint. The risk is therefore mainly restricted to the investments made by the Group and to its counterparties in derivative product transactions. The Group continually monitors its exposure to financial counterparty risk. The Group's policy is to deal only with top-tier counterparties, while diversifying its financial partners and its sources of funding.

Counterparty risk is included in the measurement of cash instruments. At 31 December 2018, the amount is -€1.1 million.

3.2.2.5 Lease counterparty risk

Covivio Hotels' rental income is subject to a certain level of concentration, to the extent that the principal tenants (AccorHotels, B&B, etc.) generate the main part of the annual rental income.

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

The Group has not recorded any significant overdue payments.

3.2.2.6 Risks related to changes in the value of the portfolio

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

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

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

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

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

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

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

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

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

The holding of real estate assets intended for leasing exposes Covivio Hotels to the risk of fluctuation in the value of real estate assets and lease payments.

Despite the uncertainty created by the economic downturn, this exposure is limited to the extent that the rentals invoiced are derived from rental agreements, the term and diversification of which mitigate the effects of fluctuations in the rental market.

Rental income is indexed to rent indexation indices and to changes in AccorHotels revenues for the hotel real estate in question. Were the real estate investment market to deteriorate, Covivio Hotels might suffer impairment losses, the extent of which would be limited by the protection offered by the agreements in place with its tenants.

The sensitivity of the fair value of investment properties to changes in rental values and/or capitalisation rates is analysed in section 3.2.6.1.3.

3.2.2.7 Exchange rate risk

The Group operates both in and outside the Euro zone following the acquisition of hotel real estate assets in the United Kingdom. The Group wanted to hedge against currency fluctuations by financing part of the acquisition by a foreign currency loan and subscribing a currency swap.

Impact of a fall in the GBP/EUR exchange rate on shareholders' equity

	31/12/2018 (£m)	5% decrease in the GDP/EUR exchange rate (€m)	10% decrease in the GDP/EUR exchange rate (€m)
Portfolio	756	-42.9	-85.7
Debt	368	20.7	41.4
Cross currency swap	175	9.8	19.7
Shareholders' equity impact		**-12.3**	**-24.6**

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

3.2.2.8 Brexit risk

Notwithstanding the impact of economic uncertainty on real estate valuations, in the United Kingdom the Group benefits from guaranteed minimum rental income across its entire portfolio, limiting the impact of this risk on its financial position and profitability.

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

The Group is exposed to risks for two classes of shares (see section 3.2.6.3):

- available-for-sale securities measured at fair value. This fair value is the market price when the securities are traded on a regulated market;
- the securities of companies accounted for under the equity method are measured at their value in use. Value in use is determined based on independent assessments of the real estate assets and financial instruments.

The Covivio Hotels Group issued a bond in November 2012 (renegotiated in late 2014), a private placement in May 2015 and an inaugural bond in September 2018, the terms of which are presented in § 3.2.6.12.2.

3.2.2.10 Tax environment

3.2.2.10.1 *Tax risks*

Due to the complexity and formalism that characterise the tax environment in which Covivio Hotels conducts its activities, the Group is exposed to tax risks.

Covivio Hotels tax audit

Covivio Hotels was subject to two accounting audits for fiscal years 2010/2011 and 2012/2013/2014, resulting in a reassessment proposal for the CVAE in the amount of €2.4 million and €2.2 million respectively. These reassessments were partially waived by the tax authorities during the first half of 2018 and repayments were granted in the amounts of €1.2 million and €1.1 million. An appeal against the balance of the reassessments, i.e. €1.2 million and €1.1 million, has been lodged in the Administrative Court of Appeal following two rejections handed down by the Administrative Tribunal. Based on the analysis by the Company's legal counsel, these disputes were not provisioned as at 31 December 2018.

Covivio Hotels was also the subject of an accounting audit for the 2015 fiscal year, resulting in a reassessment proposal for the CVAE, on the same basis as the previous reassessments, in the amount of €0.2 million. An appeal has been lodged against this reassessment, and based on the analysis by the Company's legal counsel; this dispute was not provisioned as at 31 December 2018.

Foncière Otello (Covivio Hotels subsidiary) tax audit

Foncière Otello's accounts were audited for the 2011, 2012 and 2013 fiscal years, which resulted in a reassessment proposal for the CVAE in the amount of €0.5 million. *This reassessment has been challenged in the Administrative Court of Appeal following rejection by the Administrative Tribunal. Based on the* analysis by legal counsel, no provision has been recorded for this dispute as at 31 December 2018.

Foncière Otello's accounts were also audited for the 2014, 2015 and 2016 fiscal years, which resulted in a reassessment proposal for corporate value added tax (CVAE) in the amount of €0.2 million, on the same grounds as the previous reassessment proposal. This proposal is being challenged in its entirety, and, based *on the analysis by the Company's legal counsel; it has not been provisioned as at 31 December 2018.*

Tax audits of Operating properties

Two German companies (Rock portfolio) are subject to a tax audit for fiscal years 2012 to 2015, as well as the company Nice-M for fiscal years 2015 and 2016.

3.2.2.10.2 Deferred tax liabilities

Most of the Group's property companies have opted for the SIIC regime in France or the SOCIMI regime in Spain. The impact of deferred tax liabilities is *therefore mainly related to the investments to which the regime is not applicable (Germany, Spain, Belgium, Netherlands, Portugal, United Kingdom). In the* case of Spain, all the Spanish companies have opted for the SOCIMI exemption scheme. There nevertheless continue to be deferred tax liabilities on the assets owned by the companies prior to opting into the SOCIMI regime.

Due to the companies in the Operating Properties scope being fully consolidated, a deferred tax liability has been recognised in the financial statements. The deferred tax is mainly due to the recognition of the portfolio's fair value (German rate: 15.825%, French rate: 28.93%). Please note that the hotel businesses are taxed at a rate of more than 30% in Germany and that deferred tax liabilities have also been recognised at this rate.

3.2.3. SCOPE OF CONSOLIDATION

3.2.3.1 Change in consolidation method

Subsequent to the Extraordinary Shareholders Meeting of 24 January 2018, Financière Hope merged with FDM Management and FDM Management then *merged with Covivio Hotels. The 43 companies in the former subgroup of the Operating Properties activity are now fully consolidated.*

At the same time as the merger of FDM Management with Covivio Hotels, Caisse des Dépôts et Consignations contributed 50% of the shares that it held in SCI Porte Dorée (holding company of the Motel One Porte Dorée hotel real estate asset). SCI Porte Dorée is thus wholly owned and is fully consolidated.

3.2.3.2 List of consolidated companies

Company	Country	Business sector	Consolidation method in 2018	Percentage held in 2018	Percentage held in 2017
SCA Covivio Hôtels	**France**	**Multi-business**	**Parent company**	-	-
Blythswood Square Hotel Holdco Ltd (Rocky operation)	United Kingdom	Hotels	FC	100	-
George Hotel Investments Hotel Holdco Ltd (Rocky operation)	United Kingdom	Hotels	FC	100	-
Grand Central Hotel Company Holdco Ltd (Rocky operation)	United Kingdom	Hotels	FC	100	-
Lagonda Leeds Holdco Ltd (Rocky operation)	United Kingdom	Hotels	FC	100	-
Lagonda Palace Holdco Ltd (Rocky operation)	United Kingdom	Hotels	FC	100	-
Lagonda Russel Holdco Ltd (Rocky operation)	United Kingdom	Hotels	FC	100	-
Lagonda York Holdco Ltd (Rocky operation)	United Kingdom	Hotels	FC	100	-
Oxford Spires Hôtel Holdco Ltd (Rocky operation)	United Kingdom	Hotels	FC	100	-
Oxford Thames Holdco Ltd (Rocky operation)	United Kingdom	Hotels	FC	100	-
Roxburghe Investments Holdco Ltd (Rocky operation)	United Kingdom	Hotels	FC	100	-
The St David's Hotel Cardiff Holdco Ltd (Rocky operation)	United Kingdom	Hotels	FC	100	-
Wotton House Properties Holdco Ltd (Rocky operation)	United Kingdom	Hotels	FC	100	-
Blythswood Square Hôtel Glasgow Ltd (Rocky-Propco operation)	United Kingdom	Hotels	FC	100	-
George Hotel Investments Ltd (Rocky- Propco operation)	United Kingdom	Hotels	FC	100	-
Grand Central Hotel Company Ltd (Rocky - Propco operation)	United Kingdom	Hotels	FC	100	-
Grand Principal Birmingham Ltd (Rocky operation - Holdco)	United Kingdom	Hotels	FC	100	-
Lagonda Leeds PropCo Ltd (Rocky - Propco operation)	United Kingdom	Hotels	FC	100	-
Lagonda Palace PropCo Ltd (Rocky - Propco operation)	United Kingdom	Hotels	FC	100	-
Lagonda Russell PropCo Ltd (Rocky - Propco operation)	United Kingdom	Hotels	FC	100	-
Lagonda York PropCo Ltd (Rocky - Propco operation)	United Kingdom	Hotels	FC	100	-
Roxburghe Investments Propco Ltd (Rocky - Propco operation)	United Kingdom	Hotels	FC	100	-
The St David's Hotel Cardiff Ltd (Rocky - Propco operation)	United Kingdom	Hotels	FC	100	-
Wotton House Properties Ltd (Rocky - Propco operation)	United Kingdom	Hotels	FC	100	-
Roxburghe Investments Lux SARL (Rocky operation)	Luxembourg	Hotels	FC	100	-
Lambda Amsterdam BV (LHI 2 operation)	Netherlands	Hotels	FC	100	-
HEM Diestelkade Amsterdam BV (LHI 2 operation)	Netherlands	Hotels	FC	100	-
Rock Lux opco	Luxembourg	Hotel Operating properties	FC	100	-
Constance	France	Hotel Operating properties	FC	100	40,7
Constance Lux 1	Luxembourg	Hotel Operating properties	FC	100	40,7
Constance Lux 2	Luxembourg	Hotel Operating properties	FC	100	40.7
So Hospitality	Luxembourg	Hotel Operating properties	FC	100	40,7
Nice - M	France	Hotel Operating properties	FC	100	40,7
Hermitage Holdco	France	Hotel Operating properties	FC	100	40,7
Rock-Lux	Luxembourg	Hotel Operating properties	FC	100	40,7
SLIH - Société Lilloise Investissement Immobilier Hôtelier SA	France	Hotel Operating properties	FC	100	40,7
Spiegelrei HLD SA	Belgium	Hotel Operating properties	FC	100	40,7
Alliance et Compagnie SAS	France	Hotel Operating properties	FC	100	40,7
Airport Garden Hotel NV	Belgium	Hotel Operating properties	FC	100	40,7
Berlin I (propco Westin Grand Berlin) - Rock	Germany	Hotel Operating properties	FC	94,9	38,62
Opco Grand Hôtel Berlin Betriebs (Westin Berlin) - Rock	Germany	Hotel Operating properties	FC	94,9	38,62
Berlin II (Propco Park Inn Alexanderplatz) - Rock	Germany	Hotel Operating properties	FC	94,9	38,62
Opco Hotel Stadt Berlin Betriebs (Park-Inn) - Rock	Germany	Hotel Operating properties	FC	94,9	38,62
Berlin III (Propco Mercure Potsdam) - Rock	Germany	Hotel Operating properties	FC	94,9	38,62
Opco Hotel Potsdam Betriebs (Mercure Potsdam) - Rock	Germany	Hotel Operating properties	FC	94,9	38,62
Dresden I (propco Westin Bellevue) - Rock	Germany	Hotel Operating properties	FC	94,9	38,62
Opco Hotel Bellevue Dresden Betriebs (Westein Bellevue) - Rock	Germany	Hotel Operating properties	FC	94,9	38,62
Dresden II (propco Ibis Hotel Dresden) - Rock	Germany	Hotel Operating properties	FC	94,9	38,62
Dresden III (propco Ibis Hotel Dresden) - Rock	Germany	Hotel Operating properties	FC	94,9	38,62
Dresden IV (propco Ibis Hotel Dresden) - Rock	Germany	Hotel Operating properties	FC	94,9	38,62
Opco BKL Hotelbetriebsgesellschaft (Dresden II to IV) - Rock	Germany	Hotel Operating properties	FC	94,9	38,62
Dresden V (propco Pullman Newa Dresden) - Rock	Germany	Hotel Operating properties	FC	94,9	38,62
Opco Hotel Newa Dresden Betriebs (Pullman) - Rock	Germany	Hotel Operating properties	FC	94,9	38,62
Leipzig I (propco Westin Leipzig) - Rock	Germany	Operating properties	FC	94,9	38,62
Opco HotelgesellschaftGerberst. Betriebs (Westin Leipzig) - Rock	Germany	Operating properties	FC	94,9	38,62
Leipzig II (propco Radisson Blu Leipzig) - Rock	Germany	Operating properties	FC	94,9	38,62
Opco Hotel Deutschland Leipzig Betriebs (Radisson Blu) - Rock	Germany	Operating properties	FC	94,9	38,62
Erfurt I (propco Radisson Blu Erfurt) - Rock	Germany	Operating properties	FC	94,9	38,62
Opco Hotel Kosmos Erfurt (Radisson Blu) - Rock	Germany	Operating properties	FC	94,9	38,62
LHM Holding Lux SARL	Germany	Operating properties	FC	100	40,7
LHM ProCo Lux SARL	Germany	Operating properties	FC	90	36.63
SCI Rosace	France	Operating properties	FC	100	40,7
Mo First Five	Germany	Operating properties	FC	84,6	34.43
FDM M Lux	Luxembourg	Operating properties	FC	100	40,7
OPCO Rosace	France	Operating properties	FC	100	40,7
Exco Hôtel	Belgium	Operating properties	FC	100	40,7
Invest Hôtel	Belgium	Operating properties	FC	100	40,7
SCI Hôtel Porte Dorée	France	Hotels	FC	100	50
FDM Rocatiera	Spain	Hotels	FC	100	100
Bardiomar	Spain	Hotels	FC	100	100
Trade Center Hotel	Spain	Hotels	FC	100	100
H Invest Lux 2	Luxembourg	Hotels	FC	100	100
Hôtel Amsterdam Noord	Netherlands	Hotels	FC	100	100
Hôtel Amersfoort	Netherlands	Hotels	FC	100	100
H Invest Lux	Luxembourg	Hotels	FC	100	100
SAS Samoëns	France	Hotels	FC	25,1	25,1
Foncière B4 Hôtel Invest	France	Hotels	FC	50,2	50,2
B&B Invest Espagne SLU	Spain	Hotels	FC	100	100
Foncière Développement Tourisme	France	Hotels	FC	50,1	50,1

Company	Country	Business sector	Consolidation method in 2018	Percentage held in 2018	Percentage held in 2017
SARL Loire	France	Corporate and not chargeable	FC	100	100
Foncière Otello	France	Multi-business	FC	100	100
SNC Hôtel René Clair	France	Hotels	FC	100	100
Foncière Manon	France	Corporate and not chargeable	FC	100	100
Foncière Ulysse	France	Hotels	FC	100	100
Ulysse Belgium	*Belgium*	*Corporate and not chargeable*	FC	100	100
Ulysse Trefonds	Belgium	Hotels	FC	100	100
Foncière No Bruxelles Grand Place	Belgium	Hotels	FC	100	100
Foncière No Bruxelles Aéroport	Belgium	Hotels	FC	100	100
Foncière No Bruges Centre	Belgium	Hotels	FC	100	100
Foncière Gand Centre	Belgium	Hotels	FC	100	100
Foncière Gand Opéra	Belgium	Hotels	FC	100	100
Foncière IB Bruxelles Grand-Place	Belgium	Hotels	FC	100	100
Foncière IB Bruxelles Aéroport	Belgium	Hotels	FC	100	100
Foncière IB Bruges Centre	Belgium	Hotels	FC	100	100
Foncière Antwerp Centre	Belgium	Hotels	FC	100	100
Foncière Bruxelles Expo Atomium	*Belgium*	*Hotels*	FC	100	100
Murdelux SARL	Luxembourg	Corporate and not chargeable	FC	100	100
Portmurs	Portugal	Hotels	FC	100	100
Sunparks Oostduinkerke	Belgium	Hotels	FC	100	100
Foncière Vielsam	Belgium	Hotels	FC	100	100
Sunparks Trefonds	Belgium	Hotels	FC	100	100
Foncière Kempense Meren	Belgium	Hotels	FC	100	100
FDM Gestion Immobilière	France	Corporate and not chargeable	FC	100	100
Iris Holding France	France	Hotels	EM/EA	19,9	19,9
OPCI Iris Invest 2010	France	Hotels	EM/EA	19,9	19,9
Foncière Iris SAS	France	Hotels	EM/EA	19,9	19,9
Sables d'Olonne SAS	France	*Hotels*	EM/EA	19,9	19,9
Iris investor Holding GmbH	Germany	Hotels	EM/EA	19,9	19,9
Iris General Partner GmbH	Germany	Hotels	EM/EA	10,0	10,0
Iris Berlin GmbH	Germany	Hotels	EM/EA	19,9	19,9
Iris Bochum & Essen GmbH	Germany	Hotels	EM/EA	19,9	19,9
Iris Frankfurt GmbH	Germany	Hotels	EM/EA	20	20
Iris Verwaltungs GmbH & co KG	Germany	Hotels	EM/EA	19	19
Iris Nurnberg GmbH	Germany	Hotels	EM/EA	19,9	19,9
Iris Stuttgart GmbH	Germany	Hotels	EM/EA	19,9	19,9
Narcisse Holding Belgium	Belgium	Hotels	EM/EA	20	20
Foncière Bruxelles Tour Noire	Belgium	Hotels	EM/EA	20	20
Foncière Louvain	*Belgium*	*Hotels*	EM/EA	20	20
Foncière Malines	Belgium	Hotels	EM/EA	19,9	19,9
Foncière Bruxelles Centre Gare	Belgium	Hotels	EM/EA	19,9	19,9
Foncière Namur	Belgium	Hotels	EM/EA	19,9	19,9
Tulipe Holding Belgium	Belgium	Hotels	EM/EA	19,9	19,9
Iris Tréfonds	Belgium	Hotels	EM/EA	19,9	19,9
Foncière Louvain Centre	Belgium	Hotels	EM/EA	19,9	19,9
Foncière Liège	Belgium	Hotels	EM/EA	19,9	19,9
Foncière Bruxelles Aéroport	Belgium	Hotels	EM/EA	19,9	19,9
Foncière Bruxelles Sud	Belgium	Hotels	EM/EA	19,9	19,9
Foncière Bruge Station	Belgium	Hotels	EM/EA	19,9	19,9
B&B Invest Lux 1	*Germany*	*Hotels*	*FC*	*100*	*100*
B&B Invest Lux 2	Germany	Hotels	FC	100	100
B&B Invest Lux 3	Germany	Hotels	FC	100	100
OPCI Camp Invest	France	Hotels	EM/EA	19,9	19,9
SAS Campeli	France	Hotels	EM/EA	19,9	19,9
SCI Dahlia	France	Hotels	EM/EA	20	20
Foncière B2 Hôtel Invest	France	Hotels	FC	50,2	50,2
OPCI B2 Hôtel Invest	France	Hotels	FC	50,2	50,2
Foncière B3 Hôtel Invest	France	Hotels	FC	50,2	50.2
B&B Invest Lux 4	Germany	Hotels	FC	100	100
NH Amsterdam Center Hotel HLD	Netherlands	Hotels	FC	100	100
Stadhouderskade Amsterdam BV	*Netherlands*	*Hotels*	*FC*	*100*	*100*
Mo Lux 1 Sarl	Germany	Hotels	FC	100	100
Mo Drelinden, Niederrad	Germany	Hotels	FC	94	94
Mo Berlin et Koln	Germany	Hotels	FC	94	94
Ringer	Germany	Hotels	FC	100	100
B&B Invest Lux 5	Germany	Hotels	FC	93	93
B&B Invest Lux 6	Germany	Hotels	FC	93	93
Financière Hope SAS	France	Hotel Operating properties	merged	-	40,7
FDM Management	France	Hotel Operating properties	merged	-	40,7
Sunparks de Haan	Belgium	Hotels	Sold	-	100
Beni Stabili Hôtel	Luxembourg	Corporate and not chargeable	Liquidated	-	80
Star Budget Hotel Gmbh	Germany	Hotel Operating properties	*Sold*	-	*40,7*
Spiegelrei SA M&F	Belgium	Hotel Operating properties	Sold	-	40,7
Résidence Cour St Georges SA	Belgium	Hotel Operating properties	Sold	-	40.7

EM/EA: Equity Method – Equity affiliate (28)
FC: Fully consolidated (118)

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

3.2.4. EVALUATION OF CONTROL

OPCI Foncière B2 Hotel Invest (consolidated structured entity)

OPCI Foncière B2 Hôtel Invest, 50.2% owned by Covivio Hotels as at 31 December 2018 is fully consolidated.

Governance decisions at the OPCI are taken by a majority of the six members of the Board of Directors (Covivio Hotels has three representatives including the Chairman, who has a casting vote in the event of a tie).

Considering the rules of governance that confer on Covivio Hotels powers that give it the ability to influence asset yields, the company is fully consolidated.

SAS Samoëns and Foncière Développement Tourisme (consolidated structured entities)

SAS Samoëns was 25.10% held by Covivio Hotels as at 31 December 2018 and is fully consolidated. The partnership with OPCI Lagune (49.9%) and Foncière Développement Tourisme (50.1%) was established as of October 2016 as part of the project to develop a Club Med hotel in Samoëns.

As manager of Samoëns, Covivio Hotels has the widest powers to act in the name and on behalf of the company in all circumstances, in keeping with its corporate purpose. Considering the rules of governance that confer on Covivio Hotels powers that give it the ability to influence asset yields, the company is fully consolidated.

3.2.5. SIGNIFICANT EVENTS OF THE PERIOD

3.2.5.1 Merger

Following the Extraordinary General Meeting of 24 January 2018, the Covivio Hotels Group absorbed FDM Management. As a result of this transaction, the former subgroup FDM Management is now fully consolidated (previously it was equity-accounted). At the time of this transaction, all of the assets acquired and liabilities assumed were valued at fair value. The real estate portfolio comprising hotel real estate assets under operation was thus valued at €1,275 million.

At the same time, Covivio Hotels acquired an additional 50% of SCI Porte Dorée shares. This holding company of the Motel One Porte Dorée hotel real estate asset is now fully consolidated. The hotel real estate was valued at €47.2 million at the date of the restructuring transaction.

3.2.5.2 Acquisition of two NH hotels in Germany and one NH hotel in the Netherlands.

In September and October 2018, Covivio Hotels acquired two NH in Hamburg and Berlin for €34 million in present value. These assets have a firm 20-year lease at variable rent with a guaranteed minimum.

In December 2018, Covivio Hotels acquired the NH Amsterdam Noord hotel real estate via the acquisition of two companies, Lambda Hôtel (holding company) and Diestelkade (Propco) for an asset value of €64 million.

3.2.5.3 Acquisition of 10 hotel real estate assets in the United Kingdom

In July and November 2018, Covivio Hotels acquired shares of the holding companies of 10 four and five star hotel real estate assets in major cities in the United Kingdom for €864 million. It should be noted that among the 10 hotel real estate assets acquired, six are built on land leased with a firm residual period of 168 years, leading to the recognition of €166 million in rights-of-use under IAS 40 in respect of long-term leases conferring ad rem rights. Covivio Hotels has also undertaken to acquire shares in two holding companies, each with one hotel real estate asset in Oxford.

3.2.5.4 Disposals of "Leased property" assets

During 2018, Covivio Hotels disposed of assets amounting to €390 million.

Retail

Covivio Hotels disposed of its entire portfolio of Quick assets for a total amount of €162.9 million, 23 Jardiland assets for €107.7 million and one Courtepaille asset in Montbéliard for €1.4 million.

Hotel real estate

Covivio Hotels disposed of Sunparks de Haan, which held one company, for €102 million, the hotel real estate Tryp Jerez de la Frontera for €13 million and cottages in Belgium for €2.8 million.

3.2.5.5 Disposals of "Operating Properties" assets

Covivio Hotels disposed of Star Budget Hotels, a company operating nine hotel real estate assets in Germany via a management contract with Louvre Hotels, for net income on disposal of €2 million.

Covivio Hotels also disposed of two Belgian companies, each holding one operated hotel real estate asset, for a net loss on disposal of -€0.5 million.

3.2.5.6 Disposal agreements

At 31 December 2018, preliminary sale agreements amounted to €288.1 million including preliminary sale agreements for 59 B&B assets in France for €270.1 million and one for a Novotel asset for €18 million.

3.2.5.7 Financing and debt refinancing

In March 2018, Covivio Hotels financed a 7-year corporate credit facility of €50 million.

In June 2018, the debt of SCI Porte Dorée – the holding company for the Motel One Porte Dorée project – was refinanced in the amount of €20 million for a 10-year term.

In July 2018, Covivio Hotels took out an 8-year £400 million bank loan with a banking syndicate comprising four banks, of which £369 million (or €410 million) had been drawn down at 31 December 2018. It is backed by a £400 million rate hedge and a cross-currency swap for a maximum of £250 million (of which £175 million activated at 31 December 2018).

In September 2018, Covivio Hotels issued an inaugural €350 million bond maturing in 2025, with a coupon of 1.875%, after obtaining a BBB rating with positive outlook from Standard & Poor's.

3.2.6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

3.2.6.1 Portfolio

3.2.6.1.1 Goodwill

In 2018, following the change in consolidation method of the Operating Properties business companies, goodwill in the amount of €110 million was recognised in respect of the companies in this segment.

3.2.6.1.2 Table of changes in the portfolio

€K	31-Dec.-2017	Change in scope and interest rates	Increases	Disposals	Depreciation	Change in fair value	Transfers	Change in exchange rate	Change in consolidation method	31-Dec.-2018
Goodwill	**0**	**-1,033**	**0**	**0**	**-20**	**0**	**0**	**0**	**110,992**	**109,938**
Intangible fixed assets	**0**	**-5,395**	**126**	**0**	**-231**	**0**	**0**	**0**	**42,006**	**36,506**
Fixed assets	**3,562**	**-6,644**	**22,224**	**-143**	**-44,105**	**0**	**-55,821**	**-0**	**1,121,158**	**1,040,231**
Operating properties	0	-3,705	8,908	0	-37,020	0	-52,233	-0	1,095,997	1,011,946
Other tangible fixed assets	84	-2,890	10,109	-143	-7,085	0	137	0	23,363	23,575
Fixed assets in progress	3,478	-49	3,207	0		0	-3,724	0	1,798	4,710
Investment properties	**3,724,567**	**1,093,978**	**93,788**	**0**	**0**	**89,063**	**-389,519**	**-10,966**	**47,200**	**4,648,110**
Operating properties	3,634,633	1,093,978	49,347	0		79,805	-314,019	-10,966	0	4,532,777
Properties under development	89,934	0	44,441	0		9,258	-75,500	0	47,200	115,333
Assets held for sale	**207,396**	**-102,000**	**11,117**	**-284,586**	**0**	**10,805**	**445,340**	**0**	**0**	**288,072**
Assets held for sale	207,396	-102,000	11,117	-284,586		10,805	445,340	0	0	288,072
Total	**3,935,525**	**978,906**	**127,255**	**-284,729**	**-44,356**	**99,868**	**0**	**-10,967**	**1,321,356**	**6,122,857**

The €37 million in intangible fixed assets primarily relates to goodwill on the Hermitage portfolio from the Operating Properties segment.

The assets of the hotels held as operating properties totalled €1,040.1 million at 31 December 2018. They are recognised in the "Tangible fixed assets" line item. In accordance with IFRS, the occupied/operated properties (ownoccupied building) do not meet the definition of investment property and are measured and recognised at amortised cost. Following the merger acquisition of the Operating Properties business, this business portfolio entered the consolidated balance at its fair value at 24 January 2018.

The €22.3 million increase in tangible fixed assets comprises work carried out in the Operating Properties business, including mainly structural work on the German portfolio (€6.7 million), renovation of the Grand Hôtel Bellevue in Lille (€4.2 million) and ongoing work at the Park Inn Alexanderplatz (€2.3 million).

Movement recorded in the change in scope column relate to the disposal of three Hotel Operating Properties companies (-€13.1 million).

The amount of the "Disbursements related to acquisitions of tangible and intangible assets" line item in the Statement of Cash Flows totalled €179 million. It corresponds to the total of the "Increases" column in the Table of changes in the portfolio (€127.3 million) restated for the change in trade payables on fixed assets (€51.8 million).

The "Proceeds relating to the disposal of tangible and intangible fixed assets" line item in the Statement of Cash Flows (€286.1 million) corresponds to income from disposals as presented in the Income Statement (€286.1 million).

3.2.6.1.3 Investment properties and assets held for sale

Under IFRS, investment properties and assets held for sale are measured in accordance with the fair value principle.

The change in operating properties and assets held for sale was mainly due to:

- investments in the United Kingdom (+€1,029.3 million, including rights-of-use relating to long-term leases conferring ad rem rights), the acquisition of the NH Amsterdam Noord asset (+€64.4 million) and the disposal of Sunparks de Haan (-€102 million), recorded in the Change in scope column;
- the acquisition of two NH hotel real estate assets in Hamburg and Berlin for €33.4 million;
- work on the investment assets amounting to €15.8 million (including €9.7 million for Foncière B2 Invest's B&B assets and €3.7 million for Club Med Da Balaïa);
- work on assets held for sale in the amount of €11.1 million (work performed and remaining to be performed on 59 Foncière B2 Invest B&B assets that are the subject of preliminary sale agreements).

The €99.9 million increase in the value of properties breaks down as follows by operating segment:

- hotel real estate: + €102.9 million
- retail -€3.0 million

The Group has not identified the best use of an asset as being different from the current use. Consequently, the application of IFRS 13 did not lead to a modification of the assumptions used for the valuation of the portfolio.

In accordance with IFRS 13, the tables below provide details of the ranges of unobservable inputs by business segment (level 3) used by real estate appraisers:

Grouping of similar assets	Level	Yield rate (min.-max.)	Yield rate (weighted average)	Discount rate	Average discount rate	Appraisal values €m
Hotels	Level 3	3.7% - 6.2%	5.2%	5.0% - 8.1%	6.3%	4,484
Retail	Level 3	6.3% - 7.4%	7.3%	6.9% - 8.1%	7.5%	173
Total in operation						**4,657**
Assets under development	*Level 3*			*5.0% - 6.8%*	*6.1%*	*115*
Usage rights	Level 3					164
Total						**4,936**

Impact of changes in the yield rate on the change in the fair value of assets

€m	Yield	Yield rate -50 bps	Yield rate +50 bps
Hotels in Europe	5.2%	496.8	-409.2
Total	**5.2%**	**496.8**	**-409.2**

- if the yield rate excluding taxes drops 50 bps (-0.5 point), the market value excluding taxes of the real estate assets will increase by €497 million;
- *if the yield rate excluding duties increases by 50 bps (+0.5 points), the market value excluding duties of the real estate assets will decrease by €409 million;*

3.2.6.1.4 Properties under development

€K	31-Dec.-2017	Change in scope & integration method	Acquisitions and work	Capitalised interest	Change in fair value	Transfers and disposals	31-Dec.-2018
Meininger Porte de Vincennes	26,224		17,895	1,054	3,220		48,393
Meininger Lyon Zimmermann	4,425		8,007	318	659		13,409
B&B Chatenay	7,350		1,618	91	1,551	-10,610	0
B&B Cergy	1,255		2,745	79	1,181		5,260
B&B Bagnolet	2,340		3,319	75	506		6,240
Meininger Munich	35,580		5,375	927	149		42,031
B&B Berlin	12,760		2,534	94	1,102	-16,490	0
Motel One Porte Dorée		47,200 (1)		310	890	-48,400	0
Total	**89,934**	**47,200**	**41,493**	**2,948**	**9,258**	**-75,500**	**115,333**

(1) As of 1 January 2018, full consolidation of SCI Porte Dorée, the company holding the Motel One Porte Dorée project delivered in April 2018

3.2.6.2 Long-term financial assets

€K	31-Dec.-2017	Increase	Decrease	Change in scope and change of method	31-Dec.-2018
Ordinary loans (1)	73,086	23,286	-116,477	25,428	11,487
Uncalled subscribed capital (2)	20,040	0	0	0	20,040
Advances and pre-payments on acquisition of securities (3)	*21,118*	*4,501*	*-18,083*	*-42*	*7,494*
Current accounts	0	0	0	0	0
Total loans and current accounts	**114,244**	**27,787**	**-134,560**	**25,386**	**39,021**
Securities at historic cost	200	0	0	0	200
Dividends to be paid	0	0	0	0	0
Total other financial assets	**200**	**0**	**0**	**0**	**200**
Receivables on financial assets	0	0	-1,500	1,500	0
Total receivables on financial assets	**0**	**0**	**-1,500**	**1,500**	**0**
Total	**114,444**	**27,787**	**-136,060**	**26,886**	**39,221**
NET TOTAL	**114,444**	**27,787**	**-136,060**	**26,886**	**39,221**

(1) The ordinary loans comprise subordinated loans to the equity affiliates in the amount of €6.7 million (OPCI Iris Holding France) and guarantee deposits paid to municipal authorities in Spain (€2.5 million). The decrease in the period stemmed from the disposal of the Hope debenture loan for €59 million *and the change in the consolidation method of SCI Porte Dorée for €4.7 million.*

(2) The uncalled subscribed capital represents the portion not paid up by Caisse des Dépôts et Consignation on Foncière Développement Tourisme.

(3) The increase of €4.5 million over the period corresponds to the advance payments made on the acquisition of two hotel real estate assets in the United Kingdom for which ownership will be transferred in the first half of 2019. The reduction of €18 million corresponds to the exercise of stock options on the companies Lambda and Diestelkade holding the NH Amsterdam Noord asset.

3.2.6.3 *Short-term financial assets*

€K	31-Dec.-2017	Change in scope and change of method	Increase	Decrease	Transfers	31-Dec.-2018
Short-term loans	27,788	-24,210	2,245	-3,607	0	2,216
Total	**27,788**	**-24,210**	**2,245**	**-3,607**	**0**	**2,216**
NET TOTAL	**27,788**	**-24,210**	**2,245**	**-3,607**	**0**	**2,216**

Short-term borrowings comprise accrued interest on loans for €2.2 million. Changes amounting to €24 million correspond to the intragroup loan with LHM Propco Lux, and are now eliminated on consolidation due to the Operating Properties business being fully consolidated.

3.2.6.4 Equity affiliates

3.2.6.4.1 Investments in equity affiliates

€K	% held	31-Dec.-2018	31-Dec.-2017	Share of net income	Other changes
FDM Management	40.70%	0	142,723	0	-142,723
Iris Holding France	19.90%	15,499	14,142	1,990	-632
OPCI Iris Invest 2010	19.90%	30,393	28,226	3,535	-1,368
OPCI Campinvest	19.90%	20,444	19,951	1,609	-1,116
SCI Dahlia	20.00%	17,559	16,784	1,536	-761
SCI Porte Dorée	100.00%	0	10,328	0	-10,328
Total		**83,895**	**232,153**	**8,669**	**-156,927**

Investments in equity affiliates totalled €83.9 million as at 31 December 2018.

Other changes (-€156.9 million) correspond mainly to the change in consolidation method for the FDM Management group and SCI Porte Dorée (-€153 million) and dividend payments from OPCIs (-€3.9 million).

You are reminded that the holding companies OPCI Iris Invest 2010 and Iris Holding France were established in 2010 to acquire a portfolio of 49 AccorHotels assets in France, Belgium and Germany.

The holding company OPCI Campinvest was established in 2011 to acquire a portfolio of Campanile hotel assets in France.

SCI Dahlia was established in 2011 to acquire a portfolio of seven AccorHotels real estate assets in France.

3.2.6.4.2 Breakdown of shareholdings of main equity affiliates

	IRIS Holding France	OPCI IRIS INVEST 2010	OPCI CAMPINVEST	SCI DAHLIA
Covivio Hotels Group				
Covivio Hotels	19.9%	19.9%	19.9%	20.0%
Non-group third parties				
PREDICA	80.1%	80.1%	68.8%	80.0%
PACIFICA			11.3%	

3.2.6.4.3 Financial information on equity affiliates

	Total balance sheet	Total non-current assets	Cash	Total non-current liabilities excluding financial debt	Total current liabilities excluding financial debt	Financial debt	Rental income	Costs of net financial debt	Net income consolidated
IRIS Holding France	204,951	185,059	18,214	15,060	2,441	109,450	13,302	-2,743	10,000
OPCI IRIS INVEST 2010	267,392	248,684	16,874	4,351	357	109,956	17,426	-1,794	17,762
OPCI CAMPINVEST	184,000	169,973	11,891	0	276	80,991	11,709	-1,785	8,084
SCI DAHLIA	167,706	163,515	2,282	0	420	79,491	8,681	-1,519	7,680

3.2.6.5 Inventories and work-in-progress

€K	31-déc.-2018	31-déc.-2017	Change
Inventories of raw materials and other supplies	2,236	0	-2,236
Inventories and work-in-progress	**2,236**	**0**	**-2,236**

Inventories and work-in-progress concern solely the Operating Properties business due to the operation of hotel real estate assets.

3.2.6.6 Deferred tax liabilities on the reporting date

Given the applicable tax regime in France (SIIC regime), potential tax savings on tax loss carryforwards from real estate operations in France are not recognised.

in €K	As at 31/12/2017			Increases		Decreases				As at 31/12/2018		
	Before offset	Offset	After offset	First time consolidation scope and change Method	of the fiscal year by net income (A)	of the fiscal year by net income (B)	Rate differential (B)	Others (currency translation adjustments)	Removals from the scope of consolidation	Before offset	Offset	After offset
DTA on losses carried forw ar	1,839	-1,839	0	7,445	382	-686	0			8,980	-3,336	5,644
DTA on JV real estate	0	0	0	6,541	1,011	-2,392	0	-29		5,131	-3,014	2,117
DTA on JV cash instruments	264	-264	0	184	212	-22	-4			634	-634	0
DTA on temporary difference	1,986	-1,986	0	4,953	113	-1,597	0			5,455	-5,455	0
Total DTA	**4,089**	**-4,089**	**0**	**19,123**	**1,718**	**-4,697**	**-4**	**-29**	**0**	**20,200**	**-12,439**	**7,761**

in €K	As at 31/12/2017			Increases		Decreases				As at 31/12/2018		
	Before offset	Offset	After offset	First time consolidation scope and change Method	of the fiscal year by net income (B)	of the fiscal year by net income (A)	Rate differential	Others (currency translation adjustments)	Removals from the scope of consolidation	Before offset	Offset	After offset
DTL on JV real estate	121,197	-4,089	117,108	161,892	17,373	-12,655	-1,554	-558	-28,382	257,321	-12,439	244,882
DTL on JV cash instruments	41		41	61	0	-74	0			28		28
DTL on temporary differences	354		354	2,199	1,241	-83	0			3,711		3,711
Total DTL	**121,592**	**-4,089**	**117,503**	**164,152**	**18,614**	**-12,812**	**-1,554**	**-558**	**-28,382**	**261,060**	**-12,439**	**248,621**

DT income (A)	16,084
DT expenses (B)	-23,315
DT net expenses	-7,231

In accordance with IAS 12, deferred tax assets and liabilities are offset for each tax entity when they involve taxes paid to the same tax authority.

The increase in deferred tax liabilities is mainly due to the consolidation of companies in the Operating Properties business line and the impact of deferred tax liabilities relative to increases in the appraisal values of foreign assets.

Deferred tax liabilities, mainly relating to unrealised gains on fixed assets, correspond primarily to:

- the Sunpark group (holiday parks): €21.2 million (rate of 28%)
- the Ulysse Belgium group (AccorHotels): -€16.6 million (rate of 25%)
- B&B Lux Invest 1 to 6: €17.8 million (rate of 15.83%)
- the NH Amsterdam Center and Noord companies: €23.4 million (rate of 22.25%)
- TCH and Bardiomar: €20,1 million (rate of 25%)
- the Hermitage group (operating properties): -€28.1 million (rate of 28.93%)
- *the United Kingdom portfolio -€48.5 million (rate of 17%)*
- the Rock group (operating properties): €50.4 million (see 3.2.7.5.1.)

The non-recognised tax loss carryforwards, calculated at the standard rate, amounted to €153 million, as detailed below:

€K	Non-recognised DTA	Non-recognised tax loss carryforwards
Lease properties	28,060	81,508
Hotel Operating properties	12,041	71,211
Group total	**40,100**	**152,719**

3.2.6.7 Trade receivables

€K	31-déc.-2018	31-déc.-2017	Change
Charges reinvoiced to tenants	3,147	5,978	2,831
Trade receivables	29,085	3,582	-25,503
Amortisations and provisions	-252	0	252
Incentive / rental income by steps	4,567	1,127	-3,440
Net total trade receivables	**36,547**	**10,687**	**-51,363**

Charges to be reinvoiced mainly comprise the rendering of charges on the portfolio of Operating Properties in Germany.

Trade receivables, with a balance of €29 million at 31 December 2018, mainly comprise:

- trade receivables in the Operating Properties scope for €10 million;
- other invoicing in other business segments for €19 million, including:
  - €9 million in rental income invoiced in advance in the United Kingdom portfolio,
  - €4.7 million in invoices to be issued for AccorHotels variable rents,
  - €2.8 million in receivables not yet due for less than three months for hotel real estate assets in Spain.

No significant impairment was recognised on trade receivables.

The "Change in working capital requirements on continuing operations" line item of €12.1 million in the Statement of Cash Flows was mainly due to the following changes:

- Trade receivables -€11.8 million
- *Other receivables -€7.5 million*
- Tax receivables other than income tax +€5.7 million
- Pre-booked income +€10.3 million
- Current accounts – liabilities +€10.4 million
- Tax debt +€4.3 million
- Advances and pre-payments -€2.8 million
- Trade payables +€7.0 million
- Social debt -€1.0 million
- Other debt -€2.6 million

3.2.6.8 Tax receivables and other receivables

€K	31-déc.-2018	31-déc.-2017	Change
Tax receivables (CIT)	3,329	2,909	420
Other tax receivables	*18,676*	*15,094*	*3,582*
Other receivables	23,095	1,866	21,230
Security deposits received	1,305	8	1,297
Current accounts	908	0	908
Total tax receivables and other receivables	**47,314**	**19,877**	**27,437**

Other tax receivables mainly relate to VAT receivables. This item also includes €3 million in receivables from the tax administration that are recognised and not impaired in view of the ongoing litigation. During the fiscal year, partial abatements were obtained in the amount of €2.3 million for fiscal years 2010 to 2014.

Other receivables amounted to €23 million at 31 December 2018 It mainly includes notarial cash overpayments relating to acquisitions in the United Kingdom (€13 million) and receivables relating to the Operating Properties scope (€9.8 million). This item also includes the partial recognition of the guaranteed minimum (EBITDA) by AccorHotels in respect of the Pullman Roissy over the 2018 fiscal year for €3.8 million.

3.2.6.9 Prepaid expenses

€K	31-déc.-2018	31-déc.-2017	Change
Accrued expenses	1,816	340	1,476
Total prepaid expenses	**1,816**	**340**	**1,476**

Prepaid expenses rose following the consolidation of the Operating Properties business.

3.2.6.10 Cash and cash equivalents

€K	31-déc.-2018	31-déc.-2017
Money-market securities available for sale	5,001	5,001
Cash at bank	376,400	28,644
Gross cash	**381,401**	**33,645**

At 31 December 2018, the portfolio of money market securities available for sale consisted mainly of traditional money market funds (Level 2).

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

The Covivio Hotel group does not hold any investments subject to capital risk.

3.2.6.11 Shareholders' equity

The capital stood at €472,2 million as at 31 December 2018. Reserves correspond to parent company retained earnings and reserves, together with reserves from consolidation.

As at 31 December 2018, the share capital broke down as follows:

- Number of authorised shares: 118,057,886
- Number of shares issued and fully paid up: 118,057,886
- Number of shares issued and not fully paid up: 0
- Par value of shares: €4.00
- Share classes: None
- Restriction on payment of dividends: None
- Shares held by the Company or its subsidiaries: 4,840

Extraordinary General Meeting that took place 24 January 2018 approved the merger of FDM Management and the contribution of 50% of the shares of SCI Porte Dorée. The management board recorded the subscription of 18,436,011 new shares to remunerate contributions.

The Combined General Meeting of 6 April 2018 approved the payment of an ordinary dividend of €164.7 million, i.e. a dividend of €1.55 per share.

On 21 June 2018, the general manager recorded the subscription of 11,805,788 new shares at an issue price of €25.35, representing a capital increase of €298.2 million net of costs. This capital increase was carried out as part of the current acquisition of a hotel real estate portfolio in the United Kingdom.

Change in the number of shares during the period

Date	Transaction	Shares issued	Own shares	Shares outstanding
31-déc.-2017	**Number of securities**	**87,816,087**	**2,443**	**87,813,644**
	Capital increase	30,241,799		
	Scrip dividend			
	Treasury shares – liquidity agreement		2,397	
31-déc.-2018	**Number of securities**	**118,057,886**	**4,840**	**118,053,046**

3.2.6.12 Statement of debts

€K	31-déc.-2017	Increase	Decrease	Change in consolidation method	Change in scope	31-déc.-2018
Bank borrowings	1,266,500	524,617	-318,091	526,131	28,806	2,027,963
Bonds	386,553	350,000	0	0	0	736,553
Finance leases	0	0	-2,964	20,063	0	17,099
Other borrowing (1)	53,830	9,197	-359,996	-3,827	358,883	58,087
Subtotal Interest-bearing loans	**1,706,883**	**883,814**	**-681,051**	**542,367**	**387,689**	**2,839,702**
Accrued interest	5,838	14,126	-13,069	8,114	-1,803	13,206
Deferral of loan expenses	-21,422	9,909	-10,246	-7,099	82	-28,777
Creditor banks	19,234	0	0	73	-18,113	1,194
Total Borrowings (LT and ST)	**1,710,533**	**907,849**	**-704,366**	**543,455**	**367,854**	**2,825,325**
of which Long-term	*1,673,578*	*915,081*	*-594,542*	*527,839*	*75,464*	*2,569,251*
of which Short-term	*36,955*	*14,773*	*-108,326*	*15,616*	*297,311*	*256,074*
Valuation of financial instruments	**33,030**			**-2,224**	**-57**	**30,749**
of which Assets	*-5,748*			*-2,753*	*-5,931*	*-14,432*
of which Liabilities	*38,778*			*529*	*5,873*	*45,180*
Total bank debt	**1,743,563**	**907,849**	**-704,366**	**541,231**	**367,797**	**2,856,074**

(1) These are loans to partnerships (FC) from shareholders other than Covivio Hotels. At 31 December 2018, the balance of €58 million mainly comprised Foncière B2 Hôtel Invest for €36.9 million, SAS Samoëns for €15.5 million, and the Rock companies in Germany in the Operating Properties scope for €3.2 *million*.

The "Proceeds related to new borrowings" line item in the Statement of Cash Flows (€873 million) corresponds to the "Increases" column for Interest-bearing borrowings (+€883 million) minus new debt issuance costs (-€10 million).

The "Repayments of borrowings" line item in the Statement of Cash Flows (-€681 million) corresponds to the decreases column for interest-bearing borrowings.

3.2.6.12.1 Bank borrowings

The borrowings are valued after their initial recognition at cost, amortised based on the effective interest rate. The average rate of the consolidated debt of Covivio Hotels at 31 December 2018 was 2.08% (versus 2.52% at 31 December 2017).

Characteristics of the borrowings taken out by Covivio Hotels (principal amount over €100 million):

in €K		Debt	Appraisal values 31 December 2018	Outstandings debt 31 December 2018	Date of signature	Nominal Initial	Maturity
Hotels in Europe		€447 M (2013) - REF2		141 386	25/10/13	447 000	31/01/23
		€450 M (2016) – Rock		408 841	29/07/16	450 000	29/07/23
		€255 million (2012) – Covered bonds		186 553	14/11/12	255 000	16/11/21
		€290 M (2017) – OPCI B2 HI (B&B)		286 400	10/05/17	290 000	10/05/24
		€278 M (2017) – Roca		192 820	29/03/17	277 188	29/03/25
		€475 M (2018) - Rocky		**410 230**	**24/07/18**	**475 145**	**24/07/26**
	> 100 €M		**3 867 706**	**1 626 230**			
	< 100 €M		**1 308 679**	**520 385**			
TOTAL COLLATERALISED			**5 176 386**	**2 146 614**			
Hotels in Europe							
		€200 M (2015) – Private placement		200 000	29/05/15	200 000	**29/05/23**
		€350 M (2018) - Bonds		**350 000**	**24/09/18**	**350 000**	**24/09/25**
	> 100 €M			**550 000**			
	< 100 €M			**85 000**			
TOTAL UNENCUMBERED			**832 987**	**635 000**			
Total			**6 009 372**	**2 781 614**			

(1) value excluding duties of collateralised assets (mortgages or pledges of securities of companies holding them)

Collateralised fixed assets represented 86.1% of total fixed assets. This collateral is provided for the same length as the underlying financing.

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

in €K	Balance as at 31 December 2018	Deadline at - 1 year	Balance as at 31 December 2019	Maturity from 2 to 5 years	Balance as at 31 December 2023	Deadline Over 5 years
Fixed-rate long-term financial liabilities	1,158,126	**133,328**	**1,024,798**	**579,863**	444,935	**444,935**
Bank borrowings and finance leases	363,487	111,388	252,098	173,356	78,742	78,742
Total Borrowings and bonds	**363,487**	**111,389**	**252,098**	**173,356**	**78,742**	**78,742**
Bonds	736,553	0	736,553	386,553	350,000	350,000
Total debts represented by securities	**736,553**	**0**	**736,553**	**386,553**	**350,000**	**350,000**
Other borrowing	**58,086**	**21,939**	**36,147**	**19,955**	**16,193**	**16,193**
Floating-rate financial debt	1,681,577	**113,415**	**1,568,162**	**471,072**	1,097,090	**1,097,090**
Bank borrowings and finance leases	1,681,577	113,415	1,568,162	471,072	1,097,090	1,097,090
Total Borrowings and bonds	**1,681,577**	**113,415**	**1,568,162**	**471,072**	**1,097,090**	**1,097,090**
Debts represented by securities	**0**	**0**	**0**	**0**	**0**	**0**
Total	2,839,702	246,742	2,592,960	1,050,936	1,542,025	1,542,025

3.2.6.12.2 Bonds

The characteristic features of these bonds are as follows:

Type of bond			
Issue date	16-nov.-12	29-mai-15	24-sept.-18
Issue amount (in €M)	255	200	350
Partial redemption (in €M)	68	0	0
Nominal amount following partial redemption (in €M)	**186.6**	**200**	**350**
Nominal amount per bond (in euros)	200,000	200,000	100,000
Nominal amount per bond following partial redemption (in euros)	146,316 (1)	200,000	100,000
Number of units issued	1,275	1,000	3,500
Nominal rate	3.682% and 2.754% from 16/02/2015	2.218%	1.875%
Maturity	16-nov.-21	29-mai-23	24-sept.-25

(1) Following the disposals in 2017, the nominal amount per bond fell from 148,368 to 146,316 euros.

The fair value of these bonds was €752.2 million as at 31 December 2018 (the value in the consolidated statement of financial position as at 31 December 2018 was €736.6 million).

The impact of the revaluation of the risk-free rate on fixed-rate borrowings as at 31 December 2018 was €15.6 million.

3.2.6.12.3 Derivatives

The positive change in the fair value of derivative assets impacted the income statement and break down as follows:

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Financial instruments	-33,030	2,224	12,838	-12,780	0	-30,749
				Of which	**Cash instruments**	[illegible]
					Cash instruments	[illegible]

Derivative instruments consist mainly of rate hedging instruments put in place as part of the Group's interest rate hedging policy. In accordance with IFRS 13, the fair values include the counterparty default risk (CDA/DVA) for -€1.1 million as at 31 December 2018 compared with -€0.1 million as at 31 December 2017.

The "Unrealised gains and losses relating to changes in fair value" line in the Statement of Cash Flows (-€87.1 million), which makes it possible to calculate cash flows from operating activities, incorporates the impact of changes in the value of cash instruments (-€12.8 million) and the change in the value of Investment Properties (€99.9 million).

The "Other cash flow from financing activities" line item in the Statement of Cash Flows (-€12.4 million) includes in particular disbursements relating to hedging restructuring payments.

Breakdown of hedging instruments by maturity of notionals:

€K	at 31 December 2018	less than 1 year	1 to 5 years	over 5 years
Fixed hedge				
Fixed rate receiver SWAP	**647,727**		100,000	547,727
Fixed rate payer SWAP	**1,235,493**	-644,948	132,496	1,747,945
Total SWAPS	**587,766**	**-644,948**	**32,496**	**1,200,218**
OPTIONAL HEDGE				
CAP purchase	**289,195**	-1,060	220,855	69,400
FLOOR purchase	**103,000**	75,000	0	28,000
FLOOR sale	**90,442**		87,442	3,000
Total	**2,365,857**	**-571,008**	**540,793**	**2,396,072**

Balance as at 31 December 2018:

€K	Fixed rate	Floating rate
Gross borrowings and financial debt	1,158,126	1,681,577
Creditor banks		1,194
Net financial liabilities before hedging	**1,158,126**	**1,682,771**
Fixed hedge: Swaps	0	-587,766
Optional hedge: Caps	0	-289,195
Total hedges	**0**	**-876,961**

The nominal amounts of hedging instruments represent all the Company's hedging instruments, regardless of whether they qualify for hedge accounting. Forward hedging instruments are not included in this table.

3.2.6.12.4 Rental liabilities

Long-term leases conferring ad rem rights relating to hotel real estate in the United Kingdom have been accounted for as finance leases, with the initial recognition of a rental liability of €165.5 million, calculated by discounting future rental payments over the residual period of the lease at the acquisition date.

At 31 December 2018, the balance of rental liabilities amounted to €163.7 million (Identical to the rights-of-use recognised under assets). Interest expenses related to these rental liabilities was €4.6 million in respect of fiscal year 2018.

3.2.6.12.5 Banking covenants

The debts of the Covivio Hotels Group are subject to banking covenants relating to the consolidated financial statements that, if they are not respected, may trigger the early repayment of the debt:

- loan to value ratio (LTV): this is the ratio of the revalued value of all Group assets, excluding cash, to net debt;
- interest coverage ratio (ICR): this is calculated from the consolidated income statement, Group share, by dividing operating income before the disposal of investment assets adjusted for increases in and reversals of depreciation, amortisation and provisions by net financial debt.

The most stringent LTV covenant was 60% as at 31 December 2018.

The most stringent ICR covenant was 200% as at 31 December 2018.

Consolidated LTV	Company scope	Covenant	Ratio
€447 M (2013) - REF II	Covivio Hotels	< 60%	In compliance
€255 M (2012) - Mortgage bond	Covivio Hotels	≤ 65%	In compliance
€200 M (2015) – Private placement	Covivio Hotels	≤ 60%	In compliance
€279 million (2017) – Roca	Covivio Hotels	< 60%	In compliance
400 £m (2018) - Rocky	Covivio Hotels	< 60%	In compliance

Consolidated ICR	Company scope	Covenant	Ratio
€447 M (2013) - REF II	Covivio Hotels	> 200%	In compliance
€255 M (2012) - Mortgage bond	Covivio Hotels	≥ 200%	In compliance
€200 M (2015) – Private placement	Covivio Hotels	≥ 200%	In compliance
€279 million (2017) – Roca	Covivio Hotels	> 200%	In compliance
400 £m (2018) - Rocky	Covivio Hotels	> 200%	In compliance

Under the financing raised by Covivio Hotels and allocated to specific portfolios, these consolidated covenants usually go hand-in-hand with LTV "Scope" covenants relating to the scopes funded. These LTV "Scope" covenants typically have less stringent thresholds than the consolidated covenants. Their purpose is mainly to supervise the use of financing by correlating it with the value of the underlying assets provided as collateral.

It should also be noted that the corporate debt (unsecured) raised by Covivio Hotels in 2017 and 2018 is accompanied, in addition to consolidated LTV and ICR covenants, by a secured debt covenant that is the ratio, on a consolidated Group share basis, of (i) assets less secured debt to (ii) net debt less secured debt.

This covenant, as well as all other covenants, was fully complied with at 31 December 2018.

None of the financing has a clause contingent on either the level or existence of a Covivio Hotels rating, which nevertheless is currently BBB, positive outlook (Standard & Poor's rating).

3.2.6.12.6 Recognition of financial assets and liabilities

Categories according to IFRS 9	Line item in statement of financial position	31-Dec.-2018 Net (€K)	Amount shown in the statement of financial position measured at: Amortised cost	Fair value through shareholders' equity	Fair value through profit or loss	Fair value (€K)
Loans and receivables	Non-current financial assets	11,487	11,487			11,487
Loans and receivables	Trade receivables (1)	31,980	31,980			31,980
Assets at fair value	Derivatives at fair value	14,432		0	14,432	14,432
Assets at fair value	Cash and cash equivalents	5,001			5,001	5,001
Total financial assets		**62,900**	**43,467**	**0**	**19,433**	**62,900**
Liabilities at amortised cost	Financial debt	2,839,702	2,839,702			2,855,509 [2]
Liabilities at fair value	Derivatives at fair value	45,180		0	45,180	45,180
Liabilities at amortised cost	Security deposits	8,207	8,207			8,207
Liabilities at amortised cost	Trade payables	69,184	69,184			69,184
Total financial liabilities		**2,962,272**	**2,917,092**	**0**	**45,180**	**2,978,079**

(1) Excluding rent exemptions
(2) The difference between the net book value and the fair value of the fixed rate debt is €15,807 thousand (€15,611 thousand for the loans broken down in 3.2.6.12.2. and €196 thousand for other group fixed-rate debt)

The table below presents the financial instruments at fair value broken down by level:
- level 1: financial instruments listed in an active market;
- level 2: financial instruments whose fair value is evaluated through comparisons with observable market transactions on similar instruments or based on an evaluation method whose variables include only observable market data;
- level 3: financial instruments whose fair value is determined entirely or partly by using an evaluation method based on an estimate that is not based on market transaction prices on similar instruments.

€K	Level 1	Level 2	Level 3	Total
Derivatives at fair value through profit or loss		14,432		14,432
Cash and cash equivalents		5,001		5,001
Total financial assets	**0**	**19,433**	**0**	**19,433**
Derivatives at fair value through profit or loss		45,180		45,180
Total financial liabilities	**0**	**45,180**	**0**	**45,180**

3.2.6.13 Provisions for contingencies and losses

€K	31-Dec.-2017	Change in scope	Charges	Reversal of provision: Used	Unused	31-Dec.-2018
Other provisions for disputes	0	243	119	0	-47	315
Provisions for taxes	15	7,934	5		0	7,954
Other provisions	0	-53	407	0	-102	252
Provisions subtotal -current liabilities	**15**	**8,124**	**531**	**0**	**-149**	**8,521**
Provisions for retirement benefit	71	1,348	34	0	-148	1,305
Provisions for long-service awards	58	0	18	0	0	76
Provisions subtotal-non-current liabilities	**129**	**1,348**	**52**	**0**	**-148**	**1,381**
Total Provisions	**144**	**9,472**	**583**	**0**	**-297**	**9,902**

Provisions for contingencies and losses rose following the consolidation of the Operating Properties business.

The €8 million in provisions for taxes relate to tax risks on the German portfolio in the Operating Properties business.

3.2.6.14 Other liabilities

€K	31-Dec.-2018	31-Dec.-2017	Change
Other long-term liabilities	8,207	2,998	5,209
Trade payables	45,593	10,249	35,344
Trade payables on fixed assets	23,591	27,801	-4,210
Other short-term liabilities	25,260	60,499	-35,239
Current accounts	115	2,120	-2,005
Current tax	11,976	2,372	9,604
Total	**114,740**	**106,039**	**8,701**

Other long-term liabilities mainly comprise security deposits received, including €2.9 million in respect of the hotel real estate portfolio in Spain.

Trade payables increased by €35 million, principally due to the full consolidation of the Operating Properties business.

Trade payables on fixed assets comprise expenses for work carried out on the assets as well as deferred payments for acquisitions of long-term investment securities or company shares. The line item decreased due to deferred payments made for the acquisition of the Hermitage portfolio (€20 million) and the Pullman Roissy (€4 million) and Airport Garden (€7.5 million) hotel real estate.

Other short-term liabilities fell, mainly on account of repayments made in respect of the deferred payment on the acquisition of the Spanish portfolio (€50 million).

Current tax increased significantly following consolidation of the Operating Properties business for €8.3 million.

3.2.6.15 Adjustment accounts

€K	31-Dec.-2018	31-Dec.-2017	Change
Prepaid income and other accounts	20,771	823	19,948
Total accruals	**20,771**	**823**	**19,948**

Pre-booked income mainly relates to pre-paid rental income on the United Kingdom portfolio (€10.3 million) and the Operating Properties business (€9.5 million). In accordance with IFRS 15, it includes the partial non-recognition of the guaranteed minimum rent (EBITDA) by AccorHotels for the Pullman Roissy over fiscal years 2016 and 2017 for €8.5 million. The EBITDA guarantee mechanisms provide for a repayment clause depending on future hotel real estate performance, which do not enable recognition of payments by AccorHotels as components of income definitively acquired.

3.2.7.NOTES TO THE STATEMENT OF NET INCOME

3.2.7.1 Operating income

3.2.7.1.1 Rental income

Rental income (in €K)	31 Dec. 2018	31 Dec. 2017	Change in €K	Change (%)
Hotels	208 483	174 073	34 410	19,8%
Retail	21 438	34 809	-13 371	-38,4%
Total Rental Income	**229 921**	**208 882**	**21 039**	**10,1%**

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

Hotel real estate business

Revenues from the hotels business is comprised of rental income for:

- the hotels run by B&B in France, Germany and Spain for €62.3 million (compared with €59 million as at 31 December 2017);
- the hotels run by the AccorHotels group for €57.8 million (compared with €54.9 million as at 31 December 2017);
- the hotels in Spain for €33.5 million; (compared with €32.5 million as at 31 December 2017);
- the holiday villages in Belgium, Portugal and France (Samoëns) for €23 million (compared with €18.3 million as at 31 December 2017);
- the IHG hotels acquired in the United Kingdom for €16.5 million;
- the NH hotels in Germany for €8.1 million (compared with €3.7 million as at 31 December 2017);
- the NH Amsterdam Centre hotel for €3.4 million (compared with €3.4 million as at 31 December 2017);
- the Motel One hotels in Germany for €2.3 million (compared with €2.2 million as at 31 December 2017);
- the delivery of the Motel One Porte Dorée for €1.5 million, now fully consolidated.

The change in revenues from the hotel real estate activity (+€34.4 million) was mainly due to:

- the acquisition in 2018 of the portfolio in the United Kingdom for +€16.5 million;
- the delivery of the Club Med Samoëns asset for +€5.3 million;
- acquisitions in 2017 and 2018 of the NH hotels in Germany for +€4.1 million;
- the increase in AccorHotels revenues as at 31 December 2018 for +€3.6 million;
- the impact of deliveries of B&B developments in France and Germany for +€0.8 million;
- delivery of the Motel One Porte Dorée for +€1.5 million;
- the impact of the indexation of B&B hotels in France and Germany for +€1 million;
- the change in variable rent in Spain for +€1.4 million;
- additional rental income on Club Med Da Balaïa for +€0.5 million;
- the impact of disposals of AccorHotels real estate (-€0.6 million), SunparksVielsam cottages and theSunparks de Haan asset (-€1.1 million) and the Tryp Jerez de la Frontera hotel (-€0.4 million).

Retail activity

Revenues from Retail activity are comprised of:

- rental income from Quick restaurants of €3.9 million (compared with €14.9 million as at 31 December 2017);
- rental income from Jardiland garden centres of €11 million (compared with €13.3 million as at 31 December 2017);
- rental income from Courtepaille of €6.6 million (unchanged from 31 December 2017).

The main changes reflect disposals on the Quick and Jardiland portfolios in 2017 and 2018.

3.2.7.1.2 Managed hotel EBITDA

€K	Note	31-déc.-18	31-déc.-17
Revenues of hotels under management		253 489	0
Operating expenses of hotels under management		-179 034	0
Income from other activities		14	0
Expenses of other activities		-1	0
MANAGED HOTEL EBITDA		**74 468**	**0**

Following the full consolidation of the companies in the Operating Properties scope as of 1 January 2018, the statement of net income now includes a line item for this activity. In line with the development of this business (25% of the portfolio), the Operating Properties scope is a distinct operating segment monitored by management.

Detailed results for this activity are presented in section 3.2.9.4.

3.2.7.1.3 Real estate expenses

€K	31-déc.-18	31-déc.-17	Change in (%)
Rental income	229 921	208 882	10,1%
Unrecovered rental costs	-2 429	-2 038	n.a
Expenses on properties	-2 580	-2 154	19,8%
Net losses on unrecoverable receivables	-42	-8	n.a
Net Rental Income	**224 870**	**204 682**	**9,9%**
Rate for property expenses	**-2,2%**	**-2,0%**	

Non-recoverable rental expenses correspond to assets in Spain, for which leases do not provide for the rebilling of all property expenses.

Other expenses on properties mainly comprise property management fees of €2.2 million (compared with €2.1 million as at 31 December 2017) and works for €0.2 million.

3.2.7.1.4 Net cost of operations

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

€K	31-déc.-18	31-déc.-17	Change in (%)
Management and administration income	2 196	1 830	20,0%
Business expenses	-1 539	-1 884	-18,7%
Overhead	-20 381	-13 552	50,4%
Development expenses	-92	-11	736,4%
Total net operating costs	**-19 816**	**-13 617**	**45,4%**

Management and administration income are mainly comprised of €2,2 million in asset management fees charged to equity affiliates (compared with €1.8 million as at 31 December 2017).

Business expenses mainly consist of €0.9 million in appraisal costs (unchanged from 31 December 2017) and €0.5 million in asset management fees (compared with €0.9 million as at 31 December 2017).

Overheads rose on account of the consolidation of the Operating Properties business and mainly comprised:

- Covivio network costs of €5.3 million (compared with €4.9 million as at 31 December 2017);
- *personnel costs of €5.7 million (compared with €2.7 million as at 31 December 2017);*
- management fees invoiced by Covivio Hotels Gestion of €1.2 million (compared with €1.1 million as at 31 December 2017);
- the preferential dividend paid to Covivio Hotels Gestion of €0.5 million, unchanged from 31 December 2017;
- Statutory Auditor fees and expenses of €1.3 million (compared to €0.6 million at 31 December 2017)
- consultancy fees of €1.6 million (compared with €0.6 million as at 31 December 2017);
- corporate taxes of €1.5 million (including corporate value-added tax (CVAE)) (compared with €1.4 million as at 31 December 2017);
- premises and running costs of €0.5 million (compared to €0.6 million at 31 December 2017);

3.2.7.2 Change in the fair value of assets

€K	31-déc.-18	31-déc.-17
Hotels	102 906	120 166
Retail premises	-3 038	-20 005
Total change in fair value of properties	**99 868**	**100 161**

3.2.7.3 Cost of net financial debt

€K	31-déc.-18	31-déc.-17	Change in €K	Change in (%)
Interest income on cash transactions	12 233	3 473	8 760	39,6%
Interest expense on financing operations	-48 535	-21 988	-26 547	120,7%
Net losses on swaps	*-13 791*	*-16 627*	*2 836*	*-17,1%*
Costs of net financial debt	**-50 093**	**-35 142**	**-14 951**	**42,5%**

The cost of net financial debt rose following the consolidation of the Operating Properties companies.

3.2.7.4 Net financial income

€K	31-déc.-18	31-déc.-17	Change in €K	Change in (%)
Costs of net financial debt	**-50 093**	**-35 142**	**-14 951**	**42,5%**
Interest charges on rental liabilities	**-4 594**	**0**	**-4 594**	**n.a.**
Positive changes in the fair value of financial instruments	80	14 560	-14 480	n.a.
Negative changes in the fair value of financial instruments	*-12 860*	*-796*	*-12 064*	*n.a.*
Changes in the fair value of financial instruments	***-12 780***	***13 764***	***-26 544***	**-192,9%**
Financial income from discounting	1 055	1 755	-700	n.a.
Financial expenses from discounting	-1 557	-1 129	-428	n.a.
Discounting	***-502***	***626***	***-1 128***	n.a.
Amortisation of loan issue costs	***-9 909***	***-5 142***	***-4 767***	**92,7%**
Total net financial income	**-77 878**	**-25 894**	**-51 984**	**200,8%**

The lower rates triggered a rise in financial instrument liabilities of €12.8 million as at 31 December 2018.

The "Other calculated income and expenses" line item in the Statement of Cash Flows of €7 million was mainly comprised of the amortisation of borrowing costs (+€9.9 million) and the reversal of the discounting of the options for the NH hotel real estate and the discounting of the deferred payments for the hotel real estate acquired in Spain (+€0.5 million) and the linearization of incentives (-€3.8 million).

3.2.7.5 Taxes

3.2.7.5.1 Taxes and theoretical tax rate by geographical area

€K	Taxes payable	Deferred tax liabilities	Total	Tax rate
France	0	1 015	1 015	32,00% (1)
Belgium	-2 091	-6 754	-8 845	29,58% (2)
Luxembourg	-995	-1 256	-2 251	30,00%
Netherlands	-507	1 248	741	25,00% (3)
Portugal	-292	-859	-1 151	23,00%
Germany	-4 384	-2 174	-6 558	15,83% (4)
Spain	-815	-484	-1 299	25,00%
United Kingdom	-340	2 034	1 694	17,00%
Total	**-9 424**	**-7 231**	**-16 655**	

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

(1) In France, the tax rate used for the 2019 fiscal year is 28.93%. The tax rate will be 28% in 2020, 26.5% in 2021 and 25% from the 2022 fiscal year.
(2) In Belgium, the tax rate used for 2018 and 2019 is 29.58%. It will go down to 25% as of 2020.
(3) In the Netherlands, the tax rate used for the 2018 fiscal year is 25%. The tax rate will be 24.3% in 2019, 23.9% in 20201 and 22.25% from the 2021 fiscal year.
(4) In Germany, the tax rate on property goodwill is 15.83%, however for hotel real estate operating activities rates may exceed 30%.

3.2.7.5.2 Deferred tax

€K	31 Dec. 2018	31 Dec. 2017	Change
Belgium	-6 754	8 074	-14 828
Luxembourg	-1 256	-710	-546
Netherlands	1 248	-2 503	3 751
Portugal	-859	-1 708	849
Germany	-2 174	-4 966	2 792
Spain	-484	0	-484
United Kingdom	2 034	0	2 034
Total	**-7 231**	**-1 813**	**-5 418**

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

The deferred tax charge is mainly related to the increase in the value of hotel leased property assets (-€8.9 million), offset by deferred tax income of €1.6 million from the Operating Properties business line.

3.2.7.5.3 Tax proof

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

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

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

Breakdown of tax by taxable segment

	SIIC (France) SOCIMI (Spain)	French law shared	Foreign law shared	Dec. 31, -18
Net income before tax , before net income/ (loss) of companies accounted by the equity method	176,341	-3,191	62,017	235,167
Recognized effective tax expense	-204	-81	-16,371	-16,655

Table of tax proof 2018

		Dec. 31, -18
Net income before tax		243,835
Income/(loss) of companies accounted for under the equity method		8,668
Goodwill		0
Net income before tax , before net income/(loss) of companies accounted by the equity method and before goodwill		235,167
- of which SIIC/SIIQ/SOCIMI		176,341
- of which companies subject to income tax		58,826
Theoretical tax of 34.43%	(a)	-20,256
Effect of differences in rate		2.904
Effect of tax credits and IFA (tax due despite losses)		-68
Effect of permanent differences		-1,195
Allocation to tax losses without DTAs		3,936
Tax losses for the period without DTAs		-3,109
Total tax effects for the year	(b)	2,468
Taxes not for the period (1)	(c)	1,335
Recognized effective tax expense	(a)+(b)+(c)	-16,452
Total effective tax rate		27 97%

3.2.8.OTHER INFORMATION

3.2.8.1 Personnel expenses

In the Statement of Net Income, the period's personnel expenses are included in "Overheads" (€5.7 million) and in "Income from other activities" (€58.7 million) for the Operating Properties business line.

At 31 December 2018, the headcount of fully consolidated companies (excluding companies in the Operating Properties business line) was 25. This headcount is split between France (23 people), Spain (1 person) and Luxembourg (1 person).

The average headcount at 31 December 2018 for the Operating Properties business line was 1,467 people.

3.2.8.2 Earnings per share and diluted earnings per share

Earnings per share must factor in the dilution caused by stock options and bonus shares not yet issued but already awarded. There are no stocks options or bonus shares within the Group.

Earnings per share are calculated by dividing the net income attributable to the shareholders by the weighted average number of ordinary shares over the period.

	31-déc-18	31-déc-17
Net income Group share (in €K)	**194 002**	**252 165**
Number of shares at opening	87 816 087	74 103 963
Capital increase	30 241 799	13 712 124
Number of shares at closing	118 057 886	87 816 087
Average number of treasury shares	3 195	2 839
Average number of shares - undiluted	**111 311 529**	**87 813 248**
Average number of shares - diluted	**111 311 529**	**87 813 248**
Earnings per share (Group share) - undiluted	**1,74 €**	**2,87 €**
Earnings per share (Group share) - diluted	**1,74 €**	**2,87 €**

3.2.8.3 Off-balance sheet commitments

3.2.8.3.1 Commitments given (FC companies)

Off-balance sheet commitments given in €M	Deadline	31-Dec-18	31-Dec-17
Commitments related to consolidated companies		**78,2**	**0,0**
Investment commitments(1)		78,2	0,0
Commitments given for specific transactions		0,0	0,0
Commitments related to financing		**2 146,5**	**1 403,0**
Financial guarantees given (CRD of pledged debt)		2 146,5	1 403,0
Commitments related to operating activities (A+B+C)		**414,4**	**352,5**
A- Commitments given related to business development		**40,5**	**85,1**
Work commitments outstanding on assets under development(2)		15,0	52,9
Purchase commitments		0,0	0,0
Bank guarantees and other guarantees given	2019-2020	25,5	32,2
B- Commitments related to the implementation of operating contracts		**85,8**	**60,0**
Other contractual commitments given related to "Lease payments due"	2035-2065	69,7	27,1
Work commitments outstanding on investment properties(3)		16,2	33,0
C- Commitments related to asset disposals		**288,1**	**207,4**
Preliminary sale agreements given		288,1	207,4

(1) commitments for equity investments before deducting pre-payments of €7 5 million

(2) commitments relating to work on assets under development

€m	Cost of works budgets signed*	Amount of works accounted for	Amount of works commitments outstanding	Delivery date
Meininger Munich	32,2	31,5	0,8	2019
B&B Lyon Bagnolet	7,8	4,3	3 5	2019
Meininger Porte de Vincennes	44,8	39,3	5,5	2019
Meininger Lyon Zimmermann	18,2	13,7	4,5	2019
B&B Cergy	4,8	4,1	0,7	2019
Total	**107,9**	**92,9**	**15,0**	

(3) Commitments relating to work on investment properties

€m	Cost of works budgets signed*	Amount of works accounted for	Amount of works commitments outstanding	Delivery date
AccorHotels Hotels	10,4	3,2	7,2	2018-2019
Hotels B&B	57,5	48,5	9,0	
Total	**67,9**	**51,7**	**16,2**	

* The budgets for building works signed are monitored and updated regularly

Other commitments given

- Under its SIIC status, the Group has specific obligations, as set out in section 3.2.1.5.14.
- The Central Facility of the Sunparks Vielsalm asset was the subject of a contribution to Foncière Vielsalm Loisirs (in which Covivio Hotels holds 35.7% of the capital, but only 2.7% of the voting rights) with Covivio Hotels having the possibility of exercising a put option at the end of the 10th year.

3.2.8.3.2 Commitments given (Equity affiliates)

Off-balance sheet commitments given in €M	Deadline	31-Dec-18	31-Dec-17
Commitments related to consolidated companies		**0.0**	**0.0**
Investment commitments		0.0	0.0
Commitments given for specific transactions		0.0	0.0
Commitments related to financing		**68.5**	**104.1**
Financial guarantees given (CRD of pledged debt)		68.5	104.1
Commitments related to operating activities (A+B+C)		**0.0**	**11.3**
A- Commitments given related to business development		**0.0**	**9.8**
Work commitments outstanding on assets under development		0.0	0.0
Bank guarantees and other guarantees given		0.0	9.8
Claw back clause		0.0	0.0
B- Commitments related to the implementation of operating contracts		**0.0**	**1.5**
Exercise of finance lease options		0.0	1.5

3.2.8.3.3 Commitments received (FC companies)

Off-balance sheet commitments received in €M	Deadline	31-Dec-18	31-Dec-17
Commitments related to consolidated companies		**0,0**	**0,0**
Commitments related to financing		**335,9**	**281,0**
Financial guarantees received (authorised lines of credit not used)		335,9	281,0
Commitments related to operating activities		**3 687,1**	**2 191,7**
Other contractual commitments received related to "rental income due" activities		2 982,4	1 561,3
Assets received in pledge, mortgage or collateral, as well as guarantees received		298,8	337,1
Other contractual commitments received related to business activities	2 020	8,5	0,0
Preliminary sale agreements received = Preliminary sale agreements given		288,1	207,4
Works committed outstanding (fixed assets) = (2) + (3) of commitments given		31,1	85,9
Acquisition commitments (fixed assets)		78,2	0,0

Other contractual commitments received related to "rental income due" activities

In €K	Club Méditerranée	Sunparks holiday villages	B&B Hotels France	B&B Hotels B2/B3/B4H	B&B Hotels Germany	B&B Hotels Germany 2	B&B Hotels Germany 3	B&B Spain	NH Germany portfolio	NH Netherlands portfolio	Spain hotel real estate portfolio	Motel One	United Kingdom Hotels portfolio	Courtepaille restaurants	Jardiland garden centres	Total
less than 1 year	10,064	6,449	2,528	41,799	8,989	8,511	2,700	749	8,768	6,715	31,853	4,427	38,809	6,574	6,169	185,104
1 to 5 years*	52,631	33,723	13,221	210,773	47,012	44,506	14,120	3,914	45,853	35,119	81,973	23,153	202,956	11,094	32,259	852,307
over 5 years*	58,690	62,885	5,878	180,224	89,401	78,285	45,071	5,357	134,220	93,397	222,958	39,748	902,651	0	26,298	1,945,063
TOTAL	**121,385**	**103,057**	**21,627**	**432,796**	**145,402**	**131,302**	**61,891**	**10,020**	**188,841**	**135,231**	**336,784**	**67,328**	**1,144,416**	**17,668**	**64,726**	**2,982,474**

* Construction assumption: 1.5% increase

3.2.8.3.4 Commitments received (equity affiliates)

Off-balance sheet commitments received in €M	Deadline	31-Dec-18	31/12/17
Commitments related to consolidated companies		**0,0**	**0,0**
Commitments received on specific transactions		0,0	0,0
Commitments related to financing		**0,0**	**23,6**
Commitments related to financing not specifically required by IFRS 7			
Financial guarantees received (authorised lines of credit not used)		0.0	23.6
Commitments related to operating activities		**8,2**	**15,4**
Financial instruments contracted for the purpose of receipt or delivery of a non-financial item (own use contracts)		0,0	0,0
Other contractual commitments received related to business activities		0,0	5,0
Assets received in pledge, mortgage or collateral, as well as guarantees received		8,2	10,4

Commitments regarding operating lease agreements:

AccorHotels leases provide for contingent rental income dependent on hotel revenues.

TYPES OF LEASES	Accor Hotels	Sunparks	Club Med	Courtepaille restaurants
Conditions for renewal or purchase options	Proposal for renewal 18 months before the expiration of the lease. The tenant has 6 months to accept or refuse the renewal	Proposal for renewal 15 months before lease expiry for a 10-year term	Proposal for renewal 9 months before the expiration of the term of validity. Renewal on the same terms as the existing lease – 15 years, of which 8 are fixed and irrevocable	Renewal at the end of the lease with the same conditions and charges as the initial lease
Indexing clauses	Based on hotel real estate revenues	In line with the change in the healthcare index published by Moniteur Belge	In line with the value of the Eurostat CPI index	In line with the change in the commercial rent index (ILC)
Term	12 years firm	15 years firm	15 years firm	Leases for 3-6-9 years

TYPES OF LEASES	Jardiland	B&B Hotels France	B&B Hotels Germany	B&B Hotels Germany 2
Conditions for renewal or purchase options	Renewable for a period of 9 years For the first renewal, the tenant commits to a fixed and irreducible term of 6 years From the second renewal the tenant may cancel after each 3-year period.	Renewable twice for 12 years, then once for 9 years (with the option to terminate every 3 years)	Two renewal options for 5 years under the same conditions and charges	Two 5-year extensions possible on the tenant's request
Indexing clauses	In line with the change in the commercial rent index (ILC)	In line with the change in the commercial rent index (ILC)	In line with the change in the German consumer price index (VPI)	100% of the German CPI
Term	Leases for 6-12 years, 6-9-12 years or 12 years firm	12 years firm	20 years firm	20 years firm

TYPES OF LEASES	B&B Hotels Germany 3	Motel One Hotels	NH Hotel	B&B Hotels Spain
Conditions for renewal or purchase options	Two 5-year extensions possible on the tenant's request	Two renewal options for 5 years under the same conditions and charges	Renewal at expiration of the lease Four 10-year renewal options	Renewable twice for 15 years on the tenant's request
Indexing clauses	100% of the German CPI	In line with the change in the German consumer price index (VPI)	In line with the change in the consumer price index (CPI)	100% of the Spanish CPI
Term	20 years firm	20 years firm	20 years firm	15 years firm

TYPES OF LEASES	Bardiomar	Trade Center Hotel	Rocatierra	Hotels in the United Kingdom
Conditions for renewal or purchase options	n/a	n/a	n/a	No renewal or purchase options
Indexing clauses	Variable rent with a guaranteed minimum Variable based on revenues	Linked to Spanish CPI	Linked to Spanish CPI - Variable based on revenues	100% of the English CPI
Term	45 years firm	20 years firm	12 years firm	25 years firm

3.2.8.4 Related-party transactions

The information below corresponds to the main related parties, namely i) Covivio and its subsidiaries and ii) equity affiliates.

Details of related-party transactions (in €K):

Partner	Type of partner	Operating profit	Net financial income	Balance sheet	Comments
Covivio Hotels Gestion	General Manager	-1 688			Remuneration of management board
Covivio Property	Group service provider	-1 867			Property fees
Covivio	*Group service provider*	-5 859			*Network costs*
GFR Kléber	Group service provider	-62			Leasing of premises
Covivio SGP	;eneral Manager OPCI B2 INVEST HOTE	-200			Consultancy services and management agreement
IRIS (OPCI + Holding), OPCI Campinvest, SCI Dahlia	Equity affiliates	2 531	304	6 610	Asset and property fees, Loans

3.2.8.5 Remuneration of executive officers

3.2.8.5.1 Remuneration of executive officers and directors

€K	31-Dec.-2018	31-Dec.-2017
Directors	46	36
Attendance fees	46	36

As at 31 December 2018, €46 thousand in attendance fees had been paid to members of the Supervisory Board and the Audit Committee.

3.2.8.5.2 Remuneration of the General Manager and of the limited partners

The Managing Partner, Covivio Hotels Gestion, received €1.2 million excluding taxes for its work in respect of 2018. The terms of this remuneration are governed by Article 11 of the Articles of Association of Covivio Hotels.

In 2018, €500 thousand in preferred dividends was paid to the Limited Partner, Covivio Hotels Gestion in respect of 2017. This preferred dividend was recognised under operating expenses in accordance with IFRS, which specify that preferred dividends must be treated as management commissions.

3.2.8.6 Statutory Auditors' fees

€K	Mazars				Ernst & Young et Autres				PricewaterhouseCoopers			
	Amount		%		Amount		%		Amount		%	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Statutory Auditors, auditing, review of company and consolidated financial statements	**419**	**445**	**33%**	**33%**	**817**	**900**	**64%**	**66%**	**37**	**24**	**3%**	**2%**
Issuer	142	119	50%	50%	142	119	50%	50%				
Fully consolidated affiliates	264	271	33%	88%	534	37	67%	12%	12			
Equity affiliates	13	55	7%	7%	142	744	79%		24	24	14%	3%
Services other than statutory auditing (1)	**64**	**25**	**36%**		**116**	**109**	**64%**	**81%**				
Issuer	62		39%	0%	97	23	61%	100%				
Fully consolidated affiliates	2	5	10%	100%	19		90%	0%				
Equity affiliates	0	20	100%	19%	0	86	0%	81%				
Total	***483***	***470***	**34%**	**31%**	***933***	***1 009***	**64%**	**67%**	***37***	***24***	**3%**	**2%**

(1) the services other than statutory auditing performed in respect of fiscal year 2018 break down as follows:

CSR: (€32 thousand);

Market transaction (diligence requiring AMF approval): €80 thousand;
Other rassignments: €68 thousand.

3.2.8.7 Audit exemption for the subsidiaries of Murdelux in the United Kingdom

In accordance with section 497A of the UK Companies Act 2006, Covivio Hotels granted a guarantee to certain subsidiaries of Murdelux, registered in England, Wales and Scotland, Iin order that they may benefit from an audit exemption in respect of the fiscal year ended 31 December 2018.

Company name	Registration number	Company name	Registration number
Lagonda Russel PropCo Ltd	04216881	Lagonda Russel HoldCo Ltd	11372545
[redacted]	04216858	[redacted]	[redacted]
Roxburgue Investments PropCo Ldt	11395373	Roxburghe Investments HoldCo Ltd	11373207
[redacted]	05451630	[redacted]	[redacted]
Grand Central Hotel Company Ltd	06874981	Grand Central Hotel Company HoldCo Ltd	11373169
[redacted]	SC294938	[redacted]	[redacted]
The St David's Hotel Cardiff	03299012	The St David's Hotel Cardiff HoldCo Ltd	11373224
[redacted]	04216868	[redacted]	[redacted]
Lagonda Leeds PropCo Ltd	04216823	Lagonda Leeds HoldCo Ltd	11373176
[redacted]	05965427	[redacted]	[redacted]
		Oxford Spires Hotel HoldCo Ltd	11373198
		[redacted]	[redacted]

3.2.9. SEGMENT REPORTING

Covivio Hotels holds a wide range of real estate assets to collect rental income and benefit from appreciation in the assets held. Segment reporting has been structured by customer type and asset type.

As a result, the operating segments are as follows:

- Hotel real estate: assets leased to AccorHotels, B&B, Motel One, NH, Melia, Barcelo, AC Hotels, IHG, Pierre & Vacances and Club Med;
- Retail premises: assets leased to Jardiland and Courtepaille;
- Operating Properties: operating hotel real estate.

These segments are reported on separately and analysed regularly by Covivio Hotels management in order to make decisions on what resources to allocate to the segment and to assess their performance.

Following the merger of FDM Management and Covivio Hotels, the Operating Properties business is now fully consolidated.

The financial data presented for the segment-based information follows the same accounting rules as for the consolidated financial statements.

3.2.9.1 Tangible and intangible fixed assets

31/12/2017 - in €K	Hotels		Retail		Hotel Operating properties		Total
	France	Outside France	France	Outside France	France	Outside France	
Other fixed assets	0	84	0	0	0	0	84
Fixed assets in progress	0	3 478	0	0	0	0	3 478

31/12/2018 - in €K	Hotels		Retail		Hotel Operating properties		Total
	France	Outside	France	Outside France	France	Outside France	
Goodwill	0	0	0	0	28 136	81 802	109 938
Intangible fixed assets	0	0	0	0	35 069	1 437	36 506
Operating properties	-0	-0	0	0	140 646	871 302	1 011 948
Other fixed assets	0	66	0	0	11 514	11 995	23 575
Fixed assets in progress	0	0	0	0	1 805	2 905	4 710

Following the full consolidation of the Operating Properties business, hotel real estate assets under management totalled €1,187 million as at 31 December 2018.

3.2.9.2 Investment properties/Assets held for sale

31/12/2017 - in €K	Hotels		Retail		Total
	France	Outside France	France	Outside France	
Operating investment properties	1,816,065	1,558,246	260,322	0	3,634,633
Assets held for sale	18,000	2,591	186,805	0	207,396
Properties under development	41,594	48,340	0	0	89,934

31/12/2018 - in €K	Hotels		Retail		Total
	France	Outside France	France	Outside France	
Investment properties	1,672,295	2,687,471	173,010	0	4,532,776
Assets held for sale	288,072	0	0	0	288,072
Properties under development	73,302	42,031	0	0	115,333

"Hotel real estate" investment properties abroad increased by €1,120 million, mainly due to the acquisition of 10 hotel real estate assets in the United Kingdom.

3.2.9.3 Financial liabilities

31/12/2017 - in €K	Hotels	Retail	Hotel Operating properties	Corporate	TOTAL
Total long-term interest-bearing loans	994,286	0	0	679,292	1,673,578
Total short-term interest-bearing loans	9,230	0	0	27,725	36,955

31/12/2018 - €K	Hotels	Retail	Hotel Operating properties	Corporate	TOTAL
Total long-term interest-bearing loans	1,490,456	0	489,399	589,396	2,569,251
Total short-term interest-bearing loans	32,534	0	208,786	14,754	256,074

Following the full consolidation of the Operating Properties business, borrowings related to this activity amounted to €698 million as at 31 December 2018.

3.2.9.4 Net income

3.2.9.4.1 Net income by segment as at 31 December 2017

€K - 31/12/2017	Hotels	Retail	Corporate	Hotel Operating properties	Intercos Inter-sector	31-déc.-17
Rental income	174 073	34 809	0	0	0	208 882
Unrecovered rental costs	-2 002	-22	-14	0	0	-2 038
Expenses on properties	-2 278	-632	-4	0	760	-2 154
Net losses on unrecoverable receivables	-8	0	0	0	0	-8
NET RENTAL INCOME	**169 785**	**34 155**	**-18**	**0**	**760**	**204 682**
Management and administration income	-93	0	6 208	0	-4 285	1 830
Business expenses	-4 867	-467	-75	0	3 525	-1 884
Overhead	-6 674	-4 494	-2 384	0	0	-13 552
Development expenses	0	0	-11	0	0	-11
NET COST OF OPERATIONS	**-11 634**	**-4 961**	**3 738**	**0**	**-760**	**-13 617**
Depreciation of operating assets	-18	0	-1	0	0	-19
Net allowances to provisions and other	287	0	27	0	0	314
OPERATING PROFIT	**158 420**	**29 194**	**3 746**	**0**	**0**	**191 360**
Income from asset disposals	30 185	106 543	0	0	0	136 728
Carrying value of investment properties sold	-28 660	-102 977	-519	0	0	-132 156
INCOME FROM ASSET DISPOSALS	**1 525**	**3 566**	**-519**	**0**	**0**	**4 572**
Gains in value of investment properties	128 588	0	0	0	0	128 588
Losses in value of investment properties	-8 422	-20 005	0	0	0	-28 427
NET VALUATION GAINS AND LOSSES	**120 166**	**-20 005**	**0**	**0**	**0**	**100 161**
INCOME FROM DISPOSAL OF SECURITIES	**0**	**0**	**0**	**0**	**0**	**0**
INCOME FROM CHANGES IN SCOPE	**18**	**0**	**229**	**0**	**0**	**247**
OPERATING PROFIT (LOSS)	**280 129**	**12 755**	**3 456**	**0**	**0**	**296 340**
Income from non-consolidated companies	882	0	-882	0	0	0
Costs of net financial debt	-20 655	2	-14 489	0	0	-35 142
Fair value adjustment on derivatives	387	0	13 377	0	0	13 764
Discounting of liabilities and receivables	1 260	-6	-628	0	0	626
Amortisation of loan issue costs	-2 508	0	-2 634	0	0	-5 142
Share in income of equity affiliates	13 064	0	0	4 511	0	17 575
PRE-TAX NET INCOME (LOSS)	**272 559**	**12 751**	**-1 800**	**4 511**	**0**	**288 021**
Deferred tax liabilities	-1 813	0	0	0	0	-1 813
Recurrent Tax	-3 708	0	1 464	0	0	-2 244
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	**267 038**	**12 751**	**-336**	**4 511**	**0**	**283 964**
Profit (loss) after tax of discontinued operations						-38
NET INCOME FROM DISCONTINUED OPERATIONS						**-38**
NET INCOME FOR THE PERIOD	**267 038**	**12 751**	**-336**	**4 511**	**0**	**283 926**

In accordance with IFRS 12, inter-segment transactions are presented separately in the segment income statement.

The Corporate segment includes in particular Covivio Hotels (holding company) and FDM Gestion Immobilière.

3.2.9.4.2 Net income by segment as at 31 December 2018

€K - 31/12/2016	Hotels	Retail	Corporate	Hotel Operating properties	Intercos inter-sector	31-déc.-18
Rental income	208 483	21 438	0	0	0	229 921
Unrecovered rental costs	-2 393	-30	-4	-6	4	-2 429
Expenses on properties	-2 138	-349	-84	-9	0	-2 580
Net losses on unrecoverable receivables	0	-1	0	-41	0	-42
NET RENTAL INCOME	**203 952**	**21 058**	**-88**	**-56**	**4**	**224 870**
MANAGED HOTEL EBITDA	**0**	**0**	**0**	**74 468**	**0**	**74 468**
Management and administration income	83	0	7 154	705	-5 746	2 196
Business expenses	-4 435	-240	-163	-2 216	5 515	-1 539
Overhead	-13 642	-1 242	-3 469	-2 258	230	-20 381
Development expenses	-10	0	-82	0	0	-92
NET COST OF OPERATIONS	**-18 004**	**-1 482**	**3 440**	**-3 769**	**-1**	**-19 816**
Depreciation of operating assets	-17	0	-3	-44 316	0	-44 336
Net allowances to provisions and other	3 860	7	-214	2 417	-3	6 067
OPERATING PROFIT	**189 791**	**19 583**	**3 135**	**28 744**	**0**	**241 253**
Income from asset disposals	15 517	271 650	-1 040	8	0	286 135
Carrying value of investment properties sold	-13 191	-271 395	0	-143	0	-284 729
INCOME FROM ASSET DISPOSALS	**2 326**	**255**	**-1 040**	**-135**	**0**	**1 406**
NET VALUATION GAINS AND LOSSES	**101 202**	**-3 038**	**0**	**1 704**	**0**	**99 868**
INCOME FROM DISPOSAL OF SECURITIES	**-4 749**	**0**	**123 159**	**1 295**	**0**	**119 705**
INCOME FROM CHANGES IN SCOPE	**-13 427**	**0**	**-135 760**	**0**	**0**	**-149 187**
OPERATING PROFIT (LOSS)	**275 142**	**16 800**	**-10 506**	**31 608**	**0**	**313 044**
Income from non-consolidated companies	0	0	0	0	0	0
Costs of net financial debt	*-28 178*	*1*	*-2 818*	*-19 098*	*0*	*-50 093*
Interest charges on rental liabilities	-4 594	0	0	0	0	-4 594
Fair value adjustment on derivatives	-3 532	0	-7 434	-1 813	0	-12 780
Discounting of liabilities and receivables	553	0	-105	-950	0	-502
Amortisation of loan issue costs	-2 447	0	-3 793	-3 669	0	-9 909
Share in income of equity affiliates	8 668	0	0	0	0	8 668
PRE-TAX NET INCOME (LOSS)	**245 612**	**16 801**	**-24 656**	**6 078**	**0**	**243 835**
Deferred tax liabilities	-8 856	0	0	1 625	0	-7 231
Recurrent Tax	-4 497	0	-488	-4 439	0	-9 424
NET INCOME FOR THE PERIOD	**232 259**	**16 801**	**-25 144**	**3 264**	**0**	**227 180**

In accordance with IFRS 12, inter-segment transactions are presented separately in the segment income statement.

3.2.9.4.3 Net income of Operating Properties

The Operating Properties activity is now fully consolidated. As at 31 December 2018, gross operating profit totalled €89 million, or 35.3 % of revenues.

The increase in revenues came mainly from the acquisition of the Le Meridian - Nice hotel real estate in late 2017 (+€22.6 million in 2018).

EBITDA increased by €8.6 million or +14% compared with 2017.

[illegible]	[illegible]	[illegible]	[illegible]
Revenues	**253 489**	**226 881**	**26 608**
Cost of sales	*-44 463*	*-40 161*	*-4 302*
Personnel costs	-80 152	-71 412	-8 740
A & G (Administration & General)	-12 480	-10 605	-1 875
S & M (Sales & Marketing)	-11 641	-10 495	-1 146
Other operating expenses	-15 318	-14 046	-1 272
Gross operating profit (GOP)	**89 435**	**80 162**	**9 273**
Management fees	-3 184	-6 017	2 833
Property taxes and others	-4 760	-3 177	-1 583
Insurance	-1 510	-1 487	-23
Consultancy fees	-5 290	-5 393	103
[illegible]	[illegible]	[illegible]	[illegible]
Letting	-3 997	-1 986	-2 011
[illegible]	[illegible]	[illegible]	[illegible]
Depreciation and provisions	-44 369	-33 629	-10 740
Current net operating income	**26 325**	**28 473**	**-2 148**
Net non-recurring income	5 269	9 107	-3 838
Current operating income	**31 594**	**37 580**	**-5 986**
Costs of net financial debt	-19 236	-18 679	-557
Changes in the fair value of financial instruments	-1 813	920	-2 733
Other financial income and expenses	-4 551	-3 127	-1 424
Pre-tax income (loss)	**5 994**	**16 694**	**-10 700**
Recurrent Tax	-2 814	-4 693	1 880
Consolidated net income	**3 181**	**12 001**	**-8 820**
Non-controlling interests	-478	-914	436
[illegible]	[illegible]	[illegible]	[illegible]

Consolidated net income of the Operating Properties scope is slightly less than that in the consolidated financial statements of the Covivio Hotels group due to the presence of intercompany transactions that are not eliminated in the consolidation sub-group of the Operating Properties activity.

Moreover, the aforementioned EBITDA is less than that presented in the line item "Managed hotel EBITDA" in the Statement of net income, since it includes overheads that are reported in the dedicated line of the Statement of net income.

3.2.10. SUBSEQUENT EVENTS

On 15 January 2019, Covivio Hotels, through its subsidiary Berlin II, partially redeemed a loan early, in the amount of €208 million.

3.3. Report by the Statutory Auditors on the consolidated financial statements

Year ended 31 December 2018

To the General Meeting of Covivio Hotels,

Opinion

In compliance with the engagement entrusted to us by the General Meeting, we audited the accompanying consolidated financial statements of Covivio Hotels for the fiscal year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations for the past fiscal year as well as the financial position and of the assets, for the year then ended, of the group comprising the persons and entities included in the scope of consolidation, in accordance with International Financial Reporting Standards as adopted by the European Union.

The opinion set out below reflects the content of our report to the audit committee.

Basis of Opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe the information we have collected to be sufficient and appropriate to form an opinion.

Our responsibilities under these standards are further described in the "Statutory Auditors' responsibilities for the audit of the consolidated financial statements" section of this report.

Independence

We conducted our audit engagement in accordance with the independence rules applicable to us, for the period from 1 January 2018 to the date of this report, and in particular we did not provide any prohibited services referred to in Article 5 (1) of EU Regulation 537/2014 or in the French Code of Ethics for Statutory Auditors.

Observation

Without qualifying our opinion above, we draw attention to note 3.2.1.1 "General principles – Accounting standards" of the notes to the consolidated financial statements explaining the change in accounting method emanating from the implementation of IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "*Financial instruments*".

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatements that, in our professional judgement, were of most significance in our audit of the *consolidated financial statements for the fiscal year, as well as how we addressed those risks.*

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of these consolidated financial statements.

Valuation of investment properties

Risk identified

Given the business of the Covivio Hotels group, the fair value of investment properties represents 69% of the consolidated assets as at 31 December 2018, namely €4.6 billion. The positive change of nearly €1 billion over the fiscal year corresponds mainly to the acquisition of a portfolio in the United Kingdom.

Under the option offered by IAS 40, investment properties are recognised at their fair value. Changes in fair value are recorded in the income statement. Investment properties are not depreciated.

Note 3.2.1.5.2 to the consolidated financial statements states that investment properties are subject to appraisals by independent real estate appraisers.

How the matter was addressed

We reviewed the process used by the Group to appraise investment properties.

Our work also involved:

- assessing the competence and independence of the real estate appraisers by examining the application of the rotation rules and the forms of remuneration offered by the company;

Property valuation is a complex matter requiring the exercise of significant judgement by the Group's professional property valuers based on the data communicated by the Group's management.

We considered investment property appraisal to be a key audit matter due to the amounts involved, and the number of significant judgments that went into determining the main assumptions used to appraise investment properties.

- obtaining an understanding of the Company's written instructions to its professional property valuers describing the nature of the services required and the scope and limitations of the applicable procedures with particular regard to the verification of the information provided by the Company;
- checking, using sampling techniques, the pertinence of the information provided by the finance department to the real estate appraisers to determine the fair value of investment properties, including tenancy schedules, accounting data and the budget for investment expenditure;
- evaluating the valuation assumptions used by the real estate appraisers, in particular discount rates, yield rates, rental data and *market rental values, by comparing them against available market data;*
- interviewing certain professional property valuers in the presence of the entities' finance departments and assessing, by the inclusion of valuation specialists within our audit teams, the consistency and relevancy of the valuation approach applied and of the main associated instances of the exercise of professional judgement;
- reconciling the real estate appraisal values with the values used in the financial statements.

Measuring the tangible fixed assets and goodwill relating to the "Operating properties" segment.

Risk identified

At 31 December 2018, tangible fixed assets and goodwill represented a value of €1.2 billion, out of a total balance sheet of €6.7 billion.

Tangible fixed assets comprise managed hotel real estate in the "Operating Properties" segment (occupied managed by group teams – ownoccupied buildings). Note 3.2.1.5.5 to the consolidated financial statements specifies that these fixed assets are carried at historical cost less accumulated depreciation and any potential impairment.

Goodwill is accounted for as an asset for the surplus of the acquisition cost on the portion of the buyer's interest in the fair value of the assets and liabilities acquired, net of any deferred taxes.

Tangible fixed assets and related goodwill undergo impairment testing at least once a year, in which the net book value is compared with the valuation of hotel real estate in the "Operating Properties" segment as provided by real estate appraisers.

Given the weight of the Company's tangible fixed assets and related goodwill in the "Operating Properties" segment and the extensive exercise of judgement required in determining the assumptions used in their valuation, we considered their valuation as a key audit matter.

How the matter was addressed

We obtained an understanding of the process of valuation used by the Group for the tangible fixed assets and goodwill.

Our procedures also involved:

- assessing the competence and independence of the real estate appraisers by examining the application of the rotation rules and the forms of remuneration offered by the company;
- obtaining an understanding of the Company's written instructions to its professional property valuers describing the nature of the services required and the scope and limitations of the applicable procedures with particular regard to the verification of the information provided by the Company;
- checking, using sampling techniques, the pertinence of the information provided by the finance department to the real estate appraisers to determine the fair value of hotel real estate in the "Operating Properties" segment, such as the most recent performance and the budget for the hotel real estate;
- evaluating the valuation assumptions used by the real estate appraisers, in particular discounting and capitalisation rates by comparing them against available market data;
- interviewing certain professional property valuers in the presence of the entities' finance departments and assessing, by the inclusion of valuation specialists within our audit teams, the consistency and relevancy of the valuation approach applied and of the main associated instances of the exercise of professional judgement
- verifying, on a sample basis, that impairment allowances are recognised when appraisal values excluding charges are lower than the net carrying amounts of the tangible fixed assets plus the net carrying amounts of the goodwill;
- recalculating, on a sample basis, the allocations to and reversal of impairment allowances calculated in the Company's consolidated financial statements.

Specific verification

As required by law and in accordance with the professional standards applicable in France, we have also carried out the specific verification of the information relating to the Group in themanagement report.

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

We certify that the consolidated statement of non-financial performance provided for in article L. 225-102-1 of the French Commercial Code is provided in the information about the Group given in the management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this Code, the information contained in this statement have not been the subject of our verifications as to the true and fair nature or consistency with the consolidated financial statements and should be the subject of a report by an independent third party.

Information on other legal and regulatory obligations

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Covivio Hotels by the General Meeting of 30 November 2004 for MAZARS and of 11 April 2013 for ERNST & YOUNG et Autres.

As at 31 December 2018, MAZARS was in the fifteenth straight year of its engagement and ERNST & YOUNG et Autres in the sixth year.

Prior to this the firm Groupe PIA, which later became Conseil AUDITEX & Synthèse (acquired by ERNST & YOUNG AUDITEX in 2010) was Statutory Auditor from 2007 to 2012.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for evaluating the company's ability to continue as a going concern, disclosing, as applicable, matters relating to the going concern and using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations.

The audit committee is responsible for overseeing the process for preparing financial information and monitoring the effectiveness of the risk management and internal control systems, as well as, as applicable, the internal audit system, regarding the procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements were approved by the management board.

Statutory Auditors' responsibilities relating to the audit of the consolidated financial statements

Objectives and audit process

We are tasked with preparing a report on the consolidated financial statements. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free from material misstatement. Reasonable assurance implies a significant level of assurance which nevertheless does not provide any guarantee that an audit performed in accordance with professional auditing standards will systematically enable the detection of any material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or aggregated, they could reasonably be expected to influence the economic decisions of users as taken on the basis of these consolidated financial statements.

As indicated in Article L. 823-10-1 of the French Commercial Code, in auditing the financial statements we are not asked to guarantee the viability or quality of the company's management.

In the course of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises its professional judgement throughout the audit. We also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in accordance with those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the circumvention of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may call into question the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion;

- evaluate the overall presentation of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the scope of consolidation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements as well as for the opinion on said financial statements.

Report to the audit committee

We submit a report to the Audit Committee that in particular covers the scope of the audit work and the schedule of work undertaken, along with our findings. We also inform it, as applicable, of any material weaknesses we identified in the internal control system regarding the procedures relating to the preparation and processing of accounting and financial information.

The report to the audit committee included references to the risks of material misstatement we felt were of most significance for the audit of the consolidated financial statements for the fiscal year and which accordingly constitute key audit matters, which we are bound to detail in this report.

We also provide the audit committee with the confirmation in writing provided for in Article 6 of EU Regulation 537-2014 regarding our independence, as per the applicable rules in France found in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where necessary, we discuss with the audit committee the threats to their independence and the safeguards applied to mitigate those threats.

Courbevoie et Paris-La Défense28 February 2019

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
Gilles Magnan	Anne Herbein

3.4. Company financial statements as at 31 December 2018

3.4.1 BALANCE SHEET

Assets

€K	Note	31-Dec-18 Gross	Amortisation & Provisions	Net	31-Dec-17 Net
Intangible fixed assets		**0**	**0**	**0**	**0**
Tangible fixed assets:	3.5.3.1.1	**664,619**	**205,504**	**459,115**	**646,692**
Terrains		147,811	1,047	146,764	277,635
Constructions		459,798	204,451	255,347	338,518
Autres immobilisations corporelles		8	6	2	3
Immobilisations corporelles en cours		57,002	0	57,002	30,536
Avances et acomptes		0	0	0	0
Financial assets:		**3,018,624**	**0**	**3,018,624**	**1,628,122**
Investments	3.5.3.1.2	1,426,352	0	1,426,352	758,516
Other securities	3.5.3.1.4	119	0	119	62,140
Receivables linked to investments & Loans	3.5.3.1.3	1,592,144	0	1,592,144	807,457
Deposits and guarantees		9	0	9	9
Total I – Fixed assets	3.5.3.1	**3,683,243**	**205,504**	**3,477,739**	**2,274,814**
Inventories and work-in-progress		**0**	**0**	**0**	**0**
Advances and pre-payments on orders		**0**	**0**	**0**	**0**
Operating receivables:	3.5.3.2.1	**37,645**	**0**	**37,645**	**24,712**
Trade receivables and related accounts		8,188	0	8,188	2,592
Current accounts		24,760	0	24,760	13,373
Other receivables		4,697	0	4,697	8,747
Marketable securities		**0**	**0**	**0**	**0**
Cash and near cash		260,262	0	260,262	491
Accrued expenses	3.5.3.2.2	25,290	0	25,290	25,566
Treasury instruments	3.5.3.2.3	527	0	527	1,207
Total II – Current assets	3.5.3.2	**323,724**	**0**	**323,724**	**51,976**
Deferred expenses (III)	3.5.3.2.2	16,719	0	16,719	12,683
Bond redemption premiums (IV)		1,441	0	1,441	0
Currency translation gains (V)	3.5.3.2.2	5,120	0	5,120	0
GRAND TOTAL (I + II + III + IV + V)		**4,030,247**	**205,504**	**3,824,743**	**2,339,473**

Liabilities

€K	Note	31-Dec-18	31-Dec-17
Shareholders' equity:		**1,802,150**	**1,056,667**
Capital [of w hich €472,232 thousand paid]		*472,232*	*351,264*
Issue premium, merger premium and additional paid-in capital		*1,329,918*	*705,403*
Reserves and retained earnings:		**49,267**	**134,872**
Legal reserve		*35,126*	*33,347*
Report à nouveau		*14,141*	*101,525*
Résultat de l'exercice		218,202	79,583
Provisions réglementées		3,786	3,867
Total I - capitaux Propres	3.5.3.3	**2,073,405**	**1,274,989**
Other shareholders' equity		0	0
Total I b – Equity		**0**	**0**
Provisions for contingencies		597	505
Provisions for losses		398	129
Total II – Provisions for contingencies and losses	3.5.3.4	**995**	**634**
LIABILITIES			
Financial liabilities:		**1,712,446**	**1,014,354**
Convertible bonds		0	0
Other bonds	3.5.3.5.1	741,627	389,847
Borrowings and debt from credit institutions (1)	3.5.3.5.2	851,063	540,857
Other sundry loans and borrowings	3.5.3.5.3	119,756	83,650
Advances and pre-payments received		**0**	**0**
Operating payables:		**2,525**	**2,878**
Trade payables and related accounts		1,166	1,414
Tax and social security liabilities	3.5.3.5.4	1,359	1,464
Other operating payables		0	0
Sundry liabilities:		**29,714**	**44,187**
Debt on fixed assets and related accounts	3.5.3.5.5	29,452	44,136
Other liabilities	3.5.3.5.6	262	51
Pre-booked income		0	0
Treasury instruments	3.5.3.5.7	416	2,431
Total III – Current liabilities	3.5.3.5	**1,745,101**	**1,063,850**
Currency translation losses (IV)	3.5.3.5.10	5,242	0
GRAND TOTAL (I + I BIS + II + III + IV)		**3,824,743**	**2,339,473**

(1) Of w hich current bank borrow ings and bank overdraft. | 0 | 19,195

3.4.2 INCOME STATEMENT

€K	Note	31-Dec-18	31-Dec-17
Sales [Rental income]		75,833	84,930
Net revenues	3.5.4.1.1	**75,833**	**84,930**
Reversals of provisions, depreciations and transferred expenses	3.5.4.1.2	8,437	10,131
Other income		0	0
Total I – Operating income		***84,270***	***95,061***
Autres achats et charges externes		19,512	16,670
Impôts, taxes et versement assimilés		6,750	7,513
Salaires et traitements		3,951	1,955
Charges sociales		1,162	927
Dotation aux amortissements, aux dépréciations et aux provisions :			
Sur immobilisations : dotations aux amortissements		23,383	27,936
Sur immobilisations : dotations aux dépréciations		833	90
On current assets: depreciation charges		0	0
Provisions for financial contingencies and losses		314	191
Other expenses		55	56
Total II – Operating expenses	3.5.4.1.3	**55,960**	**55,338**
1. OPERATING INCOME (I - II)	3.5.4.1	**28,309**	**39,723**
Share of income from joint operations			
Profit or loss transferred III		**0**	**0**
Losses or profit transferred IV		**0**	**0**
Financial income:			
Financial income from investments (dividends)	3.5.4.2.1	73,929	28,222
From other marketable securities and fixed asset receivables		45,341	30,135
Other interest and similar income	3.5.4.2.2	50,220	7,042
Reversals of provisions, depreciations and transferred expenses	3.5.4.2.3	59	9,730
Positive exchange differences	3.5.4.2.4	598	0
Net income from disposal of marketable securities		0	0
Total V – Financial income		**170,147**	**75,129**
Financial expenses:			
Depreciation, amortisation and provisions		111	27
Interest and similar expenses		49,715	61,958
Negative exchange differences	3.5.4.2.4	4,736	0
Net expenses from disposal of marketable securities		0	0
Total VI – Financial expenses		**54,562**	**61,985**
2. NET FINANCIAL INCOME (V - VI)	3.5.4.2	**115,585**	**13,144**
3. NET INCOME FROM ORDINARY OPERATIONS *before tax (I - II - III - IV - V - VI)*		**143,895**	**52,867**
Non-recurring income:			
On management transactions		21	0
On capital transactions		328,584	122,111
Reversals of provisions, depreciations and transferred expenses		320	606
Total VII – Non-recurring income	3.5.4.3	**328,925**	**122,717**
Non-recurring expenses:			
On management transactions		44	15
On capital transactions		254,336	96,930
Depreciation, amortisation and provisions		238	306
Total VIII – Non-recurring expenses	3.5.4.3	***254,618***	***97,251***
4. NET NON-RECURRING INCOME (VII - VIII)	3.5.4.3	**74,307**	**25,466**
Employee profit-sharing (IX)		0	0
Corporate income tax (X)	3.5.4.4	0	-1,250
Total income (I + III + V + VII)		**583,342**	**292,907**
Total expenses (II + IV + VI + VIII + IX + X)		**365,140**	**213,324**
Net income (+) or loss (-)		**218,202**	**79,583**

3.5 Notes to the company financial statements

3.5.1 SIGNIFICANT EVENTS DURING THE FISCAL YEAR

3.5.1.1 Change of corporate name

On 14 September 2018, Foncière des Murs became Covivio Hotels. This decision was adopted by the Extraordinary General Meeting held the same day.

3.5.1.2 Acquisitions of real estate assets, works and developments

Work carried out in 2018 amounted to €17,895 thousand for the Meininger Porte de Vincennes Hotel and €8,007 thousand for the Lyon Zimmermann Hotel.

Delivery of the first of these assets is expected at end-May 2019 and the second in mid-August 2019.

3.5.1.3 Disposals of real estate assets

Covivio Hotels disposed of the following assets during the period:

€K	Net book value	Disposal price	Capital gains or losses	Market value at 31 Dec. 2017
Courtepaille	1 173	1 400	227	1 400
Jardiland	76 761	105 049	28 288	107 062
Quick (1)	117 210	162 934	45 724	162 934
Total	**195 144**	**269 383**	**74 239**	**271 396**

(1) In 2018, Covivio Hotels disposed of all the Quick assets that it still owned.

3.5.1.4 Acquisitions of equity investments

Following the merger with FDM Management on 24 January 2018, the securities of its subsidiaries were recorded in the Covivio Hotels balance sheet at their actual values (tested separately) for a total of €438,061 thousand.

On 24 January 2018, Caisse des Dépôts et Consignations (CDC) contributed 50% of the securities of SCI Porte Dorée to Covivio Hotels for €10,091 thousand, giving it full control of this SCI.

On 25 July 2018, through the intermediary of its subsidiary Murdelux, Covivio Hotels acquired a portfolio of hotel real estate situated in the United Kingdom. In order to finance this acquisition, Covivio Hotels participated in Murdelux's capital increase without the issue of new securities for €307,168 thousand.

On 7 November 2018, in order to finance the acquisition of hotel real estate in Glasgow, Covivio Hotels participated in Murdelux's capital increase without the issue of new securities for €31,763 thousand.

On 19 December 2018, Covivio Hotels participated in FDM M Lux's capital increase without the issue of new securities, through the capitalisation of receivables for €9,183 thousand.

On 20 December 2018, Covivio Hotels participated in Constance SAS's capital increase through the capitalisation of receivables for €19,389 thousand. On this occasion, 1,938,890 shares were created.

3.5.1.5 Bond redemption

On 17 July 2015, Financière Hope SAS, a subsidy of FDM Management, had carried out a non-convertible bond issue comprising 10,320,000 bonds with a par value of €10 each; on 12 July 2016, it had increased this nominal amount by 8,410,800 bonds with a par value of €10 each.

Covivio Hotels had subscribed this bond in the amount of €42,000 thousand, all of which had been paid up and it had additionally subscribed the greenshoe option in the amount of €34,230 thousand, of which €17,115 thousand had been paid up as at 31 December 2016.

Financière Hope had waived the calling of the unpaid up amount of €17,115 thousand.

These bonds were sold to Covivio (formerly Foncière des Régions), Sogecap and Caisse des Dépôts et Consignations (CDC) on 23 January 2018:

2024 bonds				2025 bonds			
-Buyer /+Seller	Number of bonds	Nominal value	Total (in €K)	-Buyer /+Seller	Number of bonds	Nominal value	Total (in €K)
+Covivio Hotels	4 200 000	10	42 000	+Covivio Hotels	3 423 000	5	17 115
-Covivio	-1 260 000	10	-12 600	-Covivio	-1 026 900	5	-5 135
-Sogecap	-1 470 000	10	-14 700	-Sogecap	-1 198 050	5	-5 990
-CDC	-1 470 000	10	-14 700	-CDC	-1 198 050	5	-5 990
62 140	**0**	**10**	**0**	**62 140**	**0**	**5**	**0**

3.5.1.6 Capital increase

On 24 January 2018, CDC contributed the 50% of the securities of SCI Porte Dorée to Covivio Hotels for €10,091 thousand, together with the receivable that it held on SCI Porte Dorée for €13,365 thousand. As compensation for this contribution, 975,273 Covivio Hotels shares were created with a par value of €4 and additional paid-in capital of €20.05.

On 24 January 2018, FDM Management merged with Covivio Hotels. Covivio Hotels held 31.01% of FDM Management. As compensation for the share of the net asset contribution corresponding to the shares in FDM Management not held by Covivio Hotels, 17,460,738 new shares with a par value of €4 were issued and allocated to the FDM Management shareholders except Covivio Hotels.

This resulted in a merger premium of €356,547 thousand, corresponding to the difference between the value of the contribution brought by FDM Management and the nominal amount of the capital increase.

On 21 June 2018, Covivio Hotels carried out a capital increase for a gross amount of €299,277 thousand (€298,442 thousand net of costs), breaking down as €47,223 thousand in nominal and €252,054 thousand in share premiums. On this occasion, 11,805,788 new shares were issued.

3.5.1.7 Debt refinancing

Covivio Hotels raised or secured approximately €975,000 thousand in new financing, including chiefly:
- £400,000 thousand over eight years (Libor 3-month + 1.4% margin), in order to finance the acquisition of a portfolio of hotel real estate in the United Kingdom,
- an inaugural 7-year bond issue of €350,000 thousand (1.875% coupon) in late September, following a BBB positive outlook rating from S&P, this issue was carried out to extend the average maturity of Covivio Hotels debt, while improving the financial terms, and
- €150,000 thousand in new corporate credit facilities with a maturity of close to seven years (of which €55,000 thousand was drawn in 2018).

3.5.1.8. Hedge restructuring

During the period, Covivio Hotels proceeded it to cancel and restructure its hedging instruments in order to adapt its hedging profile to the disposals and refinancings that took place in 2018 as counterparty to the payment of an equalisation payment of €12,462 thousand of which €198 thousand reflected in the income statement and relating to over-hedging.

At 31 December 2017, Covivio Hotels was in a position of over-hedging. Its valuation had been recorded in the balance sheet for €9,351 thousand gross and amortisation of €1,054 thousand, or a net amount of €8,297 thousand. Provisions for contingencies and financial losses had been adjusted to €225 thousand.

At 31 December 2018, Covivio Hotels was no longer in a position of over-hedging. The over-hedging that existed at opening was reduced to €2,800 thousand net (change in the valuation in the period, amortisation in the period and equalisation payment). Provisions for contingencies and financial losses was adjusted to €219 thousand.

3.5.1.9 Tax audit

Due to the complexity and formalism that characterise the tax environment in which Covivio Hotels conducts its activities, the Group is exposed to tax risks.

Covivio Hotels was subject to two accounting audits for fiscal years 2010/2011 and 2012/2013/2014, resulting in a reassessment proposal for the CVAE in the amount of €2,438 thousand and €2,205 thousand respectively. These reassessments were partially waived by the tax authorities during the first half of 2018 and repayments were granted in the amounts of €1,219 thousand and €1,102 thousand. An appeal against the balance of the reassessments, i.e. €1,219 thousand and €1,103 thousand, has been lodged in the Paris Administrative Court following two rejection decisions handed down by the Administrative Tribunal. Based on the analysis by the company's legal counsel, these disputes were not provisioned as at 31 December 2018.

Covivio Hotels was also the subject of an accounting audit for the 2015 fiscal year, resulting in a reassessment proposal for the CVAE, on the same basis as the previous reassessments, in the amount of €239 thousand. An appeal has been lodged against this reassessment, and based on the analysis by the company's legal counsel, this dispute was not provisioned as at 31 December 2018.

3.5.2 ACCOUNTING POLICIES AND METHODS

Covivio Hotels is the parent company of the Covivio Hotels Group, and draws up its consolidated financial statements according to IFRS. Its registered office is at 30, avenue Kleber – 75208 Paris Cedex 16. It is registered in the Paris Trade and Companies Register under number 955 515 895. The consolidated financial statements are available from this address.

Covivio Hotels Is fully consolidated by the company Covivio, located at 18, avenue François Mitterrand - CS 10449 – 57017 METZ Cedex 01. Covivio is registered in the Metz Trade and Companies Register under number 364 800 060. The consolidated financial statements are available from this address.

The balance sheet and income statement are drawn up in accordance with French legislation and generally accepted accounting principles in France.

The notes are prepared in accordance with the French accounting standards authority (ANC) Regulation No. 2014-03 published by the Decree of 8 September 2014 and subsequent regulations currently in force.

General accounting conventions were applied, respecting the prudence principle, in accordance with the following basic assumptions:
- going concern
- consistency of accounting policies from one year to the next
- independent fiscal years,

and in accordance with the rules for preparing and presenting annual financial statements pursuant to the French Law of 30 April 1983 and the Implementation Decree of 29 November 1983.

The historical cost method was adopted as the basic method of accounting.

Tangible fixed assets have been recorded under the component method since 1 January 2005.

3.5.2.1 Tangible fixed assets

The initial cost of properties in the portfolio comprises:

- their acquisition cost including costs and duties related to the purchase for properties acquired subsequent to the adoption of the SIIC tax regime,
- their production cost for properties undergoing renovation: work carried out is recognised under assets in progress as and when supplier invoices are received and then transferred to buildings when the end-of-work handover report is received.

Tangible fixed assets are depreciated using the straight-line method and according to their probable useful life.

Methodology used:

- Hotel real estate

The list of components used is that recommended by the working group of the *Fédération des Sociétés Immobilières et Foncières*. The components used are as follows:

Breakdown of the buildings	Method	Term
Building structures	L	50 to 80 years
Facades and external joinery	L	30 years
General and technical facilities	L	20 years
Fittings	L	10 years

- Courtepaille restaurants

The list of components used is that recommended by the working group of the Fédération des Sociétés Immobilières et Foncières. The components used are as follows:

Breakdown of the buildings	Method	Term
Building structures	L	50 years
Facades and external joinery	L	30 years
General and technical facilities	L	3 years
Exterior improvements	L	10 years
Interior fittings	L	10 years

- Jardiland garden centres

The list of components used is that recommended by the working group of the Fédération des Sociétés Immobilières et Foncières. The components used are as follows:

Breakdown of the buildings	Method	Term
Building structures	L	40 years
Facades and external joinery	L	25 years
General and technical facilities	L	15 years
Exterior improvements	L	15 years
Interior fittings	L	10 years

3.5.2.2 Tangible fixed assets acquired under finance leases

When a finance lease option is exercised, the tax cost price of a property is determined by the addition of:

- the acquisition price of the property provided for in the lease,
- the reintegration to take place in the profits of the current fiscal year at the time the option is exercised,
- the acquisition price of the lease less capital cost allowances previously recognised.

When depreciation on a tax basis is higher than on an accounting basis, a capital cost allowance is made corresponding to the buildings and calculated over their useful life Capital cost allowances recognised prior to the exercise of the option are reversed at fiscal year-end to the extent that the depreciation for impairment in the fiscal year exceeds the annual amount allowed for tax purposes.

When the building is disposed of, capital cost allowances previously used are reversed in the income statement.

3.5.2.3 Depreciation and amortisation of tangible and intangible fixed assets

At each balance sheet date, the company assesses whether there are any indications that an asset has been materially impaired. In such cases, an impairment charge may be recorded in income or reversed, as appropriate.

The amount of any significant impairment is determined on an asset-by-asset basis in line with a comparison between the market value (excluding charges), calculated on the basis of independent appraisals, and the net book value.

In order to limit the impact of circumstantial variations on appraisal values, any impairment charges are recognised after taking into account a minimum threshold of €150 thousand, the period in which the book value of the asset is lower than its market value, and an evaluation of the relative nature of the impairment. An impairment charge is recognised when either of the following two conditions is met:

- the negative difference between the appraisal value and the net book value is greater than 10% of the net book value (reduced to 6% for properties appraised at more than €30 million), provided that a threshold of €150 thousand is reached

and/or

- *the appraisal value is less than the net book value for a continuous period of at least three years, with no percentage condition, regardless of whether a threshold of €150 thousand is reached.*

When a provision is made, it is monitored and recognised without any threshold conditions.

Such impairments, which recognise the non-definitive and non-irreversible reduction in the value of certain portfolio assets in relation to their book value, are recognised in assets under "Depreciation and impairments".

The impairment is charged to each component on a pro rata basis.

The recording of an impairment results in a revision of the depreciable base and, if applicable, the depreciation schedule for the assets concerned.

3.5.2.4 Financial assets

Financial assets are valued at cost or at their contribution value after deducting any provisions required to restore them to their value in use (if necessary). At year-end, the carrying value of investments is compared to their current value. The lowest of these is retained in the financials. The inventory value of the securities corresponds to their value in use for the Company.

In the case of investments held for the long term, value in use is assessed on the basis of the investee's net assets plus any unrecognised capital gains associated with the investee's non-current assets.

The acquisition costs are incorporated in the cost price of financial assets and amortised over five years in the form of additional amortisation to benefit from tax incentives.

3.5.2.5 Trade receivables and related accounts

Receivables are stated at their par value. A provision for impairment is recorded when the recoverable value is lower than the book value.

A provision for impairment is recorded for each tenant with unpaid receivables, based on the risk incurred. The general criteria for establishing provisions, except in particular cases, are as follows:
- no provisions are set aside for existing or vacated tenants whose receivables are less than three months overdue.
- 50% of the amount of the receivable for existing tenants whose receivables are between three and six months overdue,
- 100% of the total amount of the receivable for existing tenants whose receivables are more than six months overdue,
- *100% of the total amount of the receivable for departed tenants whose payables are more than three months overdue.*

3.5.2.6 Receivables and debt denominated in foreign currencies

Receivables and debt in foreign currencies are converted and recognised in euros on the basis of the last known exchange rate.

At settlement, the difference between the rate originally used and the rate on the date of settlement constitutes a foreign exchange loss or gain that must be recognised in operating or financial income, depending on the nature of the transaction.

At year-end, receivables and debt are converted at the closing rate. These conversion differences are recorded in transitional accounts, pending subsequent adjustment:
- on the assets side of the balance sheet, when the difference corresponds to an unrealised loss,
- on the liabilities side of the balance sheet, when the difference corresponds to an unrealised gain.

Unrealised losses lead to the establishment of a provision for risk. For a single transaction, unrealised losses and gains can be considered part of an overall foreign exchange position, the provision in this case being limited to the amount by which losses exceed gains.

When a hedge is implemented, the provision is recognised for the amount of the unhedged risk.

Unrealised foreign exchange losses and gains on bank accounts are recognised directly in net financial income at the closing date.

3.5.2.7 Capital increase costs

The company applies the preferential method by deducting the capital increase costs from the share premium account. These costs are deducted net of tax (according to whether they correspond to transactions related to a taxable segment or an SIIC).

3.5.2.8 Derivatives

In its hedging policy, the company only uses simple, standard and liquid *derivative instruments available on the markets, namely: swaps, cross-currency swaps,* caps and option tunnels (purchase of a cap and sale of a floor).

The financial instruments used have the sole purpose of hedging interest and exchange rate risks. The swaps used guarantee a fixed interest rate and an exchange rate. These instruments are not recorded in the financial statements when concluded but constitute off-balance sheet commitments. However, the difference between the rate paid or received under these agreements is recognised as a financial income or expense for the fiscal year.

Any increase or decrease in the value of these instruments is recognised upon unwinding of the hedge, i.e. in the event of early termination of the hedge commitments or repayment of the liabilities hedged.

The financial instruments used by Covivio Hotels are designed to hedge the Group's floating-rate debt. The option retained is to legally hold the financial instruments in Covivio Hotels and to rebill the rate hedge's beneficiary entities for the related income and expenses.

The principal retained is to allocate to the subsidiaries hedging instruments with characteristics that match the borrowings to be hedged in the subsidiaries as closely as possible. Any over-hedging is also transferred to the subsidiaries pro rata to the outstanding hedge.

Premiums paid or received on caps and floors are spread over the term of the agreements.

In the event of early settlement of hedging operations, the equalisation paymentpaid or received is amortised over the remaining term of the hedged debt if it is identifiable, or over the remaining term of the settled instruments.

When the hedged item is cancelled and the instrument is in an isolated open position (over-hedging), the equalisation payment made is recognised directly in the income statement.

Regulation No. 2015-05 imposes the principle of symmetry in the income statement between the items hedged and the hedging instruments. The equalisation payment made to cancel the hedging instruments must accordingly be spread out over the remaining term of the terminated instruments. When a new hedge is placed with receipt of a payment, if it is traded off-market, the apportionment must be made over the term of the new instrument. This apportionment effectively recognises the new instrument at its original market value.

3.5.2.9 Provisions for contingencies and losses

In accordance with Accounting Regulation Committee Regulation No. 2000-06 on liabilities, provisions are defined as liabilities whose term or amount is not fixed precisely, with a liability representing an obligation towards a third party for which it is likely or certain that an outflow of resources for the benefit of this third-party will be required, with no equivalent consideration expected in return.

A risk provision related to investments is established to cover the negative net equity of subsidiaries and when all of the subsidiary's shares and loans have been depreciated.

3.5.2.10 Provisions for financial contingencies and losses

Prior to Regulation No. 2015-05 on derivatives, a provision for financial contingencies and losses on financial instruments (swaps, caps and floors) had been recorded at year-end when it corresponded to the valuation of the over-hedging (financial instruments without a symmetrical position and financial instruments hedging debts of subsidiaries without a rebilling agreement).

Since Regulation No. 2015-05, when the instrument has an isolated open position and a negative value, it is amortised over the remaining term of the instrument.

3.5.2.11 Borrowings, financial debt and bonds

Bank financing mainly consists of bank borrowings, two bond issues, a private placement and medium- and long-term credit agreements with varying draw-down periods. Successive draw-downs are recognised in the financial statements at their par value. These agreements include covenant clauses, which are reported under off-balance-sheet commitments.

3.5.2.12 Deferred expenses

Deferred expenses correspond to the issue cost of borrowings and are amortised over the loan period.

3.5.2.13 Bond redemption premium

These are amortised over the life of the bond.

3.5.2.14 Revenues

As a general rule, invoicing is quarterly in advance or in arrears.

Revenues for the period comprise rental income received during the period.

For hotel real estate managed by AccorHotels Group, such receipts are calculated as a percentage of revenue in the previous fiscal year. Accounting adjustments are carried out at year-end to reflect revenues for the fiscal year.

3.5.2.15 Corporate income tax

Covivio Hotels has been subject to the Sociétés Immobilières d'Investissements Cotées (SIIC) (real estate investment company) tax regime since 1 January 2005. Accordingly, its real estate letting activity and its income from the disposal of assets are exempt from corporate income tax. Any other activities, however, remain subject to income tax.

The SIIC regime allows the exemption of:

- income from the leasing of assets,
- capital gains from the sale of assets to non-related companies,
- dividends from subsidiaries are either subject to corporate income tax and opting for the SIIC regime or not subject to corporate income tax.

In return, the Company is subject to the following obligations concerning dividends:

- 95% of the taxable income from the leasing of assets must be distributed before the end of the year after the one in which said income was generated,
- 70% of the capital gains from disposals of assets and shares in subsidiaries having opted for the tax treatment must be distributed before the end of the second fiscal year following the one in which they were realised,

- 100% of the dividends from subsidiaries that have opted for the tax treatment must be distributed during the year after the year they are received.

The total distribution obligation is calculated by applying the appropriate distribution coefficient to each income category, limited to the taxable income from the entire exempt sector.

The Group has opted to deduct the CICE (French competitiveness and employment tax credit) tax credit from payroll, except for the tax credit arising from tax transparent companies.

The CICE tax credit is used to fund training and development at Covivio Hotels. It is not used to finance an increase in the share of profits distributed or to increase the compensation of people carrying out management functions in the company.

3.5.3 EXPLANATION OF BALANCE SHEET ITEMS

3.5.3.1 Non-current assets

Adjustment to gross values

			Augmentations			Decreases			
€K	**Note**	**Gross amounts at 31 Dec. 2017**	**Acquisitions and works**	**FTA**	**Transfers**	**Sales and other disposals**	**FTA**	**Transfers**	**Gross amounts at 31 Dec. 2018**
Intangible fixed assets		**0**	**0**		**0**	**0**	**0**	**0**	**0**
Fixed assets		**903,529**	**26,869**		**403**	**265,778**	**0**	**403**	**664,619**
- Land	3.5.3.1.1	278,348	0		151	130,688	0	0	147,811
- Buildings	3.5.3.1.1	594,636	0		252	135,090	0	0	459,798
- Other tangible fixed assets		8	0		0	0	0	0	8
- Fixed assets in progress	3.5.3.1.1	30,536	26,869		0	0	0	403	57,002
Financial assets		**1,630,575**	**1,139,128**	**616,861**	**28,572**	**217,668**	**150,272**	**28,572**	**3,018,624**
- Equity investments	3.5.3.1.2	760,969	349,022	438,061	28,572	0	150,272	0	1,426,352
- Loans	3.5.3.1.3	807,457	788,436	178,800	0	153,977	0	28,572	1,592,144
- Long-term investment securities	3.5.3.1.4	62,140	1,670		0	63,691	0	0	119
- Other non-current financial assets		9	0		0	0	0	0	9
TOTAL FIXED ASSETS		**2,534,104**	**1,165,997**	**616,861**	**28,975**	**483,446**	**150,272**	**28,975**	**3,683,243**

3.5.3.1.1 Fixed assets

The change in tangible fixed assets is mainly due to:

- *Work carried out in the following amounts:*
  - €17,895 thousand: work on the Meininger Porte de Vincennes Hotel
  - €8,007 thousand: work on the Meininger Lyon Zimmermann off-plan building
  - €525 thousand: work on AccorHotels
  - €257 thousand: work on Jardiland
  - €185 thousand: acquisition of land for Quick in Angers (disposal in the same year)
- Removals from fixed assets in the following amounts:
  - €155,763 thousand relating to the disposal of the remaining 48 Quick restaurants
  - €108,540 thousand relating to the disposal of 23 Jardiland centres
  - €1,475 thousand relating to the disposal of the Courtepaille in Montbéliard

3.5.3.1.2 Change in equity investments

The positive change in equity investments mainly reflects the inclusion of the equity investments of subsidiaries of FDM Management following its merger with Covivio Hotels for a total amount of €438,061 thousand, and the Murdelux capital increases without the issue of securities for €338,932 thousand following the acquisition of the United Kingdom portfolio:

Company	Securities valuation (€K)
Amount at 31 December 2017	**760,969**
Acquisition of securities and other assets	
Constance	19,389
FDM M Lux	9,183
Murdelux	338,932
SCI Porte Dorée	10,090
Total increase of securities following acquisition	377,594
Securities recovered following merger	
Constance	34,053
FDM M Lux	369,712
LHM Holding Lux	20,973
SCI Rosace	13,323
Total increase of securities recovered following merger	438,061
Elimination of securities of transferred and liquidated subsidiaries	
BSH	2,400
FDM Management	147,872
Total decrease following merger and liquidation	150,272
Amount at 31 December 2018	**1,426,352**

3.5.3.1.3 Details on loans

The loans consist of:

Type of loan	€K
Loans to subsidiaries	1 556 501
Accrued interest on loans	33 600
Accrued interest on swaps	2 043
Loans to personnel	0
Total	**1 592 144**

The breakdown of loans to subsidiaries is as follows:

€K	Outstanding principal due at 31/12/2018	Accrued interest at 31/12/2018	Outstanding principal due at 31/12/2017
Murdelux (1)	841 776	21 889	302 240
Investment FDM Rocatierra (2)	227 600	3 869	202 583
SNC Foncière Otello	146 781	4 552	146 781
Constance (3) (4)	101 523	1 400	0
Constance Lux 1	61 071		0
SCI Rosace (3) (5)	37 500		0
OPCI B2 Hôtel Invest	37 148	692	37 148
LHM Holding Lux (3)	28 960	337	0
B&B Invest Lux 4	17 580	3	23 580
Bardiomar	8 798	163	8 798
SCI Porte Dorée (7)	7 747	210	4 741
B&B Invest Espagne	7 594	343	7 594
SAS Iris Holding France	6 745	141	6 745
SNC Hotel 37 Rene Clair	6 700		6 700
B&B Invest Lux 1	5 465	1	5 465
B&B Invest Lux 2	4 650	1	4 650
B&B Invest Lux 3	4 370	1	4 870
FDM M Lux (3)	2 429		0
MO Lux	2 064	0	2 064
LHM Propco Lux (3)	0	0	24 100
Total	**1 556 501**	**33 600**	**788 059**

(1) The main change compared with 31 December 2017 is due to the signature of a new loan on 18 July 2018 and an Addendum signed on 24 October 2018, increasing the amount of the loan. Covivio Hotels carried out the indirect acquisition of a portfolio of hotel real estate in the United Kingdom. The total amount of the loan was set at £464,500 thousand. £434,554 thousand (a value of €483,477 thousand at 31/12/2018) was drawn down during the fiscal year 2018 This 8-year loan bears interest at the rate of 3% per annum.

A new loan was signed on 18 September 2018, set up pending the formalisation of a new bank financing line, in the total amount of €17,500 thousand, of which €15,459 thousand has been drawn down. This 1-year loan bears interest at the rate of 3.4% per annum.

Two new 7-year loans were signed on 28 December 2018, bearing interest at the rate of 3.61% per annum. Their purpose is to finance the purchase options of companies holding hotel real estate in the Netherlands in order to purchase the underlying assets in the amount of €41,733 thousand, of which €38,128 thousand has been drawn down.

Additional drawdowns in the amount of €3,400 thousand were made in 2018 on the loan signed on 7 July 2015, as well as that signed on 22 September 2017 for a total amount of €15,992 thousand.

The loan signed on 27 September 2007 was partially repaid in the amount of €16,918 thousand.

(2) The loan signed with Investment FDM Rocatierra on 29 March 2017 for €55,000 thousand was drawn down in the amount of €36,748 thousand. The €203,000 thousand loan signed on 29 March 2017 was partially repaid in the amount of €11,731 thousand.

(3) Following the merger with FDM Management on 24 January 2018, the following loans were taken over:

- Constance Lux 1 = €61,070 thousand
- Constance Lux 2 = €38,808 thousand

- Hermitage Holdco = €25,872 thousand
- FDM M Lux = €24,543 thousand
- SCI Rosace = €8,500 thousand
- MO First Five = €4,860 thousand
- OPCO Rosace = €1,500 thousand

Intragroup loans were restructured following this merger in order to harmonise the post-merger organisation chart and interest rates:

- disposal of the Constance Lux 2 receivable to Constance SAS for €29,408 thousand,
- cancellation of the loans between Covivio Hotels and OPCO Rosace for €1,500 thousand,
- cancellation of the loans between Covivio Hotels and Hermitage Holdco for €25,872 thousand,
- new loans between Covivio Hotels and Constance SAS for €1,500 thousand and €25,872 thousand,
- Constance SAS capital increase through the capitalisation of loan receivables for €19,389 thousand,
- repayment of the loan with FDM M Lux for €12,931 thousand,
- repayment in the amount of €9,400 thousand of the loan with Constance Lux 2,
- FDM M Lux capital increase through the capitalisation of loan receivables for €9,183 thousand,
- cancellation of the loans between Covivio Hotels and MO First five for €4,860 thousand,
- cancellation of the loans between Covivio Hotels and LHM Propco Lux for €24,100 thousand,
- new loan between Covivio Hotels and LHM Holding Lux for €28,960 thousand.

(4) Three new loans were signed with Constance: one on 26 February 2018 for €7,789 thousand, with the aim of financing the acquisition of Nice M; one for €20,000 thousand, signed on 25 May 2018, in order to finance the deferred payment for the acquisition of shares in the Hermitage portfolio, and the last for €36,343 thousand, signed on 22 June 2018, designed to repay CACIB for the Hermitage portfolio. All three loans were signed for a term of seven years, the first at a rate of 3.66% and the other two at 3.3%.

(5) A new loan was signed on 15 October 2018, in order to repay the existing BNP loan in the amount of €29,000 thousand.

(6) The loan with B&B Lux 4 was repaid in the amount of €6,000 thousand.

(7) A new loan was signed with SCI Porte Dorée on 11 January 2018 for €8,527 thousand and served to repay its outstandings, of which €940 thousand has already been repaid in 2018. Caisse des Dépôts et Consignations (CDC) contributed the loan receivable in addition to 50% of the securities of SCI Porte Dorée to Covivio Hotels for €13,348 thousand, which were repaid in full in 2018. The loan signed on 18 December 2015 was repaid in full for €4,821 thousand (including €79 thousand of 2017 interest capitalised at 01/01/18).

(8) The loan with B&B Lux 3 was partially repaid for €500 thousand

Loans to subsidiaries are not covered by a repayment schedule. They are repaid based on each borrower's free cash flow. Nevertheless, a final repayment date, ranging from January 2019 at the earliest to December 2025 at the latest, is stipulated in the agreement.

3.5.3.1.4 Breakdown of other securities

€K	31-Dec-17	Increase	Decrease	31-Dec-18
Bonds (1)	59,115	0	59,115	0
Accrued interest on long-term investment securities	2,956		2,956	0
Treasury shares (2)	69	1,670	1,620	119
Total	**62,140**	**1,670**	**63,691**	**119**

(1) The bonds issued by Financière Hope were sold to Covivio (formerly Foncière des Régions), Sogecap and CDC on 23 January 2018.

(2) At 31 December 2018, the company held 4,840 treasury shares under a liquidity agreement, i.e. a total amount of €119 thousand.

Change in amortisation, depreciation and provisions

The table of depreciation, amortisation and impairment is presented below:

€ thousands:	Note	Dec. 31, -17	Increase		Decrease		Dec. 31, -18
			Allocations	Transfers	Disposals and other subtractions	TUP	
Impairment of intangible assets		**0**	**0**		**0**	**0**	**0**
Depreciation and impairment of property, plant and equipment		**256 837**	**20 154**	**0**	**71 487**	**0**	**205 504**
- Land improvements		0	0	0	0	0	0
- Buildings		254 848	19 348	0	71 166	0	203 030
- Other property, plant and equipment		5	1	0	0	0	6
- Impairment / land and buildings	3.5.3.1.5	1 984	805	0	321	0	2 468
Impairment of non-current financial assets		**2 453**	**0**	**0**	**53**	**2 400**	**0**
– Investments in subsidiaries and affiliates	3.5.3.1.6	2 453	0	0	53	2 400	0
- Loan		0	0	0	0	0	0
- Long-term securities		0	0	0	0	0	0
- Treasury shares		0	0	0	0	0	0
TOTAL AMORT., DEPR. AND IMPAIRMENT OF NON-CURRENT ASSETS		**259 290**	**20 154**	**0**	**71 540**	**2 400**	**205 504**

3.5.3.1.5 Breakdown of depreciation and amortisation of assets

Each year, the book value of the assets is compared against their estimated market value. An independent appraisal, carried out every half-year, is used as a benchmark for all real estate assets:

€K	31-déc.-17	Charges	Reversals of provisions	31-déc.-18
Jardiland Blois	885	145	0	1,030
Jardiland Albi	806	0	54	752
Courtepaille Marcq-en-Baroeul	0	332	0	332
Courtepaille Béziers	0	328	0	328
Jardiland Chateaudun	203	0	177	26
Jardiland Montélimar	90	0	90	0
Total	**1,984**	**805**	**321**	**2,468**

3.5.3.1.6 Breakdown of provisions for equity investments

Impairment of equity investments is recognised where the net asset value of subsidiaries is less than the value of the equity investments.

€K	31-Dec-17	Charges	Reversals of provisions	31-Dec-18
Beni Stabili Hotel (1)	2 400	0	2 400	0
Foncière Manon	53	0	53	0
Total	**2 453**	**0**	**2 453**	**0**

(1) Beni Stabili Hotel went into liquidation on 20 December 2018.

3.5.3.1.7 Details of provisions for loans and current accounts

€K	Depreciations 31 Dec. 2017	Charges	Reversals of provisions	Depreciations 31 Dec. 2017
Beni Stabili Hotel (1)	8,613	0	8,613	0
Provisions for current accounts	**8,613**	**0**	**8,613**	**0**

Provisions for current accounts are recorded taking into account the negative net equity of subsidiaries and provisions booked on other receivables.

(1) Beni Stabili Hotel went into liquidation on 20 December 2018.

3.5.3.2 Current assets

3.5.3.2.1 Breakdown of receivables by maturity

The balance of receivables at 31 December 2018 of €8,188 thousand corresponds to receivables not yet due.

€K	Gross amount at 31 Dec. 18	Amount due in less than 1 year	Gross amount at 31 Dec. 17
Trade receivables and related accounts(1)	8 188	8 188	2 592
Current accounts	24 760	24 760	21 986
Other receivables	4 697	4 697	8 747
Miscellaneous receivables	72	72	685
VAT receivables	1 519	1 519	1 834
Tax receivables(2)	3 106	3 106	6 228
Total	**37 645**	**37 645**	**33 325**
(1) Expenses that may be recovered from tenants	64	64	109
Invoice(s) not yet submitted	2 563	2 563	1 733

(2) Covivio Hotels was subject to two accounting audits for fiscal years 2010/2011 and 2012/2013/2014, resulting in a reassessment proposal for the CVAE in the amount of €2,438 thousand and €2,205 thousand respectively. These reassessments were partially waived by the tax authorities during the first half of 2018 and repayments were granted in the amounts of €1,219 thousand and €1,102 thousand. An appeal against the balance of the reassessments, i.e. €1,219 thousand and €1,103 thousand, has been lodged in the Paris Administrative Court following two rejection decisions handed down by the Administrative Tribunal. Based on the analysis by the company's legal counsel, these disputes were not provisioned as at 31 December 2018 Beni Stabili Hotel went into liquidation on 20 December 2018.

Covivio Hotels was also the subject of an accounting audit for the 2015 fiscal year, resulting in a reassessment proposal for the CVAE, on the same basis as the previous reassessments, in the amount of €239 thousand. An appeal has been lodged against this reassessment, and based on the analysis by the company's legal counsel, this dispute was not provisioned as at 31 December 2018.

Following the merger with FDM Management, Covivio Hotels acquired a CICE receivable of €545 thousand from the companies SLIH and Alliance. Payment of this receivable will be requested within three years or will be offset against income tax.

3.5.3.2.2 Accruals – assets

€K	Gross amounts at 31 Dec. 18	Gross amounts at 31 Dec. 17
Accrued operating expenses:	170	140
s/ Letting	43	56
s/ External and other expenses	127	84
Accrued financial expenses:	*25,120*	*25,426*
s/ agent commissions	122	110
s/ renegotiation of restructuring payments	22,198	17,019
s/ SOP temporary account (1)	2,800	8,297
Total prepaid expenses	**25,290**	**25,566**
Deferred expenses		
s/ Loan issue costs	16,719	12,683
Total deferred expenses	**16,719**	**12,683**
Currency translation adjustments (2)		
Increase in liabilities	8	0
Decrease in receivables	5,112	0
Total currency translation gains	***5,120***	***0***
Total	**47,129**	**38,249**

(1) Whenever the instrument no longer meets the qualification criteria, or if the company drops the hedging relationship, hedge accounting continues to apply to the accumulated unrealised gains or losses on the hedging instrument up to the date the hedge ended, which must then be recognised in a suspense account offsetting a cash instruments account (SOP).

(2) At year-end, receivables and debt are converted at the closing rate. These conversion differences are recorded in transitional accounts, pending subsequent adjustment. The fall in receivables mainly reflects the unrealised loss recognised on the intragroup loan from Covivio Hotels to its subsidiary Murdelux

3.5.3.2.3 Treasury instruments

This item corresponds to the premiums paid when hedging instruments are subscribed. This premium is spread in profit or loss over the term of the hedge.

3.5.3.2.4 Accrued income

€K	31-Dec-18	31-Dec-17
Other non-current financial assets (accrued interest on loans)	35 643	22 354
Trade receivables and related accounts (invoice not yet submitted)	*2 563*	*1 842*
Other receivables	0	1534
Total	**38 206**	**25 730**

3.5.3.3 Shareholders' equity

31 December 2018, the share capital comprised 118,057,886 shares, all of the same class, with a par value of €4 each and totalling €472,231,544.

At 31 December 2018, the company held 4,840 treasury shares.

		Increase	Decrease			
€K	31-Dec-17	Increase during the year	Other changes during the year	net Income/Dividend distribution	Line-by-line transfers	31-Dec-18
Share capital	351,264	120,968	0	0	0	472,232
Share premium account	705,403	251,220		0	0	956,623
Merger premiums	0	353,741				353,741
Additional paid-in capital	0	19,554	0	0	0	19,554
Legal reserve	33,347	0	0	1,779	0	35,126
Retained earnings	101,525	0		-87,384	0	14,141
location of net income for 2017	79,583	0	0	-79,583	0	0
income for the 2018 fiscal year	0	218,202	0	0	0	218,202
Regulated provisions	3,867	148	-229	0	0	3,786
SHAREHOLDERS' EQUITY	**1,274,989**	**963,833**	**-229**	**-165,188**	**0**	**2,073,405**

Capital increase

Following the contribution by Caisse des Dépôts et Consignations (CDC) of 50% of the securities of SCI Porte Dorée and the loan receivable on 24 January, 975,273 Covivio Hotels shares were created with a par value of €4 (€3,901 thousand) and additional paid-in capital of €20.05 (€19,554) as compensation.

The merger by absorption of FDM Management by Covivio Hotels was carried out on 24 January 2018. Covivio Hotels held 31.01% of FDM Management following the merger of Financière Hope with FDM Management.

As compensation for the share of the net asset contribution corresponding to the shares in FDM Management not held by Covivio Hotels, and based on an exchange ratio of 9 Covivio Hotels shares for 29 FDM Management shares, 17,460,738 new shares with a par value of €4 were issued and allocated to the FDM Management shareholders, with the exception of Covivio Hotels.

The merger premium of €356,547 thousand corresponds to the difference between the value of the contribution brought by FDM Management and the nominal amount of the capital increase.

Costs related to the merger amount to €2,806 thousand and were deducted from the merger premium.

On 21 June 2018, a capital increase with preferential right of subscription was decided upon to finance part of the acquisition through Murdelux of the portfolio of hotel real estate in the United Kingdom.

11,805,788 shares were created for a nominal value of €47,223 thousand and a share issue premium of €252,054 thousand. Costs related to the capital increase amount to €834 thousand and were deducted from the share premium account.

Appropriation of earnings for the prior fiscal year

The Ordinary and Extraordinary General Meeting on 6 April 2018 allocated prior year income as described below and paid an ordinary dividend of €1.55 per share.

€K	
Income for the year ended 31/12/2017	79,583
Share premium account	0
Retained earnings	87,384
Total to be allocated	**166,967**
Legal reserve	1,779
Share premium account	0
Dividends paid out (1)	165,188

(1) The €165,188 thousand breaks down as:

- €500 thousand in preferred dividends paid to Covivio Hotels Gestion (formerly FDM Gestion)
- €164,691 thousand in ordinary dividends (€1.55 * 106,252,098 shares)
- -€3 thousand in respect of treasury shares that do not have dividend rights.

Regulated provisions

These are capital cost allowances used on assets for which a finance lease option has been exercised.

3.5.3.4 Provisions for contingencies and losses

€K	Note	31-Dec-17	Increase: FTA	Increase: Charges	Decrease: Reversals of provisions (amount	Decrease: Reversals of provisions (amount	31-Dec-18
Provisions for contingencies	3.5.3.4.1	**505**	**0**	**98**	**6**	**0**	**597**
Provision for foreign exchange losses		0	0	53	0	0	53
Provisions for hedging		225	0	0	6	0	219
Provisions for free share contributions		280	0	45	0	0	325
Provisions for losses		**129**	**0**	**269**	**0**	**0**	**398**
Employment litigation		0	0	230	0	0	230
End-of-career benefits	3.5.3.4.2	72	0	21	0	0	93
Long service award		57	0	18	0	0	75
Total		**634**	**0**	**357**	**6**	**0**	**995**

3.5.3.4.1 Provisions for contingencies

At 31 December 2017, Covivio Hotels held an over-hedging position and a provision of €225 thousand was established. At 31 December 2018, following cancellations in the fourth quarter, the provision was adjusted and now stands at €219 thousand.

3.5.3.4.2 End-of-career benefits

Covivio Hotels has applied the French accounting standards authority (ANC) Recommendation No. 2013-02 of November 2013 on recognition and measurement of retirement commitments and similar benefits since fiscal year 2013. This recommendation allows the evaluation of the provision for post-employment benefits in accordance with IAS 19R.

Regarding the recognition of these retirement commitments, Covivio Hotels opted for the immediate and full recognition in profit or loss of the result of the recognition of actuarial gains and losses.

Main assumptions used for end-of-career benefits and long-service awards:

Parameters		31-Dec-18	31-Dec-17
Discount rate		1.27%	1.11%
Annual inflation		-	-
Annual wage growth			
	Managers	*4%*	*4%*
	Non-managers	*3%*	*3%*
Payroll tax rate (IFC only)		51.26%	50.56%
Mortality rate		TGF05/TGH05	TGF05/TGH05
Turnover		10.21% (20 years)	12.53% (20 years)
		10.21% (30 years)	12.53% (30 years)
		10.21% (40 years)	12.53% (40 years)
		0% (50 years)	0% (50 years)
Reason for retirement		**At the initiative of the employee**	**At the initiative of the employee**

3.5.3.5 Debt

€K	Notes	31-Dec-18	Amount due in less than 1 year	Amount due in 1 to 5 years	Amount due in over 5 years	31-Dec-17
Non-convertible bonds	3.5.3.5.1	741 627	5 074	386 553	350 000	389 847
Borrowings and debt from credit institutions	3.5.3.5.2	851 063	12 922	205 382	632 759	540 857
Other sundry loans and borrowings	3.5.3.5.3	119 756	119 756	0	0	83 650
Advances and pre-payments		0	0	0	0	0
Trade payables and related accounts		1 166	1 166	0	0	1 414
Tax and social security liabilities	3.5.3.5.4	1 359	1 359	0	0	1 464
Debt on fixed assets and related accounts	3.5.3.5.5	29 452	29 452	0	0	44 136
Other debts	3.5.3.5.6	262	262	0	0	51
Pre-booked income		0	0	0	0	0
Treasury instruments	3.5.3.5.7	416	416	0	0	2 431
Total realised		**1 745 101**	**170 407**	**591 935**	**982 759**	**1 063 850**

3.5.3.5.1 Non-convertible bonds

Bonds

The features of these bonds are as follows:

issue date	16 November 2012
issue amount (€m)	255
partial redemption	68
nominal value following partial redemption	187
Nominal rate	2.754%
Maturity	16 November 2021

The balance of the bond amounts to €187,201 thousand, corresponding to accrued interest for €656 thousand and outstanding capital of €186,554 thousand.

A new inaugural bond of €350,000 thousand was issued by Covivio Hotels in late September:

issue date	24/09/2018
issue amount (€m)	350
partial redemption	0
nominal value following partial redemption	350
Nominal rate	1.875%
Maturity	24 Septembre2025

the balance of the new bond amounts to €351,780 thousand, corresponding to accrued interest for €1,780 thousand and outstanding capital of €350,000 thousand.

Private placement

This private placement was subscribed by Covivio Hotels on 29 May 2015. It is not guaranteed. Its features are:

issue date	29 May 2015
issue amount (€m)	200
partial redemption	0
nominal value following partial redemption	200
Nominal rate	2.218%
Maturity	29 May 2023

the balance of the private placement amounts to €202,637 thousand, corresponding to accrued interest for €2,637 thousand and outstanding capital of €200,000 thousand.

3.5.3.5.2 Borrowings and debt from credit institutions

The table of changes in bank debt is set out below:

€K	31-Dec-17	Increase	Decrease	31-Dec-18
Borrowings and debt from credit institutions (1)	521 168	465 230	138 998	847 400
Accrued interest	484	3 663	484	3 663
Bank overdrafts	19 205		19 205	0
Total	**540 857**	**468 893**	**158 687**	**851 063**

(1) The increase mainly concerns the setting up of new financing in the amount of £400,000 thousand, of which £368,719 thousand has been drawn down (converted on 31/12/2018 to €410,230 thousand) as part of the acquisition of the hotel real estate portfolio in the United Kingdom and the setting up of corporate credit facilities for €55,000 thousand.
Repayments following the disposal of assets amount to €97,627 thousand and €35,000 for the credit facilities.

3.5.3.5.3 Other sundry loans and borrowings

Other sundry loans and borrowings comprise current accounts in credit for €119,756 thousand:

€K	31-Dec-18	31-Dec-17
Foncière Otello	33 516	22 109
Investment FDM Rocatiera	29 003	19 577
Ulysse Belgium	9 554	5 014
Murdelux	9 019	4 627
Trade Center Hotel	7 403	4 941
Sunparks Oostduinkerke	6 392	5 558
Roxburghe Investments Propco ltd	*2 216*	*0*
George Hotel Investments ltd	2 004	0
SLIH	2 001	0
Lagonda Palace Propco ltd	1 940	0
Lagonda Russell Propco ltd	1 711	0
Roxburge Invest lux	1 646	0
Foncière Vielsalm	1 448	6 293
B&B Invest Espagne	1 337	988
Hotel 57 Place René Clair	1 298	298
Lagonda York Propco ltd	*1 176*	*0*
Bardiomar	1 107	401
Blythswood Square Hotel Glasgow	1 078	0
The St David's Hotel Cardiff ltd	977	0
Wotton House Properties ltd	944	0
Hermitage Holdco	918	0
Sunparks Trefonds	748	1 796
Kempense Meren	*675*	*0*
SCI Porte Dorée	609	0
So Hospitality	441	0
Lagonda Leeds Propco ltd	405	0
Foncière Manon	132	130
SARL Loire	58	65
Hotel Amsterdam Centre Propco	0	8 820
Sunparks de Haan	0	3 007
Total	**119 756**	**83 624**

3.5.3.5.4 *Tax and social security liabilities*

Tax and social security liabilities comprise:

- €451 thousand in VAT
- Personnel – Deferred expenses for €505 thousand
- €200 thousand in payroll and social security expenses
- State taxes due (other than income tax) for €143 thousand
- €60 thousand in tax liabilities

3.5.3.5.5 *Fixed asset liabilities*

Fixed asset liabilities comprise:

- unpaid subscription to the capital of OPCI *Foncière Développement Tourisme* for €20,120 thousand,
- deferred payment on the acquisition of Bardiomar for €4,526 thousand,
- accrued invoices for work on the Meininger Lyon Zimmermann Hotel for €191 thousand,
- accrued invoices for work on the Meininger Porte de Vincennes Hotel for €3,767 thousand,
- accrued invoices for work on AccorHotels for €848 thousand.

3.5.3.5.6 Other debts

Other debts comprise:

- trade receivables for €216 thousand,
- credit notes to be issued for €46 thousand.

3.5.3.5.7 *Treasury instruments*

This item corresponds to the premiums received on the acquisition of hedging instruments. These premiums received are spread in income over the term of the instruments.

3.5.3.5.8 Banking covenants

Consolidated LTV	Company scope	Covenant	Ratio
€447 M (2013) - nominal value REF II	Covivio Hotels	< 60%	In compliance
€255 M (2012) - Bonds	Covivio Hotels	≤ 65%	In compliance
€200 M (2015) – Private placement	Covivio Hotels	≤ 60%	In compliance
€279 million (2017) – Roca	Covivio Hotels	< 60%	In compliance
400 £m (2018) - Rocky	Covivio Hotels	< 60%	In compliance

Consolidated ICR	Company scope	Covenant	Ratio
€447 M (2013) - nominal value REF II	Covivio Hotels	> 200%	In compliance
€255 M (2012) - Bonds	Covivio Hotels	≥ 200%	In compliance
€200 M (2015) – Private placement	Covivio Hotels	≥ 200%	In compliance
€279 million (2017) – Roca	Covivio Hotels	> 200%	In compliance
400 £m (2018) - Rocky	Covivio Hotels	> 200%	In compliance

At 31 December 2018, the company was in compliance with all its ICR and LTV guaranteed corporate credit banking covenants: LTV < 60% (with the possibility of exceeding this for six months and a limit of 65%), ICR > 200%.

3.5.3.5.9 Accrued expenses

€K	31-Dec-18	31-Dec-17
Accrued interest on borrowings	8 737	3 778
Invoices not received	5 794	6 140
Other debts	0	8
Tax and social security liabilities	881	1009
Accrued interest on current bank overdrafts	3	10
Total	15 415	10 945

3.5.3.5.10 Adjustment accounts - liabilities

€ thousands		Gross value at 31 -Dec - 18	Gross value at 31 -Dec - 17
- Translation adjustment (1)			
	Decrease in liabilities	5 242	0
	Increase in receivables	0	0
Total unrealized currency gains		**5 242**	**0**
Total		5 242	0

(1) At year-end, receivables and debt are converted at the closing rate. These conversion differences are recorded in transitional accounts, pending subsequent adjustment. The reduction in debts chiefly relates to the unrealised gain recorded on the new Covivio Hotels loan in GBP.

3.5.4 NOTES TO THE INCOME STATEMENT

In 2018, net income amounted to a positive €218,202 thousand, compared with a profit of €79,583 thousand in 2017.

3.5.4.1 Operating income

3.5.4.1.1 Revenues

€K	31-Dec-18	31-Dec-17
Rental income	**55 027**	**67 167**
Rental income from the healthcare sector (1)	0	-35
Rental income from the hotel sector	33 589	32 393
Rental income from retail premises	21 438	34 809
Provision of services (2)	**20 806**	**17 763**
Total	75 833	84 930

(1) The last retirement home was sold on 9 January 2017.
(2) Service provisions include the rebilling of taxes to tenants and of network costs to subsidiaries.

3.5.4.1.2 Reversal of provisions and transferred expenses

Reversal of provisions and transferred expenses include:

€K	31-Dec-18	31-Dec-17
Reversals of provisions for operating contingencies and charges	**0**	**0**
Reversals of depreciations on tangible fixed assets	**259**	**3 501**
Transferred charges	**8 178**	**6 630**
Loan issue costs	8 158	6 630
Operating expenses	0	0
Personnel Expenses	20	0
Total reversals of provisions, depreciations and transfers of charges	**8 437**	**10 131**

The transferred expenses item is impacted by the transfer to deferred expenses of loan issuance costs relating to financing set up over the fiscal year and initially recognised as external expenses.

3.5.4.1.3 Operating expenses

€K	31-Dec-18	31-Dec-17
Other purchases and external expenses	19 512	16 670
Taxes and related payments	6 750	7 513
Personnel expenses	5 113	2 882
Depreciation, amortisation and provisions (1)	24 529	28 217
Other operating expenses	55	56
Total operating expenses	**55 960**	**55 338**

(1) Breakdown of depreciation, amortisation impairment and provisions:

€K	31-déc.-18	31-déc.-17
Depreciation of operating properties and intangible fixed assets	0	0
Depreciation of rental assets	19 258	25 088
Depreciation of merger deficits	0	0
Depreciation of furniture and equipment	0	0
Depreciation of deferred expenses	4 124	2 848
Sub-total for depreciation and amortisation	**23 382**	**27 936**
Provisions for trade receivables	0	0
Provisions for fixed assets	833	90
Provisions for contingencies and losses	314	191
Sub-total for provisions	**1 147**	**281**
Total	**24 529**	**28 217**

3.5.4.2 Net financial income

€K	Note	31-Dec-18	31-Dec-17
Financial income from investments		**73,929**	**28,222**
Dividends received from subsidiaries and equity investments	3.5.4.2.1	73,929	28,222
Other marketable securities and fixed asset receivables income		**45,341**	**30,135**
Income from loans to subsidiaries		45,163	27,179
Income from other loans		178	2,956
Other interest and similar income		**50,220**	**7,042**
Interest on group current accounts		219	334
Income from swaps		5,672	6,698
Other income		62	10
Merger premiums	3.5.4.2.2	43,785	0
Default interest		482	0
Reversals of provisions and transferred expenses	3.5.4.2.3	**59**	**9,730**
Reversals of provisions for financial contingencies and charges		6	9,680
Reversals of provisions on financial assets		53	50
Positive exchange differences		**598**	**0**
Exchange gain	3.5.4.2.4	598	0
Net income from disposal of marketable securities		**0**	**0**
TOTAL FINANCIAL INCOME		**170,147**	**75,129**
Provisions for financial contingencies and losses		**111**	**27**
Bond redemption premium		57	0
Provisions for financial contingencies	3.5.4.2.4	54	0
Provisions on financial assets			27
Interest and similar expenses		**49,715**	**61,958**
Interest on borrowings		35,437	33,858
Interest on group current accounts		1,008	641
Restructuring payments hedging		7,776	25,040
Amortisation of SOP (Standalone Open Positions) instruments		3,681	1,054
Bank interest and financing operations		1,813	1,365
Negative exchange differences		**4,736**	**0**
Exchange loss	3.5.4.2.4	4,736	0
Net expenses from disposal of marketable securities		**0**	**0**
TOTAL FINANCIAL EXPENSES		**54,563**	**61,985**
NET FINANCIAL INCOME		**115,585**	**13,144**

3.5.4.1.4 Breakdown of dividends

The dividends received from subsidiaries are as follows:

COMPANIES DISTRIBUTING DIVIDENDS (in €K)	Dividends received in 2018	Dividends received in 2017
Murdelux	29,408	0
OPCI B2 Hôtel Invest	12,492	12,755
FDM Rocatierra	7,730	0
SNC Foncière Otello	6,496	5,769
Bardiomar	4,544	883
Trade Center Hotel	4,116	0
Foncière Ulysse	2,704	0
OPCI Iris Invest 2010	1,368	1,368
SCI René clair	1,258	208
OPCI Camp Invest	1,116	1,116
LHM Holding Lux	1,000	0
SCI Dahlia	761	761
SAS Iris holding France	629	438
SNC FDM Gestion Immobilière	287	270
B&B Invest Espagne	20	0
FDM Management	0	4,640
OPCI FDT	0	14
Total	**73,929**	**28,222**

3.5.4.1.5 Breakdown of merger premiums

Merger premiums correspond to the merger-absorption of FDM Management on 24 January 2018. This merger was carried out under the preferential treatment regime, with no retroactive accounting or tax effect. The merger premium corresponds to the difference between the 31.01% of net assets contributed and the net book value of the securities.

3.5.4.1.6 Breakdown of reversals of provisions and transferred expenses

€K	31/12/18	31/12/17
Transferred financial expenses	**0**	**0**
Interest on borrowings	0	0
Reversal of provision	**59**	**9,730**
Provision for impairment of securities	53	50
Provision for hedging	6	9,680
Total reversals of provisions and transferred expenses	**59**	**9,730**

3.5.4.1.7 Positive and negative exchange differences

Foreign exchange gains and losses in 2018 relate to the various flows that took place following the acquisition of the hotel real estate portfolio in the United Kingdom. *These flows took place in pounds sterling on different dates, hence the gains and losses recorded. A provision for risk was recorded for €53 thousand.* An unrealised gain of €5,067 thousand on the GBP debt was offset against the unrealised loss of €5,120 thousand on the intragroup loan for the calculation of the provision for contingencies, since it is deemed to be a single transaction.

3.5.4.3 Net non-recurring income

Income (€K)	31-Dec-18	31-Dec-17	Expenses (€K)	31-Dec-18	31-Dec-17
Non-recurring income on management transactions	**21**	**0**	**Non-recurring expenses on management transactions**	**44**	**15**
Miscellaneous income	21	0	*Miscellaneous expenses*	44	15
Income on capital transactions	**328,584**	**122,111**	**Expenses on capital transactions**	**254,336**	**96,930**
Non-recurring income on disposal of buildings (1)	269,383	122,075	*Book value of buildings sold off (2)*	195,144	96,849
Free fixed assets	0	0	*NBV of component outputs*	0	3
Adjustment of trade receivables	0	0	*NBV of intangible fixed assets*	0	40
Income from disposal of securities (2)	6	19	*Book value of securities sold (2)*	5	2
Income from disposals (other items) (3)	59,115	0	*NBV Other asset items (3)*	59,115	0
Income from disposal of securities (liquidation) (4)	10	0	*NBV of sold securities (liquidation) (4)*	67	0
Miscellaneous non-recurring income	70	17	*Non-recurring expenses*	5	36
Reversals of provisions	**320**	**606**	**Depreciation and provisions**	**238**	**306**
Reversals of capital cost allowances	320	606	*Capital cost allowances*	90	130
			Depreciation and amortisation charges	148	176
Provisions for taxes	0	0	*Provisions for deferred taxes*	0	0
Non-recurring income	**328,925**	**122,717**	**Non-recurring expenses**	**254,618**	**97,251**
NET NON-RECURRING INCOME	**74,307**	**25,466**			

(1) For the breakdown of disposals of assets, see Section 3.5.1.3 "Disposals of real estate assets".
(2) Non-recurring income and expenses correspond to disposals of treasury shares held under the liquidity agreement.
(3) The bonds issued by Financière Hope were sold to Covivio (formerly Foncière des Régions), Sogecap and CDC on 23 January 2018.
(67) Beni Stabili Hotel went into liquidation and this operation resulted in an accounting deficit of €67 thousand. The €10 thousand corresponds to cash and near cash paid to Covivio Hotels.

3.5.4.4 Corporate income tax

None

3.5.4.5 Increase in and relief of future tax liabilities

The tax loss carryforwards amount to €80,494 thousand at 31 December 2018.

3.5.5 OFF-BALANCE SHEET COMMITMENTS

3.5.5.1 Commitments given

Off-balance sheet commitments given in €M	Deadline	31-Dec-18	31-Dec-17
Commitments related to consolidated companies		**0.0**	**0.0**
Investment commitments		0.0	0.0
Commitments given for specific transactions		0.0	0.0
Commitments related to financing		**588.1**	**490.3**
Financial guarantees given (CRD of pledged debt) (1)		588.1	490.3
Commitments related to operating activities (A+B+C)		**61.5**	**258.5**
Financial instruments contracted for the purpose of receipt or delivery of a non-financial item (own use contracts)		0.0	0.0
A- Commitments given related to business development		**26.8**	**38.7**
Work commitments outstanding on assets under development(2)		10.0	36.0
Purchase commitments		0.0	0.0
Bank guarantees and other guarantees given		16.8	2.7
B- Commitments related to the implementation of operating contracts		**16.7**	**17.7**
Other contractual commitments given related to "Lease payments due"	2035-2065	9.7	10.0
Work commitments outstanding on investment properties (3)		7.1	7.7
C- Commitments related to asset disposals		**18.0**	**202.1**
Preliminary sale agreements given		18.0	202.1

(1) Bank borrowings (excluding overdrafts) and bonds (excluding private placement) are secured by financial guarantees.

(2) commitments relating to work on assets under development

	Cost of works budgets signed*	Amount of works accounted for	Amount of works commitments outstanding	Delivery date
Meininger Porte de Vincennes	44.8	39.3	5.5	Q2-2019
Meininger Lyon Zimmermann	18.2	13.7	4.5	Q3-2019

(3) Commitments relating to work on investment properties

	Cost of works budgets signed*	Amount of works accounted for	Amount of works commitments outstanding	Delivery date
Accor Hotels	10.3	3.2	7.1	2018-2019

* The budgets for building works signed are monitored and updated regularly.

3.5.5.1.1 Swap-type financial futures instruments

A borrower at floating rates and in foreign currencies, Covivio Hotels is subject to the risks of interest rate rises and fluctuations in exchange rates over time. The exposure to this risk is limited through hedging (swaps, cross-currency swaps, caps and floors).

The acquisition of assets is generally financed by debt, mainly at floating rates. The interest rate risk management policy followed consists of systematically hedging floating-rate debt as soon as it is put in place, in order to secure the financial flows. Floating-rate debt is hedged in principle over the expected term for the which the assets will be held, a term that must exceed the debt's maturity.

Real estate assets may not be sold before the associated debt is extinguished. In the event of disposal, the debt is repaid early. The hedging policy is flexible to limit any risk of over-hedging in the event of the disposal of assets.

Covivio Hotels' borrowings and debt with credit institutions have been covered by swap agreements.

The table below summarises the major features of these swap contracts in euros:

Start date	End date	Ref	Bank	Rate type	Notional (€K)	Fair value (€K)
31/12/2014	30/12/2022	swap emprunteur TF	CIC-EST	3,8700%	70 000	-10 961
31/03/2015	31/03/2025	swap emprunteur TF	HSBC	0,6925%	70 000	-99
29/05/2015	29/05/2023	swap prêteur TF	HSBC	0,7180%	100 000	2 431
30/06/2015	30/06/2025	swap emprunteur TF	CIC-EST	1,8850%	50 000	-5 024
31/03/2016	31/12/2026	swap emprunteur TF	PALATINE	0,9230%	50 000	-1 532
29/09/2017	31/12/2027	swap emprunteur TF	CIC-EST	1,1875%	70 000	-3 349
29/12/2017	30/06/2028	swap emprunteur TF	NATIXIS	0,9040%	100 000	-1 859
15/01/2018	31/03/2027	swap emprunteur TF	CACIB	0,7125%	100 000	-1 180
15/01/2018	31/03/2027	swap emprunteur TF	NATIXIS	0,6880%	100 000	-978
29/03/2018	31/03/2028	swap emprunteur TF	HSBC	1,0010%	100 000	-2 946
29/03/2018	31/03/2027	swap emprunteur TF	LCL	0,9190%	100 000	-2 882
29/06/2018	31/12/2027	swap emprunteur TF	SOCIETE GENERALE	0,9180%	100 000	-2 364
24/09/2018	24/09/2025	swap prêteur TF	HSBC	0,6210%	150 000	1 615
24/09/2018	24/09/2025	swap prêteur TF	LCL	0,6210%	100 000	1 077
24/09/2018	24/09/2025	swap prêteur TF	NATIXIS	0,6210%	100 000	1 077
15/01/2019	15/01/2029	swap emprunteur TF	HSBC	0,8920%	100 000	-1 231
Total					1 460 000	-28 204

The table below summarises the major features of these swap contracts in pounds sterling:

Start date	End date	Ref	Bank	Rate type	Notional (€K)	Fair value (€K)
15/01/2019	30/06/2026	swap emprunteur TF	SG	1,4550%	100 000	-1 121
15/01/2019	30/06/2026	swap emprunteur TF	SANTANDER	1,4670%	100 000	-1 216
15/01/2019	30/06/2026	swap emprunteur TF	HSBC	1,4680%	100 000	-1 224
15/01/2019	30/06/2026	swap emprunteur TF	CIC-EST	1,3500%	100 000	-294
15/01/2019	30/06/2026	swap emprunteur TF	SG	1,4170%	90 000	-740
Total					490 000	-4 595

3.5.5.1.2 Caps and floors

Covivio Hotels' loans and debts with credit institutions are subject to a cap and floor contract.
The table below summarises the major features of these cap and floor contracts:

Start date	End date	Ref.	Bank	Type of rate	Notional (€ thousands)	Fair value (In € thousands)
03.31.2015	3/31/2022	tunnel-cap	SOCIETE GENERALE	2.0000%	26,000	7
03.31.2015	3/31/2022	tunnel-cap	HSBC	2.0000%	16,000	4
12/30/2016	6/28/2019	floor	HSBC	0.50000%	75,000	299
Total					117,000	309

3.5.5.1.3 Cross-currency swaps

Covivio Hotels' loans and debts with credit institutions are subject to cross-currency swap contracts (Swap of floating-rate debt in GBP for fixed-rate debt in euros).

The table below summarises the major features of these cross-currency swap contracts:

Start date	End date	Ref	Bank	Rate type	Notional (€K)	Fair value (€K)
31/07/2018	30/06/2026	CCS prêteur TF	CIC-EST	2,3000%	141 300/125 000	3 600
20/09/2018	30/06/2026	CCS prêteur TF	NATIXIS	2,3000%	56 427/50 000	1 686
Total					199 427/175 000	5 286

3.5.5.2 Commitments received

Commitments related to operating activities and financing

Off-balance sheet commitments received in €M	Deadline	31/12/18	31/12/17
Commitments related to consolidated companies		**0,0**	**0,0**
Commitments received on specific transactions		0,0	0,0
Commitments related to financing		**287,4**	**217,3**
Commitments related to financing not specifically required by IFRS 7			
Financial guarantees received (authorised lines of credit not used)		287,4	217,3
Commitments related to operating activities		**343,5**	**1 006,3**
Other contractual commitments received related to "rental income due" activities		104,0	540,3
Assets received in pledge, mortgage or collateral, as well as guarantees received		204,4	220,2
Preliminary sale agreements received = Preliminary sale agreements given		18,0	202,1
Works committed outstanding (fixed assets) = (2) + (3) of commitments given		17,1	43,7
Acquisition commitments (fixed assets)		0,0	0,0

3.5.6 SUNDRY INFORMATION

3.5.6.1 Average headcount during the fiscal year and headcount at the end of the fiscal year

	2018	2017
Managers	23	18
Supervisors	0	0
Total excluding apprentices	**23**	**18**
Apprentices	0	**0**
Total	**23**	**18**

The company's headcount at 31 December 2018 was 23 people, all on permanent contracts.

3.5.6.2 Compensation of corporate officers

3.5.6.2.1 Attendance fees

The attendance fees paid over the fiscal year by Covivio Hotels amounted to €32 thousand.

3.5.6.2.2 Remuneration of the General Manager and of the limited partners

The Managing Partner, Covivio Hotels Gestion, received compensation amounting to €1,188 thousand excluding taxes for its work in 2018. The terms of this remuneration are governed by Article 11 of the Articles of Association of Covivio Hotels.

In 2018, Covivio Hotels paid €500 thousand in preferred dividends to the Limited Partner, Covivio Hotels Gestion in respect of 2018.

3.5.6.3 Information regarding related-party transactions

All related-party transactions are concluded under normal market conditions.

3.5.6.4 Information on items with related companies

Items	Amount
Advances and pre-payments on fixed assets	0
Investments	1 426 352
Investment-related receivables	0
Loans	1 590 102
Trade receivables and related accounts	30 742
Other receivables	0
Other sundry long-term loans and borrowings	0
Other sundry short-term loans and borrowings	0
Advances and deposits received on orders in progress	202
Trade payables and related accounts	122 916
Debt on fixed assets and related accounts	0
Other debts	20 120
Income from investments	73 930
Other financial income	45 560
Financial expenses	-1 008

3.5.6.5 Financial lease

There were no financial lease agreements in progress in 2018.

3.5.6.6 Subsidiaries and equity investments

SUBSIDIARIES AND EQUITY INVESTMENTS AT 31 DECEMBER 2018
(Article L 233-15 of the French Commercial Code)

in €K

Companies or groups of companies	Share capital	Equity other than capital	Capital interest (%)	Book value of securities held – gross	Book value of securities held – net	Outstanding loans and advances granted by the Company and not reimbursed	Guarantees and sureties given by the Company	Revenues net of tax for the most recent year ended	Profit (loss) for the most recent year ended	Dividends received by the Company over the year	Observations
I. DETAILED INFORMATION											
A. Subsidiaries (at least 50% of the capital held by the Company)											
1) REAL ESTATE ACTIVITIES											
a) Rental property											
SNC Foncière Otello	1	20024	99 92	33 071	33 071	145781		17,058	6 979	6.496	
SNC Hôtel René Clair	6 761	4868	99 99	9 833	9.833	5700		2 102	1 183	1.258	
B&B Invest Espagne	41	4033	100 00	4.089	4.089	7594		747	15	21	
Investment FDM Rocatiera	11.104	108386	100 00	111 004	111 004	227600		22.030	7 792	7.730	
Bardiomar	7 631	15189	100 00	79 224	79 224	8798		5 881	5 017	4.544	
Trade Center Hotel	12 020	24231	100 00	96 585	96.585	0		5 367	4 159	4.116	
SCI Porte Dorée	1.864	6135	100 00	14 751	14 751	7747		1.171	-518	0	
b) Holding											
SARL Loire	2	58	100 00	86	86	0		0	-6	0	
SAS Foncière Ulysse	1.279	2807	100 00	4 931	4.931	11502		0	-108	2 704	
SARL Foncière Manon	105	44	99 90	265	265	0		0	3	0	
Murdelux	27.053	370787	99 95	367.839	367 839	841776		453	56.239	29 408	
FDM Gestion Immobilière	1	183	99 99	1	1	1.017		5.360	183	287	
OPCI B2 Hôtel Invest	290 037	2745	50 20	145.613	145 613	37148		0	23 798	12 492	
OPCI Foncière Développement Tourisme	67.000	1.029	50 10	33.567	33.567	0		0	921	0	
FDM M Lux	13	248309	100 00	378.895	378 895	2873		0	-41 893	0	
SCI Rosace	1 000	589	100 00	13 323	13 323	39317		4 466	-857	0	
Constance	5 839	52368	100 00	53.442	53 442	101.758		0	123	0	
LHM Holding Lux	12	6667	100 00	20.973	20 973	28960		0	13	1.000	
B. Investment (10% to 50% of capital held by the Company)											
1) REAL ESTATE ACTIVITIES											
a) Rental property											
SCI Dahlia	6 038	35377	20 00	12 076	12,076	0		8 681	2 084	761	
b) Holding											
Ins Holding France	9 582	11.928	19 90	6 588	6 588	6745		95	-150	629	
Ins Invest 2010	110 869	9.746	19 90	22 624	22,624	0		0	7 054	1,368	
Camp Invest	88 299	6252	19 90	17 571	17,571	0		0	5 899	1 116	
II. GENERAL INFORMATION											
A. Subsidiaries not included in Section 1											
a) French subsidiaries (total)											
b) Foreign subsidiaries (total)											
B. Investments not included in Section 1											
a) In French companies (total)											
b) In Foreign companies (total)											
III. GENERAL INFORMATION ON HOLDINGS											
A. Subsidiaries I + II											
a) French subsidiaries (total)	365 186	31758		308,883	308,883	351970	0	30 157	31 701	23.237	
b) Foreign subsidiaries (total)	392 289	634622		1058 609	1.058 609	1.117601	0	34 478	31.342	46 819	
B. Investments I + II											
a) In French companies (total)	216.652	59438		58 859	58 859	6745	0	8 776	14 887	3,574	
b) In Foreign companies (total)	0	0		0	0	0	0	0	0	0	

3.5.7 SUBSEQUENT EVENTS

None

3.6. Report by the Statutory Auditors on the annual financial statements

Year ended 31 December 2018

To the General Meeting of Covivio Hotels,

Opinion

In compliance with the engagement entrusted to us by the General Meeting, we audited the accompanying consolidated financial statements of Covivio Hotels for the fiscal year ended 31 December 2018.

In our opinion, the accompanying annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2017, and of the results of its operations for the year then ended, in accordance with French accounting standards.

The opinion set out below reflects the content of our report to the audit committee.

Basis of Opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe the information we have collected to be sufficient and appropriate to form an opinion.

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

Independence

We conducted our audit engagement in accordance with the independence rules applicable to us, for the period from 1 January 2017to the date of this report, *and in particular we did not provide any prohibited services referred to in Article 5 (1) of EU Regulation 537/2014 or in the French Code of Ethics for Statutory* Auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of articles L. 823-9 and R. 823-7 of the French Code of commercial law relating to the justification of our assessments, we bring to your attention the following key audit matters relating to the risks of material misstatement which, in our professional view, have presented the greatest significance for the audit of the accompanying annual financial statements, as well as the manner in which we have responded to those risks.

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

Valuation of equity investments, related receivables and provisions for any contingencies relating thereto

Risk identified

At 31 December 2018, the Company's equity investments and related receivables were included in its statement of financial position at a net carrying amount of €3.018 million or 79% of the total assets. As stated in Note 3.5.2.4, "Non-current financial assets" to the annual financial statements, they are measured at cost or at the applicable contribution value less any impairment allowance required to reduce them to their value in use.

In the case of investments held for the long term, value in use is assessed on the basis of the investee's net assets plus any unrecognised capital gains associated with the investee's non-current assets.

As stated in Note 3.5.2.9, "Provisions for contingencies and losses" to the annual financial statements, provisions may also be recognised in the amount *of any negative revalued equity associated with subsidiaries for which any* associated assets have already been impaired.

How the matter was addressed

We obtained an understanding of the process of determination of the value in use of equity investments. Our work also involved:

- obtaining an understanding of the applicable valuation methods and of the underlying assumptions for the determination of value in use;
- comparing the net asset values retained by management for valuation purposes with the available accounting source data for subsidiaries subject to audit or analytical procedures and examining any *adjustments applied;*
- testing, on a sample basis, the arithmetical accuracy of the calculations resulting in the final carrying amounts;
- recalculating, on a sample basis, the impairment allowancescalculated by the Company.

Given the weight of the Company's equity investments and related receivables and the sensitivity of their valuation to the applicable assumptions in particular as regards the estimation of the applicable unrecognised capital gains, we considered their valuation and that of any applicable provisions as a key audit matter.

Our procedures in respect of the applicable unrecognised capital gains also involved:

- assessing the competence and independence of the real estate appraisers by examining the application of the rotation rules and the forms of remuneration offered by the Company;
- obtaining an understanding of the Company's written instructions to its professional property valuers describing the nature of the services required and the scope and limitations of the applicable procedures with particular regard to the verification of the information provided by the Company;
- assessing, on a test basis, the relevancy of the information provided by the Company's finance department to the professional property valuers for the purpose of determining the fair value of the Company's property assets, including rent schedules, other accounting data and capital expenditure budgets;
- analysing the professional property valuers' valuation assumptions such as, in particular, the applicable yield rates, discount factors, estimated rents and market rental values, by comparison with the available market data;
- interviewing certain professional property valuers in the presence of the Company's finance department and assessing, by the inclusion of valuation specialists within our audit teams, the consistency and relevancy of the valuation approach applied and of the main associated instances of the exercise of professional judgement.

In addition to obtaining an understanding of the process used to determine the value in use of equity investments, our work also involved:

- assessing the recoverable nature of related receivables in view of the analyses of the equity investments;
- reviewing the need to recognise a provision for risk to cover the net revalued position of subsidiaries when this is negative and when all of the subsidiary's assets have been impaired.

Valuation of property assets

Risk identified

At 31 December 2018, fixed assets represented a value of €459 million, out of a total balance sheet of €3,825 million. They are mainly comprise investment properties held by the Company.

Fixed assets are recognised at acquisition cost or production cost and are depreciated on a straight-line basis. As indicated in Note 3.5.2.3 "Impairment of tangible and intangible fixed assets" to the annual financial statements, at each closing date the Company assesses the existence of indicators showing that an asset may have lost significant value. In such cases, an impairment charge may be recorded in income. These impairment losses are determined by a comparison between the market value (excluding charges), calculated on the basis of independent appraisals, and the net book value of the properties.

Property valuation is a complex matter requiring the exercise of significant judgement by the Company's professional property valuers based on the data communicated by the Company.

Given the weight of the Company's property assets and the sensitivity of their valuation to the applicable assumptions requiring the exercise of judgement, we considered their valuation as a key audit matter.

How the matter was addressed

We obtained an understanding of the Company's process of valuation of its property assets.

Our procedures also involved:

- assessing the competence and independence of the real estate appraisers by examining the application of the rotation rules and the forms of remuneration offered by the company;
- obtaining an understanding of the Company's written instructions to its professional property valuers describing the nature of the services required and the scope and limitations of the applicable procedures with particular regard to the verification of the information provided by the Company;
- assessing, on a test basis, the relevancy of the information provided by the Company's finance department to the professional property valuers for the purpose of determining the fair value of the Company's property assets, including rent schedules, other accounting data and capital expenditure budgets;
- analysing the professional property valuers' valuation assumptions, in particular, the yield rates, discount rates, rental data and market rental values, by comparison with the available market data;
- interviewing certain professional property valuers in the presence of the Company's finance department and assessing, by the inclusion of valuation specialists within our audit teams, the consistency and relevancy of the valuation approach applied and of the main associated instances of the exercise of professional judgement.
- verifying, on a sample basis, that impairment allowances are recognised when appraisal values (excluding charges) calculated by independent professional property valuers are lower than the net carrying amounts and the criteria defined in Note 3.5.4.2 to the annual financial statements are met;

- recalculating, on a sample basis, the impairment allowances calculated by the Company and the corresponding charges or credits for increases or decreases in the existing allowances.

Specific verification

We have also performed, in accordance with professional standards applicable in France, the other specific verifications required by French law and regulations.

Information on the Company's financial position and annual financial statements included in the Company's management report and other documents addressed to shareholders

We have no matters to report as to the fair presentation and consistency with the annual financial statements of the information on the Company's financial position and annual financial statements included in its management report and other documents addressed to shareholders.

We confirm the true and fair nature and the consistency with the annual financial statements of the information on payment terms in article D. 441-4 of the French Commercial Code.

Corporate governance report

We confirm the existence, in the Supervisory Board's corporate governance report, of the information required by articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

As regards the information on the remuneration and other benefits paid to Company Officers, and on any guarantees provided on their behalf, required by article L. 225-37-3 of the French Code of commercial law, we vouched its agreement with the Company's annual financial statements or underlying data and, if necessary, with the elements gathered by your Company from other companies controlling your Company or under its control. Based on this work, we confirm the accuracy and fair presentation of that information.

As regards the information on matters liable, in the view of your Company, to have an impact in the event of any public offer for the purchase or exchange of the Company's securities and required by application of article L. 225-37-5 of the French Code of commercial law, we vouched its agreement with the applicable source documents communicated to us. Based on this work, we have no matters to report in respect of this information.

Other information

As required by law, we verified that the requisite information on purchases of shares and controlling interests and the identity of the Company's shareholders, and their voting rights, have been communicated to you in the management report.

Information on other legal and regulatory obligations

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Covivio Hotels by your General Meeting of 30 November 2004 for MAZARS and of 11 April 2013 for ERNST &YOUNG et Autres.

As at 31 December 2018, MAZARS was in the fifteenth straight year of its engagement and ERNST & YOUNG et Autres in the sixth year.

Prior to this, the firm Groupe PIA, which later became Conseil AUDITEX & Synthèse (acquired by ERNST & YOUNG AUDITEX in 2010), was Statutory Auditor from 2007 to 2012.

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

The Company's management is responsible for the preparation of annual financial statements presenting a true and fair view in accordance with French accounting standards and for the implementation of the system of internal control it deems necessary for the preparation of annual financial statements free from material misstatement whether resulting from fraud or error.

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

The audit committee is responsible for overseeing the process for preparing financial information and monitoring the effectiveness of the risk management and internal control systems, as well as, as applicable, the internal audit system, regarding the procedures relating to the preparation and processing of accounting and financial information.

The annual financial statements were approved by the management board.

Responsibilities of the Statutory Auditors for the audit of the annual financial statements

Objectives and audit process

We are required to prepare a report on the Company's annual financial statements. Our purpose is to obtain reasonable assurance about whether the annual financial statements, taken as a whole, are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement where one exists. Misstatements can arise from fraud or error and are considered material if, individually or aggregated, they could reasonably be expected to influence the economic decisions of users as taken on the basis of these consolidated financial statements.

As indicated in Article L. 823-10-1 of the French Commercial Code, in auditing the financial statements we are not asked to guarantee the viability or quality of the company's management.

In the course of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises its professional judgement throughout the audit. We also:

- identifies the risks of material misstatement in the annual financial statements, whether resulting from fraud or from error, defines and deploys audit procedures with regard to those risks and gathers the audit evidence deemed sufficient and appropriate to support the audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the circumvention of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;

- assesses the appropriateness of the Company's accounting policies, the reasonableness of management's estimates and the adequacy of the related additional disclosures provided in the annual financial statements;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may call into question the company's ability to continue as a going concern. If the auditor concludes as to the existence of any material uncertainty, the attention of readers of the audit report is drawn to the information provided in that respect in the annual financial statements or, if such information is not provided or is not relevant, the auditor formulates a qualified audit opinion or a disclaimer of opinion;

- assesses the overall presentation of the annual financial statements and judges whether the annual financial statements reflect the Company's transactions and underlying events in such a way as to provide a true and fair view.

Report to the audit committee

We submit a report to the Audit Committee that in particular covers the scope of the audit work and the schedule of work undertaken, along with our findings. We also inform it, as applicable, of any material weaknesses we identified in the internal control system regarding the procedures relating to the preparation and processing of accounting and financial information.

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

We also provide the audit committee with the confirmation in writing provided for in Article 6 of EU Regulation 537-2014 regarding our independence, as per the applicable rules in France found in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where necessary, we discuss with the audit committee the threats to their independence and the safeguards applied to mitigate those threats.

Courbevoie et Paris-La Défense28 February 2019

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
Gilles Magnan	Anne Herbein

3.7. Special report by the Statutory Auditors on regulated agreements and commitments

General Meeting to approve the company's financial statements for the fiscal year ended 31 December 2018

To the General Meetingof Covivio Hotels,

In our capacity as statutory auditors of your company, we hereby report on related party agreements and commitments.

We are required to inform you, based on the information we have been given, of the terms and conditions and interest for the company of those agreements and commitments indicated to us, or that we may have discovered during our assignment. We are not required to comment on whether they are beneficial or *appropriate or -to ascertain if any other agreements and commitments exist. It is your responsibility, in accordance with the terms of article R. 226-2 of the* French code of commercial law, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you, in accordance with article R. 226-2 of the French code of commercial law, of any agreements and commitments previously approved by shareholders which were executed during the year.

We carried out the work we deemed necessary in the light of the professional standards of the Compagnie Nationale des Commissaires aux Comptes applicable to this responsibility. Those procedures consisted in verifying that the information we were given was consistent with the underlying documentation.

Agreements and commitments submitted for approval by the General Meeting

We inform you that we have not been notified of any agreements or commitments authorised during the fiscal year ended and to be submitted to the General Meeting for approval in application of the provisions of article L. 226-10 of the French Commercial Code.

Agreements and commitments previously approved by the General Meeting

In accordance with Article R226-2 of the French code of commercial law, we were informed that the following agreements and commitments, previously approved by General Meetings of previous years, were executed during the year.

1. With the companies Predica and ACM Vie, holding more than 10% of the share capital of your Company and members of the Supervisory Board

a) Nature, purpose and terms

Shareholders' agreement on the Angel transaction

This agreement was signed in on 6 November 2012 between your Company and the companies Loire, Foncière Manon, the Crédit Agricole group and its *affiliates and* ACM *Vie and its affiliates.*

The shareholders' agreement governs the relations between the shareholders of B2 Hôtel Invest and Foncière B2 Hôtel Invest and in particular:

- *a prohibition on transferring the securities of the OPCI until after the fourth anniversary of the date on which the Agreement was signed;*
- *a right of first refusal by the shareholders in the event that one of them seeks to sell its shareholdings on expiry of the period of inalienability;*
- *a tag-along right and a right of* expulsion and *a rendez-vous clause;*
- the setting of the terms and conditions of the exit price.

This agreement had no impact on the financial statements in the fiscal year ended 31 December 2018.

b) Nature, purpose and terms

Subscription agreement

This agreement was signed on 14 November 2012 between your company and the companies Predica, ACM Vie, Serenis Assurances, Assurances du Crédit Mutuel IARD, Assurances du Crédit Mutuel Vie and Aviva Vie.

Under this subscription agreement, in 2012 your company issued a bond with an initial nominal value of €255 million, bearing interest at 3.682% per year (from 1 January to 16 February 2015) and 2.754% per year (from 16 February 2015) and maturing on 16 November 2021.

The financial expenses corresponding to the subscriptions of Predica and ACM Vie amounted to €3,154 thousand in respect of the fiscal year ended 31 December 2018.

2. With the company Predica, holding more than 10 % of the share capital of your company and member of the Supervisory Board

a) Nature, purpose and terms

Shareholders' agreement on the Pei transaction

This agreement was signed on 24 May 2011 between your company and the companies Predica, Pacifica, Imefa Cent Deux and Imefa Cent Vingt-Huit.

The shareholders' agreement governs the relations between the shareholders of Camp Invest et Campeli, and in particular:

- a prohibition on transferring the securities of the OPCI Camp Invest until after the fifth anniversary of the date on which the transaction took place;
- a right of first refusal by the shareholders in the event that one of them seeks to sell its shareholdings on expiry of the period of inalienability;
- a tag-along right and a right of expulsion;
- the setting of the terms and conditions of the exit price.

This agreement had no impact on the financial statements in the fiscal year ended 31 December 2018.

b) Nature, purpose and terms

Shareholders' agreement on the Dahlia transaction

This agreement was signed on 29 November 2011 between your company, S.C.I. Holding Dahlia and Predica.

The shareholders' agreement governs the relations between the associates of S.C.I. Holding Dahlia. This agreement had no impact on the financial statements in the fiscal year ended 31 December 2018.

c) Nature, purpose and terms

Shareholders' agreement on the Iris transaction

This agreement was signed on 6 December 2010 between your company and Predica.

The shareholders' agreement governs the relations between the associates of Iris Holding France and Iris Invest 2010 and in particular:

- a prohibition on transferring the securities of the OPCI until after the fifth anniversary of the date on which the transaction took place;
- a right of first refusal by the shareholders in the event that one of them seeks to sell its shareholdings on expiry of the period of inalienability;
- a tag-along right and a right of expulsion;
- the setting of the terms and conditions of the exit price.

This agreement had no impact on the financial statements in the fiscal year ended 31 December 2018.

3. With the company Covivio (formerly Foncière des Régions), holding more than 10 % of the share capital of your company and member of the Supervisory Board

a) Nature, purpose and terms

Addendum no. 4 to the agreement on network costs

This addendum to the initial agreement of 5 June 2009 was signed on 12 May 2016 between your company and Covivio (formerly Foncière des Régions). This addendum was the subject of the prior authorisation by your Supervisory Board on 9 February 2016.

The amount carried by your company in respect of the fiscal year ended 31 December 2018 was €4,482 thousand.

Courbevoie et Paris-La Défense, 7 March 2019

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
Gilles Magnan	Anne Herbein

3.8. Resolutions submitted to the Combined General Meeting of 5 April 2019

Ladies and Gentlemen, Shareholders of the company Covivio Hotels (the "company"), are hereby informed that they are invited to attend the Combined General Meeting to be held at 9:30 am on Friday, April 5, 2019, at Pavillon Kléber, 7 rue Cimarosa, 75116 Paris, in order to deliberate on the following agenda:

3.8.1. AGENDA

Ordinary resolutions

- Approval of the company's financial statements for the year ended 31 December 2018
- Approval of the consolidated financial statements for the year ended 31 December 2018
- Allocation of income – distribution of dividends
- Approval of the special report by the Statutory Auditors prepared in accordance with Article L. 225-40 of the French Commercial Code and the regulated agreements referred to in Article L. 226-10 of the French Commercial Code mentioned therein
- Renewal of the term of office of the company Cardif Assurance Vie as a member of the Supervisory Board
- Renewal of the term of office of the company Covivio as a member of the Supervisory Board
- Renewal of the term of office of the company Predica as a member of the Supervisory Board
- Renewal of the term of office of the company Generali Vie as a member of the Supervisory Board
- Renewal of the term of office as Principal Statutory Auditors of Ernst & Young et Autres
- Authorisation to be granted to the General Manager for the purposes of the company's purchase of its own shares

Extraordinary resolutions

- Modification of Article 3 (Purpose) of the Articles of Association
- Approval of the Contribution in kind granted by the company Covivio and the corresponding capital increase
- Approval of the valuation of the Contribution in kind granted by the company Covivio
- Recording of the final completion of the Contribution in kind, the capital increase and the corresponding amendment to the Articles of Association
- Delegation of authority to the General Manager to increase the company's share capital through the capitalisation of reserves, profits or premiums
- Authorisation to be granted to the General Manager to reduce the company's share capital through the cancellation of shares
- Delegation of authority to the General Manager to issue shares and/or securities giving access to the company's share capital, maintaining the shareholders' preferential right of subscription
- Delegation of authority to the General Manager to issue, through public offering, shares and/or securities giving access to the company's share capital, with waiver of the shareholders' preferential right of subscription and a mandatory priority period for share issues
- Delegation of authority to the General Manager in the event of a capital increase with or without a preferential right of subscription, to increase the number of shares to be issued
- Delegation of authority to the General Manager to issue shares and/or securities giving access to the company's share capital, in order to compensate the contributions in kind granted to the company and consisting of capital securities or securities giving access to the share capital, with waiver of shareholders' preferential right of subscription
- Delegation of authority to the General Manager to issue shares and/or securities giving access to the company's capital, with waiver of shareholders' preferential right of subscription, in the event of a public exchange offer initiated by the company
- Delegation of authority to the General Manager to carry out capital increases reserved for company employees who are members of a savings plan, with waiver of shareholders' preferential right of subscription
- Powers for formal recording requirements

3.8.2. TEXT OF THE DRAFT RESOLUTIONS

ORDINARY RESOLUTIONS

RESOLUTION 1

Approval of the company's financial statements for the year ended 31 December 2018

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having reviewed the company's financial statements for the fiscal year ended 31 December 2018 and the report of the General Manager, the report of the Supervisory Board and the report by the Statutory Auditors on the annual financial statements, approves in full the reports of the General Manager, the Supervisory Board and the company financial statements for the fiscal year ended 31 December 2017, which include the balance sheet, income statement and notes, as presented, and showing a profit of €218,201,880.76.

The General Meeting consequently approves the transactions posted to these financial statements or summarised in these reports.

The General Meeting notes that there were no expenditure and expenses covered by Article 39-4 of the French General Tax Code, and observes that there is no corporate income tax payable in this respect.

RESOLUTION 2

Approval of the consolidated financial statements for the year ended 31 December 2018

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having reviewed the report of the General Manager, the report of the Supervisory Board and the report by the Statutory Auditors on the consolidated financial statements, approves the consolidated financial statements for the fiscal year ended 31 December 2018, which include the balance sheet, income statement and notes, as presented, as well as the transactions posted to these financial statements or summarised in these reports.

The General Meeting approves the consolidated net income of the Group as at 31 December 2018, which amounts to €194,002 thousand.

RESOLUTION 3

Allocation of income – Distribution of dividends

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having noted that profit for the fiscal year amounting to €218,201,880.76, increased by the retained earnings of €14,140,657.45, brings the distributable profit to an amount of €232,342,538.21, decides, on a proposal by the General Manager, to allocate the distributable profit as follows:

- payment of the preferential dividend of €500,000 to the General Partner in respect of the fiscal year;
- allocation of €10,910,094.04 to the legal reserve, bringing the amount of the legal reserve to €46,036,528.84;
- the payment of a €182,989,723.30 in dividend to shareholders;
- €37,942,720.87 to the retained earnings account.

Each share will thus receive a dividend of €1.55.

In accordance with the law, shares held by the company on the dividend payment date do not hold any dividend rights. The General Meeting resolves that the amount corresponding to treasury shares on the dividend payment date, as well as the amount the shareholders may have waived, will be allocated to the "Retained earnings" account.

The dividend will be distributed on 12 April 2019.

Based on the total number of shares that made up the share capital at 31 December 2018, i.e. 118,057,886 shares, and subject to the potential application of the provisions of Article 9 of the company's Articles of Association to the Shareholders subject to Withholding, a total dividend of €182,989,723.30 will be distributed. This dividend only carries entitlement to the 40% rebate in the event that the global annual election has expressly and irrevocably been made for the income tax scale option in accordance with the provisions of Article 200 A 2 of the French General Tax Code, and only for the portion of this dividend deducted, where applicable, from earnings liable for corporate income tax. In accordance with Article 158.3° b bis of the French General Tax Code, this rebate is not applicable to profits exempt from corporate income tax under the SIIC regime, pursuant to Article 208 C of the French General Tax Code.

Dividends drawn against the company's profits exempt from corporate income tax pursuant to Article 208 C of the French General Tax Code, excluding the preferential dividend and not eligible for the 40% rebate total €143,588,283.90. The dividend drawn against profits subject to corporate income tax amounts to €39,401,439.40.

In accordance with the law, the General Meeting confirms that the dividends distributed for the previous three fiscal years were as follows:

Fiscal year	Number of shares	Dividend paid per share	Amount of dividend eligible for the 40% rebate	Amount of dividend not eligible for the 40% rebate
2017	106,252,098	€1.55	€0 or €0.066 if election is made for the income tax scale option	€1.55 or €1.484 if election is made for the income tax scale option
2016	74,103,963	Ordinary dividend: €1.55 Extraordinary dividend: €1.55	€0	€3.10
2015	74,103,963	€1.55	€0	€1.55

RESOLUTION 4

Approval of the special report by the Statutory Auditors prepared in accordance with Article L. 225-40 of the French Commercial Code and the regulated agreements referred to in Article L. 226-10 of the French Commercial Code mentioned therein

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having reviewed the report of the General Manager and the special report by the Statutory Auditors on the regulated agreements referred to in Article L. 226-10 of the French Commercial Code, approves said report and said agreements concluded or executed during the fiscal year ended 31 December 2018.

RESOLUTION 5

Renewal of the term of office of the company Cardif Assurance Vie as a member of the Supervisory Board

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having reviewed the report of the General Manager, and having noted that the term of office of the company Cardif Assurance Vie as a member of the Supervisory Board is due to expire at this General Meeting, resolves to renew, as of this day, the term of office of the company Cardif Assurance Vie as a member of the company's Supervisory Board for a period of three (3) years expiring at the end of the Ordinary General Meeting called in 2022 to approve the financial statements for the fiscal year ending 31 December 2021.

RESOLUTION 6

Renewal of the term of office of the company Covivio as a member of the Supervisory Board

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having reviewed the report of the General Manager, and having noted that the term of office of the company Covivio as a member of the Supervisory Board is due to expire at this General Meeting, resolves to renew, as of this day, the term of office of the company Covivio as a member of the company's Supervisory Board for a period of three (3) years expiring at the end of the Ordinary General Meeting called in 2022 to approve the financial statements for the fiscal year ending 31 December 2021.

RESOLUTION 7

Renewal of the term of office of the company Predica as a member of the Supervisory Board

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having reviewed the report of the General Manager, and having noted that the term of office of the company Predica as a member of the Supervisory Board is due to expire at this General Meeting, resolves to renew, as of this day, the term of office of the company Predica as a member of the company's Supervisory Board for a period of three (3) years expiring at the end of the Ordinary General Meeting called in 2022 to approve the financial statements for the fiscal year ending 31 December 2021.

RESOLUTION 8

Renewal of the term of office of the company Generali Vie as a member of the Supervisory Board

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having reviewed the report of the General Manager, and having noted that the term of office of the company Generali Vie as a member of the Supervisory Board is due to expire at this General Meeting, resolves to renew, as of this day, the term of office of the company Generali Vie as a member of the company's Supervisory Board for a period of three (3) years expiring at the end of the Ordinary General Meeting called in 2022 to approve the financial statements for the fiscal year ending 31 December 2021.

RESOLUTION 9

Renewal of the term of office as Principal Statutory Auditors of Ernst & Young et Autres

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having reviewed the report of the General Manager, and having noted that the term of office of Ernst & Young et Autres as Principal Statutory Auditor is due to expire at this General Meeting, resolves to renew, as of this day, the term of office of Ernst & Young et Autres as Principal Statutory Auditor for a period of six (6) fiscal years expiring at the end of the General Meeting of Shareholders called in 2025 to approve the financial statements for the fiscal year ending 31 December 2024.

RESOLUTION 10

Authorisation to be granted to the General Manager for the purposes of the company's purchase of its own shares

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having reviewed the report of the General Manager and in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code, EC Regulation No. 596/2014 of 16 April 2014 and the market practices allowed by the French *Autorité des Marchés Financiers* (AMF):

- terminates, effective immediately, for the unused portion, the authorisation given by the Combined General Meeting of 6 April 2018;
- authorises the General Manager, which may further delegate such authority under the conditions provided for by legal and regulatory provisions, to purchase its own shares or have them be purchased, on one or more occasions and at the times of its choosing; and

- decides that purchases of company shares as described in the paragraph above may be for a number of shares such that the number of shares that the company would purchase during the buyback program does not exceed 10% of the shares making up the share capital of the company (at any time whatsoever, and this percentage applies to adjusted capital based on transactions that affect it after this meeting). It is stipulated that (i) a maximum of 5% of the shares comprising the company's share capital may be allocated for holding purposes and subsequent payment or exchange within the framework of a merger, split or contribution, and (ii) in the event of an acquisition within the context of a liquidity agreement, the number of shares taken into account for calculating the 10% limit on the total share capital mentioned above corresponds to the number of shares purchased less the number of shares resold during the term of this authorisation, and (iii) purchases made by the company may not under any circumstances lead to it owning more than 10% of the share capital of the company.

The maximum purchase price paid by the company for its own shares must not exceed thirty euros (€30) per share (excluding acquisition expenses). In case of capital transactions, specifically through the incorporation of reserves and/or the splitting or reverse splitting of shares, this price will be adjusted by a multiplier coefficient equal to the ratio between the number of shares comprising the share capital prior to the transaction and the same number after the transaction. Accordingly, in the event of a change in the par value of the share, a capital increase through the incorporation of reserves, the splitting or reverse splitting of shares, the distribution of reserves or any other assets, the amortisation of the share capital or any other transaction affecting shareholders' equity, the General Meeting delegates to the General Manager the authority to adjust the aforementioned maximum purchase price in order to take into consideration the effect of these transactions on the share value.

The maximum amount of funds reserved for the share buyback program will be two hundred million euros (€200,000,000).

Transactions relating to purchases, disposals, exchanges or transfers may be executed by any means, i.e. on the market or over the counter, including by acquisition or sale of blocks, as well as by recourse to financial instruments, specifically derivative financial instruments traded on a regulated or over-the-counter market, such as call or put options or any combinations thereof, or by recourse to warrants, under the conditions authorised by the competent market authorities and at such times as the company's General Manager deems fitting. The maximum portion of the share capital acquired or transferred in the form of blocks of shares may comprise up to the entire program.

These transactions may take place at any time, subject to compliance with regulations in effect, unless a third party files a public offering for the shares of the company, until the end of the offer period.

This authorisation is intended to allow the company to pursue the following objectives, in compliance with the applicable legal and regulatory provisions:

- remit the shares during the exercise of rights attached to securities giving the right, immediately or in the future, through redemption, conversion, exchange, presentation of a warrant or any other manner, to the allocation of company shares, as well as to engage in any hedging transaction in relation to the issuance of such securities, under the conditions stipulated by the market authorities and at such times as the General Manager or the individual acting on behalf of the General Manager deems fitting;
- keep the shares and remit them later as payment or in exchange in the context of potential transactions for external growth, merger, split or contribution;
- cancel all or part of the shares through a reduction in the share capital (specifically in order to optimise cash management, return on equity or income per share), subject to this General Meeting adopting Resolution 16, below;
- facilitate the liquidity of transactions and consistency in the trading of the company's shares or to prevent price swings not justified by market trends within the framework of a liquidity agreement entered into with an investment services provider operating with complete independence, under the conditions and in accordance with the methods set by regulation and recognised market practice and consistent with a code of ethics recognised by the French *Autorité des Marchés Financiers*;
- and also with a view to any other practice that could be recognised by the law or the *Autorité des Marchés Financiers* or any other purpose to be authorised by the law or regulations in effect in future. In such a case, the company would inform its shareholders by sending out a notice.

This authorisation is given for eighteen (18) months as at the date of this General Meeting.

The General Meeting grants complete authority to the General Manager, who may further delegate such authority under the conditions stipulated by the applicable legal and regulatory provisions, for the purposes of implementing this authorisation, and specifically:

- to place all orders on the stock exchange or over the counter;
- to enter into any agreements specifically with a view to maintaining records on the purchase and sale of shares;
- to prepare any documents, specifically for information purposes;
- to allocate or reallocate the shares acquired for the various purposes in question, under the applicable legal and regulatory conditions and;
- to prepare any statements and execute any recording requirements of the *Autorité des Marchés Financiers* or any other public authority and, in general, to take all necessary measures.

The General Meeting acknowledges that, in the event that the General Manager uses this authorisation, the General Manager must report on it in the report provided for in Article L. 225-100 of the French Commercial Code, in accordance with Article L. 225-211 of the French Commercial Code on referral from Article L. 226-1 of the French Commercial Code.

EXTRAORDINARY RESOLUTIONS

RESOLUTION 11

Modification of Article 3 (Purpose) of the Articles of Association

The General Meeting, ruling under the conditions of quorum and majority required for Extraordinary General Meetings, having reviewed the report of the General Manager, resolves to amend Article 3 of the Articles of Association, which now reads as follows:

"Article 3. - Purpose
The company's purpose, both in France and abroad, for itself or in partnership with third parties, involves:

- *Primarily:*

- the acquisition of any land, real estate rights or buildings, including through construction leases, particularly in the healthcare and leisure sectors, and accommodation in the broad sense, as well as assets and rights that may be accessory or attached to said real estate properties or contribute to their development,
- the construction of buildings for the healthcare and leisure sectors, accommodation in the broad sense and all operations directly or indirectly connected with the construction of these buildings,
- the operation and creation of value of such real estate assets through rental,
- the acquisition or conclusion of any real estate credit agreement as lessee in order to let or provide in return for payment, buildings the subject of such credit agreements,
- directly or indirectly, the holding of equity investments in entities stipulated in Article 8 and Sections 1, 2 and 3 of Article 206 of the French General Tax Code and, in general, investment in companies whose primary purpose is the operation of a rental real estate portfolio in the healthcare and leisure sectors, and accommodation in the broad sense, as well as the promotion, management and assistance of such entities and companies;

- On an ancillary basis:
  - directly or indirectly, the leasing of any real estate properties in the healthcare and leisure sectors, and accommodation in the broad sense including through a credit agreement or financial let,
  - the management, administration, negotiation and sale of any real estate properties and rights, on behalf of third parties and direct and indirect subsidiaries, in the healthcare and leisure sectors and accommodation in the broad sense,
  - indirectly, the acquisition, holding, disposal or operation of a business in the healthcare and leisure sectors and accommodation in the broad sense;

- In exceptional circumstances, the transfer, particularly through the sale, contribution or merger of the assets of the company;

- And, more generally:
  - the participation as borrower and lender in any intragroup loan or cash transactions and the possibility of granting for this purpose any personal guarantees or security interests in real or personal property, whether mortgages or other borrowings,
  - and all civil, financial, commercial, industrial, securities and real estate transactions deemed useful for the development of any one of the aforementioned purposes of the company.

RESOLUTION 12

Approval of the Contribution in kind granted by the company Covivio and the corresponding capital increase

The General Meeting, ruling under the conditions of quorum and majority required for Extraordinary General Meetings, having reviewed:

- the reports of the General Manager and the Supervisory Board;
- the contribution in kind agreement signed on 21 February 2019 between Covivio and the company, relating to all the shares (i.e. 100 shares) comprising the share capital of the Société Civile Immobilière Ruhl-Cote d'Azur, holder of the assets of the Hotel Méridien and the Hotel Mercure in Nice (06000), as well as a receivable in the amount of €10,500,000 held by Covivio on the Société Civile Immobilière Ruhl-Cote d'Azur In respect of an intragroup loan agreement dated 1 December 2015 (together the "Contribution");
- the reports on the value of the Contribution and on the fairness of it, prepared, in accordance with Article L. 225-147 of the French Commercial Code, by Messrs Mikaël Ouaniche and Alain Abergel, designated as contributions auditors by order of the Chairman of the Paris Commercial Court on 22 January 2019,

(i) approves in accordance with the provisions of Articles L. 225-147 and L. 225-10 of the French Commercial Code, subject to approval of the valuation of the Contribution in kind granted by Covivio, the subject of the following resolution, the Contribution granted by Covivio to the company under the terms and conditions set out in the contribution agreement and relating to all the shares comprising the share capital of the Société Civile Immobilière Ruhl-Cote d'Azur as well as a receivable in the amount of €10,500,000 held by Covivio on the Société Civile Immobilière Ruhl-Cote d'Azur, in respect of an intragroup loan agreement dated 1 December 2015, and notably providing for:
  - the conditions precedent to which the final completion of the Contribution in accordance with the provisions of Article 5 of the contribution in kind agreement is conditional, including the granting by the French *Autorité des Marchés Financiers* (AMF) in favour of Covivio of a waiver of the requirement to file a public takeover bid in accordance with Article 234-9, 3° of the AMF General Regulation (the "Conditions Precedent"), and
  - the Contribution takes effect on the date on which the last of the Conditions Precedent is fulfilled, with the company becoming the owner of the securities contributed and the receivable when said Contribution becomes final.

(ii) consequently resolves, subject to approval of the valuation of the Contribution in kind granted by Covivio, the subject of the following resolution, as well as the fulfilment of the Conditions Precedent not yet lifted, to increase the share capital by an amount of €9,462,012, by the issue of 2,365,503 new shares with a par value of four (4) euros each, fully paid up, and allocated to Covivio, as compensation for the Contribution,

(iii) resolves, subject to the same conditions, that the newly issued shares:
  - will be entitled to dividends from their issue, it nevertheless being stipulated that they will not give rights to dividends in respect of the 2018 fiscal year for which the distribution is proposed under the terms of Resolution 3, above,
  - subject to the above, will be fungible with existing company shares, will hold the same rights, bear the same charges and be subject to all provisions of the Articles of Association,
  - will be negotiable from the final completion of the capital increase compensating the Contribution, in accordance with the provisions of Article L. 228-10 of the French Commercial Code, it being specified that, from their issue, they will be admitted to trading on Euronext Paris on a separate quotation line until the ex-dividend date that will be decided under the terms of Resolution 3, above.

(iv) notes that the difference between the total value of the Contribution by Covivio in the amount of €40,084,181 and the nominal value of the capital increase compensating the Contribution in the total amount of €9,462,012, i.e. the sum of €30,622,169, represents the amount of the Contribution premium relating to the Contribution by Covivio, which will be allocated to a company shareholders' equity account and to which all old and new company shareholders will have rights.

RESOLUTION 13

Approval of the valuation of the Contribution in kind granted by the company Covivio

The General Meeting, ruling under the conditions of quorum and majority required for Extraordinary General Meetings, having reviewed:

- the reports of the General Manager and the Supervisory Board;
- *the reports on the value of the Contribution and on the fairness of it, prepared,* in accordance with Article L. 225-147 of the French Commercial Code, by Messrs Mikaël Ouaniche and Alain Abergel, designated as contributions auditors by order of the Chairman of the Paris Commercial Court on 22 January 2019.

decides to approve, in accordance with Article L. 225-147 of the French Commercial Code, the valuation of the Contribution granted to the company by Covivio, the subject of the preceding resolution, relating to all the shares comprising the share capital of the Société Civile Immobilière Ruhl-Cote d'Azur as well as the receivable in the amount of €10,500,000 held by Covivio on the Société Civile Immobilière Ruhl-Cote d'Azur, in respect of an intragroup loan agreement dated 1 December 2015, and amounting to a total net asset contribution of €40,084,181.

RESOLUTION 14

Recording of the final completion of the Contribution in kind, the capital increase and the corresponding amendment to the Articles of Association

The General Meeting, ruling under the conditions of quorum and majority required for Extraordinary General Meetings, having reviewed the reports of the General Manager and the Supervisory Board, as a result of the adoption of Resolutions 12 and 13, above, and in accordance with Article 5 of the contribution in kind agreement referred to in the two preceding Resolutions,

(i) resolves, subject to the fulfilment of the Conditions Precedent not yet lifted, to increase the company's share capital by an amount of €9,462,012, by the issue of a total number of 2,365,503 new shares with a par value of four (4) euros each, and allocated to the contributor as compensation for its Contribution to the company;

(ii) resolves to grant all powers to the General Manager, who may further delegate such authority, in order to:

- record the lifting of all Conditions Precedent and consequently, the final completion of the Contribution and the corresponding capital increase,
- make, as a result of the final completion of the Contribution, the corresponding amendments to the company's Articles of Association,
- charge all of the duties and costs incurred by the capital increase referred to above to the amount of the related Contribution premiums and to deduct, where appropriate, from said Contribution premiums the amounts necessary for any allocation in accordance with the rules in force and, in particular, to deduct from this amount 10% of the nominal amount of the capital increase in order to allocate it to the legal reserve,
- carry out all recording, communication and formalities necessary for the completion of the Contribution and the corresponding capital increase,
- perform all required or useful formalities for the creation of the new company shares issued as compensation for the Contribution and for their listing on the Euronext Paris regulated market,
- in general, take all measures and perform all formalities that may be necessary.

RESOLUTION 15

Delegation of authority to the General Manager to increase the company's share capital through the capitalisation of reserves, profits or premiums

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having reviewed the report of the General Manager:

- terminates, effective immediately, for the unused portion, the delegation granted by the Combined General Meeting of 6 April 2018;
- hereby fully authorises the General Manager, in accordance with the provisions of Articles L. 225-129, L. 225-129-2 and L. 225-130 of the French Commercial Code, who may further delegate such authority, to decide to increase the company's share capital, on one or more occasions, in the proportions and at the times that he or she deems relevant, by incorporating all or part of the reserves, profits, premiums or any other sums that may be capitalised, to be executed through the issue of new free shares or an increase in the par value of the company shares or a combination of these two procedures;
- resolves that the maximum nominal amount of the capital increases performed under this delegation, immediately or in the future, may not exceed a total of forty-seven million two hundred thousand euros (€47,200,000), plus, if applicable, the par value of the additional shares to be issued in order to protect the rights of the holders of securities giving access to the share capital, as required by legal, regulatory and contractual stipulations; it is specified that this *amount has been set independently and separately from the ceilings on capital increases as a result of share or securities issues authorised by* Resolutions 17 to 22;
- resolves that this delegation is valid for a period of twenty-six (26) months from the date of this General Meeting;
- resolves that the rights forming fractional shares will be neither tradable nor transferable and that the corresponding shares will be sold; the sums resulting from the sale will be awarded to the holders of the rights as provided for under the legislative and regulatory provisions applicable; and
- resolves that the General Manager, who may further delegate such authority under the conditions stipulated by the legal and regulatory provisions, will have all powers to implement this delegation, specifically for the purposes of:
  - (i) determining the terms and conditions of the operations authorised above, and more specifically determining in this respect the amount of sums to be capitalised and the shareholders' equity account or accounts against which they will be drawn,
  - (ii) setting the amounts to be issued and the dividend entitlement date, applied retroactively or not, for the securities to be issued,
  - (iii) making any adjustments in order to take into account the impact of operations on the company's share capital,
  - (iv) setting the terms and conditions under which the rights of holders of securities giving access to the share capital will be maintained, as relevant, *in accordance with the legal and regulatory provisions in force and the conditions stipulated in any contracts in force,*

(v) performing, either on its own or through an agent, all acts and formalities to make definitive any capital increases that may be carried out as authorised under this resolution, and

(vi) amending the Articles of Association accordingly and, in general, doing whatever is necessary.

RESOLUTION 16

Authorisation to be granted to the General Manager to reduce the company's share capital through the cancellation of shares

The General Meeting, ruling under the conditions of quorum and majority required for Extraordinary General Meetings, having reviewed the report of the General Manager and the special report of the Statutory Auditors, and in accordance with the provisions of Article L. 225-209 of the French Commercial Code:

- terminates, effective immediately, for the unused portion, the authorisation given by the Combined General Meeting of 6 April 2018;
- authorises the General Manager, who may further delegate such authority, for a period of eighteen (18) months from the date of this General Meeting, to cancel, on one or more occasions and at the times he or she deems fit, the shares acquired by the company under the authority of Resolution 10 or any other resolution with the same purpose and same legal basis, within the limit of 10% of the company's share capital per period of twenty-four (24) months, and to reduce the share capital accordingly, on the understanding that this percentage applies to the capital following any adjustments to take into account the impact of transactions subsequent to this General Meeting; and
- authorises the General Manager to allocate the difference between the purchase value of the cancelled shares and their par value to the share premium account or to any available reserves account, including the legal reserve, up to a maximum of 10% of the realised capital reduction.

The General Meeting grants all authority to the General Manager, who may further delegate such authority under the conditions stipulated by the legal and regulatory provisions, to undertake this (these) transaction(s) involving share cancellations and capital reductions, specifically to set the final value of the capital reduction, set the conditions and confirm its fulfilment and undertake the corresponding amendment of the company's Articles of Association, to carry out any formalities, procedures and make any declarations to any public bodies and, in general, to do all that is necessary.

RESOLUTION 17

Delegation of authority to the General Manager to issue shares and/or securities giving access to the company's share capital, maintaining the shareholders' preferential right of subscription

The General Meeting, ruling under the conditions of quorum and majority required for Extraordinary General Meetings, having reviewed the report of the General Manager and the special report of the Statutory Auditors, and in accordance with the provisions of Articles L. 225-129, L. 225-129-2 and L. 228-91 et seq. of the French Commercial Code:

- terminates, effective immediately, for the unused portion, the delegation granted by the Combined General Meeting of 6 April 2018;
- delegates to the General Manager, who may further delegate such authority, for a period of twenty-six (26) months as from the date of this General Meeting, the power to decide, on one or more occasions, in the proportions and at the times he or she deems fit, on the issuance, in France or abroad, in euros or in foreign currency, either free of charge or against payment, of company shares and/or securities (including new or existing stock warrants) giving access by any means to the company's share capital either immediately or in the future, with maintenance of shareholders' preferential right of subscription; it is specified that this delegation may allow the issuance of securities under the conditions provided for in Article L. 228-93 of the French Commercial Code;
- resolves that the maximum nominal amount of the capital increases performed by the company under this delegation, immediately or in the future, may not exceed a total of two hundred and thirty-six million euros (€236,000,000), plus, where applicable, the par value of any additional shares to be issued to protect the rights of the holders of securities giving access to the share capital as required by applicable legal, regulatory and contractual stipulations; it is specified that this amount has been set independently and separately from the caps on capital increases as a result of share and/or other securities issues authorised by Resolutions 15 and 18 to 22;
- resolves furthermore that the nominal amount of all debt securities giving access to the company's share capital, immediately or in the future, liable to be issued under this delegation, may not exceed a total of one billion euros (€1,000,000,000) or the equivalent of this amount on the date of the issuance decision, in the event of issuance in foreign currency or in a unit of account set by reference to several currencies; it is specified that the nominal amount of all debt securities giving access to the company's share capital, immediately or in the future, liable to be issued under this delegation and Resolutions 18[to] 21 may not exceed a total amount of one billion euros (€1,000,000,000), the overall ceiling for all debt securities issuances. This amount is independent of the amount of the debt securities for which issuance is decided or authorised by the General Manager in accordance with Article L. 228-40 of the French Commercial Code.

Shares or securities giving access to the share capital may be subscribed for either in cash or by offsetting receivables against the company.

Shareholders have a preferential right, in proportion to the value of their shares, to subscribe the shares and securities issued under this resolution. The General Manager may establish, for shareholders, a subscription right on a reducible basis for the shares or securities issued, which will be exercised in proportion to their subscription rights and up to the maximum of their orders.

Consequently, if subscriptions on an irreducible basis and, where applicable, on a reducible basis, have not absorbed the entire issue of shares or securities as defined above, the General Manager may use all or some of the options below, in the order he or she deems appropriate:

- to restrict the issue to the amount of subscriptions, it being specified that in the event of a share issue, this limit may only be applied by the General Manager on condition that the subscriptions amount to at least three-quarters (3/4) of the issue decided;
- to freely distribute all or part of any securities not subscribed on an irreducible basis and, where relevant, on a reducible basis; and
- to offer to the public all or part of the non-subscribed shares on the French and/or international markets and/or abroad.

The General Meeting acknowledges that the authorisation implies, as applicable, in favour of the holders of such securities as provide access to the share capital and may be issued under this delegation, automatic waiver by the shareholders of their preferential subscription right to shares in connection with such securities.

The General Meeting resolves that company's stock warrants may be issued by subscription offer, as well as by free allocations to owners of existing shares, and that, in the event of a free allocation of stock warrants, the General Manger will be entitled to resolve that fractional allocation rights will not be negotiable and that the corresponding securities must be sold.

The General Meeting grants complete authority to the General Manager, who may further delegate such authority under the conditions stipulated by the applicable legal and regulatory provisions, for the purposes of implementing this authorisation, and specifically:

- determining the dates, prices and other conditions of the issues as well as the form and features of the transferable securities to be created;
- setting the amounts to be issued and the dividend entitlement date, applied retroactively or not, for the securities to be issued;
- determining the method of release for the shares or other securities issued and, if applicable, the conditions for their purchase or exchange;
- suspending, if applicable, the exercise of the share allocation rights attached to the securities to be issued, for a period no longer than three (3) months;
- setting the terms and conditions under which the rights of holders of securities providing access to the company's share capital will be maintained, as relevant, in accordance with the legal and regulatory provisions in force and the conditions of any applicable contracts providing for other adjustments;
- charging any amounts against the share premium as required, in particular the fees triggered by the issuance, to deduct from this amount the necessary amounts corresponding to 10% of the nominal value of each issue for the legal reserve after each increase;
- undertaking any formalities required for the listing for trading on a regulated market in France or abroad, of the rights, shares or securities issued, and recording both the capital increase or increases resulting from any issuance made through the use of this delegation and providing the financial services of the securities in question and exercise of the corresponding rights;
- deciding, in the event of an issue of transferable securities representing debt securities providing access to the company's share capital, subject to the conditions defined by law, whether or not they are subordinated, setting the interest rate and the currency, the maturity, which may be perpetual if applicable, the fixed or variable redemption price with or without premium, the conditions for amortisation based on market conditions, and the conditions under which these securities will give entitlement to shares of the company and the other conditions for issue (including the act of granting guarantees or securities) and amortisation; and
- in general, taking any measure that may be required, entering into any agreements, requesting any authorisations, performing any formalities, and doing whatever is necessary to ensure the successful outcome of the issues planned, or to postpone them, and specifically recording the capital increases resulting from any issue performed through the use of this delegation, and amending the company's Articles of Association accordingly.

RESOLUTION 18

Delegation of authority to the General Manager to issue, through public offering, shares and/or securities giving access to the company's share capital, with waiver of the shareholders' preferential right of subscription and a mandatory priority period for share issues

The General Meeting, ruling under the conditions of quorum and majority required for Extraordinary General Meetings, having reviewed the report of the General Manager and the special report of the Statutory Auditors, and in accordance with the provisions of Articles L. 225-129, L. 225-129-2, L. 225-135, L. 225-136 and L. 228-916 et seq. of the French Commercial Code:

- *terminates, effective immediately, for the unused portion, the delegation granted by the Combined General Meeting of 6 April 2018;*
- delegates to the Board of Directors, which may further delegate such authority, for a period of twenty-six (26) months as from the date of this General Meeting, the power to decide, on one or more occasions, in the proportions and at the times it deems fit, on the issuance of company shares or securities giving access by any means to capital, immediately or in the future, through public offering, in France or abroad, in euros or in foreign currency, with waiver of preferential right of subscription. It is specified that this delegation of authority may allow for the issue of transferable securities under the conditions set forth by Article L. 228-93 of the French Commercial Code;
- resolves that the nominal amount of all debt securities issued under this delegation may not exceed a total of one billion euros (€1,000,000,000), the overall ceiling for all debt securities issuances provided for herein and in Resolutions 17 and 19 to 21, or the equivalent of this amount on the date of the issuance decision in the event of issuance in foreign currency or in a unit of account set by reference to several currencies. This amount is independent of the amount of the debt securities for which issuance is decided or authorised by the General Manager in accordance with Article L. 228-40 of the French *Commercial Code; and*
- resolves that the maximum nominal amount of capital increases liable to be performed by the company immediately or in the future under this delegation may not exceed forty-seven million two hundred thousand euros (€47,200,000). Added to this cap, as necessary, will be the additional par value of the shares or other equity instruments to be issued, in accordance with the applicable legal and regulatory provisions and any applicable contractual stipulations providing for other cases of adjustment, to preserve the rights of holders of securities representing receivables providing access to the share capital. It is specified that this amount is set independently and separately from the caps on share capital increases as a result of share and/or securities issues authorised under Resolutions 15, 17, 19 and 21 to 23.

Issuances decided under this delegation will be completed through public offering.

This delegation of authority expressly excludes the issue of preference shares or marketable securities giving access by any means to preference shares either immediately or in the future.

Shares or securities providing access to the company's share capital may be subscribed for either in cash or by offsetting receivables against the company.

The General Meeting resolves:

- to waive the shareholders' preferential subscription right to the shares and other securities issued under this delegation;
- *to grant shareholders, in connection with share issues, a mandatory priority period of at least three (3) trading days for all share issues through a public* offering carried out by the General Manager in accordance with Articles L. 225-135, paragraph 5 and R. 225-131 of the French Commercial Code; and
- to delegate to the General Manager the option of granting a similar priority period for other non-equity issues.

A priority subscription period that does not lead to the creation of negotiable rights must be exercised in proportion to the portion of equity owned by each shareholder and could potentially be topped up by a subscription on a reducible basis, in the understanding that unsubscribed shares will be sold to public investors in France or, where applicable, abroad.

In accordance with Article L. 225-136 of the French Commercial Code, the General Meeting resolves that:

- the issue price of shares will be at least equal to the weighted average market price quoted for Covivio Hotels shares on Euronext Paris over the last three trading days preceding its setting, less, where applicable, a maximum discount of 5%; and
- the issue price of securities providing access to the share capital (whether immediately or in the future), issued under this delegation will be such that the sum immediately received by the company, plus any amount it might receive subsequently, for each share or other equity security issued as a consequence of the issuance of these securities, will be at least equal to the minimum subscription price defined in the previous paragraph, after a possible adjustment of that amount to cover any difference in dividend eligibility dates.

If subscriptions have not absorbed the entire issue of shares or other securities as defined above, the General Manager may use all or some of the options below, as it deems fit, and in the order he or she deems appropriate:

- limit the issuance to the amount subscribed, provided that this is equal to at least three quarters (3/4) of the agreed value of the issuance;
- freely distribute all or part of the unsubscribed securities; and
- offer all or part of the unsubscribed securities to the public.

The General Meeting acknowledges that this delegation implies a waiver by the shareholders of their preferential subscription right to the shares or other equity instruments of the company to which the securities to be issued on the basis of this delegation may entitle them.

The General Meeting grants complete authority to the General Manager, who may further delegate such authority under the conditions stipulated by the applicable legal and regulatory provisions, for the purposes of implementing this authorisation, and specifically:

- determining the dates and conditions of the issues as well as the features of the transferable securities and shares to be created or associated with them;
- setting the number of shares and/or other securities to be issued, as well as their terms and conditions, in particular their issue price and, as applicable, the amount of the premium;
- determining the terms of payment for the shares and/or other securities issued;
- setting the dividend entitlement date, with or without retroactive effect, of the securities to be issued and, as applicable, the conditions for their buyback or exchange;
- suspending, as applicable, exercise of the rights attached to the securities for a period of no longer than three (3) months under the limits stipulated by the applicable legal and regulatory provisions;
- setting the conditions to ensure the preservation of the rights of holders of securities or other instruments giving access to the share capital, in accordance with applicable legal and regulatory provisions and, as necessary, the applicable contractual stipulations providing for other adjustments;
- charging any amounts against the share premium as required, in particular the fees triggered by the issuance, to deduct from this amount the necessary amounts corresponding to 10% of the nominal value of each issue for the legal reserve after each increase;
- undertaking any formalities required for the listing for trading on a regulated market in France or abroad, of the rights, shares or securities issued, and ensuring both the capital increase or increases resulting from any issuance made through the use of this delegation and the providing the financial services of the securities in question and exercise of the corresponding rights;
- deciding, in the event of the issue of transferable debt securities giving access to the company's share capital as provided for under French law, whether these securities should be subordinated or not (and setting their subordination rank where applicable), setting their interest rate, currency, maturity (which may be perpetual), their fixed or variable redemption price (with or without premium), amortisation conditions based on market conditions, conditions under which these securities will entitle holders to company shares, and other conditions concerning their issuance (including the act of granting guarantees or securities) and amortisation; and
- in general, taking any measure that may be required, entering into any agreements, requesting any authorisations, performing any formalities, and doing whatever is necessary to ensure the successful outcome of the issues planned, or to postpone them, and specifically recording the capital increases resulting from any issue performed through the use of this delegation, and amending the company's Articles of Association accordingly.

RESOLUTION 19

Delegation of authority to the General Manager in the event of a capital increase with or without a preferential right of subscription, to increase the number of shares to be issued

The General Meeting, ruling under the conditions of quorum and majority required for Extraordinary General Meetings, having reviewed the report of the General Manager and the special report of the Statutory Auditors, and in accordance with the provisions of Articles L. 225-135-1 and R. 225-118 of the French Commercial Code:

- terminates, effective immediately, for the unused portion, the authorisation given by the Combined General Meeting of 6 April 2018;
- authorises the General Manager, who may further delegate such authority under the conditions defined by law, to decide, for each of the issues decided under Resolutions17 and 18, to increase the number of capital shares and/or securities to be issued in accordance with the conditions provided for by Article L. 225-135-1 of the French Commercial Code and at the same price as that retained for the initial issue;
- resolves that the nominal amount of capital increases decided under this resolution will be deducted from the amount of the ceiling applicable to the initial issue.

This authorisation is given for twenty-six (26) months as from the date of this General Meeting.

RESOLUTION 20

Delegation of authority to the General Manager to issue shares and/or securities giving access to the company's share capital, in order to compensate the contributions in kind granted to the company and consisting of capital securities or securities giving access to the share capital, with waiver of shareholders' preferential right of subscription

The General Meeting, ruling under the conditions of quorum and majority required for Extraordinary General Meetings, having reviewed the report of the General Manager and the special report of the Statutory Auditors, in accordance with the provisions of Articles L. 225-129 et seq. of the French Commercial Code, and in particular Article L. 225-147, paragraph 6, of said Code:

- terminates, effective immediately, for the unused portion, the delegation granted by the Combined General Meeting of 6 April 2018;
- delegates to the General Manager, who may further delegate such authority, for a period of twenty-six (26) months as from the date of this General Meeting, the power to decide, based on the report of the contribution auditor mentioned in paragraphs 1 and 2 of Article L. 225-147 of the French Commercial Code, on the issuance of existing or new company shares and/or securities giving access by any means to the company's capital, immediately or in the future pursuant to Articles L. 228-91 et seq. of the French Commercial Code, to pay for the contributions in kind granted to the company consisting of capital shares or securities giving access to capital, when the provisions of Article L. 225-148 of the French Commercial Code do not apply;
- resolves that the maximum nominal amount of the capital increases liable to be performed by the company under this delegation, immediately or in the future, may not exceed 10% of the company's capital (as at the date of the General Manager's use of this delegation); it is specified that this amount is set independently and separately from the caps on capital increases as a result of share and/or other securities issuances authorised by Resolutions 15, 17 to 19, 21 and 22;
- resolves that the nominal amount of all debt securities issued under this delegation may not exceed one billion euros (€1,000,000,000), the overall ceiling for all debt securities issuances provided for herein and in Resolutions 17 to 19 and 21, or the equivalent of this amount on the date of the issuance decision in the event of issuance in foreign currency or in a unit of account set by reference to several currencies. This amount is independent of the amount of the debt securities for which issuance is decided or authorised by the General Manager in accordance with Article L. 228-40 of the French Commercial Code;
- resolves to waive the preferential subscription right of shareholders to the shares and securities issued under this delegation, as their purpose is solely to compensate contributions in kind; and
- acknowledges that the authorisation implies automatic waiver by the holders of any securities giving access to the share capital issued under this delegation of their preferential subscription right to shares in connection with such securities.

The General Meeting grants complete authority to the General Manager, who may further delegate such authority under the conditions stipulated by the applicable legal and regulatory provisions, for the purposes of implementing this authorisation, and specifically:

- ruling on the report of the contribution auditors regarding the capital contributions;
- defining the terms, conditions and details of the operation, within the limits set by this resolution and applicable legal and regulatory provisions;
- determining the exchange ratio as well as any amount payable in cash;
- recording the number of securities issued in remuneration for the contributions in kind;
- determining the dates and issue conditions, in particular the price and the entitlement date (even retroactive) of the new shares or other equity securities and, if relevant, the securities giving immediate or future access to the company's share capital, evaluating the contributions and any special benefits that may be granted, and reducing the evaluation of the contributions and any special benefits if agreed by the tenderers;
- recording the difference between the issue price of the new shares and their par value in the "Liabilities" section of the balance sheet under an "Additional paid-in capital" account which will cover the rights of all shareholders;
- at hi or her sole initiative, charging the fees for any issuance to the amount of the "Additional paid-in capital" and to deduct from this amount the necessary amounts corresponding to 10% of the nominal value of each issue for the legal reserve after each increase; and
- in general, taking any measure that may be required, entering into any agreements (in particular to ensure the successful outcome of the issue), requesting any authorisations, performing any formalities, and doing whatever is necessary to ensure the successful outcome of the issues planned, or to postpone them, and specifically recording the capital increase(s) resulting from any issue carried out under this delegation, amending the company's Articles of Association accordingly, requesting the listing on Euronext Paris of all securities issued under this delegation and ensuring the financial servicing of the securities in question and exercise of the corresponding rights.

RESOLUTION 21

Delegation of authority to the General Manager to issue shares and/or securities giving access to the company's share capital, with waiver of shareholders' preferential right of subscription, in the event of a public exchange offer initiated by the company

The General Meeting, ruling under the conditions of quorum and majority required for Extraordinary General Meetings, having reviewed the report of the General Manager and the special report of the Statutory Auditors, and in accordance with the provisions of Articles L. 225-129 et seq., L. 225-148 and L. 228-91 et seq. of the French Commercial Code:

- terminates, effective immediately, for the unused portion, the delegation granted by the Combined General Meeting of 6 April 2018;
- delegates to the General Manager, who may further delegate such authority, for a period of twenty-six (26) months as from the date of this General Meeting, the power to decide, on one or more occasions, in the proportions and at the times he or she deems fit, on the issuance of company shares and/or securities giving access by any means to the company's capital, immediately or in the future, to compensate securities contributed to a public exchange offering launched by the company, in France or (depending on local criteria and regulations) abroad, for shares of another company whose securities are admitted for trading on a regulated market pursuant to Article L. 225-148 of the French Commercial Code;
- resolves to waive, as required, the shareholders' preferential subscription right to the shares and/or securities issued under this delegation;
- acknowledges that the authorisation implies automatic waiver by the holders of any securities giving access to the share capital issued under this delegation of their preferential subscription right to shares in connection with such securities;

- resolves that the maximum nominal amount of the capital increases liable to be performed by the company under this delegation, immediately or in the future, may not exceed forty-seven million two hundred thousand (47,200,000); it is specified that this amount is set independently and separately from the caps on capital increases as a result of share and/or other securities issuances authorised by Resolutions 15, 17 to 20 and 22; and
- resolves that the nominal amount of all debt securities issued under this delegation may not exceed one billion euros (€1,000,000,000), the overall ceiling for all debt securities issuances provided for herein and in Resolutions 17 to 21, or the equivalent of this amount on the date of the issuance decision in the event of issuance in foreign currency or in a unit of account set by reference to several currencies. This amount is independent of the amount of the debt securities for which issuance is decided or authorised by the General Manager in accordance with Article L. 228-40 of the French Commercial Code.

The General Meeting grants complete authority to the General Manager, who may further delegate such authority under the conditions stipulated by the applicable legal and regulatory provisions, for the purposes of implementing this authorisation, and specifically:

- defining the terms, conditions and details of the operation, within the limits set by this resolution and applicable legal and regulatory provisions;
- determining the exchange ratio as well as any amount payable in cash;
- recording the number of securities tendered to the exchange offer;
- determining the dates and issue conditions, in particular the price of the shares to be issued and their dividend entitlement date (possibly retroactive), or where applicable the dates and issue conditions of securities granting access, now or in future, to company shares to be issued;
- taking all required measures to protect the rights of holders of securities or other instruments providing access to the share capital, in accordance with applicable legal and regulatory provisions and any contractual stipulations providing for other adjustments;
- recording the difference between the issue price of the new shares and their par value in the "Liabilities" section of the balance sheet under an "Additional paid-in capital" account which will cover the rights of all shareholders;
- at his or her sole initiative, charging the fees for any issuance to the amount of the "Additional paid-in capital" and deducting from this amount the necessary amounts corresponding to 10% of the nominal amount of each issue for the legal reserve after each increase;
- performing all required formalities for the rights and shares issued to be listed on a regulated market in France or abroad, providing financial services of the securities in question and ensure the exercise of their attached rights; and
- in general, taking any measure that may be required, entering into any agreements, requesting any authorisations, performing any formalities, and doing whatever is necessary to ensure the successful outcome of the issues planned, or to postpone them, and specifically recording the capital increases resulting from any issue performed through the use of this delegation, and amending the company's Articles of Association accordingly.

RESOLUTION 22

Delegation of authority to the General Manager to carry out capital increases reserved for company employees who are members of a savings plan, with waiver of shareholders' preferential right of subscription

The General Meeting, ruling under the conditions of quorum and majority required for Extraordinary General Meetings, having reviewed the report of the General Manager and the special report of the Statutory Auditors, to enable a capital increase to take place, reserved for employees belonging to a company or group savings plan at a level that remains consistent with the amount of the share capital, and in accordance with the provisions of Articles L. 225-129-2, L. 225-129-6, L. 225-138 et seq. of the French Commercial Code, and L. 3331-1 et seq. of the French Labour Code:

- terminates, effective immediately, for the unused portion, the delegation granted by the Combined General Meeting of 6 April 2018;
- delegates to the General Manager, who may further delegate such authority, for a period of twenty-six (26) months as from the date of this General Meeting, the power to decide, on one or more occasions, in the proportions and at the times he or she deems fit, on the issuance, in France or abroad, in euros or in foreign currency, either free of charge or against payment, of company shares and/or securities giving access by any means to the company capital, not to exceed a maximum nominal amount of five hundred thousand euros (€500,000), reserved for members of a company or group savings plan belonging to the company or companies and economic interest groupings linked to the company under the conditions provided for in Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code; it being specified that this amount is set independently and separately from the caps on capital increases resulting from issues of shares or securities authorised under Resolutions 15 and 17 to 21;
- resolves to cancel, in favour of said participants, the preferential right of shareholders to subscribe for shares or securities giving access to the company's capital issued pursuant to this delegation;
- resolves, in accordance with Articles L. 3332-18 and L. 3332-24 of the French Labour Code, that the discount offered may not exceed 20% of the most recent average prices listed for the company's shares over the twenty trading days prior to the subscription opening date, and 30% of the same average when the expected period of unavailability under the plan is ten years or more; however, the General Meeting explicitly authorises the General Manager to cancel or reduce the aforementioned discount, if he or she deems this appropriate, in response, inter alia, to local legal, accounting, tax and social security regimes The General Manager may also replace all or part of the discount through the allocation of shares or other securities pursuant to the following provisions; and
- resolves that the General Manager may provide for the allocating free shares or other securities giving access to the capital of the company, on the understanding that the total benefit resulting from this allocation in respect of the additional contribution or, where applicable, discount from the subscription price, may not exceed the legal and regulatory limits, and the shareholders waive all rights to shares or other securities giving access to the capital that may be issued pursuant to this resolution.

The General Meeting grants complete authority to the General Manager, who may further delegate such authority under the conditions stipulated by the applicable legal and regulatory provisions, for the purposes of implementing this authorisation, and specifically:

- determining, within the above-mentioned limits, the features, amount and conditions for any issue;
- determining that the issues or allocations may be made directly to the beneficiaries or through an intermediate collective body;
- conducting the capital increases resulting from this delegation, up to the cap set above;
- setting the subscription price of the shares in cash pursuant to legal provisions;
- providing, as needed, for the establishment of a new company or group savings plan or the modification of existing plans;
- determining the list of the companies whose employees will be the beneficiaries of the issues conducted under this delegation, set the period for payment of the shares and, as applicable, the seniority required for employees to participate in the operations, within the legal limits;

- *making all adjustments in order to take into account the impact of operations* on the company's share capital, particularly in the case of a change in the par value of the share, a capital increase through capitalisation of reserves, a free allocation of shares, a stock split or reverse split, a distribution of reserves or any other assets, the amortisation of capital, or any other operation involving shareholders' equity;
- *as required, charging the fees incurred by the share capital increases to the amount* of the related premiums and to deduct from these amounts the necessary amounts corresponding to 10% of the nominal value of each issue for the legal reserve after each increase;
- undertaking any formalities necessary for the listing for trading on a regulated market in France or abroad of the rights, shares or securities issued, and *ensuring the financial servicing of the securities issued under this delegation* and the exercise of the corresponding rights;
- performing, either on its own or through an agent, all acts and formalities to make definitive any capital increases that may be carried out as authorised under this resolution; and
- amending the Articles of Association accordingly and, in general, doing whatever is necessary.

RESOLUTION 23

Powers for formal recording requirements

The General Meeting, ruling under the conditions of quorum and majority required by law, grants complete authority to the bearer of an original, a copy or an extract of these minutes recording its resolutions, in order to fulfil all legal or administrative requirements and to undertake any filings or notifications required by current law.

3.9 Report by the Statutory Auditors on the reduction in share capital

Combined General Meeting of 5 April 2019
Resolution 16

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with article L. 225-209 of the French code of commercial law in respect of the reduction in capital by the cancellation of repurchased shares, we hereby report on our assessment of the terms and conditions of the proposed reduction in capital.

Your General Manager requests that it be authorised, for a period of eighteen months starting on the date of the present General Meeting, to proceed with the cancellation of shares the company was authorised to repurchase, representing an amount not exceeding 10% of its total share capital by period of twenty four months, in compliance with the article mentioned above.

We carried out the work we deemed necessary in the light of the professional standards of the Compagnie Nationale des Commissaires aux Comptes applicable to this responsibility. The procedures consisted in verifying that the terms and conditions for the proposed reduction in capital, which should not compromise equality among the shareholders, are fair.

We have no matters to report on the terms and conditions of the proposed reduction in capital.

Signed in Paris-La Défense and Courbevoie, 7 March 2019,

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
Gilles Magnan	Anne Herbein

3.10. Report by the Statutory Auditors on the issue of shares and other securities with or without waiver of shareholders' preferential right of subscription

Combined General Meeting of 5 April 2019
Resolutions 17, 18, 19, 20 and 21

To the Shareholders,

In our capacity as your company's Statutory Auditors and in accordance with articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code, we hereby report to you on the proposals, submitted for your authorisation, for delegation of authority to the General Manager to decide on various issues of shares and/or other securities.

On the basis of its report, the General Manager proposes:

- that you authorise it, with power to further delegate such authority, for a period of twenty-six months with effect from the date of this General Meeting, to decide on the following transactions and set the final terms and conditions applicable to these issues and proposes, where applicable, the waiver of your preferential right of subscription:
  - issuance, with maintenance of shareholders' preferential right of subscription (Resolution 17), of shares and/or securities of the company granting access, immediately or in the future, to the company's equity, it being specified that:
    - in accordance with paragraph 1 of article L. 228-93 of the French Commercial Code, the securities to be issued may grant access to equity securities to be issued in any company that holds, directly or indirectly, more than half of the company's equity or in which said company holds, directly or indirectly, more than half the equity;
    - in accordance with paragraph 3 of article L. 228-93 of the French Commercial Code, the securities that are equity securities of the company may grant access to other existing equity securities or give rights to the allocation of debt securities in any company that holds, directly or indirectly, more than half of its equity or in which it holds, directly or indirectly, more than half the equity;
  - issuance, with waiver of shareholders' preferential right of subscription, through a public offering (Resolution 18), of shares and/or securities of the company granting access, immediately or in the future, to the company's equity, it being specified that:
    - in accordance with paragraph 1 of article L. 228-93 of the French Commercial Code, the securities to be issued may grant access to equity securities to be issued in any company that holds, directly or indirectly, more than half of the company's equity or in which said company holds, directly or indirectly, more than half the equity;
    - in accordance with paragraph 3 of article L. 228-93 of the French Commercial Code, the securities that are equity securities of the company may grant access to other existing equity securities or give rights to the allocation of debt securities in any company that holds, directly or indirectly, more than half of its equity or in which it holds, directly or indirectly, more than half the equity.
  - the issue, in the event of a public exchange offer initiated by your company (Resolution 23), of shares and/or other securities of the company granting access, immediately or in the future, to the company's equity;
- that you authorise it, for a period of twenty-six months, with power to further delegate such authority, to make an issue of shares and/or other securities conferring immediate or deferred access to the company's equity, or to other existing or future company equity, for the purpose of remunerating the contributions in kind to the company of shares or other securities conferring access to share capital (Resolution 20), within the limit of 10% of the company's share capital.

The maximum nominal amount of the increases in capital that may be carried out immediately or in the future may not exceed €236,000,000 in respect of the seventeenth resolution and €47,200,000 in respect of the eighteenth and twenty-first resolutions. The overall nominal amount of the debt securities that may be issued may not exceed €1,000,000,000 in respect of the seventeenth, nineteenth, twentieth and twenty-first resolutions.

These ceilings take into account the number of additional securities to be created through the implementation of the delegation of authority referred to in the seventeenth and eighteenth resolutions under the conditions provided for in article L. 225-135-1 of the French Commercial Code, if you adopt the nineteenth resolution

It is the General Manager's responsibility to prepare and submit a report in accordance with articles R. 225-113 et seq. of the French Commercial Code. Our role is to report on the fairness of any financial data extracted from the company's financial statements, on the proposal for waiver of existing shareholders' preferential subscription right, and on certain other information relating to the issue of securities provided in that report.

We carried out the work we deemed necessary in the light of the professional standards of the Compagnie Nationale des Commissaires aux Comptes applicable to this responsibility. Our procedures consisted in verifying the content of the report of the General Manager on these operations and the bases of determination of the issue price for equity securities to be issued.

Subject to later examination of the terms and conditions applicable to any issue of securities actually decided on, we have no matters to report with regard to the bases of determination of the issue prices for equity securities to be issued as described in the report of the General Manager with regard to the eighteenth resolution.

As the bases of determination of the issue prices for the equity securities to be issued in the framework of the seventeenth, twentieth and twenty-first resolutions have not been specified in the report of the General Manager, we do not express any opinion in their respect.

As the final terms and conditions applicable to any actual issues of securities have not been established, we do not at present express any opinion in their respect nor, therefore, in respect of the proposal of the eighteenth resolution for the waiver of preferential rights of subscription.

In accordance with article R. 225-116 of the French Commercial Code, we will prepare an additional report on those matters in the event of any actual use by your General Manager of the proposed delegations of authority for the issue of securities that are equity securities conferring access to other equity securities or providing rights of allocation of debt securities, in the event of the issue of securities providing access to equity securities to be issued, or the issue of shares with waiver of preferential rights of subscription.

Signed in Paris-La Défense and Courbevoie, 7 March 2019,

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
Gilles Magnan	Anne Herbein

3.11. Report by the Statutory Auditors on the issue of ordinary shares or other securities *reserved for the benefit of subscribers to a corporate savings plan*

Combined General Meeting of 5 April 2019
Resolution 22

To the Shareholders,

In our capacity as your company's Statutory Auditors and in accordance with articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code, we hereby report to you on the proposal, submitted for your authorisation, for delegation to the General Manager of authority to decide on the issue of ordinary *shares and/or securities conferring access to the company's equity, with waiver of preferential rights of subscription, reserved for the benefit of employees of* your company and economic interest companies or groupings related to your company, within the limit of €500,000 (five hundred thousand euros).

This operation is submitted for your authorisation in accordance with articles L. 225-129-6 of the French Commercial Code and L. 3332-18 et seq. of the French Labour Code.

On the basis of its report, your General Manager proposes that you authorise it, for a period of twenty-six months, to decide on an issue of securities, subject to waiver of your existing preferential right of subscription. The Board of Directors would also be empowered to decide on the final terms and conditions applicable to any such issue of securities.

It is the General Manager's responsibility to prepare and submit a report in accordance with articles R. 225-113 et seq. of the French Commercial Code. Our role is to report on the fairness of any financial data extracted from the company's financial statements, on the proposal for waiver of existing shareholders' preferential subscription right, and on certain other information related to the issue of securities provided in that report.

We carried out the work we deemed necessary in the light of the professional standards of the Compagnie Nationale des Commissaires aux Comptes applicable to this responsibility. Our procedures consisted in verifying the content of the report of the General Manager on these operations and the bases of determination of the issue price for equity securities to be issued.

Subject to later examination of the terms and conditions applicable to any issue of securities actually decided on, we have no matters to report with regard to *the bases of determination of the issue prices for the equity securities to be issued as described in the report of the General Manager.*

As the final terms and conditions applicable to any actual issue of securities have not been established, we do not at present express any opinion in their respect nor, therefore, in respect of the proposal for waiver of existing shareholders' preferential subscription right.

In accordance with article R. 225-116 of the French Commercial Code we will prepare an additional report on those matters in the event of any actual use by the General Manager of the proposed delegation of authority for the issue of shares or other equity securities providing access to the share capital of the company or other securities providing access to equity securities to be issued subsequently.

Signed in Paris-La Défense and Courbevoie, 7 March 2019

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
Gilles Magnan	Anne Herbein

4 CONTROL OF THE COMPANY

4.1. Report by the Supervisory Board to the Combined General Meeting of 5 April 2019

Ladies and Gentlemen,

In accordance with the law, the Supervisory Board is required to present a report to the General Meeting on its audit mission with respect to the accuracy and consistency of the financial statements and the main accounting documents of the company.

Since its establishment, the Supervisory Board has been regularly informed by the General Manager of the progress of the business and activity of the company and its Group, and was able, within the framework of the audit mission, to make the verifications that it deemed necessary.

The General Manager has presented to you the financial statements and activity report of the company for fiscal 2018.

Moreover, this report was prepared in accordance with Article 14.1 of the company's Articles of Association, which require the Supervisory Board to prepare a report on any increase in the company's capital proposed to shareholders. To that end, you will be asked to vote at a General Meeting on a proposed contribution in kind to be granted to the company by Covivio.

4.1.1. PROPOSED CONTRIBUTION SUBMITTED TO THE GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY

4.1.1.1. Reasons for and goals of the Contribution

Covivio owns all of the capital of Société Civile Immobilière Ruhl-Cote d'Azur, a real estate investment company with capital of €1,524 and its registered office at 30, avenue Kléber in Paris (75116), registration number 784 818 205 in the Paris Trade and Companies Register ("SCI RUHL").

The purpose of SCI RUHL is the acquisition of real estate rights assigned to the hotel real estate sector, the construction of a building complex for rental, administration and management purposes. Its main holdings are the buildings containing the Hotel Mercure and the Hotel Le Méridien in Nice (the "Hotel").

The company, through its indirect subsidiary, NICE-M, a simplified joint-stock company with capital of €721,995, whose registered office is located at 1, avenue Gustave V de Suède in Nice (06000), registration number 303 916 498 in the Nice Trade and Companies Register, owns the business and operates the Hotel, and the building itself is owned by Covivio through SCI RUHL.

As part of the simplification of the Hotel's management, Covivio (the "Contributor") intends to provide the Beneficiary with all shares comprising the capital of SCI RUHL that it holds, numbered 1 to 100 (the "Shares Contributed"), as well as the debt claim that it holds with respect to SCI RUHL in the amount of €10,500,000 under an intragroup loan agreement dated 1 December 2015, to be repaid by 30 November 2022 (the "Receivable").

Mikaël Ouaniche and Alain Abergel, chartered accountants and Statutory Auditors respectively at 63, avenue de Villiers, 75017 Paris and 143, rue de la Pompe, 75116 Paris, were appointed as contribution auditors by order of the President of the Commercial Court of Paris on 22 January 2019.

Since the company's shares are traded on the Euronext regulated market in Paris, the mission of the contribution auditors was extended by the same order to verification of (i) the relevance of the relative values decided by the parties, and (ii)) the fairness of the compensation for the Contribution.

4.1.1.2. *Terms and features of the Contribution*

The Contributor, subject to the fulfilment of the conditions precedent specified below, contributes full ownership of the Shares Contributed and the Receivable.

Value of the Contribution

In accordance with the applicable accounting policies,

- the Shares Contributed shall be contributed for the net book value of the Shares Contributed as it appears in the Contributor's financial statements as at 31 December 2018, i.e. €29,584,181, and
- the Receivable shall be contributed at its par value (€10,500,000), which corresponds to its real value insofar as the Receivable is not remunerated.

The total value of the Contribution is therefore €40,084,181.

Remuneration of the Contribution

In consideration for the Contribution, the Contributor shall be allocated 2,365,503 new shares of the company with a par value of four euros (€4) each (the "Shares Issued").

This remuneration was agreed on the basis of the respective valuations of the Receivable, the Shares Contributed and the Beneficiary's share, as detailed below.

The Shares Issued shall be entitled to dividends at the Completion Date (as that term is defined below), it being specified, however, that they would not be entitled to any dividends whose distribution is decided by this General Meeting. Subject to this reservation, the Shares Issued shall be fully fungible with the old shares of the company and enjoy the same rights and bear the same expenses. They shall be subject to all the statutory provisions of the company. The Shares Issued shall, upon their issuance, be admitted to trading on Euronext Paris on a second quotation line until the detachment date of the dividend coupon that shall be decided by the Covivio Hotels General Meeting of Shareholders called to approve the financial statements for the 2018 fiscal year.

The difference between (i) the total value of the Contribution (€40,084,181) and (ii) €9,462,012, which corresponds to the nominal amount of the increase in the company's capital (€30,622,169), shall constitute additional paid-in capital that shall be recognised in the company's liabilities under "Additional Paid-In Capital", to which the rights of new and existing shareholders shall be applicable. The additional paid-in capital may be allocated in accordance with the rules in force and the company's Articles of Association as decided by the General Meeting of Shareholders.

The completion of the Contribution shall result in an increase by Covivio of its investment by more than 1% over the last 12 months, causing it to cross a threshold pursuant to Article 234-5 of the General Regulation of the French Autorité des Marchés Financiers (the "AMF"), triggering in principle the obligation to submit a public offer. The completion of the Contribution is, however, expected to be conditional upon the granting by the AMF of an exemption to the obligation to submit a public offer, in accordance with Article 234-9, 3° of the AMF General Regulation, which state that the AMF may grant an exemption for a contribution of assets subject to the approval of the General Meeting of Shareholders.

Valuation methods used for the remuneration of the Contribution

The remuneration of the Contribution is based on the value of the assets contributed and the value of our company.

Valuation of assets contributed

The value of the Shares Contributed is determined based on the 2018 SCI Ruhl Cote d'Azur financial statements.

The number of SCI Ruhl Cote d'Azur reference shares used for valuation is 100 shares.

The value of SCI Ruhl Cote d'Azur is determined based on the Net Asset Value (NAV) method traditionally used for valuations by real estate companies, which concludes that it is worth €48.1 million.*

The Receivable is contributed at its par value (€10,500,000), which corresponds to its real value insofar as the Receivable is not remunerated.

The value of the assets contributed (Shares Contributed and Receivables) is €58.6 million.

Valuation of the company

The value of the company's shares is based on the following sources:
- the company's 2018 financial statements;
- the company's 2017 Registration Document and the half-yearly report at 30 June 2018;
- market analyst reports.

The number of shares of the reference company used for valuations was 118,057,886 shares of the company at 31 December 2018 on an undiluted basis (of which 4,840 treasury shares).

The value of the company is determined based on the application of the following methods traditionally used for real estate company valuations: (i) Net Asset Value (NAV), (ii) share price, (iii) financial analyst price targets and (iv) multiples of comparable listed companies, as summarised below:

Reference methods	**Value of Covivio Hotels €/share**
EPRA triple net Net Asset Value at 31/12/2018	26.3
EPRA Net Asset Value at 31/12/2018	28.9
Share price at 08/02/2019	24.8
1-month weighted average	24.9
3-month weighted average	25.1
6-month weighted average	25.2
9-month weighted average	25.5
12-month weighted average	25.9
Pre-distribution price targets	26.5
Market multiples: triple net NAV	26.4
Market multiples: Recurring Net Income	34.2

In conclusion, the implied value used for the company's share of €24.80, i.e. the triple net NAV detached coupon, taking into account a dividend of €1.55 that will be offered at the next General Meeting of Shareholders of the company deciding on the financial statements for the year ended 31 December 2018, is consistent with the results obtained for the valuation methods presented.

The implied value of the assets contributed is €58.6 million (€0.586 million per share contributed) and corresponds to the EPRA triple net NAV of SCI Ruhl Cote d'Azur and the par value of the Receivable.

The resulting exchange rate is 23,655 company shares for 1 SCI Ruhl Cote d'Azur share.

Conditions precedent

The Contribution granted by the Contributor to the company and the resulting increase in the company's capital shall not become final until the fulfilment of the following conditions precedent:

(i) the submission by the contribution auditors, no later than twenty-one (21) days prior to the General Meeting called to approve the completion of the Contribution, of unconditional reports on the valuation of the Shares Contributed and the Receivable and the fairness of the remuneration of the Contribution;

(ii) the granting by the AMF to Covivio of an exemption from the obligation to file a public tender offer for the triggering of the threshold caused by the Contribution pursuant to Article 234-5 of the AMF General Regulation, in accordance with Article 234-9, 3° of the AMF General Regulation;

(iii) the approval of the Contribution, its valuation and the terms of its remuneration by the General Meeting of Shareholders of the company in light of *the reports prepared by the contribution auditors.*

The date on which the last condition precedent stipulated above is lifted is referred to as the "Completion Date". Unless otherwise agreed between the Contributor and the company, these conditions precedent should all be fulfilled no later than 31 May 2019.

Furthermore, the exemption from the obligation to file a proposed public offer referred to in (ii) above is scheduled to be issued by the AMF Board when it meets on 5 March 2019, so that on the date of the company's General Meeting, and subject to the approval of the Contribution and the valuation and terms of remuneration thereof by the General Meeting, all conditions precedent should be met.

Tax treatment

For corporate income tax:

- the contribution of the Shares Contributed shall be given the favourable tax treatment for mergers set forth in Article 210 A of the French General Tax Code; and
- the contribution of the Receivable shall be tax-neutral insofar as it is contributed at its par value.

With regard to registration fees, the Contribution shall be registered free of charge.

Finally, in accordance with paragraphs 1 and 5 of Article 235 ter ZD of the French General Tax Code, acquisitions of securities following the Contribution are exempt from the tax on financial transactions.

At its meeting on 13 February 2019, the Supervisory Board approved the terms of the Contribution and authorised the signature of the contribution agreement formalising the terms and conditions of the Contribution described above.

The Supervisory Board therefore invites you to approve all of the various resolutions relating to the Contribution that will be presented to you.

4.1.2. ACTIVITY OF THE COMPANY, RESULTS AND OUTLOOK

4.1.2.1. Main highlights of the year

Covivio Hotels, a subsidiary of Covivio, has completed another milestone in its development and the upmarket positioning of its hotel real estate portfolio while pursuing a strategy of growth in the United Kingdom and acceleration in the disposal of non-strategic assets.

Strengthening by focusing on major European cities

In July 2018, Covivio Hotels completed its first acquisition in the United Kingdom for €895 million, with a premium portfolio of twelve 4 and 5* hotels located in *the country's major cities. The first ten hotels were acquired in July and November 2018, while the remaining two assets, located in Oxford, were acquired in* February 2019.

Simultaneously, Covivio Hotels signed long-term triple net variable payment leases, accompanied by a minimum guarantee, with InterContinental Hotels Group (IHG), which operates these hotels under several premium brands.

Covivio Hotels has thus established a foothold in the United Kingdom, the top market in terms of investments and fourth most popular tourist destination in Europe. This portfolio of excellent quality real estate includes 2,226 rooms and enjoys the benefit of prime locations in the heart of Britain's large cities. The assets, which have already benefitted from recent works projects, offer potential for significant growth and generate good profits (EBITDAR margin above 30%). Covivio Hotels and its partner are jointly supporting the upmarket positioning of its portfolio and rebranding under the Kimpton, Voco and Intercontinental brands, with a target of 6% yield when operating at full speed.

The assets acquired in 2018 have already created value in the order of 3% as of 31 December 2018, with respect to the acquisition price.

Continued support of hotel operators

Covivio Hotels is strengthening its partnership with NH Hotels with the acquisition of 3 NH 4 hotels, located in Berlin, Hamburg and Amsterdam, for €98 million,* and the signing of an option to buy the NH Hotel Amersfoort (asset valued at €12 million). These hotels are operated by NH Hotel Group as part of a 20-year lease.

In terms of expansion, in 2018, Covivio Hotels delivered the Motel One Paris Porte Dorée, the first property to be established by the European operator Motel One in France, totalling 255 rooms. It also signed off on the development of a 4* hotel of 169 rooms, in the heart of Malaga's historic centre. It will be delivered in 2020 and leased to Room Mate.

Strengthening the portfolio's hotel business skills and upmarket positioning:

The General Meeting of 24 January 2018 approved the merger of Covivio Hotels and FDM Management. The absorption of its subsidiary, created in 2014, to acquire and manage hotel operating properties, allows Covivio Hotels to increase its exposure in 4* hotels in Germany, particularly in Berlin, and to strengthen its sources of value creation and its capacity for growth. The consolidation of operating properties increased the portfolio by €745 million, while simplifying the company's organisation.

All of these operations constitute major steps in the development strategy of Covivio Hotels, making it possible to form new partnerships and to accelerate the upmarket positioning and geographic diversification of its portfolio: 74% of the portfolio's hotels are thus classified as mid-range and upscale, compared to 54% in 2017, and 85% are located in major European cities, compared to 73% in 2017.

Continued disengagement from non-strategic assets

In 2018, Covivio Hotels signed asset transfer and agreements to sale valued at €543 million. These transfers constitute a significant step in a strategy of upgrading its portfolio and disposing of non-strategic operations. These signings mainly concern:

- disposal of the portfolio of all the Quick restaurants for €163 million;
- the sale of 23 Jardiland assets (54% of the residual portfolio, assets located on the outskirts of French cities), for a total of €108 million;
- disposal of the Sunparks holiday resort, located in De Haan, Belgium, for €102 million; and
- an agreement to sell to an institutional investor, which concerns 59 B&B hotels located in the French provinces and scattered around the outskirts of Paris, for an amount totalling €137 million, Group share.

These sales were completed on the basis of a yield of 6% and a margin of 3% with respect to the latest appraisal values. On 31 December 2018, Covivio Hotels still holds in its portfolio 3% of non- strategic assets, compared to 11% at the end of 2017.

4.1.2.2. Overview of activity and results for the year

4.7% growth in hotel income on a like for like basis

The year was also marked by the continued growth of operating results in Europe, which was reflected in increases in rents at constant scope of 4.2% on the hotel business, driven by the increase in rents of the Accor portfolio, up 10% in Paris and Brussels. The progression of the EBITDA from hotel operating properties of 5.6% at constant scope is mainly driven by hotels in Belgium and Germany with an increase of 7.5% for hotels in Berlin.
At the end of December 2018, the firm residual duration of leases in the hotel portfolio amounted to 13.8 years (compared to 10.7 years at the end of 2017), while the occupancy rate remained at 100% across the portfolio.

Improvement of the financial structure

Diversification of financing sources
In September 2018, the S&P Agency attributed a BBB rating and positive outlook to Covivio Hotels, which successfully proceeded with its first public bond issue of €350 million, to mature in 2025, with a coupon of 1.875%. This transaction allowed Covivio Hotels to diversify its sources of financing and reduce the cost of such financing.

Optimisation of the debt
The net debt of Covivio Hotels amounts to €2,208 million after integration of the operating property activity, and the average interest rate on debt continues to improve (2.08% compared to 2.52% at the end of 2017). What is more, the Interest Cover Ratio (ICR) also improved to 5.82 (compared to 5.46 in 2017).

On 31 December 2018, the average maturity of debt stood at 5.6 years, a decrease of 0.2 years. The Loan To Value (LTV) ratio, including duties, is stable over the year and stands at 36.3%.

EPRA Earnings of €198.4 million

EPRA Earnings of €198.4 million (compared with €155.5 million on 31 December 2017) shows an increase of 26.4%, due to the effect of integration of the operating property business, an increase in variable income and improvement in the debt ratio.

Per share, EPRA Earnings reached €1.78 on 31 December 2018, compared with €1.85 on the same date in 2017, a decrease of 3.8%. This change can be mainly explained by the 2017 special dividend paid in shares.

Dividends

At the General Meeting on 5 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 distribution rate of 87% of EPRA Earnings and a yield of 6.2% based on the closing price on 12 February 2019.

4.1.2.3. 2019 Outlook

In 2019, Covivio Hotels intends to strengthen its hospitality leader position in the major European markets (especially in the United Kingdom, in Germany and in France). In order to do so, Covivio Hotels will rely on its ability to implement and develop partnerships with leading hotel operators.

The Supervisory Board has no specific comments to make on the management report of the General Manager and the 2018 results and invites you to approve the financial statements for the 2018 fiscal year, the proposed allocation of net income and the various resolutions that are being presented to you.

Pursuant to Article 14 of the Articles of Association, the Supervisory Board approves all delegations of authority given to the General Manager with respect to capital increases and reductions.

Finally, we would like to thank the General Manager and teams for the work accomplished over the past year.

The Supervisory Board

4.2. Report by the Supervisory Board on corporate governance

To the shareholders,

This report was prepared by the Supervisory Board pursuant to Article L. 226-10-1 of the French Commercial Code and is published along with the report of the General Manager. In accordance with Articles L.225-37-3 to L.225-37-5 of the French Commercial Code, adapted as appropriate to limited partnerships, it informs shareholders of the composition of the Supervisory Board and the application therein of the principle of balanced representation of women and men, the conditions of preparation and organisation of its work, executive compensation, and items that may have an impact in the event of a public offer.

This report also discusses the powers of the General Manager and its limitations, information on the terms of office held and functions exercised by the corporate officers, the individual compensation of corporate officers for the 2018 fiscal year, the procedures for the participation of shareholders at General Meetings and agreements between a corporate officer or a shareholder holding more than 10% of the voting rights of the company and a subsidiary. It also gives a summary of the financial delegations in effect for capital increases.

Finally, it presents the diversity policy applied to the members of the Supervisory Board, the objectives of that policy, the terms of its implementation and the results obtained. This description is further supplemented by information on how the company seeks a balanced representation of women and men in the management bodies of the company.

This report was prepared on the basis of the Supervisory Board's deliberations with the assistance of the Corporate M&A Legal Department, the Human Resources Department, the Finance Department and the Chief Operating Officer, which, for their preparations, referred to the work of the High Commission on Corporate Governance and various recommendations of the AMF.

This report was approved by the Supervisory Board at its meeting on 13 February 2019. It was made public at the time of its publication on the company's website and was certified by the Statutory Auditors in the report on the annual financial statements (see Section 3.6).

The Supervisory Board of Covivio Hotels has adopted the Afep-Medef Code as the reference framework for the corporate governance of listed companies. This decision was published by Covivio Hotels on 30 December 2008. Therefore, the company now refers to the Afep-Medef Code in the version that was revised and updated on 21 June 2018, which can be consulted at: http://www.afep.com/publications/le-code-afep-medef-revise-de-2018/.

Covivio Hotels continuously analyses the best practices of corporate governance consolidated in the June 2018 revision of the Afep-Medef Code and strives to follow its recommendations. Accordingly, in 2018, Covivio Hotels increased the number of Supervisory Board members and the percentage of independent members on the Supervisory Board.

In limited partnerships, management is assumed by the General Manager, not a collegiate body, Management Board or Board of Directors. As a result, developments relating to the collective nature of decisions of the Board of Directors and the separation of functions of Chairman of the Board of Directors and Chief Executive Officer cannot be transposed to limited partnerships.

In limited partnerships, the financial statements are prepared by the General Manager, not a collegiate body.

4.2.1. METHODS OF ORGANISATION AND OPERATION OF THE SUPERVISORY BOARD

4.2.1.1. Missions of the Supervisory board

The Supervisory Board assumes permanent control over the management of the company as described in Articles L. 226-9 *et seq.* of the French Commercial Code.

It prepares a report for the Ordinary Annual General Meeting, which approves the company's financial statements and any increases or reductions in the share capital proposed to the shareholders.

In addition to the operations already listed in the Internal Regulations that specifically require the Board's prior authorisation, any significant operation requires prior authorisation by the Supervisory Board. They are detailed in Section 4.2.3.2, below, concerning the limitation of the powers of the General Manager.

Furthermore, within the limits of a certain annual amount that it will determine, it may authorise the General Manager to give guarantees in the company's name. It reviews the appointment or reappointment of the Chairman of the Audit Committee.

The Supervisory Board's prior agreement is also required for the appointment or renewal of any General Manager with the exception of the appointment of the first General Manager.

Accordingly, the Supervisory Board has a maximum of twenty (20) days from the notification it receives from the limited partners on the appointment or renewal project, to give or to refuse its consent.

In the event that, on two successive occasions within a period of two months, the Supervisory Board refuses this consent for two successive candidates, even though the company is without a general manager and the management is temporarily carried out by the limited partners, consent may be given by the Ordinary General Meeting of the Shareholders ruling in the majority, called by the limited partner or partners submitting one of these two candidates only.

In the case where the consent of the Supervisory Board or the General Meeting is not obtained pursuant to the foregoing sections, the limited partner or partners shall appoint a third person. If the Supervisory Board does not give its consent to this new person, his or her appointment shall be submitted to the Ordinary General Meeting, which may only refuse its consent on a two-thirds majority of the shareholders present or represented.

If a sale of significant assets is contemplated, the Board and the General Manager assess the strategic interest of the transaction and ensure that the process is conducted in accordance with the corporate interest. To that end, the Board may establish an ad hoc committee. In addition, any significant transaction outside the announced strategy of the company must be approved by the Board.

Moreover, the Supervisory Board strives to promote the creation of value by the company over the long-term by considering the social and environmental issues of its activities.

In connection with the strategy that it has defined, it regularly reviews opportunities and financial, legal, operational, social and environmental and other risks and the measures taken as a result. It ensures, where appropriate, the establishment of procedures to prevent and detect corruption and the peddling of influence. It also ensures that the General Manager implements a policy of non-discrimination and diversity as regards the balanced representation of women and men in the governing bodies.

In this regard, at its meeting on 13 February 2019, the Supervisory Board examined, via the minutes of the Audit Committee meeting of 8 February 2019, risk mapping that showed financial, legal, operational, social, environmental and other risks and the associated action plans, the Group's policies for the prevention and detection of corruption and the peddling of influence and the company's social and environmental challenges. It also approved the Supervisory Board's report on corporate governance, which sets out the diversity policy applied to the members of the Board and the company's management.

4.2.1.2. Composition of the Supervisory Board

The Articles of Association state that the Supervisory Board shall be comprised of at least three members appointed by the Ordinary General Meeting of Shareholders (see current composition below) and chosen exclusively from among shareholders who are not partners or the General Manager. The Supervisory Board elects a Chairman from among its members and chooses a Secretary, who may or may not be a member of the Supervisory Board.

The term of office of the members of the Supervisory Board is no more than three years in accordance with Article 12 of the company's Articles of Association, so that shareholders can decide with sufficient frequency on their election and thus comply with the recommendations of the Afep-Medef Code.

At the Combined General Meeting of 7 April 2017 called to decide on the simultaneous renewal of the terms of ten members of the Supervisory Board, the shareholders approved the renewal of all of the members of the Supervisory Board for terms ranging from one to three years. Consequently, starting in 2018, the General Meeting of Shareholders may renew approximately one third of Board members each year.

Reference texts

Covivio Hotels' corporate governance policy reflects the principles and recommendations of the Afep-Medef Code, insofar as they are compatible with the organisation, functioning and position of the company. Covivio Hotels has endeavoured to comply with the governance objectives defined by that Code, particularly as regards the assessment of the Board's work. However, certain provisions of the code have not yet been fully implemented by the company. In accordance with the provisions of Article L. 225-37-4, paragraph 8, of the French Commercial Code and of Article 27.1 of the Afep-Medef Code relating to the "comply or explain" rule, the exceptions to the implementation of the code are described in the table, below:

AFEP-MEDEF CODE	COVIVIO HOTELS PRACTICES
Independent directors to represent at least two thirds of Audit Committee members	One third of Audit Committee members are independent members. The choice of Audit Committee members is dictated primarily by their financial and/or accounting skills, which means that all members of the Audit Committee have the skills recommended by the Afep-Medef Code.
Lack of an Appointments and Compensation Committee	The compensation of the General Manager of Covivio Hotels is determined by the Articles of Association.

The Covivio Hotels corporate governance process is also based on the company's Articles of Association supplemented by the provisions of the Internal Regulations of the Supervisory Board, it being specified that the Internal Regulations of the Board are regularly reviewed to adapt them to changes in governance rules and practices. They were amended by Supervisory Board at the following meetings:

- 12 February 2018: adaptation of Internal Regulations following the dissolution of the Investment Committee; and
- 15 November 2018: updates following the revision of the Afep-Medef Code in June 2018 relating to the prevention of conflicts of interest, qualifications of independent members of the Supervisory Board and the missions of the Audit Committee.

The complete version of the Articles of Association and the updated Internal Regulations of the Supervisory Board are on the company's website at the following address: https://www.covivio-hotels.fr/gouvernance/conseil-de-surveillance/.

The Supervisory Board is currently comprised of 14 members.

Changes made to the composition of the governance bodies during 2018:

Governance body	Date	Departure	Appointment	Renewal
Supervisory board	6 April 2018		Sogecap, represented by Yann Briand Caisse des Dépôts et Consignations, represented by Arnaud Taverne Patricia Damerval	Christophe Kullmann Olivier Estève Jean Luchet ACM Vie, represented by François Morrisson
	30 May 2018	GFR Kléber, represented by Marielle Seegmuller		
	13 July 2018		Foncière Margaux, represented by Marielle Seegmuller	
	26 October 2018	Marion Pignol, as Permanent Representative of COVIVIO PARTICIPATIONS	Joséphine Lelong-Chaussier, as Permanent Representative of COVIVIO PARTICIPATIONS	
AUDIT COMMITTEE	26 October 2018	Marion Pignol		
	15 November 2018		Olivier Estève	

Impact of the 2018 changes to the governance bodies in terms of diversification:

Body	Number of members		Percentage of independent		Percentage of women		Average age	
	2017	2018	2017	2018	2017	2018	2017	2018
Supervisory Board	11	14	18%	36%	45%	43%	50	50
AUDIT COMMITTEE	3	3	33%	33%	67%	67%	49	56

As at 31 December 2018, the Supervisory Board had 14 members:

MEMBER'S FIRST NAME AND SURNAME OR COMPANY NAME	NATIONALITY	AGE	DATE OF FIRST APPOINTMENT		DATE OF LAST RENEWAL	DATE TERM EXPIRES	SENIORITY ON THE BOARD		INDEPENDENCE	MAIN FUNCTION	BOARD COMMITTEES	ATTENDANCE RATE AT MEETINGS OF THE SUPERVISORY BOARD	ATTENDANCE RATE AT MEETINGS OF THE AUDIT COMMITTEE	NUMBER OF DIRECTORSHIPS IN PUBLIC COMPANIES OUTSIDE OF THE COVIVIO GROUP	NUMBER OF SHARES HELD AT 31/12/2018
			Legal entity	Permanent Representative/ Physical person			Legal entity	Permanent Representative/ Physical person							
Mr Christophe Kullmann	French	53	/	30/11/2004	06/04/2018	2021	/	14 2 years	NO	Chief Executive Officer of Covivio	/	100%	/	0	2,515
Mr Olivier Estève	French	54	/	06/04/2011	06/04/2018	2021	/	7, 9 years	NO	Deputy Chief Executive of Covivio	Member of the Audit Committee	83%	/	0	790
Ms Françoise Debrus	French	58	/	08/04/2009	07/04/2017	2020	/	9 9 years	NO	Director of Investments of Crédit Agricole Assurances	Chairman of the Audit Committee	67%	100%	4	7
Covivio Participations represented by Ms Joséphine Lelong-Chaussier	French	36	18/11/2015	26/10/2018	07/04/2017	2020	3.3 years	0 3 years	NO	Head of Corporate Legal M&A of the Covivio Group	/	100%	/	0	1
Covivio, represented by Ms Audrey Camus	French	43	30/11/2004	23/01/2014	07/04/2017	2019	14.2 years	5 1years	NO	Head of Development of Covivio	/	83%	/	0	49,941,715
Foncière Margaux, represented by Ms Marielle Seegmuller	French	46	13/07/2018	07/04/2017*	/	2020	0 6 years	1.9 years	NO	Director of Operations of Covivio	/	100%	/	0	1
Predica, represented by Mr Emmanuel Chabas	French	42	30/11/2004	17/02/2016	07/04/2017	2019	14.2 years	3 years	NO	Head of Real Estate Investments at Crédit Agricole Assurances	/	100%	/	2	17,354,019
ACM Vie, represented by Mr François Morrisson	French	53	30/11/2004	22/03/2011	06/04/2018	2021	14.2 years	7 9 years	NO	Equity Manager ACM	/	100%	/	0	9,362,740
GENERALI VIE, represented by Mr Sébastien Pezet	French	43	30/11/2004	01/11/2008	07/04/2017	2019	14.2 years	10.3 years	NO	Manager in France for Generali Real Estate S.p.a	/	83%	/	0	8,857,876
Cardif Assurances Vie, represented by Ms Nathalie Robin	French	56	19/02/2008	19/02/2008	07/04/2017	2019	11 years	11 years	YES	Head of Real Estate BNP Paribas Cardif	Member of the Audit Committee	67%	100%	2	12,812,548
Sogecap, represented by Mr Yann Briand	French	44	06/04/2018	06/04/2018	/	2021	0.9 years	0.9 years	YES	Head of Real Estate Sogecap	/	80%	/	2	6,234,282
Caisse des Dépôts et Consignations, represented by Arnaud Taverne	French	45	06/04/2018	06/04/2018	/	2021	0 9 years	0.9 years	YES	Managing Director of CDC Real Estate Investment Management and Head of Investment Real Estate at Caisse des Dépôts et Consignations	/	100%	/	0	5,902,897
Ms Patricia Damerval	French	54	/	06/04/2018	/	2021	/	0.9 years	YES	Deputy General Manager, Pierre and Vacances Center Parcs Group	/	100%	/	0	10
Mr Jean Luchet	French	74	/	08/04/2009	06/04/2018	2021	/	9 9 years	YES	Chairman of APEG	/	67%	/	0	11
Percentage of independent: 36%	Averag age: 50 years					Average seniority	8.1 years	6 years			Average attendance rate	87.90%			
Percentage of women: 43%															

Ms Seegmuller, the permanent representative of GFR Kléber, who resigned on 30/05/2011

A list of all expired offices held and functions exercised in each company by each of the corporate officers over the past five years and a biography including the main function performed, a summary of the main areas of expertise and experience and a statement of the number of shares held in the company are presented in Section 4.2.4.4.

At the next General Meeting of 5 April 2019, the shareholders will be asked to renew, for a period of three years, the terms of office of the following members of the Supervisory Board, whose terms expire in 2019:

- Cardif Assurance Vie, represented by Nathalie Robin;
- Covivio, represented by Audrey Camus;
- Predica, represented by Emmanuel Chabas;
- Generali Vie, represented by Sébastien Pezet.

4.2.1.3. Diversity policy applied to members of the Supervisory Board

The Supervisory Board strives to bring together diversified skills that can contribute real estate and hotel expertise and have sufficient financial expertise to make informed and independent decisions on financial statements and compliance with accounting standards. Close attention is also paid to the quality and complementarity of the career paths of the Supervisory Board's members.

In its current configuration, the Board has a good balance of skills and expertise needed for the proper administration of the company.

The Supervisory Board pays particular attention to its composition, to ensure that it promotes diversity. This diversity is essential for the Board because it is a source of dynamism and performance, thus ensuring the quality of the Board's debates and decisions.

For this reason, it has established a policy for the composition of governance bodies that aims to:

- achieve balanced representation of men and women on the Board;
- combine the skills needed for the development and implementation of the company's strategy;
- secure the continuity of the Board through the regular staggering of terms of office, a policy enacted in 2017;
- promote diversity of skills and experiences.

The composition of the Supervisory Board in 2018 has changed significantly to:

- achieve balanced representation of women and men, with six women and eight men;
- achieve a better rate of independence, with five independent members out of 14, i.e. three additional independent members compared to 2017;
- strengthen and diversify skills, with the appointment of three new members.

Impact of the 2018 changes to the governance bodies in terms of diversification:

	Number of members		**Percentage of independent**		**Percentage of women**		**Average age**		**Average term of office**			
									2017		2018	
	2017	2018	2017	2018	2017	2018	2017	2018	Legal entity	Permanent Representative/ Physical person	Legal entity	Permanent Representative/ Physical person
Supervisory board	11	14	18%	36%	45%	43%	50	50	9.4 years	6.7 years	8.1 years	6 years
Audit committee	3	3	33%	33%	67%	67%	49	56	/	7 years	/	9.6 years

4.2.1.4. Gender parity

Gender diversity and equality are factors for increasing efficiency and economic and social performance. They are central to the concerns of Covivio Hotels. The Supervisory Board is therefore committed to ensuring balanced representation in its membership.
With 43% female membership on the Supervisory Board, the company meets the legal obligation introduced in 2017.

4.2.1.5. Independence of the members of the Supervisory Board

Each year, the Supervisory Board devotes one item on its agenda to assessing the independence of its members according to the independence criteria applied by the company. In its assessment of the independence of each Board member, the Supervisory Board first considers the criteria set by the Afep-Medef Code, which are key to its analysis and detailed below:

Criterion 1	**Employee corporate officer within the previous five years** He or she is not and has not been within the previous five years: • an employee or executive corporate officer of the Company; • an employee, executive corporate officer or director of a company that the company consolidates; • employee, executive corporate officer or director of the parent company of the company or of a company consolidated by that parent company.
Criterion 2	**Cross-holdings of office** He or she is not an executive officer of a company in which the company directly or indirectly holds a directorship or in which an employeeappointed as a director or executive corporate officer of the company (currently or within the past five years) holds a directorship.

Criterion 3	**Significant business relationship** He or she is not a significant customer, supplier, commercial banker, investment banker or advisor: • of the company or its group, • or for whom the company or its group represents a significant part of activity. Assessment of the significant or otherwise nature of the relationship between the company or its group is discussed by the Board and *the quantitative or qualitative criteria supporting this assessment (length, economic dependence, exclusivity, etc.) detailed in the annual* report
Criterion 4	**Family ties** He or she has no close family ties with a corporate officer.
Criterion 5	**Statutory Auditors** He or she has not served as a Statutory Auditor for the company during the past five years.
Criterion 6	**Term of office exceeding 12 years** *He or she has not been a director of the company for more than 12 years, The status as independent director will no longer prevail on* the 12-year anniversary date.
Criterion 7	**Status of non-executive corporate officer** A non-executive corporate officer may not be consisered independent if he or she receives variable compensation in cash or shares or any other compensation related to the performance of the companyor the group.
Criterion 8	**Status of significant shareholder** Directors representing significant shareholders in the company or its parent company may be considered independent if these shareholders do not participate in the company's control. Nevertheless, when more than 10% of the company's equity or voting rights are held, the Board, acting upon a report from the remunerations committee, systematically examines the qualification as independent, taking into account the composition of the company's equity and the existence of potential conflicts of interest.

Secondly, in accordance with Article 8.4 of the Afep-Medef Code, *beyond merely noting of whether or not these criteria are met, the Board analyses, on a case-*by-case basis, whether or not the member of the Board meets the general definition contained in the Afep-Medef Code, which states that a member of the Board is independent if he or she does not maintain any relationships of any kind whatsoever with the company, its group or its management that could compromise the exercise of his or her freedom of judgment. Accordingly, "independent Board member" means not only "non-executive director", that is to say, a director who not only does not exercise a management function in the company or its group, but also lacks a special interest relationship (significant shareholder, employee, other) with them.

More specifically, it seeks to establish whether a member of the Board who could be presumed to be independent under the Afep-Medef Code does not maintain other relationships (professional or personal) that may to hinder his or her freedom of analysis and decision. Conversely, the Board also seeks to establish whether or not a member of the Board, although presumably non-independent with respect to one of the criteria established by the Code, could be considered free from constraints, since in this case the criterion in question generates no loss of independence with regard to the particular situation of the company. This case-by-case analysis is particularly justified by the specific nature of the real estate sector, which focuses on an identified number of players and is led by well-known individuals.

At its meeting on 13 February 2019, the Supervisory Board conducted an annual review of the independence criteria for each member of the Supervisory Board in relation to the criteria set by the Afep-Medef Code. Taking into account the recommendations of the Autorité des Marchés Financiers and the High Committee on Corporate Governance, the Board also assessed, where appropriate, the material or non-material nature of the business relationships between the members of the Supervisory Board and the company or its group, particularly with regard to the type of relationship and amounts involved therein.

The Board has adopted a multi-criteria approach to the material nature of a business relationship, with a focus on qualitative analysis. To this end, it took into account all of the following criteria:

Qualitative criterion	• Significance of the business relationship for the Board member and the company (potential economic dependence, exclusivity or influence of the business relationship within the sector, etc.). • Structure of the relationship, including the position of the member in question concerned in the contracting company (length of the term of office as director, existence of an operational function within the entity concerned, direct decision-making power over the contracts constituting the business relationship, direct interest for the Board member or contract-related compensation paid to the Board member, etc.). • Term and continuity of the business relationship.
Quantitative criterion	• Share of the company's revenues in the business relationship with the entities to which the Board member is related.

Following this examination, in 2019, the Supervisory Board decided to maintain the qualification as independent of Cardif Assurance Vie represented by Nathalie Robin, Patricia Damerval, Jean Luchet, Sogecap, represented by Yann Briand and Caisse des Dépôts et Consignations represented by Arnaud Taverne, in view of the following observations:

- Cardif Assurance Vie, *represented by Nathalie Robin, has been a member of the Supervisory Board since 19 February 2008. It served as a director in* Fonciere Developpement Logements, a company in Covivio's scope of consolidation, until December 2017 and she also holds 10.85% of the capital and voting rights of Covivio Hotels, a situation that could call into question the presumption of independence with regard to the first and seventh criteria of the Afep-Medef Code. The Board, however, considered that this function is not likely to create a situation of conflict of interest as Cardif Assurance Vie has never been considered independent within Fonciere Developpement Logements. In addition, Cardif Assurance Vie is not party to the shareholders agreement binding the reference shareholders of the company and cannot therefore be considered a shareholder exercising control of the company. Lastly, the situation of Cardif Assurance Vie, in particular the significance of the existing business relationships between the company and the BNP Paribas Group, was analysed. Following this analysis, it was concluded by the Supervisory Board that the business relationship between the Covivio Hotels Group and the bank is not considered significant for either party, in accordance with the qualitative and quantitative criteria defined above. It was noted that in 2018, the volume of business with the bank, which is one of Covivio Hotels Group's investment banks, represented a small portion of the Group's bank debt, an extremely low volume compared to other banking institutions with which the Group works. Consequently, the Supervisory Board holds that this business relationship is not significant for any of the parties and that Cardif Assurance Vie qualifies as an independent member;

- Patricia Damerval has been a member of the Supervisory Board since 6 April 2018, and she has never held any executive position with Covivio Hotels or any of its group companies or its management. Moreover, she meets all of the independence criteria contained in the Afep-Medef Code;
- Jean Luchet has been a member of the Supervisory Board since 8 April 2009, and she has never held any executive position with Covivio Hotels or any of its group companies or its management. Moreover, he meets all of the independence criteria contained in the Afep-Medef Code;
- SOGECAP, represented by Yann Briand, has been a member of the Supervisory Board since 6 April 2018. The situation of SOGECAP, whether or not *the existing business relationship between the company and the SOCIETE GENERALE Group is significant, was analysed. Following this analysis, it was* concluded by the Supervisory Board that the business relationship between the Covivio Hotels Group and the bank is not considered significant for either party, in accordance with the qualitative and quantitative criteria defined above. It was noted that in 2018, the volume of business with the bank, which is one of Covivio Hotels Group's investment banks, represented a small portion of the Group's bank debt, an extremely low volume compared to other banking institutions with which the Group works. Consequently, the Supervisory Board holds that this business relationship is not significant for any of the parties and that SOGECAP meets all of the Afep-Medef criteria mentioned above and remains eligible for qualification as an independent member;
- Caisse des Dépôts et Consignations, represented by Arnaud Taverne, has been a member of the Supervisory Board since 6 April 2018. The situation of Caisse des Dépôts et Consignations, in particular the significance of the existing business relationship between the company and Caisse des Dépôts et Consignations was analysed. Following this analysis, it was concluded by the Supervisory Board that the business relationship between the Covivio Hotels Group and the bank is not considered significant for either party, in accordance with the qualitative and quantitative criteria defined above. It was noted that in 2018, the volume of business with the bank, which is one of Covivio Hotels Group's investment banks, represented a small portion of the Group's bank debt, an extremely low volume compared to other banking institutions with which the Group works. Consequently, the Supervisory Board holds that this business relationship is not significant for any of the parties and that Caisse des Dépôts et Consignations meets all of the Afep-Medef criteria mentioned above and remains eligible for qualification as an independent member.

In line with AMF Recommendation No. 2012-02, as revised on 30 November 2018, the table below shows the situation of the independent members of the Supervisory Board and their qualification (or lack thereof) as independent in light of the independence criteria defined by the Afep-Medef Code:

	Criterion 1 Employee officer within the previous five years	**Criterion 2** Cross-holdings of office	**Criterion 3** Significant business relationship	**Criterion 4** Family ties	**Criterion 5** Statutory Auditors	**Criterion 6** Term of office exceeding 12 years	**Criterion 7** Status of non-executive officer	**Criteria 8** Status of significant shareholder	**Qualification chosen by the Supervisory Board**
CARDIF ASSURANCE VIE, *represented by* Nathalie Robin	X	✓	✓	✓	✓	✓	N/A	X	Independent
Patricia Damerval	✓	✓	✓	✓	✓	✓	N/A	✓	Independent
SOGECAP, represented by Yann Briand	✓	✓	✓	✓	✓	✓	N/A	✓	Independent
CAISSE DES DÉPÔTS ET CONSIGNATIONS, represented by Arnaud Taverne	✓	✓	✓	✓	✓	✓	N/A	✓	Independent
Jean Luchet	✓	✓	✓	✓	✓	✓	N/A	✓	Independent
Christophe Kullmann	X	X	✓	✓	✓	X	X	X	Non-independent
Olivier Estève	X	X	✓	✓	✓	✓	N/A	X	Non-independent
COVIVIO, represented by Audrey Camus	X	✓	✓	✓	✓	X	N/A	X	Non-independent
COVIVIO PARTICIPATIONS, represented by Joséphine Lelong-Chaussier	X	✓	✓	✓	✓	✓	N/A	✓	Non-independent

FONCIERE MARGAUX, *represented by* Marielle Seegmuller	X	✓	✓	✓	✓	✓	N/A	✓	Non-independent
Françoise Debrus	✓	✓	X	✓	✓	✓	N/A	✓	Non-independent
PREDICA, represented by Emmanuel Chabas	X	✓	X	✓	✓	X	N/A	X	Non-independent
ACM VIE, *represented by* François Morrisson	X	✓	X	✓	✓	X	N/A	✓	Non-independent
GENERALI VIE, represented by Sébastien Pezet	X	✓	✓	✓	✓	X	N/A	✓	Non-independent

✓ represents an independence criterion that has been met. X represents an independence criterion that has not been met
Criteria 1 to 8 refer to the criteria set out in the Afep-Medef Code defined above.

With 36% of the members of the Supervisory Board qualifying as independent, the company complies with the recommendations of the Afep-Medef Code, which is one-third for controlled companies.

4.2.1.6. Ethical guidelines for the members of the Supervisory Board

The provisions relating to the rules of ethics and duties of the members of the Supervisory Board are set out in Article 1.6 of the company's Internal Regulations. This article lays down, in particular, the rules that are binding on members in relation to the declaration and management of conflicts of interest through their duty of loyalty. A copy of the company's Internal Regulations is available to shareholders at the company's registered office and on its website. (https://www.covivio-hotels.fr/gouvernance/conseil-de-surveillance/).

Procedure to prevent conflicts of interest

The Internal Regulations of the Supervisory Board set forth, in Article 1.6.5, for a procedure to prevent conflicts of interest, even a potential one, in the context of the presentation of projects submitted to the Board.

Prior to submitting projects to the Board, if there are serious reasons to believe that a member of the Board is in a situation presenting a conflict of interest, the company's Chief Operating Officer ensures the prevention of any conflict of interest for the latter, by providing the member with information on each of the projects submitted, thus allowing the member to determine in good faith the existence or absence of a conflict of interest. It is further hereby stated that each member of the Board is under an obligation to notify the company's Chief Operating Officer, at all times, of any intention to take a position, directly or indirectly, on any project that he or she believes, in good faith, is likely to interest and be considered by the company.

Any member of the Board who fails to confirm the absence of a conflict of interest will not receive the presentation of the investment projects in question and will not be able to participate in the Board meeting during the discussion of the corresponding agenda items.

In the event that, in spite of these precautions, the members of the Board who are the recipients of the Board's projects should consider, on reading then, that they are in a situation of conflict of interest, they shall have to mention it to the Chief Operating Officer as soon as possible before the governance meeting. As such, they will not be able to attend the Board meeting during the discussion of the agenda items subject to the conflict of interest. The Chairman of the Board shall also be notified.

In the event of a conflict of interest occurring during the review of a project, the member in question shall, as soon as he or she becomes aware of it, notify the Chairman. He or she will no longer attend the Board meetings devoted to a discussion of the agenda items relating to that project, and more generally, shall be under a strict duty of confidentiality.

If a conflict of interest situation ceases to exist, the Board member may once again participate in the deliberations of the Board upon receipt by the Chairman of notification that the conflict of interest no longer exists from the member in question.
Any decision by the Board regarding conflicts of interest will be recorded in the Board minutes.

In the context of the presentation and review of the projects submitted to the Board, the company was not aware of any conflicts of interest in 2018.

Skills

Before taking up their duties, Board members must be familiar with the legal or regulatory texts governing their duties, the Company's Articles of Association and the Board's Internal Regulations. In particular, each member of the Board ensures that he or she complies with the laws in force regarding multiple mandates.

Shareholding

The Company shares held by each member of the Board at the time he or she takes office must be recorded in registered form (pure or administered). The same will apply for any shares acquired at a later date.

Transparency

In accordance with the provisions of Article L. 621-18-2 of the French Monetary and Financial Code and the applicable provisions of the General Regulation of the *Autorité des Marchés Financiers* (AMF), each member of the Board is required to declare to the company and to the AMF any transaction, including any purchase, sale, subscription, conservation, borrowing, lending or exchange transactions that he or she has made on company securities, as well as on any related financial instruments. This declaration must be made within three trading days after the execution of such transactions, where the total amount of the transactions made during the calendar year is greater than €20,000.

Furthermore, any agreement governed by the provisions of Article L. 226-10 of the French Commercial Code is subject to the communication, authorisation and control formalities required by Articles L. 225-38 to L. 225-42 of the same code.

Duty of loyalty

Each person participating in the work of the Board, whether Board members or Permanent Representatives of a legal entity Board member, must make their best efforts to determine in good faith whether a conflict of interest exists. Such person is bound to inform the Chairman of the Board thereof as soon as he or she learns of any situation that could constitute a conflict of interest between (i) him- or herself or the company for which he or she is the Permanent Representative, or any company of which he or she is an employee or corporate officer, or any company of the same group and (ii) the company or any company in its group.

This applies in particular where, for any transaction being considered or undertaken by the company, a member of the Board or a company of which a Board member is an employee or corporate officer might have competing interests or interests opposed to those of the company or the companies within its group.

In such a case, the relevant Board member (or the relevant Permanent Representative of the legal entity who is a member of the Board) must refrain from participating in the discussions and deliberations of the Board or any committee relating to the transaction, and more generally observe a strict duty of confidentiality.

In case of a standing conflict of interest, the Board member concerned (or the Permanent Representative of the legal entity Board member concerned) must submit his or her resignation.

Duty of diligence

Each member of the Board is required to devote the time and attention necessary to the performance of his or her duties. He or she must be diligent and, to the extent possible, attend all of the meetings of the Board and, as the case may be, the Audit Committee as well as the General Meetings of Shareholders.

Duty of confidentiality

In the case of non-public information acquired in connection with his or her duties and deemed to be confidential, each person attending to the Board will be bound to professional secrecy, beyond the simple obligation of discretion provided for by Article L. 225-37 of the French Commercial Code, and must strictly preserve its confidentiality. He or she must also refrain from trading company securities pursuant to the rules on insider dealing and from trading securities of companies on which he or she has privileged information due to his or her duties, pursuant to the principles stipulated by the Guide on the Prevention of Insider Trading.

4.2.1.7. Declaration of corporate officers pursuant to Articles 14.1 and 14.2 of Annex 1 to Regulation (EC) No. 809/2004 and Articles 12.1 and 12.2 of Annex 1 to ESMA Technical Opinion No. 31-62-800

The current corporate officers of the company have informed the company that:

- they have not been convicted of fraud during at least the last five years;
- they have not participated as an executive in bankruptcy, receivership or liquidation proceedings during at least the last five years;
- they have not be incriminated and/or received an official public sanction by the statutory or regulatory authorities during the last five years (except for Cardif Assurance Vie[5] and Generali Vie[6]);
- that they have not been prevented by a court from serving as a member of an administrative, management or supervisory body, or from being involved in managing or leading a company's business during at least the last five years.

4.2.1.8. Structure of the Supervisory Board

Governance timetable

The provisional governance timetable for year N+1 is sent to the members and the Statutory Auditors during the meeting of the Supervisory Board called to review the half-yearly financial statements.

Meetings

The Supervisory Board meets as often as the interests of the company require and at least four times per year, once per quarter, and the General Manager provides the Supervisory Board with the following information, taking into account, where appropriate, the activities of the company and its subsidiaries on a consolidated basis:

- at the Supervisory Board meeting held during the second quarter of the fiscal year, the draft consolidated balance sheet, consolidated income statement, draft statement of consolidated financial flows, and report by the Statutory Auditors on the consolidated financial statements;

[5] Decision of the Sanctions Committee No 2013-03 bis on 7 April 2014 (unclaimed life insurance contracts): rebuke and €10 million financial penalty.
[6] Generali Vie was sanctioned on 24 July 2015 by the Autorité de Contrôle Prudentiel et de Résolution (rebuke and financial penalty of €5 million) which considered that the effectiveness and robustness of Generali Vie's control mechanism over the period between 2009-2012 following an inspection of the mechanism for the prevention of money laundering and financing of terrorism.estimant que l'efficacité et la robustesse du dispositif de contrôle de Generali Vie sur la période 2009-2012 dans le cadre de la lutte anti-blanchiment et du financement du terrorisme était perfectible.En aucun cas Generali Vie n'a été condamné pour blanchiment d'argent ou financement du terrorisme.
The Company has not caused injury to any customer. This audit resulted in a 2-year improvement plan, approved by the ACPR and which ended in late 2017

- at the Supervisory Board meeting held in the fourth quarter of each fiscal year, an annual consolidated budget as well as the company's annual cash flow projections and the consolidated cash flow of the company and its subsidiaries;
- *at each of the quarterly meetings, an activity report, comprising all the elements* determined by the Supervisory Board, and a description of major events that occurred during the previous quarter.

More generally, the General Manager should provide the Supervisory Board with the same documents as those given to the Statutory Auditors as well as any document or information that the Supervisory Board may reasonably request.

Form of notice of the meeting

Except in an emergency, the members of the Board must be called to a meeting at least one week prior to the date of the Board meeting. Meetings of the Supervisory Board are held at the company's registered office or any other location indicated in the notice of meeting.

Other attendees

The representative of the General Manager attends meetings of the Board as a guest.

The Statutory Auditors are called to the meetings at which the annual and half-yearly, parent company or consolidated financial statements are reviewed together with the members of the Supervisory Board.

Depending on the items on the agenda, the Chairman may deem it useful to invite employees or outside consultants to attend.

Information for the members of the Board

The company provides the members with the information they need to effectively participate in the Board's work in order to enable them to perform their role in appropriate conditions. This ongoing information must include all relevant items concerning the company, including press releases issued by the company, as well as the major press articles and financial analysis reports concerning it.

At each Board meeting, the Chairman informs the members of the main facts and significant events affecting the company's business since the previous Board meeting. In addition, files containing the necessary information and documents are prepared before each meeting and delivered with reasonable advance notice to the members attending the Board meeting to enable them to fulfil their mission (including all documents relating to the transactions to be examined by the Board and that allow it to assess their importance). Each participant may be sent all documents he or she considers useful.

Finally, the Board is also regularly informed through the Audit Committee of the Group's financial position, cash position and commitments.

On December 18, 2018, the Supervisory Board decided to use a digital platform that made governance files available in a secure and dematerialised manner starting in 2019, thus ensuring the historical management of the Supervisory Board's and Audit Committee's documentation (records, minutes, Internal Regulations, *governance calendar, etc.) in complete confidentiality.*

Board deliberations

The Supervisory Board validly deliberates only if at least one half of its members are present. In compliance with the applicable laws and regulations, the meetings of the Supervisory Board may be held via videoconference or telecommunication or any other method allowed under the law or regulations, under the *conditions defined by the Internal Regulations adopted by the Supervisory Board.*

Decisions are adopted by a majority of the members present or represented. In the event of a tied vote, the meeting's Chairman has the casting vote.

The deliberations of the Supervisory Board are recorded in minutes prepared by the Secretary of the Board at the end of each meeting. After approval, they are transcribed in the register of minutes of Board meetings.

4.2.1.9. Evaluation of the Supervisory Board's work

The Board assesses its ability to meet the expectations of shareholders who have entrusted it with the mandate of managing the company, periodically reviewing its composition, organisation and working methods, which also involves a review of its Audit Committee.

In accordance with the provisions of the Afep-Medef Code, the Board holds an annual discussion on its working methods and the working methods of its Audit Committee and carries out a formal evaluation at least every three years, with the help of an external consultant.

The assessment of the Board's work aims to review the Supervisory Board's working methods (and, where appropriate, the relevance of the governance procedures implemented by the company), verify that important matters are correctly prepared and discussed, and may also allow for an opinion on the measure of each Board member's actual contribution to the Board's work.

In accordance with the recommendations of the Afep-Medef Code, at the the end of the 2016 fiscal year, the company performed a formal evaluation of the capacity of the Supervisory Board to meet the expectations of shareholders who gave them the task of managing the company, reviewing its composition, organisation, and working methods, on the basis of a questionnaire addressed to each member of the Supervisory Board and the Committees.

The results of this evaluation were presented to the Board on 7 February 2017.

The summary of the replies showed a very positive overall assessment of the functioning of the Board and produced the following results:

- well structured Supervisory Board;
- quality and relevance of the sharing of the strategy and debates;
- respect between members, freedom of expression;
- good relations between the members of the Board and good level of involvement in the debates;
- quality of monitoring of company's operational performance;
- effectiveness of Committees (Audit Committee and Investment Committee).

The evaluation suggested that the following areas be strengthened:

- the Board's expertise in hotel real estate and international experience;
- discussions of information on competition, peer strategy and CSR topics.

In 2017 and 2018, the Chairman of the Board ensured the enforcement of the new recommendations resulting from the evaluation, by implementing the following actions:

- presentation of CSR policy;
- presentation of the hotel real estate market, competitive positioning in Europe and the 2022 strategic plan;
- review of the company's strategy and presentation of the new governance of the company with the enlargement of the Supervisory Board to include three new independent members, of whom Patricia Damerval, who brought new hotel expertise to the Board;
- implementation of a new risk mapping presented to the Audit Committee on 9 February 2018.

4.2.1.10. Meetings and subjects discussed by the Supervisory Board in 2018

During the 2018 fiscal year, the Supervisory Board met six times, convened by its Chairman. The average attendance rate of the members was 87.90%, it being specified that the rate of attendance of each member was:

MEMBERS OF THE SUPERVISORY BOARD	ATTENDANCE RATE OF THE SUPERVISORY BOARD
Christophe Kullmann	100%
Olivier Estève	83%
Françoise Debrus	67%
Joséphine Lelong-Chaussier, Permanent Representative of COVIVIO ATTENDANCE (as of 26 October 2018)	100%
Audrey Camus, Permanent Representative of COVIVIO	83%
Marielle Seegmuller, Permanent Representative of FONCIERE MARGAUX	100%
Emmanuel Chabas, Permanent Representative of PREDICA	100%
François Morrisson, Permanent Representative of ACM VIE	100%
Sébastien Pezet, Permanent Representative of GENERALI VIE	83%
Nathalie Robin, Permanent Representative of CARDIF ASSURANCE VIE	67%
Patricia Demerval (starting 6 April 2018)	100%
Yann Briand, Permanent Representative of SOGECAP (starting 6 April 2018)	80 %
Arnaud Teverne, Permanent Representative of CAISSE DES DEPOTS ET CONSIGNATIONS (starting 6 April 2018)	100%
Jean Luchet	67%
Average rate	**87.90%**

Whenever certain Board members were unavailable to attend meetings, the Chairman of the Board or General Manager presented to them the files examined at prior meetings, collected their comments and shared them with the Board.

In addition to issues relating to its legal or regulatory powers, the Supervisory Board regularly rules on the Group's strategy and on major decisions affecting its business (both acquisitions or disposals and internal restructuring). In particular, the Board's work involved a review of the following points:

Meeting of 12 February 2018

Highlights of the year - Review of the parent company and consolidated financial statements at 31 December 2017 and the financial press release – Minutes of the Audit Committee meeting – Statutory Auditors' opinion - Proposed payment of dividends – Presentation and approval of several investment transactions and a development operation – Presentation of the activity report – Presentation and authorisation of several financing actions - Governance and General Meeting: approval of the report of the Chairman of the Supervisory Board on corporate governance, evaluation of the independence of the members of the Supervisory Board, presentation of the agenda and draft resolutions to the Combined General Meeting of 5 April 2018, Overview of and changes to governance and the subsequent amendment of the Internal Regulations.

Meeting of 6 April 2018

Progress update and approval of an investment project and the proposed capital increase - Presentation of activity report - Presentation and authorisation of several financing actions - Overview of governance following the Combined General Meeting of 6 April 2018.

Meeting of 13 July 2018

Presentation of the new identity of the company – Presentation of the highlights of the first half of the year - Review of the half-yearly consolidated financial statements at 30 June 2018 - Presentation of the activity report - Presentation and approval of a development project - Presentation and authorisation of several financing actions – Presentation and approval of changes in the governance of the company: co-optation of a new member of the Supervisory Board, presentation of the agenda and draft resolutions to the Combined General Meeting of 14 September 2018, presentation of the governance calendar for 2019.

Meeting of 14 September 2018

Presentation and authorisation of a bond issue.

Meeting of 15 November 2018

Presentation of the budget: 2018 final forecast and 2019 budget – presentation and approval of investment and divestment projects - Presentation of activity report - Governance: presentation of changes to governance and certain provisions of the Internal Regulations, in particular in accordance with the revision of the Afep-Medef Code, evaluation of the functioning of the Supervisory Board, annual authorisation to give security, endorsements or guarantees, presentation and approval of changes in the charter on regulated agreements in accordance with changes in the AMF recommendations, presentation of regulated agreements authorised during previous financial years whose performance continued in 2018 and authorisation of regulated agreements.

Meeting of 18 December 2018

Presentation and authorisation of an investment project and a disposal project – Governance update.

4.2.2. SPECIALISED COMMITTEE CONTRIBUTING TO THE WORK OF THE SUPERVISORY BOARD

As part of the application of the principles of corporate governance and to improve the quality of its work, the Supervisory Board relies on an Audit Committee, which is in charge of monitoring issues relating to the preparation of and control of accounting and financial information, by submitting a notice of proposals and recommendations.

Since Covivio Hotels is a subsidiary controlled by Covivio, which defines and implements an overall compensation policy for the Group, the Supervisory Board *did not consider it useful, at the company level, to set up an Appointments Committee or Compensation Committee.*

In addition, the General Manager's compensation in the partnership limited by shares (SCA) is defined by the Articles of Asociation.

The Internal Regulations of the Supervisory Board determine the powers and operating procedures of the Audit Committee, which reports to the Board (via its Chairman) on its work, opinions, proposals or recommendations.

A description of the activities of this Committee is included each year in this report.

The composition of the Audit Committee is as follows:

AUDIT COMMITTEE
Françoise DEBRUS, Chair
Nathalie ROBIN*
Olivier Estève (since 15 November 2018)

* *Independent member*

The regulation of its missions, composition and structure is governed by Articles L823-19 *et seq.* of the French Commercial Code. The company's Internal Regulations comply with the provisions on the Audit Committee stipulated by the aforementioned articles.

4.2.2.1. Composition

The Audit Committee is comprised of three members, one of whom (Nathalie Robin) is independent.

On 15 November 2018, the Supervisory Board decided to appoint Olivier Estève as a member of the Audit Committee to replace Marion Pignol.

This representation of a single independent member does not fulfil the requirements of the Afep-Medef Code. The choice of the members of the Audit Committee *is primarily dictated by their financial and/or accounting skills.*

Françoise Debrus, Chair of the Audit Committee, has specific financial and accounting skills because of her functions as Chief Financial Officer of the Caisse *Régionale de l'Ile de France within the Crédit Agricole Group.*

Nathalie Robin is an independent member (confirmed by the Supervisory Board on 13 February 2019) and has particular expertise in financial and accounting matters by virtue of her role as Real Estate Director at Cardif Assurances Vie.

Olivier Estève has skills of the same nature related to his various functions within Covivio and in particular in his capacity as Deputy Chief Executive since 31 January 2011.

No member of the Audit Committee is also an executive corporate officer.

4.2.2.2. Operation

The Audit Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors. It meets at least twice a year to review the half-yearly and annual financial statements.

Attendance by at least half of the members of the Audit Committee is necessary for a quorum.

The Audit Committee reports on its work at the following Board meeting.

The Audit Committee has an average of two days to review the financial statements before they are reviewed by the Board.

In the exercise of its duties, the Audit Committee may hear, when it considers it necessary, the Statutory Auditors, the General Manager, the Finance, Accounting and Treasury Department, the Internal Audit Department or any other other manager, if necessary, without the General Manager being present. It may use the services of external experts as required.

The opinions of the Audit Committee are adopted by simple majority vote of the members present or represented.

4.2.2.3. Missions

The duties of the Committee comply with the provisions of Article L. 823-19 of the French Commercial Code.

Under the terms of Article 2.3 of the Internal Regulations, the Audit Committee must monitor matters related to the preparation and control of accounting and financial information. In particular, it is responsible for:

- monitoring the process of preparing financial information and, where applicable, making recommendations to ensure its integrity;
- reviewing the accounting methods and conditions for valuing the assets of the Group;
- reviewing the draft parent company and consolidated financial statements prepared by the General Manager before their presentation to the Board: this review must be accompanied by a presentation by the General Manager describing the exposure to risks, including those of a social and environmental nature, and significant off-balance sheet commitments of the company;
- preparing Board decisions on the monitoring of internal audits;
- monitoring the effectiveness of internal control and risk management systems. It also oversees the internal audit, particularly with regard to procedures relating to the preparation and processing of accounting, financial and non-financial information. In this capacity, it gives its opinion on the organisation of the internal audit and internal control department;
- monitoring the statutory audit of the annual and consolidated financial statements by the Statutory Auditors;
- ensuring the independence of the Statutory Auditors;
- reviewing the service agreements entered into between the company and those who hold a direct or indirect investment in the company;
- reviewing appointment proposals involving the Statutory Auditors and issuing recommendations on the Statutory Auditors to be proposed for approval by the General Meeting;
- ensuring oversight of the management of the information to be provided to the shareholders and the markets and verification of its clarity;
- giving their approval for services other than the certification of the financial statements provided by the Statutory Auditors to the company before such services are completed;

  and
- examining the additional report of the Statutory Auditors drawn up pursuant to the provisions of Article 11 of Regulation (EU) No. 537/2014.

The Audit Committee reports to the Board of Directors on its work, expresses any opinions or suggestions it deems advisable, and informs the Board of any points that require a Board decision.

In performing its tasks, the Audit Committee may examine the scope of the consolidated companies and, where applicable, the reasons for which companies are not included. It may use the services of external experts as required.

In addition, one or more meetings between the Statutory Auditors and/or the Chief Financial Officer and the members of the Audit Committee alone, without the presence of the General Manager of the company, may be held, but no such request was made by any member of the Committee in 2018.

4.2.2.4. Work of the Audit Committee in 2018

The Audit Committee met twice, with an 83% attendance rate by its members.

MEMBERS OF THE AUDIT COMMITTEE	ATTENDANCE RATE AT AUDIT COMMITTEE MEETINGS
Françoise Debrus	100%
Nathalie Robin	100%
Marion Pignol (until 26 October 2018)	50%
Average cost	**83%**

The Audit Committee's review of the financial statements was accompanied by a presentation by the Statutory Auditors outlining the key points not only of the results, but also of the accounting options used and by a presentation by the Chief Operating Officer describing the exposure to risks, including those of a social and environmental nature, and significant off-balance sheet commitments of the company. The Audit Committee works in consultation with the Audit and Internal Control Department, which attends all meetings. It discusses operational risk perception and any changes to it over time with her.

At its meetings, the Audit Committee examined the following issues:

Meeting of 9 February 2017

Presentation of 2017 events – Update on property appraisals - Examination of the parent company and consolidated financial statements for the year ended 31 December 2017 – Presentation of the work performed by the Internal Audit and Control Department.

Meeting of 10 July 2018

Presentation of significant events of the period – Update on the half-year property appraisals - Examination of the financial statements at 30 June 2018 – Update on the Internal Audit and Control work for the perio

4.2.3. GENERAL MANAGEMENT OF THE COMPANY

4.2.3.1. Powers of the General Manager

The General Manager assumes the management of the company and as such is vested with the broadest powers to act in all circumstances on behalf of the company.

The General Manager of the company, Covivio Hotels Gestion, is appointed for a term of six years, which was renewed at the Supervisory Board meetings of 9 February 2010 and 9 February 2016 for a period of six years expiring at the end of the meeting of the Supervisory Board to review the management report on the activities of the company for the fiscal year ending 31 December 2021.

It may delegate part of the powers belonging to it to one or more persons, employed or not by the company and with or without a contractual relationship to it. Such delegation does not affect its duties and responsibilities with respect to the exercise of such powers.
It also chairs the various General Meetings of the company and implements the authorisations and delegations of authority conferred upon it by the General Meeting.

4.2.3.2. Limitations of the powers of the General Manager

The General Manager acts within the limits of the corporate purpose and subject to the powers expressly granted by law or by the the Articles of Association to the Shareholder Meetings and the Supervisory Board.

In accordance with Article 14 of the Articles of Association, prior authorisation of the Board, acting with a three-fifths majority, is required for the following transactions:

(i) subscription to bank borrowings;

(ii) purchase of buildings or equity investments;

(iii) divestments;

(iv) granting of any guarantee, comfort letter or pledge;

it being understood that the transactions mentioned in paragraphs (i) to (iv) are subject to such prior authorisation where their amount exceeds €10 million.

Where their amount does not exceed €50 million, the Supervisory Board may authorise it in a single deed signed by the members of the Supervisory Board ruling by a three-fifths majority.

4.2.3.3. Role of the Executive Committee in the operation of the General Management

The General Management of the company is structured around the Executive Committee of Covivio. This committee, at the heart of the corporate governance system, is a forum for reflection, consultation and decision-making on the Group's major strategies. It aims at ensuring coordination and consultation between its members whenever a transaction or an important decision affecting the general approach of the Company or group must be considered or taken. In particular, it is consulted for each major decision or transaction concerning governance, monitoring of subsidiaries and holdings, and financial/asset turnover policies. It validates all investment and disposal files whose value exceeds €5 million. In addition, its members are in charge of implementing the CSR objectives of the Group within their particular area of responsibility in coordination with the Sustainable Development Department.

The Executive Committee is composed of 11 members (36% women), including representatives from all of the Group's "country" and "product" activities:

Christophe Kullmann – Chief Executive Officer of Covivio
Olivier Estève – Deputy Chief Executive of Covivio
Dominique Ozanne - Deputy Chief Executive of Covivio / Chief Executive Officer of Covivio Hotels
Marjolaine Alquier – Head of Audit and Internal Control of Covivio
Thierry Beaudemoulin – Head of Germany Residential and France Residential
Audrey Camus – Head of France Offices Development
Alexei Dal Pastro – General Manager Italy
Laurie Goudallier – Chief Digital Officer of Covivio
Yves Marque – Chief Operating Officer of Covivio
Tugdual Millet – Chief Financial Officer of Covivio
Marielle Seegmuller – Director of Operations France Offices.

4.2.3.4. Diversity policy applied to General Management

The fight against discrimination and the promotion of diversity are strong commitments of the Covivio Group and are implemented through a non-discrimination and diversity policy, especially in terms of the balanced representation of women and men in the governing bodies of the company, which signed the Charter of Diversity in 2010 and the Global Compact in 2011, which establishes an analysis of wage gaps between people performing the same job.
The General Management is convinced that diversity, that is to say the variety of the Group's employees' backgrounds, is a factor for innovation, performance and quality of life within the company. The Human Resources Department is committed to diversifying the talent profiles that support the Group's growth. The Group also encourages an equal presence of women in management and wants to guarantee women employment conditions equivalent to those of men.

As a result, the distribution of the workforce is changing in favour of women: 58.5% at the end of 2018 versus 58% at the end of 2017. Similarly, in managerial functions, the equality of distribution is close: 49.2% of managers are women at 31 December 2018 versus 48.5% at the end of 2017.

In 2018, the percentage of women on Covivio's Executive Committee reached 36% (50% in the France Management Committee), and the proportion of women in the top 10% of positions with a higher responsibility is 48.5%.

In 2017, Covivio launched the ex-aequo programme with the objective of fostering the promotion of women within the Group. It consists of two main components:

- actions to raise awareness among all employees about gender equality through surveys and information meetings;

- a mentoring programme designed to support and guide women who wish to receive guidance on their professional career and benefit from the support of a mentor who is a member of the European Management team.

4.2.4. COMPENSATION OF CORPORATE OFFICERS AND INFORMATION RELATING TO THEIR TERMS OF OFFICE AND FUNCTIONS

4.2.4.1 Compensation of corporate officers

Attendance fees are paid annually and represent the only compensation allocated to the members of the Supervisory Board for their participation in the meetings of the Board and the Audit Committee.

The Ordinary and Extraordinary General Meeting of 24 April 2007 allocated to the Supervisory Board a total maximum annual gross amount of €57,000 in attendance fees for the current and subsequent fiscal years, until it decides otherwise. The procedures for the allocation of attendance fees were adopted by the Supervisory Board on 15 December 2005. They are broken down into a fixed annual amount for the function within the Board and, where applicable, within the Audit Committee, and a predominant variable component that takes into account attendance at Board and Audit Committee meetings.

At 31 December 2018, a gross amount of €42,050 in attendance fees was paid to the members of the Supervisory Board and the Audit Committee set up within it, it being specified that Christophe Kullmann and Olivier Estève, as well as the physical representatives of companies controlled by Covivio, waived all of their attendance fees.

The following table shows the gross and net amount, in euros, of attendance fees for 2018, based on the Internal Regulations approved by the Supervisory Board and whose distribution is detailed below:

Attendance at Board meetings	
Fixed annual portion allocated to the Chairman	€3,000
Fixed annual portion allocated to each member	€1,500
Variable portion allocated to the Chairman and each member	€400

Attendance at Audit Committee meetings	
Fixed annual portion allocated to the Chairman	€1,000
Variable portion allocated to the Chairman and each member	€300

Table of attendance fees paid by Covivio and received by non-executive corporate officers

Members	Gross amount of attendance fees paid *for 2018*	Net amount of attendance fees paid for 2018	Gross amount of attendance fees paid *for 2017*	Net amount of attendance fees paid for 2017
Françoise Debrus	€4,700 [(2)]	€3,290	€5,100[(2)]	€3,238
COVIVIO, represented by Audrey Camus [(1)]	€3,500	€3,500	€2,700	€2,700
PACIFICA, represented by Pierrick Louis[(1)]	/	/	€775	€775
GFR KLEBER, represented by Marielle Seegmuller (until 30/05/2018) [(1)]	€1,425	€1,425	€2,325	€2,325
FONCIERE MARGAUX, represented by Marielle Seegmuller [(1)]	€2,350	€2,350	/	/
PREDICA, represented by Emmanuel Chabas	€3,900 [(2)]	€2,730	€3,500[(2)]	€2,222
ACM VIE, represented by François Morrisson[(1)]	€3,900	€3,900	€3,100	€3,100
GENERALI VIE, represented by Sébastien Pezet	€3,500[(2)]	€2,450	€2,700[(2)]	€1,714
CARDIF ASSURANCE VIE, represented by Nathalie Robin[(1)]	€3,700	€3,700	€4,100	€4,100
COVIVIO PARTICIPATIONS, represented by Joséphine Lelong-Chaussier[(1)]	€3,000	€3,000	€3,800	€3,800
Jean Luchet	€3,100 [(2)]	€2,170	€3,500[(2)]	€2,222
SOGECAP, represented by Yann Briand[(1)]	€2,725	€2,725	/	/
CAISSE DES DEPOTS ET CONSIGNATIONS, represented by Arnaud Taverne[(1)]	€3,125	€3,125	/	/
Patricia Damerval	€3,125[(2)]	€2,187	/	/
TOTAL	€42,050	€36,552	€31,600	€26,196

[(1)] The attendance fees were paid to the company in its capacity as member of the Supervisory Board, not to its Permanent Representative.

[(2)] These attendance fees resulted in the application of taxes (single lump-sum tax of 12.8% and social security contributions of 17.2%, for a total deduction of 30%).

The single lump-sum tax of 12.8% and social security contributions of 17.2%, for a total deduction of 30%, representing a total of €5,498, were paid directly by the company to the tax authorities.

The average gross amount of attendance fees per member of the Supervisory Board was €3,504.

Table of attendance fees (excluding attendance fees paid by Covivio Hotels) and other compensation received by non-executive corporate officers and paid by Covivio

Non-executive corporate officers [(1)]	Gross amounts paid for 2018	Gross amounts paid for *2017*
Christophe Kullmann	€1,403,339	
Attendance fees		€0
Other compensation	€0	€1,437,563
Olivier Estève	€810,238	
Attendance fees		€0
Other compensation	€37,000	€851,836
François Morrisson (Permanent Representative of ACM VIE)	–	
Attendance fees [(2)]	**€2,250,577**	€19,000
Other compensation	€1,403,339	–
TOTAL		€2,308,399

[(1)] This table only takes into account people who were non-executive officers in 2018.

[(2)] The attendance fees were paid to the company in its capacity as a director, not to its Permanent Representative.

4.2.4.2. Compensation paid by *Covivio Hotels, its consolidated companies and the company consolidating it, to* corporate officers with a management function in the company consolidating it

The total compensation and benefits of any kind paid during the fiscal year to each executive corporate officer of Covivio Hotels and to the members of the Supervisory Board of Covivio Hotels as executive corporate officers of Covivio, a controlling company as defined by Article L. 233-16 of the French Commercial Code. Furthermore, all compensation components indicated are paid by Covivio.

Table 1*

Name and function of the executive corporate officer **Christophe Kullmann: Chief Executive Officer**	2017		2018	
	Amounts due for 2017	Amounts paid in 2017	Amounts due for 2018	Amounts paid in 2018
Remuneration *(detailed in Table 2)*	1,453,563	1,486,563	1,499,931	1,446,931
Valuation of the multiannual variable compensation paid during the fiscal year	0	0	0	0
Valuation of the options granted during the fiscal year	None	None	None	None
Valuation of the performance shares allocated *(detailed in Table 6)* **	602,680	598,650	601,125	602,680
TOTAL	2,056,243	2,085,213	2,101,056	2,049,611

*since the allocation of performance shares in fiscal year N is delayed until N+1, for the purposes of the accuracy and completeness of the information provided, Table 1 distinguishes between amounts paid and those due for each fiscal year
**The valuation of the shares does not include the portion of the bonus paid in free shares, already included, where applicable, in Table 2.
Note: The share valuations are calculated by an independent expert

Table 2

Name and function of the executive corporate officer **Christophe Kullmann: Chief Executive Officer**	2017		2018	
	Amounts due for 2017	Amounts paid in 2017	Amounts due for 2018	Amounts paid in 2018
fixed compensation	600,000	600,000	600,000	600,000
Annual variable compensation (1)	767,000	800,000	820,000	767,000
Multiannual variable compensation	0	0	0	0
extraordinary compensation	0	0	0	0
attendance fees (Beni Stabili)	49,000	49,000	43,592	43,592
benefits in kind (company car, GSC type unemployment insurance, etc.)	37,563	37,563	36,339	36,339
TOTAL	1,453,563	1,486,563	1,499,931	1,446,931

(1) The variable amount due for 2016 of €800 thousand is comprised of €600 thousand paid in cash during 2017 and 3,859 free shares allocated in 2017.
The variable amount due for 2017 of €767 thousand is comprised of €600 thousand paid in cash during 2018 and 2,877 free shares allocated in 2018.
The variable amount due for 2018 of €820 thousand is comprised of €600 thousand paid in cash during 2019 and 3,485 free shares allocated in 2019, subject to approval by the General Meeting on 17 April 2019.

Table 1*

Name and function of the executive corporate officer **Olivier Esteve: Deputy General Manager**	**2017**		**2018**	
	Amounts due for 2017	Amounts paid in 2017	Amounts due for 2018	Amounts paid in 2018
Compensation *(detailed in Table 2)*	809,836	851,836	776,238	810,238
Valuation of the multiannual variable compensation paid during the fiscal year	*0*	*0*	*0*	*0*
Valuation of the options granted during the fiscal year	None	None	None	None
Valuation of the performance shares allocated during the fiscal year*(detailed in Table 6)* **	370,880	359,190	360,675	370,880
TOTAL	1,180,716	1,211,026	1,136,913	1,181,118

*since the allocation of performance shares in fiscal year N is delayed until N+1, for the purposes of the accuracy and completeness of the information provided, Table 1 distinguishes between amounts paid and those due for each fiscal year
**The valuation of the shares does not include the portion of the bonus paid in free shares, already included, where applicable, in Table 2.

Note: The share valuations are calculated by an independent expert

Table 2

Name and function of the executive corporate officer **Olivier Esteve: Deputy General Manager**	2017		2018	
	Amounts due *for 2017*	Amounts paid *in 2017*	Amounts due *for 2018*	Amounts paid *in 2018*
fixed compensation	360,000	360,000	360,000	360,000
Annual variable compensation (1)	412,000	454,000	378,000	412,000
Multiannual variable compensation	0	0	0	0
extraordinary compensation	0	0	0	0
attendance fees	0	0	0	0
benefits in kind (company car and GSC-type unemployment insurance, etc.)	37,836	37,836	38,238	38,238
TOTAL	809,836	851,836	776,238	810,238

(1) The variable amount due for 2016 of €454 thousand is comprised of €360 thousand paid in cash during 2017 and 1,814 free shares allocated in 2017.
The variable amount due for 2017 of €412 thousand is comprised of €360 thousand paid in cash during 2018 and 896 free shares allocated in 2018.
The variable amount due for 2018 of €378 thousand is comprised of €360 thousand paid in cash during 2019 and 285 free shares allocated in 2019, subject to approval by the General Meeting on 17 April 2018.

Table 1*

Name and function of the executive corporate officer **Dominique Ozanne: Deputy General Manager since 14 February 2018: remuneration from 03 to 12/2018**	2017		2018	
	Amounts due for 2017	Amounts paid in 2017	Amounts due for 2018	Amounts paid in 2018
Compensation *(detailed in Table 2)*	NONE		750,518	315,518
Valuation of the multiannual variable compensation paid during the fiscal year			0	0
Valuation of the options granted during the fiscal year			None	None
Valuation of the performance shares allocated during the fiscal year*(detailed in Table 6)* **			360,675	324,520
TOTAL			1,111,193	640,038

*since the allocation of performance shares in fiscal year N is delayed until N+1, for the purposes of the accuracy and completeness of the information provided, Table 1 distinguishes between amounts paid and those due for each fiscal year
**The valuation of the shares does not include the portion of the bonus paid in free shares, already included, where applicable, in Table 2.

Note: The share valuations are calculated by an independent expert

Table 2

Name and function of the executive corporate officer **Dominique Ozanne: Deputy General Manager since 14 February 2018: remuneration from 03 to 12/2018**	2017		2018	
	Amounts due for 2017	Amounts paid in 2017	Amounts due for 2018	Amounts paid in 2018
fixed compensation	N/A		300,008	300,008
Annual variable compensation(1)			435,000	N/A
Multiannual variable compensation			0	0
extraordinary compensation			0	0
attendance fees			0	0
benefits in kind (company car and GSC-type unemployment insurance, etc.)			15,510	15,510
TOTAL			750,518	315,518

(1) The variable amount due for 2018 of €435 thousand is comprised of €360 thousand paid in cash during 2019 and 1,188 free shares allocated in 2019, subject to approval by the General Meeting on 17 April 2018.

Table 4

Share subscription or purchase options allocated during the fiscal year to each executive corporate officer						
Options granted to each executive corporate officer by the issuer and by any company of the Group (list by name)	No. and date of plan	Type of options (purchase or subscription)	Valuation of the options based on the method used for the consolidated financial statements	Number of options awarded during the fiscal year	Exercise price	Exercise period
Christophe KULLMANN	None	None	None	None		
Olivier ESTEVE	None	None	None	None		
Dominique OZANNE	None	None	None	None		

Table 5

Share subscription or purchase options exercised during the fiscal year by each executive corporate officer			
Options exercised by the executive corporate officers (list by name)	No. and date of plan	Type of options exercised during the fiscal year	Exercise price
Christophe KULLMANN	None	None	None
Olivier ESTEVE	None	None	None
Dominique Ozanne	None	None	None

Table 6

Performance shares allocated to each executive corporate officer*						
Performance shares allocated during the fiscal year to each executive corporate officer by the issuer and by any company in the Group (list by name)	*Plan date*	Number of shares *allocated during* the fiscal year*	Valuation of the shares based on the method used for the consolidated financial statements **(1)**	Vesting date	Date available	Performance conditions
Christophe KULLMANN	14/02/2018	13,000	46.36 €	14/02/2021	14/02/2021	- 50% = overall stock market performance compared to EPRA - 50% = rate of *achievement of individual* goals
Christophe KULLMANN	14/02/2018	2,877**	58.04 €	14/02/2021	14/02/2021	
Olivier ESTEVE	14/02/2018	8,000	46.36 €	14/02/2021	14/02/2021	
Olivier ESTEVE	14/02/2018	896**	58.04 €	14/02/2021	14/02/2021	
Dominique OZANNE	14/02/2018	7,000	46.36 €	14/02/2021	14/02/2021	
Dominique OZANNE	14/02/2018	None	58.04 €	14/02/2021	14/02/2021	

* During the year N-1

** Upside portion of bonus, paid in shares without performance conditions

(1) Value of the share calculated by an independent expert

Table 7

Performance shares becoming available during the fiscal year for each executive corporate officer				
Free shares becoming available for the *executive corporate officers (list by* name)	*Plan date*	Number of shares *available during* the fiscal year	*Vesting conditions*	*Vesting date*
Christophe KULLMANN	19/02/2015	15,263	Continued service requirement + relative stock market performance requirement (1/2) and target achievement requirement (1/2)	19/02/2018
Olivier ESTEVE	19/02/2015	7,808		19/02/2018
Dominique OZANNE	27/04/2016	2,735	Attendance conditions	27/11/2018
Dominique OZANNE	25/06/2014	10,000	Continued service requirement + relative stock market performance requirement (1/2) and target achievement requirement (1/2)	25/06/2018

The Covivio executive compensation policy (Chief Executive Officer and Deputy Chief Executives) is determined by the Board of Directors of Covivio based on work carried out and proposals made by the Appointments and Compensation Committee.

Having formally adhered to the recommendations of the Afep-Medef Code *on the compensation of executive officers of listed companies, the determination of* such compensation takes into account the principles set forth in its recommendations.

The committee and the Board are particularly keen to follow these guidelines:

- compensation is understood exhaustively through all of its components: fixed portion, variable portion, allocation of performance shares, benefits in kind and, where applicable, attendance fees;
- the basic principles sought are:
  - *a balance between the various components, short-term and long-term, fixed and variable,*
  - a strong link between compensation and operational performance,
  - a variable portion based on objective quantifiable performance criteria that combine the interests of the company, its staff and its shareholders, at the same time providing an incentive for overperformance and a "circuit breaker" system to sanction any deterioration of key company indicators,
  - a financial alignment with the long-term interests of shareholders,
  - *compensation correctly situated in the market and designed to foster loyalty.*

The committee and the Board use industry-based benchmarks and general research studies simply to check that overall remuneration packages are in line with market rates.

All detailed information on Covivio's corporate officer compensation policy can be found in the Covivio Registration Document, which is available at www.covivio.fr.

4.2.4.3. Remuneration of the General Manager and of the general partners

The General Manager(s) shall together have an annual compensation for their functions of €1 million, said remuneration being indexed annually on the basis of changes in the Syntec index recorded on 31 December of the preceding year. The reference index is the index at 31 December 2008.

No other compensation may be allocated to the General Managers, for their term of office, without have been decided beforehand by the Ordinary General Meeting following the unanimous consent of the limited partners.

Furthermore, the General Manager(s) have the right to be reimbursed for all the expenses and cost of any nature arising from the use of external service providers, carried out in the interest of the company or the companies it controls, directly or indirectly, within the meaning of Article L.233-3 of the French Commercial Code.
The Managing Partner, Covivio Hotels Gestion, received €1,187,527.61 excluding taxes for its work in 2018.

Name and function of the executive corporate officer Covivio Hotels Gestion, Managing Partner of Covivio Hotels	**2018**	**2017**
Compensation paid for the fiscal year	€1,187,527.61	€1,113,746

Dominique Ozanne is the Permanent Representative of Covivio Hotels Gestion, the Managing Partner of Covivio Hotels. He receives no compensation from Covivio Hotels.

4.2.4.4. Corporate officers' terms of office and functions

In accordance with Article L. 225-37-4 1° of the French Commercial Code and Article 14.1 of Annex 1 of Regulation (EC) No. 809/2004 and Article 12.1 of Annex 1 to ESMA Technical Opinion No. 31-62-800, we hereby submit to you a list of all terms of office held and functions exercised in any company by each of the corporate officers of the company in 2018 and in the five previous years and a biography of each of them:

COVIVIO HOTELS GESTION 30, avenue Kléber – 75116 PARIS – France PARIS Trade and Companies Register 450 140 298 **Number of shares held as at 31 December 2018:** 0	**Office held with Covivio Hotels:** Managing partner **Date of appointment:** GM of 30 November 2004 ***Date of renewal**: Supervisory Board meetings of 9 February 2010 and 9 February 2016* **Date of expiry of term:**Supervisory Board meeting tasked with hearing the management report on the activities of the company held in 2021
	Offices held within the Covivio Group: **Managing Partner:** COVIVIO HOTELS (SCA), a public company
	Offices held outside the Group: None
	Terms of office expired within the last five fiscal years: None

Dominique Ozanne Born on 1 July 1978 in Paris (14e) *French national* Business address: *10, avenue Kléber – 75116 PARIS – France* **Main function:** Chief Executive Officer of Covivio Hotels and Deputy Chief Executive of Covivio	**Office held with Covivio Hotels:** Chairman of COVIVIO HOTELS GESTION Managing Partner of COVIVIO HOTELS **Date of appointment:** 27 May 2011 **Date of renewal:** Supervisory Board meetings of 9 February 2010 and 9 February 2016 **Date of expiry of term:**Supervisory Board meeting tasked with hearing the management report on the activities of the company held in 2021
Biography: A graduate of ESTP and HEC (MS), Dominique Ozanne joined Covivio in 2003 as adviser to the Chief Executive Officer. In 2005, with the creation of Covivio Hotels (Covivio's SIIC subsidiary through which *hotels are acquired in Europe*), *he was* appointed Chief Operating Officer, then Head of Development and Asset Management. In 2011, he became Chief Executive Officer of the company, which manages nearly 450 hotels. In 2014, he helped launch the investment vehicle dedicated to operating hotel properties initiated by Covivio. He is one of the founders of AHTOP, an association whose aim is to foster loyalty among hotel industry professional and *economic stakeholders as a whole who strive* to provide quality lodging, to help boost the *appeal of tourism in France*. In addition to his duties as Chief Executive Officer of Covivio Hotels, Dominique Ozanne was appointed Deputy Chief Executive of Covivio in 2018. **Number of shares held at 31 December 2018:** 32,702	**Offices held within the Covivio Group:** **Deputy Chief Executive**: COVIVIO SA, a public company (since 14/02/2018) ***Chairman* of COVIVIO HOTELS GESTION, Managing *Partner*:** COVIVIO HOTELS (SCA), a public company **Chairman of the Board of**Directors: B2 Hotel Invest SPPICAV **Chairman:** FONCIERE IRIS (SAS), SABLES D'OLONNE (SAS), CAMPELI (SAS), COVIVIO HOTELS GESTION (SAS), FONCIERE ULYSSE (SAS), FONCIERE B2 HOTEL INVEST SAS, FONCIERE B3 HOTEL INVEST SAS, FONCIERE B4 HOTEL INVEST, ***Chief Executive Officer:*** *Iris Holding France SAS* **Chairman of *COVIVIO HOTELS GESTION*, Managing Partner of *COVIVIO HOTELS*, *General* Manager:** FONCIERE OTELLO (SNC), HOTEL 37 PLACE RENE CLAIR (SNC), SCI HOTEL PORTE DOREE **Legal Representative of Covivio, General Manager:** SCI LENOVILLA, SCI LATECOERE, SCI ESPLANADE BELVEDERE II, SCI LE PONANT 1986, SCI RUHL COTE D'AZUR, SCI 11 PLACE DE L'EUROPE, SCI LATECOERE 2 , SCI MEUDON SAULNIER, SCI DU 15 RUE DES CUIRASSIERS, SCI DU 288 RUE DUGUESCLIN, SNC DU 9 RUE DES CUIRASSIERS, SCI N2 BATIGNOLLES, SNC CŒUR D'ORLY PROMOTION **Legal Representative of Covivio, Chairman:** TECHNICAL (SAS) **Chairman of COVIVIO HOTELS GESTION, Managing Partner of COVIVIO HOTELS, Chairman:** SAS SAMOËNS **General Manager:** FONCIERE MANON (SARL), LUIRE (SARL), FDM GESTION IMMOBILIERE (SNC), **Director of Belgian public limited companies:** FONCIERE VIELSALM, SUNPARKS OOSTDUINKERKE, FONCIERE KEMPENSE MEREN, FONCIERE NO BRUGES CENTRE, FONCIERE NO BRUXELLES GRAND PLACE, FONCIERE IB BRUGES CENTRE, FONCIERE IB BRUXELLES AEROPORT, FONCIERE IB BRUXELLES GRAND PLACE, FONCIERE GAND OPERA, FONCIERE GAND CENTRE, FONCIERE BRUXELLES EXPO ATOMIUM, FONCIERE ANTWERP CENTRE, FONCIERE NO BRUXELLES AEROPORT, TULIPE HOLDING Belgium, NARCISSE HOLDING Belgium, *FONCIERE BRUGGE STATION, FONCIERE BRUXELLES SUD, FONCIERE LOUVAIN CENTRE*, FONCIERE LIEGE, FONCIERE BRUXELLES AEROPORT, FONCIERE BRUXELLES TOUR NOIRE, FONCIERE LOUVAIN, FONCIERE MALINES, FONCIERE BRUXELLES GARE CENTRALE, FONCIERE NAMUR **Chief Executive Officer of German companies:** IRIS BERLIN GMBH, IRIS ESSEN BOCHUM GMBH, IRIS FRANKFURT GMBH, IRIS GENERAL PARTNER GMBH, IRIS INVESTOR HOLDING GMBH, IRIS NURNBERG GMBH, IRIS STUTTGART GMBH, BRE/GH II BERLIN I INVESTOR GMBH, BRE/GH II BERLIN II INVESTOR GMBH, BRE/GH II BERLIN III INVESTOR GMBH, BRE/GH II DRESDEN I INVESTOR GMBH, BRE/GH II DRESDEN II INVESTOR GMBH, BRE/GH II DRESDEN III INVESTOR GMBH, BRE/GH II DRESDEN IV INVESTOR GMBH, BRE/GH II DRESDEN V INVESTOR GMBH, BRE/GH II ERFURT I INVESTOR GMBH, BRE/GH II LEIPZIG I INVESTOR GMBH, BRE/GH II LEIPZIG II INVESTOR GMBH ***Director of Spanish companies:*** INVESTMENT FDM ROCATIERRA S.L, BARDIOMAR S.L, TRADE CENTER HOTEL S.L.U **Alternate Member:** FONCIERE DEVELOPPEMENT TOURISME (SPPICAV) Partnership Committee **Committee member:** SAS SAMOËNS Partnership Committee, IRIS HOLDING France SAS Strategy *Committee, SCI DAHLIA Management Committee,*
	Offices held outside the Group: **Director**: Iris Invest 2010 SPPICAV,Camp Invest SPPICAV **General Manager of Luxembourg companies:** Maro Lux SARL, Roma Lux

Terms of office expired within the last five fiscal years:

Legal Representative of Covivio, General Manager:SCI RAPHAEL (until 31/05/2018)

General Manager of Luxembourg companies: *LHM HOLDING LUX (SARL) (term ended in 2017),* LHM PROPCO LUX (SARL) (term ended in 2017), FDM M LUX (SARL) (term ended in 2017), ROCK-LUX (term ended in 2017)

Chairman and Chief Executive Officer: LA RESIDENCE DU CLOITRE SA (term ended in 2016), SOCIETE LILLOISE D'INVESTISSEMENT HOTELIER (term ended in 2017)

Chairman: SAS SAMOËNS (term ended in 2016), FDM MANAGEMENT SAS (until 24/01/2018), CONSTANCE SAS (until 09/02/2018), SO HOSPITALITY (SAS) (until 09/02/2018), NICE-M (SAS) (until 23/02/2018)

Chairman of SO HOSPITALITY, Chairman: HERMITAGE HOLDCO (until 9/02/2018)

Chairman of CONSTANCE, Chairman: *OPCO ROSACE (until 9/02/2018)*

Chairman of SO HOSPITALITY, Chairman of HERMITAGE HOLDCO SAS, Chairman: ALLIANCE ET COMPAGNIE SAS (until 9/02/2018), SOCIETE LILLOISE D'INVESTISEMENT HOTELIER (SAS) (until 9/02/2018)

Chairman of FDM MANAGEMENT SAS, Chairman (until 24/01/2018): FINANCIERE HOPE SAS, OPCO ROSACE SAS, HERMITAGE HOLDCO SAS

Chairman of FDM MANAGEMENT SAS, Chairman of HERMITAGE HOLDCO SAS, Chairman (until 24/01/2018): ALLIANCE ET COMPAGNIE SAS, SOCIETE LILLOISE D'INVESTISSEMENT HOTELIER (SAS)

Legal Representative of Covivio, General Manager: SCI OMEGA A (until 30/11/2018), SCI OMEGA C (until 30/11/2018),

General Manager: SCI ROSACE (until 2/03/2018), COVIVIO PROPERTY (SNC) (term ended in 2015), SCI HOTEL PORTE DOREE (term ended in 2015), SOCIETE CIVILE IMMOBILIERE ACTIFONCIER (term ended in 2016)

Director of Belgian public limited companies: AIRPORT GARDEN HOTEL (term ended in 2017), EXCO HOTEL KVK (term ended in 2017), INVEST HOTEL KVK (term ended in 2017), SUNPARKS DE HAAN (term ended in 2018),

Chief Executive Officer of German company: STAR BUDGET HOTEL GMBH (until 31/10/2018)

Committee member: SCI HOTEL PORTE DOREE Partnership Committee *(until 24/01/2018)*

Chairman of COVIVIO HOTELS GESTION, Managing Partner of COVIVIO HOTELS, General Manager: SCI KERINOU IMMOBILIER (term ended in 2014), SCI PONTLIEUE TIRONNEAU (term ended in 2014), SCI CASTEL IMMO (term ended in 2014), SCI DE LA NOUE (term ended in 2014), SOCIETE NOUVELLE LACEPEDE (SCI) (term ended in 2014), SOCIETE CIVILE IMMOBILIERE DES 105 ET 107 AVENUE VICTOR HUGO A BOULOGNE (term ended in 2014), SCI NOUVELLE VICTOR HUGO (term ended in 2014), PRESTIGE HOTEL MARCQ EN BAROEUL (term ended in 2016), PRESTIGE HOTEL LE CHESNAY (SCI) (term ended in 2016), SOCIETE CIVILE IMMOBILIERE LES MIMOSAS (term ended in 2016)

Manager: FONCIERE EUROPE LOGISTIQUE (SAS) (until 2 February 2015),

Chief Executive Officer of Foncière Europe Logistique, Chairman: GARONOR FRANCE III (SAS) (term ended in 2014)

Chief Executive Officer of Foncière Europe Logistique, General Manager: SOCIETE IMMOBILIERE PANTIN BOBIGNY – IPB (SCI) (term ended in 2015), IMMOPORA (SCI) (term ended in 2015), SCI BOLLENE LOGISTIQUE (term ended in 2015), SCI BOLLENE LOGISTIQUE T4 (term ended in 2015), FEL Holding GmbH & Co. Verwaltungs ~~KG,~~ (term ended in 2015), SNC GARONOR MELUN 7 (term ended in 2014)

Christophe Kullmann

Born on 15 October 1965 in Metz (57000)
French national
Business address:
30, avenue Kléber – 75116 PARIS – France

Main function:
Chief Executive Officer of Covivio

Biography:
Christophe Kullmann has spent his whole career in the real estate industry. He was in charge of financial management at Immobilière Batibail, a publicly traded real estate development company, from 1992 until its merger in 1999 with Gecina, where he oversaw its financial management.
At the helm of Covivio since its creation in 2001, Christophe Kullmann serves as Chief Executive Officer and is a member of the Board of Directors.
Since 2012, Christophe Kullmann serves as the president of the French Federation of Real Estate Companies (FSIF), a trade association in the listed real estate sector. He is also a founding member of Fondation Palladio.

Number of shares held at 31 December 2018: 2,515

Office held with Covivio Hotels:

Chairman of the Supervisory board

Date of appointment: GM of 30 November 2004
Date of renewal: GMs of 15 April 2008, 4 April 2011, 16 April 2014, 7 April 2017 and 6 April 2018
Date of expiry of the term of office: General Meeting of 2021 approving the annual financial statements *for the fiscal year ending 31 December 2020*

Offices held within the Covivio Group:

Chief Executive Officer: COVIVIO (SA), public company

Chairman of the Supervisory Board: *COVIVIO HOTELS (SCA), public company*

Member of the Supervisory Board: COVIVIO IMMOBILIEN SE (European company)

Director: COVIVIO (SA), public company, FONCIERE DEVELOPPEMENT LOGEMENT (SA)

Legal Representative of Covivio, Chairman: TECHNICAL (SAS)

Legal Representative of Covivio, General Manager: SCI ESPLANADE BELVEDERE II, SCI LE PONANT 1986, SCI RUHL COTE D'AZUR, SCI LATECOERE, SCI LATECOERE 2 , SCI LENOVILLA, SCI 11 PLACE DE L'EUROPE , SCI MEUDON SAULNIER, SCI DU 15 RUE DES CUIRASSIERS , SCI DU 288 RUE DUGUESCLIN , SCI DU 9 RUE DES CUIRASSIERS, SCI N2 BATIGNOLLES, SNC CŒUR D'ORLY PROMOTION

Offices held outside the Group:

Chairman of the Board of Directors: FSIF (trade association)

Director: IEIF (Association)

Terms of office expired within the last five fiscal years:

Deputy Director: BENI STABILI S.p.a SIIQ, Italian public company (until 31/12/2018)

Member of the Executive and Investment Committee: BENI STABILI S.p.a SIIQ, Italian public *company (until 31/12/2018)*

Chairman of the Strategy Committee: *FDM MANAGEMENT SAS (until 24/01/2018)*

Legal Representative of Covivio, General Manager: SCI RAPHAEL (until 31/05/2018), SCI OMEGA A (until 31/12/2018), SCI OMEGA C (until 31/12/2018), SCI TOSTEL (term ended in 2014), SCI DU 32/50 RUE PARMENTIER (term ended in 2014)

Member of the Appointments and Compensation Committee: FONCIERE DEVELOPPEMENT *LOGEMENTS (SA) (until 22/01/2018)*

General Manager: GFR KLEBER (SARL) (until 31 May 2018)

Director: BENI STABILI S.p.A SIIQ, Italian public company (term ended in 2015),IEIF (Association) (term *ended in 2014), EPRA (term ended in 2018)*

Member of the Supervisory Board: *IMMEO AG, German company (transformed from AG into SE* 27/05/2015), IMMEO WOHNEN GmbH, a German company (transformed from GmbH into AG 02/05/2014)

Member of the Audit Committee: COVIVIO HOTELS (SCA), public company (term ended in 2015)

Legal Representative of Covivio, Chairman: GFR BLERIOT SAS (term ended in 2014)

Legal Representative of Covivio, Chairman of GFR BLERIOT, General Manager: SCI 1 RUE DE VERDUN *(term ended in 2014), SCI DU 15 RUE DES CUIRASSIERS (term ended in 2014), SCI DU* 288 RUE DUGUESCLIN (term ended in 2014)

Permanent Representative of REPUBLIQUE, Director: BP 3000 SA (ended in 2016)

Member of the Executive Board: EPRA (term ended in 2017)

Olivier Estève Born on 18 September 1964 in Algiers – Algeria French national Business address: *30, avenue Kléber – 75116 PARIS – France* **Main function:** Deputy Chief Executive of Covivio **Biography:** Olivier Estève is a graduate of École Spéciale des Travaux Publics (ESTP). After a 12-year career in the Bouygues Group (1990-2001), where he served as Director of Development in the SCREG Bâtiment subsidiary, he joined Covivio in September 2002. After being Real Estate Director responsible for Major Commercial Property Development Projects, he currently supervises,among others, all Covivio development activities, external partnerships and co-working activity. Olivier Estève has been Deputy Chief Executive of Covivio since 2011. **Number of shares held at 31 December 2018:** 790	**Offices held with Covivio:** Member of the Supervisory board Member of the Audit committee **Date of appointment:**Supervisory Board meeting of 6 April 2011 **Date of renewal**: GMs of 16 April 2014, 7 April 2017 and 6 April 2018 ***Date of expiry of the term of office***: *General Meeting of 2021 approving the annual financial statements* for the fiscal year ending 31 December 2020 **Offices held within the Covivio Group:** **Deputy Chief Executive:** COVIVIO (SA), public company **Chairman:** FDR 2 SAS **Chairman and Chief Executive Officer:** REPUBLIQUE (SA) **Permanent Representative of COVIVIO, Director:** FONCIERE DEVELOPPEMENT LOGEMENTS (SA) **Member of the Audit Committee:** COVIVIO HOTELS (SCA), public company (since 15/11/2018) **Member of the Supervisory Board:** COVIVIO HOTELS (SCA), public company, COVIVIO IMMOBILIEN SE (European Company) **General Manager:** COVIVIO DEVELOPPEMENT (SNC), GFR RAVINELLE (SARL), EUROMARSEILLE INVEST (EURL), SCI EUROMARSEILLE 1, SCI EUROMARSEILLE 2, FDR 4 (EURL), FDR 7 (EURL), FÉDÉRATION (EURL), BGA TRANSACTION (SARL), FONCIÈRE MARGAUX (SARL), SARL DU 2 RUE SAINT CHARLES, SARL DU 25-27 QUAI FÉLIX FAURE, SARL DU 106-110, RUE DES TROENES, TELIMOB PARIS SARL, IMEFA 127 (SCI), SCI ATLANTIS, SCI POMPIDOU METZ, SNC PALMER PLAGE, SCI PALMER MONTPELLIER, SCI DUAL CENTER, LENOPROMO (SNC), SCI CHARENTON, LATEPROMO (SNC) , PROMOMURS (SNC) , COVIVIO PARTICIPATIONS (EURL) , SCI AVENUE DE LA MARNE , OMEGA B (SARL) , COVIVIO PROPERTY (SNC) , SCI RUEIL B2, SCI RUEIL B3 B4 , WELLIO SNC, SNC LE CLOS CHANTELOUP, SNC BORDEAUX LAC,SNC SULLY CHARTRES, SNC SUCY PARC, SNC GAMBETTA LE RAINCY, ORLY PROMO (SNC), SILEXPROMO (SNC), SCI DU 21 RUE JEAN GOUJON, SNC LA MARINA FREJUS, SNC VILLOUVETTE SAINT GERMAIN, SNC GAUGUIN ST OUEN L'AUTOMNE, SNC LE PRINTEMPS SARTROUVILLE, SNC NORMANDIE NIEMEN BOBIGNY, SCI CITE NUMERIQUE (since 7/03/2018), SCI DANTON MALAKOFF (since 19/03/2018), SNC MEUDON BELLEVUE (since 18/05/2018), SNC TOURS COTY (since 7/11/2018), SNC VALENCE VICTOR HUGO (since 7/11/2018), SNC NANTES TALENSAC (since 7/11/2018), SNC MARIGNANE ST PIERRE (since 7/11/2018) **Legal Representative of FEDERATION, General Manager:** FEDERIMMO (SCI) **Legal Representative of TELIMOB PARIS SARL, General Manager:** TELIMOB EST SNC, TELIMOB NORD SNC, TELIMOB OUEST SNC, TELIMOB PACA SNC, TELIMOB PARIS SNC, TELIMOB RHONE ALPES SNC, TELIMOB SUD OUEST SNC **Legal Representative of FONCIERE MARGAUX, General Manager:** SCI DU 1 RUE DE CHATEAUDUN , SCI DU 2 RUE DE L'ILL , SCI DU 3 PLACE A. CHAUSSY, SCI DU 8 RUE M. PAUL, SCI DU 10 BIS ET 11 A 13 ALLEE DES TANNEURS, SCI DU 20 AVENUE VICTOR HUGO, SCI DU 32 AVENUE P. GRENIER, SCI DU 35/37 RUE LOUIS GUERIN, SCI DU 40 RUE JEAN-JACQUES ROUSSEAU, SCI DU 125 AVENUE DU BRANCOLAR, SCI DU 682 COURS DE LA LIBERATION, SCI DU 1630 AVENUE DE LA CROIX ROUGE **Legal Representative of SCI Euromarseille 1, General Manager:** SCI EUROMARSEILLE BL, SCI EUROMARSEILLE BI, SCI EUROMARSEILLE BH, SCI EUROMARSEILLE BH2 **Legal Representative of SCI EUROMARSEILLE 2, General Manager:** SCI EUROMARSEILLE PK, SCI EUROMARSEILLE H **Legal Representative of FDR 2, General Manager:** SCI CŒUR D'ORLY BUREAUX (since 30/11/2018), SNC CŒUR D'ORLY COMMERCES (since 30/11/2018)

Legal Representative of REPUBLIQUE, Chairman: *SOCIETE DU PARC TRINITE D'ESTIENNE D'ORVES (SAS)*

Legal Representative of REPUBLIQUE, General Manager: GESPAR (SC), PARKING DE LA COMEDIE (SNC), PARKING DE LA GARE CHARLES DE GAULLE (SNC)

Legal Representative of COVIVIO, General Manager: SCI LENOVILLA, SCI LATECOERE, SCI ESPLANADE BELVEDERE II, SCI LE PONANT 1986, SCI RUHL COTE D'AZUR, SCI 11 PLACE DE L'EUROPE, SCI LATECOERE 2, SCI MEUDON SAULNIER, SCI DU 15 RUE DES CUIRASSIERS, SCI DU 288 RUE DUGUESCLIN, SNC DU 9 RUE DES CUIRASSIERS, SCI N2 BATIGNOLLES, SNC CŒUR D'ORLY PROMOTION

Legal Representative of COVIVIO, Chairman: TECHNICAL (SAS)

<u>Offices held outside the Group</u>:

None

<u>Terms of office expired within the last five fiscal years</u>:

Chairman of the Board of Directors: REPUBLIQUE (SA), (term ended in 2016), BP 3000 (SA) (term ended in 2016), OFFICE CB 21 (SPPICAV) (until 7/03/2018)

Chairman of the Investment Committee: REPUBLIQUE (SA) (term ended in 2017),COVIVIO HOTELS (SCA), public company (until 12 February 2018)

Legal Representative of FDR 2, General Manager SCI Holding Bureaux Cœur d'Orly, which is the General Manager of:
SCI Cœur d'Orly bureaux (until 30/11/2018)

Legal Representative of FDR 2, General Manager of SNC HOLDING COMMERCES CŒUR D'ORLY, which is the General Manager of SNC CŒUR D'ORLY COMMERCES (until 30/11/2018)

Legal Representative of FDR 2, General Manager: SCI HOLDING BUREAUX CŒUR D'ORLY (until 30/11/2018), SNC HOLDING COMMERCES CŒUR D'ORLY (until 30/11/2018),

Legal Representative of COVIVIO, General Manager: SCI OMEGA A (until 31/12/2018), SCI OMEGA C (until 31/12/2018), SCI RAPHAEL (until 31/12/2018)

Member of the Investments Committee: *FONCIERE DEVELOPPEMENT LOGEMENTS* (SA) (term ended in 2017)

Chairman: FONCIERE EUROPE LOGISTIQUE (SAS) (term ended in 2016)

Director: *ULYSSE TREFONDS* (SA), Belgian company (term ended in 2015), *SUNPARKS TREFONDS* (SA), Belgian company (term ended in 2015), IRIS TREFONDS (SA), Belgian company (term ended in 2015),

Permanent representative of FDR 2, Director: FONCIERE DEVELOPPEMENT LOGEMENTS (SA), public company (term ended in 2017)

Permanent representative of COVIVIO, Director: TECHNICAL PROPERTY FUND 1 (SPPICAV) (term ended in 2014)

General Manager: *SNC FONCIERE PALMER* (term ended in2017), *EURL LANGUEDOC* 34 (termended in2017), SNC PALMER TRANSACTIONS (term ended in2017), SCI EUROMARSEILLE 3 (term ended in2017), SARL DU 11 RUE VICTOR LEROY (term ended in2017), GFCR (SC) (term ended in 2016), ABERDEEN BALANCED France HOLDING 3 (SARL) (term ended in 2015), GFR BLERIOT (SARL) (term ended in 2015), FDR 6 (EURL) (term ended in 2015), FDR 5 (EURL) (term ended in 2015), FONCIERE *ELECTIMMO* (SARL) (term ended in 2014)

Legal Representative of FONCIÈRE ELECTIMMO, General Manager: SCI DU 10 BIS ET 11 À 13 ALLÉE DES TANNEURS (term ended in 2014), SCI DU 125 AVENUE DU BRANCOLAR (term ended in 2014), SCI DU 1630 AVENUE DE LA CROIX ROUGE (term ended in 2014), SCI DU 32 AVENUE P.

	GRENIER (term ended in 2014), SCI DU 20 AVENUE VICTOR HUGO (term ended in 2014), SCI DU 11 AVENUE DE SULLY (term ended in 2014), SCI DU 682 COURS DE LA LIBÉRATION (term ended in 2014), SCI DU 3 PLACE A. CHAUSSY (term ended in 2014), SCI DU 1 RUE DE CHATEAUDUN (term ended in 2014), SCI DU 57/59 RUE DU COMMANDANT R. MOUCHOTTE (term ended in 2014), SCI DU 9 RUE DES CUIRASSIERS (term ended in 2014), SCI DU 35/37 RUE LOUIS GUÉRIN (term ended in 2014), SCI DU 2 RUE DE L'ILL (term ended in 2014), SCI DU 8 RUE M. PAUL (term ended in 2014), SCI DU 40 RUE JEAN-JACQUES ROUSSEAU (term ended in 2014), SCI DU 2 RUE DE VERDUN (term ended in 2014), **Legal Representative of FONCIERE MARGAUX, General Manager:** SCI DU 11 AVENUE DE SULLY (term ended in2017), SNC DU 9 RUE DES CUIRASSIERS (term ended in2017), SNC DU 57/59 RUE DU COMMANDANT R. MOUCHOTTE (term ended in 2016), SCI DU 57/59 RUE DU COMMANDANT R. MOUCHOTTE (change of form in 2015), SCI 2 RUE DE VERDUN (term ended in 2016) **Legal Representative of GFR BLERIOT, General Manager:** SCI DU 1 RUE DE VERDUN (term ended in 2014), SCI DU 15 RUE DES CUIRASSIERS (term ended in 2015), SCI DU 288 RUE DUGUESCLIN (term ended in 2015) **Legal Representative of SCI EUROMARSEILLE 2, General Manager:** SCI EUROMARSEILLE M (term ended in2017) **Legal Representative of FONCIERE EUROPE LOGISTIQUE, General Manager:** IMMOPORA (SCI) (term ended in 2016), SOCIETE CIVILE IMMOBILIERE BOLLENE LOGISTIQUE (term ended in 2016), SCI BOLLENE LOGISTIQUE T4 (term ended in 2016) **Chairman:** GFR SERVICES (SAS) (term ended in 2015)

Françoise Debrus Born on 19 April 1960 in Paris (12e) French national Business address: 16/18, boulevard de Vaugirard – 75724 PARIS Cedex 15 – France **Main function:** Director of Investments of Credit Agricole Assurances **Biography:** Françoise Debrus is a graduate of the École Nationale du Génie Rural des Eaux et des Forêts and the Institut National Agronomique Paris-Grignon. She joined Crédit Agricole Group in 1987 and since January 2005 has been Chief Financial Officer of the Caisse Régionale de l'Ile de France. She joined Crédit Agricole Assurances in March 2009 as Director of Investments. **Number of shares held at 31 December 2018:** 7	**Office held with Covivio Hotels:** Member of the Supervisory board Chairman of the Audit Committee **Date of appointment:**Supervisory Board meeting of 8 April 2009 **Date of renewal**: GMs of 4 April 2011, 16 April 2014 and 7 April 2017 **Date of expiry of the termof office**: General Meeting of 2020 approving the annual financial statements for the fiscal year ending 31 December 2019 **Offices held within the Covivio Group:** **Member of the Supervisory Board:** COVIVIO HOTELS (SCA), public company **Offices held outside the Group:** **Member of the Supervisory Board:** ALTAREA (SCA), public company **Permanent Representative of PREDICA, Director:**KORIAN MEDICA SA, public company, AEROPORT DE PARIS SA, public company **Non-voting member of the Board of Directors:**FREY SA, public company **Director:** SEMMARIS SEM **Terms of office expired within the last five fiscal years:** **Director:** FONCIERE DEVELOPPEMENT LOGEMENTS SA (term ended in 2016), BENI STABILI (Italian public company) (term ended in 2016), RAMSAY SANTE (term ended in2015° **Permanent Representative of PREDICA, director and member of the Audit** member of the Audit Committee:EUROSIC (SA), public company (until 29/08/2017), GENERALE DE SANTE, public company (term ended in January 2016) **Permanent Representative of CAA, director:**GENERALE DE SANTE, public company (term ended in 2015) **Permanent representative of PREDICA, Director:**MEDICA SA (term ended in 2014)

Covivio 18, avenue François Mitterrand, 57000 METZ – France METZ Trade and Companies Register 364 800 060 **Number of shares held at 31 December 2018:** 49,941,715	**Office held with Covivio Hotels:** Member of the Supervisory board **Date of appointment:** GM of 30 November 2004 **Date of renewal**: *GMs of 15 April 2008, 4 April 2011, 16 April 2014, 16 April 2014 and 7 April 2017* **Date of expiry of the term of office**: General Meeting of 2019 approving the annual financial statements for the fiscal year ended 31 December 2018 **Offices held within the Covivio Group:** **Director:** FONCIERE DEVELOPPEMENT LOGEMENTS (SA), REPUBLIQUE (SA) **Member of the Supervisory Board:** COVIVIO (SCA), public company **Chairman:** TECHNICAL (SAS) **General Manager:** SCI ESPLANADE BELVEDERE II, SCI RAPHAEL, SCI LE PONANT 1986, SCI SCI OMEGA C, SCI RUHL COTE D'AZUR, SCI LENOVILLA , SCI LATECOERE, SCI LATECOERE 2, SCI MEUDON SAULNIER, SCI 11 PLACE DE L'EUROPE, SCI DU 15 RUE DES CUIRASSIERS, SCI DU 288 RUE DUGUESCLIN, SNC CŒUR D'ORLY PROMOTIONS, SNC DU 9 RUE DES CUIRASSIERS **Offices held outside the Group:** None **Terms of office expired within the last five fiscal years:** **Director:**TECHNICAL PROPERTY FUND 1 (SPPICAV) (term ended in 2014) **Chairman:**GFR BLERIOT SAS (term ended in 2014) **General Manager:**SCI TOSTEL (term ended in 2014), SCI DU 32/50 RUE PARMENTIER (term ended in 2014) **Président de GFR BLERIOT, General Manager:** SCI DU 1 RUE DE VERDUN (term ended in 2014), SCI DU 15 RUE DES CUIRASSIERS (term ended in 2014), SCI DU 288 RUE DUGUESCLIN (term ended i

Audrey Camus Born on 2 June 1975 in Montreuil sous Bois French national Business address: 30, avenue Kléber – 75116 PARIS – France **Main function:** *Head of Development of Covivio* **Biography:** Audrey Camus has been Head of Development of Covivio since 2010. She joined Covivio in late 2007 as Project Director after almost ten years as a project manager and major projects manager at Icade, and project director at ING Real Estate Development. **Number of shares held at 31 December 2018:** *0*	**Offices held with Covivio Hotels:** Permanent representative of Covivio, member of the Supervisory Board **Date of appointment:** 23 January 2014 **Date of renewal**: GMs of 16 April 2014 and 7 April 2017 **Date of expiry of the term of office**: General Meeting of 2019 approving the annual financial statements *for the fiscal year ended 31 December 2018* **Offices held within the Covivio Group:** **Permanent Representative of Covivio, member of the Supervisory Board:**COVIVIO HOTELS *(SCA), public company* **Offices held outside the Group:** None **Terms of office expired within the last five fiscal years:** None

<table>
<tr><td rowspan="4">COVIVIO PARTICIPATIONS

30, avenue Kléber – 75116 PARIS – France
PARIS Trade and Companies Register 813 753 613

<u>Number of shares held at 31 December 2018</u>: 1</td><td><u>Offices held with Covivio Hotels:</u>

Member of the Supervisory board

Date of appointment:Supervisory Board meeting of 18 November 2015
Date of renewal: GM of 7 April 2017
Date of expiry of the term of office: General Meeting of 2020 approving the annual financial statements for the fiscal year ending 31 December 2019</td></tr>
<tr><td><u>Offices held within the Covivio Group</u>:

Member of the Supervisory Board: COVIVIOHOTELS (SCA), public company</td></tr>
<tr><td><u>Offices held outside the Group</u>:

None</td></tr>
<tr><td><u>Terms of office expired within the last five fiscal years</u>:

Director: FONCIERE DEVELOPPEMENT LOGEMENTS (SA) (term ended in 2017)</td></tr>
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<table>
<tr><td rowspan="4">Joséphine Lelong-Chaussier

Born on 7 January 1983 in Neuilly Sur Seine (France)
French national
Business address:
8, avenue Kléber – 75116 PARIS – France

<u>Main function</u>:
Head of Corporate Legal M&A of the Covivio Group

<u>Biography</u>:
A graduate of the ESSEC business school and Paris I-La Sorbonne and a lawyer before the Paris Bar, Joséphine Lelong-Chaussier practiced for nearly ten years as a lawyer at Freshfields Bruckhaus Deringer, followecd by De Pardieu Brocas Maffei, before joining Covivio in 2015. She is currently the Head of Corporate Legal M&A for the Covivio Group, responsible for France and Luxembourg.

<u>Number of shares held at 31 December 2018</u>: 0</td><td><u>Offices held with Covivio Hotels:</u>

Permanent Representative of COVIVIO PARTICIPATIONS. member of the Supervisory Board

Date of appointment:26 October 2018
Date of expiry of the term of office: General Meeting of 2020 approving the annual financial statements for the fiscal year ending 31 December 2019</td></tr>
<tr><td><u>Offices held within the Covivio Group</u>:

Permanent Representative of COVIVIO PARTICIPATIONS, member of the Supervisory Board:COVIVIO HOTELS (SCA), public company</td></tr>
<tr><td><u>Offices held outside the Group</u>:

None</td></tr>
<tr><td><u>Terms of office expired within the last five fiscal years</u>:

None</td></tr>
</table>

FONCIERE MARGAUX 2. 30, avenue Kléber – 75116 PARIS – France Paris Trade and Companies Register 439,434,309 **Number of shares held at 31 December 2018:** 1	**Offices held with Covivio:** Member of the Supervisory board **Date of appointment:** Supervisory Board meeting of 13 July 2018 **Date of expiry of the term of office**: General Meeting of 2020 approving the annual financial statements for the fiscal year ending 31 December 2019 **Offices held within the Covivio Group:** **Member of the Supervisory Board:** COVIVIO HOTELS (SCA), public company **Managing Partner:** SCI DU 1 RUE DE CHATEAUDUN, SCI DU 2 RUE DE L'ILL, SCI DU 3 PLACE A. CHAUSSY, SCI DU 8 RUE M. PAUL, SCI DU 10 BIS ET 11 A 13 ALLEE DES TANNEURS, SCI DU 20 AVENUE VICTOR HUGO, SCI DU 32 AVENUE P. GRENIER, SCI DU 35-37 RUE LOUIS GUERIN, SCI DU 40 RUE JEAN JACQUES ROUSSEAU, SCI DU 125 AVENUE DU BRANCOLAR, SCI DU 682 COURS DE LA LIBERATION, SCI DU 1630 AVENUE DE LA CROIX ROUGE, **Offices held outside the Group:** None **Terms of office expired within the last five fiscal years:** ***Managing Partner:*** SCI DU 2 RUE DE VERDUN (term ended in 2016), SCI DU 9 RUE DES CUIRASSIERS (term ended in 2017), SCI DU 11 AVENUE DE SULLY (term ended in 2017), SNC DU 57-59 RUE DU COMMANDANT R.MOUCHOTTE (term ended in 2016)

Marielle Seegmuller Born on 17 October 1972 in Saint Brieuc French national Business address: 30, avenue Kléber – 75116 PARIS – France **Main function:** Director of Operations of Covivio **Biography:** A graduate of the Ecole Supérieure de Commerce de Reims, Marielle Seegmuller also holds an Executive MBA from HEC and a DESCF. Marielle Seegmuller held various positions at GE Real Estate from 1997 to 2016, in France and in Europe (Investment Management, Business Development, Arbitrage, etc.) before being made head of French Platform Management. Since September 2016, Marielle Seegmuller has is Director of Operations at Covivio. In this capacity, she is responsible for Asset Management, Portfolio Management, Client Relations, Real Estate Law and Technical Management in France. Marielle Seegmuller is a member of Cercle des Femmes de l'Immobilier. **Number of shares held at 31 December 2018:** 0	**Offices held with Covivio Hotels:** Permanent Representative of FONCIERE MARGAUX, member of the Supervisory Board **Date of appointment:** 7 April 2017 **Date of expiry of the term of office**: General Meeting of 2020 approving the annual financial statements for the fiscal year ending 31 December 2019 **Offices held within the Covivio Group:** ***Permanent Representative of FONCIERE MARGAUX, member of the Supervisory Board:***COVIVIO HOTELS (SCA), public company **Offices held outside the Group:** None **Terms of office expired within the last five fiscal years:** **Permanent Representative of GFR Kleber, member of the Supervisory Board:**COVIVIO HOTELS (SCA), public company (until 31/05/2018) **Permanent Representative of COVIVIO, Director:**FONCIÈRE DEVELOPPEMENT LOGEMENTS (SA) (term ended in 2017) **Chairman:** GE Real Estate France Management SAS **Permanent Representative of Sophie Conseil, member of the Supervisory Board:** GE Capital Financements Immobiliers d'Entreprise SAS **Member of the Supervisory Board:** GE Capital Equipement Finance, GE Facto France,

<table>
<tr>
<td rowspan="4">PREDICA

50/56, rue de la Procession, 75015 Paris
Paris Trade and Companies Register 334,028,123

<u>Number of shares held</u>
<u>at 31 December 2018</u>: 17,354,019</td>
<td><u>Offices held with Covivio Hotels:</u>

Member of the Supervisory board

Date of appointment:GM of 30 November 2004
Date of renewal: GMs of 15 April 2008, 4 April 2011, 16 April 2011, 16 April 2014 and 7 April 2017
Date of expiry of the term of office: General Meeting of 2019 approving the annual financial statements for the fiscal year ended 31 December 2018</td>
</tr>
<tr>
<td><u>Offices held within the Covivio Group</u>:

Member of the Supervisory Board: COVIVIO HOTELS (SCA), public company

Director:COVIVIO (SA), public company, B2 HOTEL INVEST OPPCI</td>
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<tr>
<td><u>Offices held outside the Group</u>:

Director:AEW IMMOCOMMERCIAL (OPCI), FONDS NOUVEL Investissement 1 SICAV, FONDS NOUVEL Investissement 2 SICAV, AEROPORT DE PARIS SA (public company), GECINA (SA, public company) , MESSIDOR OPCI, FREY (SA, public company), LA MEDICALE DE FRANCE (SA), CAAM MONE CASH (SICAV), PREDICA HABITATION (OPCI), PREDICA BUREAUX (OPCI), PREDICA COMMERCES (OPCI), KORIAN MEDICA (SA, public company), RIVER OUEST OPCI, CAA COMMERCES 2 OPCI, PATRIMOINE ET COMMERCE SCA, CARMILA, PREVISEO OBSEQUES, LESICA, B IMMOBILIER, SEMMARIS

Member of the Supervisory Board:ALTAREA (SCA, public company), EFFI INVEST II SCA, INTERFIMO (SA), UNIPIERRE ASSURANCE (SCPI), OFELIA SAS, SOPRESA SA, CA GRANDS CRUS, PREIM HAELTHCARE

Co-General Manager: PREDICARE SARL

Non-voting member of the Board ofDirectors: Siparex Associés SA, Tivana France Holding SAS

Chairman: FONDS STRATEGIQUE DE PARTICIPATIONS</td>
</tr>
<tr>
<td><u>Terms of office expired within the last five fiscal years</u>:

Member of the Supervisory Board: EFFI INVEST I SCA,

Director: EUROSIC (SA, public company), SANEF (SA, public company), LOUVRESSES DEVELOPMENT I SAS, REPUBLIQUE (SA) (term ended in 2017), CA LIFE GREECE, RAMSAY GENERALE DE SANTE (SA, public company), FONCIÈRE DEVELOPPEMENT LOGEMENTS (SA, public company) (term ended in 2017),

Chairman: CITADEL, CITADEL HOLDING</td>
</tr>
</table>

Emmanuel Chabas Born on 8 December 1976 in Boulogne-*Billancourt (92100) – France* French national Business address: 16/18, boulevard de Vaugirard – 75724 PARIS Cedex 15 – France **Main function:** Head of Real Estate Investment at Crédit Agricole Assurances **Biography:** Emmanuel Chabas is a graduate of the ESSEC business school. He began his career in management control and internal audit within the BNP PARIBAS Group in 2001. He then joined BNP Paribas Cardif in 2006 as head of real estate acquisitions. Since September 2015, he has occupied the position of Head of Real Estate Investment at Crédit Agricole Assurances. **Number of shares held at 31 December 2018:** 0	**Offices held with Covivio Hotels:** Permanent Representative of Predica, member of the Supervisory Board **Date of appointment:** *17 February 2016* **Date of renewal:** GM of 7 April 2017 **Date of expiry of the term of office:** General Meeting of 2019 approving the annual financial statements for the fiscal year ended 31 December 2018 **Offices held within the Covivio Group:** **Permanent Representative of PREDICA, Director:**B2 HOTEL INVEST (OPPCI) **Permanent Representative of PREDICA, member of the Supervisory Board:**COVIVIO HOTELS (SCA, public company) **Member of the Supervisory Board:**COVIVIO IMMOBILIEN SE (European Company) **Offices held outside the Group:** **Permanent Representative of Predica, Director:** OPCI CAA COMMERCES 2, OPCI PREDICA BUREAUX, SCI FREY RETAIL VILLEBON, ALTA BLUE, CARMILA, UNIPIERRE ASSURANCE **Chairman of the Board of Directors:** CAMP INVEST OPPCI, IRIS INVEST OPPCI, OPCI MESSIDOR, SA FONCIERE HYPERSUD **Member of the Strategy Committee:** HEART OF LA DEFENSE **Member of the Hotel Properties Committee:** FFSA, currently FFA (*Fédération Française de l'Assurance*), a professional union **Member of the Oversight Committee:** ICADE SANTE SAS **Member:** Advisory Committee of Fonds Ardian **General Manager:**SCI MONTPARNASSE COTENTIN, SCI DAHLIA, SCI DS CAMPUS, SCI NEW VELIZY, SCI IMEFA 1, SCI IMEFA 2, SCI IMEFA 3, SCI IMEFA 4, SCI IMEFA 5, SCI IMEFA 6, SCI IMEFA 8, SCI IMEFA 9, SCI IMEFA 10, SCI IMEFA 11, SCI IMEFA 12, SCI IMEFA 13, SCI IMEFA 16, SCI IMEFA 17, SCI IMEFA 18, SCI IMEFA 20, SCI IMEFA 22, SCI IMEFA 25, SCI IMEFA 32, SCI IMEFA 33, SCI IMEFA 34, SCI IMEFA 35, SCI IMEFA 36, SCI IMEFA 37, SCI IMEFA 38, SCI IMEFA 39, SCI IMEFA 42, SCI IMEFA 43, SCI IMEFA 44, SCI IMEFA 45, SCI IMEFA 47, SCI IMEFA 48, SCI IMEFA 49, SCI IMEFA 50, SCI IMEFA 51, SCI IMEFA 52, SCI IMEFA 53, SCI IMEFA 54, SCI IMEFA 57, SCI IMEFA 58, SCI IMEFA 60, SCI IMEFA 61, SCI IMEFA 62, SCI IMEFA 63, SCI IMEFA 64, SCI IMEFA 66, SCI IMEFA 67, SCI IMEFA 68, SCI IMEFA 69, SCI IMEFA 72, SCI IMEFA 73, SCI IMEFA 74, SCI IMEFA 76, SCI IMEFA 77, SCI IMEFA 78, SCI IMEFA 79, SCI IMEFA 80, SCI IMEFA 81, SCI IMEFA 82, SCI IMEFA 83, SCI IMEFA 84, SCI IMEFA 85, SCI IMEFA 89, SCI IMEFA 91, SCI IMEFA 92, SCI IMEFA 96, SCI IMEFA 97, SCI IMEFA 98, SCI IMEFA 99, SCI IMEFA 100, SCI IMEFA 101, SCI IMEFA 102, SCI IMEFA 103, SCI IMEFA 104, SCI IMEFA 105, SCI IMEFA 107, SCI IMEFA 108, SCI IMEFA 109, SCI IMEFA 110, SCI IMEFA 112, SCI IMEFA 113, SCI IMEFA 115, SCI IMEFA 116, SCI IMEFA 117, SCI IMEFA 118, SCI IMEFA 120, SCI IMEFA 121, SCI IMEFA 122, SCI IMEFA 123, SCI IMEFA 126, SCI IMEFA 128, SCI IMEFA 129, SCI IMEFA 131, SCI IMEFA 132, SCI IMEFA 140, SCI IMEFA 148, SCI IMEFA 149, SCI IMEFA 150, SCI IMEFA 155, SCI LYON TONY GARNIER (formerly IMEFA 156), SCI VILLEURBANNE LA SOIE ILOT H (formerly IMEFA 157), SCI IMEFA 158, SCI IMEFA 159, SCI IMEFA 161, SCI IMEFA 162, SCI IMEFA 163, SCI IMEFA 164, SCI IMEFA 165, SCI HDP BUREAUX (formerly IMEFA 166), SCI HDP HOTEL (formerly IMEFA 167), SCI HDP LA HALLE (formerly IMEFA 168), SCI IMEFA 169, SCI IMEFA 170, SCI IMEFA 171, SCI IMEFA 172, SCI IMEFA 173, SCI IMEFA 174, SCI IMEFA 175, SCI IMEFA 176, SCI IMEFA 177, SCI IMEFA 178, SCI IMEFA 179, SCI IMEFA 180, SCI IMEFA 181, SCI IMEFA 182, SCI IMEFA 183, SCI IMEFA 184, SCI IMEFA 185, SCI IMEFA 186, SCI IMEFA 187, SCI IMEFA 188, SCI IMEFA 189, SCI IMEFA 190, SCI FEDERALE PEREIRE VICTOIRE, SCI FEDERLOG, SCI FEDER LONDRES, SCI FEDERALE VILLIERS, SCI GRENIER VELLEFAUX, SCI MEDIBUREAUX, SCI MEDIC HABITATION, SCI VICQ D'AZIR VELLEFAUX, SCI VICQ NEUILLY, SCI FEDERPIERRE, SCI LONGCHAMP MONTEVIDEO, SCI FEDERPIERRE MICHAL, SCI FEDERPIERRE CAULAINCOURT, SCI FEDERPIERRE UNIVERSITE, SCI FEDERPIERRE CAPUCINES, SCI 1-3 PLACE VALHUBERT, SCI VILLAGE VICTOR HUGO **Chairman:** SAS FRANCIMMO HOTEL, IRIS HOLDING France SAS, SAS HOLDING EUROMARSEILLE, SAS RESICO, SAS CAA RESIDENCE SENIORS **Member of the Supervisory Board:** SAS PREIM HEALTHCARE, UNIPIERRE ASSURANCE, PATRIMOINE ET COMMERCE **Member of the Audit Committee:** PATRIMOINE ET COMMERCE, ACCORINVEST GROUP

	Director: OPCI LAPILLUS 1 , SA FONCIERE HYPERSUD, METEORE ITALY SRL, METEORE GREECE SA, METEORE ALCALA, SILTEL SA (Portuguese company), ALTA BLUE, CENTRAL ACCORINVEST GROUP **Chairman of the Partnership Committee:** SCI DAHLIA, IRIS HOLDING France SAS
	Terms of office expired within the last five fiscal years: **Permanent Representative of CARDIF ASSURANCE VIE, Director:** HEALTH PROPERTY FUND 1 (OPPCI), SHOPPING PROPERTY FUND 1 (OPPCI), DIVERSIPIERRE (OPPCI), FONCIERE DEVELOPPEMENT LOGEMENTS (SA) (term ended in 2017) **Chairman of the Strategy Committee:** FDM MANAGEMENT SAS (until 24 January 2018)

ACM VIE SA 4, rue Frédéric-Guillaume Raiffeisen 67000 STRASBOURG – *France* STRASBOURG Trade and Companies Register 332 377 597 **Number of shares held at 31 December 2018**: 9,362,740	**Office held with Covivio Hotels:** Member of the Supervisory board **Date of appointment:** GM of 30 November 2004 **Date of renewal**: GMs of 15 April 2008, 4 April 2011, 16 April 2014, 7 April 2017 and 6 April 2018 **Date of expiry of the term of office**: General Meeting of 2021 approving the annual financial statements for the fiscal year ending 31 December 2020
	Offices held within the Covivio Group: **Director:**COVIVIO (SA), public company. **Member of the Supervisory Board:** COVIVIO HOTELS (SCA), public company
	Offices held outside the Group: ***Director:***SERENIS ASSURANCES SA, ACM GIE, *Assurance du Crédit Mutuel Services SA,* FONCIERE MASSENA SA, AGRUPACIO ACMI de SEGUROS Y REASEGUROS SA, AMGEN SEGUROS GENERALES S.A.U, GACM Espagne SA, VALINVEST GESTION **Member of the Supervisory Board:**SCPI CMCIC Pierre Investissement, SCPI CREDIT MUTUEL PIERRE 1, SCPI SELECTIPIERRE 1, SCPI LOGIPIERRE 1, SCPI LOGIPIERRE 3 **Member of the Audit Committee:** GACM Espagne SA, AMGEN SEGUROS GENERALES S.A.U, Atlantis Vida, Agrupacion AMCI de SEGUROS Y REASEGUROS SA, AMSYR
	Terms of office expired within the last five fiscal years: **Member of the Supervisory Board:** FONCIERE MASSENA SCA (change of form in 2015), SCPI OUEST PIERRE INVESTISSEMENT (term ended in 2017) **Director:** PARTNERS ASSURANCES SA (foreign company) (term ended in 2017), KORIAN SA, public company (term ended in 2014), FONCIÈRE DES 6e et 7e ARRDTS DE PARIS, public company (merged on 21 April 2015), SERENIS VIE SA, (merger by ACM VIE in 2016), ACMN IARD (term ended in 2016)

François Morrisson Born on 22 June 1965 in Levallois-Perret (92300) – France French national Address: 96, boulevard Haussmann 75008 PARIS – France **Main function:** Equity Manager ACM **Biography:** *François Morrisson holds a DESS in finance* from Université Paris-IX, Dauphine and a Charted Financial Analyst diploma. Since 2001, he has been equity manager for Assurances du Crédit Mutuel. Previously, François Morrisson served as a bond manager at Invesco (1997-2000) and Crédit Lyonnais (1994-1996). **Number of shares held at 31 December 2018**: 0	**Offices held with Covivio Hotels:** Permanent Representative of ACM Vie, member of the Supervisory Board **Date of appointment:**Supervisory Board meeting of 6 April 2011 **Date of renewal**: GMs of 16 April 2014, 7 April 2017 and 6 April 2018 ***Date of expiry of the term of office:*** *General Meeting of 2021 approving the annual financial statements* for the fiscal year ending 31 December 2020
	Offices held within the Covivio Group: **Permanent Representative of ACM VIE, member of the Supervisory Board:**COVIVIO HOTELS (SCA), public company
	Offices held outside the Group: None
	Terms of office expired within the last five fiscal years: **Director:** B2 HOTEL INVEST OPPCI (term ended in 2014), EUROSIC SA, public company

GENERALI VIE 2, rue Pillet Will – 75009 PARIS – France PARIS Trade and Companies Register 602,062,481 **Number of shares held at 31 December 2018**: 8,857,876	**Offices held with Covivio Hotels:** Member of the Supervisory board **Date of appointment:** GM of 30 November 2004 **Date of renewal**: GMs of 15 April 2008, 4 April 2011, 16 April 2014, 16 April 2014 and 7 April 2017 **Date of expiry of the term of office**: General Meeting of 2019 approving the annual financial statements for the fiscal year ended 31 December 2018
	Offices held within the Covivio Group: **Member of the Supervisory Board:** COVIVIO HOTELS (SCA), public company
	Offices held outside the Group: **Director:**GENERALI IARD SA, GENERALI LUXEMBOURG SA, foreign company, GFA Caraïbes, SICAV PALATINE MEDITERRANEA, MERCIALYS SA, OBJECTIF SELECTION, FONDS NOUVEL INVESTISSEMENT 1, FONDS NOUVEL INVESTISSEMENT 2, RISQUE ET SERENITE, RECONAISSANCE EUROPE, ASSOCIATION POUR LA LOCATION DU MONCEY – BEEOTOP, COVIVIO IMMOBILIEN SE (European Company), VIGEO **Member of the Supervisory Board:**SCPI FONCIA PIERRE RENDEMENT **Permanent representative:** CARTE BLANCHE **Non-voting member of the Board of Directors:** FONDS LOGEMENT INTERMEDIAIRE SICAV
	Terms of office expired within the last five fiscal years: **Chairman:**HAUSSMANN INVESTISSEMENT SAS (term ended in 2017) **Member of the Supervisory Board:**SCPI ROCHER PIERRE 1, SCPI GENERALI HABITAT (term ended in 2015) **Director:** EUROP ASSISTANCE HOLDING SA (term ended in 2017), EXPERT ET FINANCE SA (term ended in 2017), FONCIÈRE DÉVELOPPEMENT LOGEMENTS (SA), (term ended in 2017), FONCIERE DE PARIS SIIC (public company), SAI LES TROIS SOLLINES DE MOUGINS,SICAV GENERALI ACTIONS DIVERSIFIEES (SAS), FAIRVIEW SMALL CAPS (SICAV), MERCIALYS (public company), SCPI ROCHER PIERRE 1, RENAISSANCE EUROPE **Non-voting member of the Board of Directors:** MERCIALYS (public company)

Sébastien Pezet Born on 19 August 1975 in Rodez (12000) – France French national Business address: 2, rue Pillet Will – 75009 PARIS – France **Main function**: Manager for France of GENERALI REAL ESTATE S.p.A **Biography**: Sébastien Pezet holds a master of applied economics in financial audit and business strategy from the University of DAUPHINE, a DESS in real estate engineering and a DECF. He began his career in 2000 at Archon Group. He then joined Generali in 2002. Since July 2015, he has held the position of Manager for France of GENERALI REAL ESTATE S.p.A, as well as the UK and Belgium since 2018. **Number of shares held at 31 December 2018**: 0	**Offices held with Covivio Hotels:** Permanent Representative of GENERALI VIE, member of the Supervisory Board **Date of appointment:**Supervisory Board meeting of 18 November 2008 **Date of renewal**: GMs of 4 April 2011, 16 April 2014 and 7 April 2017 **Date of expiry of the term of office**: General Meeting of 2019 approving the annual financial statements for the fiscal year ended 31 December 2018
	Offices held within the Covivio Group: **Permanent Representative of GENERALI VIE, member of the Supervisory Board:**COVIVIO HOTELS (SCA), public company
	Offices held outside the Group: **Manager for France:** Generali Real Estate S.p.a **Chairman of the Board of Directors and Director:** OFI GR1, OFI GB 1, SPPICAV GENERALI RESIDENTIEL (until 10/08/2018), SPPICAV GENERALI BUREAUX (until 10/08/2018), IMMOBILIERE COMMERCIALE DES INDES ORIENTALES "IMMOCIO" (until 10/08/2018) **Permanent representative of Generali IARD, member and director of:** Association pour la location du Moncey – BEEOTOP **Representative of Generali Real Estate, director of:** Fédération des Sociétés immobilière et Foncière

	Representative of Generali to the FFA: Economic and Financial Real Estate Committee
	Terms of office expired within the last five fiscal years: **Member of the Supervisory Board:**COVIVIO IMMOBILIEN SE, European Company(term ended in 2016), SA ANF IMMOBILIER (until 2/02/2018) **Permanent representative of Generali France Assurances, member of the Association pour la location du Moncey:** BEEOTOP (term ended in 2016) **Permanent representative of GENERALI VIE, Director:**FONCIERE DEVELOPPEMENT LOGEMENTS SA, public company (term ended in 2015) **General Manager of (until 21 December 2015):** SCI 18/20 PAIX, SCI 42 RUE NOTRE DAME DES VICTOIRES, SCI 54 AVENUE HOCHE, SCI BERGES DE SEINE, SCI COMMERCES PARIS, SCI GENERALI CARNOT, SCI GENERALI PYRAMIDES, SCI GENERALI WAGRAM, SCI FONT ROMEU *NEIGE ET SOLEIL, SC NOVATIS, SCI IRIS LA DEFENSE, SCI COMMERCES REGIONS, SCI* GENERALI LE MONCEY, SCI DU COQ, SCI PARCOLOG ISLE D'ABEAU 2, SCI BUREAU PARIS, SCI THIERS LYON, SCI ESPACE SEINE GENERALI, SCI LANDY NOVATIS, SCI LANDY WILO, SCI GENERALI REAUMUR, SCI LE DUFY, SCI COGIPAR, SCI PARCOLOG LILLE HENIN BEAUMONT 2, SCI PARCOLOG MITRY MORY, SCI ILLIADE MASSY, SCI BEAUNE LOGISTIQUE 1, SCI PARCOLOG MARLY, SCI PARCOLOG COMBS LA VILLE 1, SCI PARCOLOG ISLE D'ABEAU 1, SCI PARCOLOG BORDEAUX CESTAS, SCI PARC LOGISTIQUE MAISONNEUVE 2, SCI PARCOLOG LOGISTIQUE MAISONNEUVE 3, SCI PARCOLOG ISLE D'ABEAU 3, SCI PARC LOGISTIQUE MAISONNEUVE 1, SCI PARC LOGISTIQUE MAISONNEUVE 4, SARL PARCOLOG LYON ISLE D'ABEAU GESTION, SCI PARCOLOG MESSAGERIES, SCI GENERALI COMMERCE I, SCI GENERALI COMMERCE II, SCI GENERALI LOGISTIQUE **General Manager:** SCI Generali Pierre, SCI PARCOLOG Orchies, SCI Haussmann 50 Generali (term ended in 2014), SCI EUREKA NANTERRE (term ended in 2015), SCI PARCOLOG GONDREVILLE *FONTENOY 2 (term ended in 2017)* **Permanent representative of Generali Vie, member of the Supervisory Board:** IMMEO AG (European company), FONCIERE DEVELOPPEMENT LOGEMENTS SA (public company) **Permanent Representative of Generali France Assurances:** BEEOTOP

<table>
<tr>
<td rowspan="4">CARDIF ASSURANCE VIE

1, boulevard Haussmann – 75009 PARIS – France
PARIS Trade and Companies Register 732 028 154

<u>Number of shares held</u>
<u>at 31 December 2018</u>: 12,812,548</td>
<td><u>Office held with Covivio Hotels:</u>

Member of the Supervisory board

Date of appointment:Supervisory Board meeting of 19 February 2008
Date of renewal: GMs of 4 April 2011, 16 April 2014 and 7 April 2017
Date of expiry of the term of office: General Meeting of 2019 approving the annual financial statements for the fiscal year ended 31 December 2018</td>
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<tr>
<td><u>Offices held within the Covivio Group</u>:

Member of the Supervisory Board:COVIVIO HOTELS (SCA), public company, COVIVIO IMMOBILIEN SE (European Company)</td>
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<tr>
<td><u>Offices held outside the Group</u>:

Director:AEW IMMOCOMMERCIAL SPPICAV, BNP PARIBAS DIVERSIPIERRE SPPICAV, CARMILA SA, public company,FREY SA, public company, POWERHOUSE HABITAT SAS, SHOPPING PROPERTY FUND 1 SPPICAV, HEALTH PROPERTY FUND 1 SPPICAV, CARDIF EL DJAZAIR (Algerian joint stock company), ASSU-VIE SOCIETE FRANCAISE D'ASSURANCE SUR LA VIE SA

Non-voting member of the Board of Directors:BNP PARIBAS REPM France SAS

Member of the Supervisory Board:BNP PARIBAS REIM France SA, OPERA RENDEMENT SCPI, France INVESTIPIERRE SCPI, PRIMONIAL,CAPIMMO SCI, DAUCHEZ SA, CFH SA, PLACEMENT CILOGER 3 SCPI, FLI SCI, ACCES VALEUR PIERRE SCPI

Member of the Supervisory Board:PREIM HEALTHCARE SAS, PWH SPPICAV SAS, HEMISPHERE SCI, PLEIN AIR PROPERTY FUND SPPICAV

Member of the Investment Committee:FREY SA, public company

Member of the Audit Committee:FREY SA, public company

Member of the Oversight Committee:ICADE SANTE SAS

General Manager: SCI CARDIF LOGEMENTS, SCI BNP PARIBAS PIERRE I, SCI BNP PARIBAS PIERRE II, SC CARDIMMO, SC COROSA, SCI DEFENSE ETOILE, SCI DEFENSE VENDOME, SCI ETOILE DU NORD, SCI RUE MOUSSORGSKI, SCI ODYSSEE, SCI PARIS COURS DE VINCENNES, SCI PANTIN LES MOULINS, SCI REUIL CAUDRON, SCI RUEIL ARIANE, SCI VALEUR PIERRE EPARGNE, SCI 68/70 RUE DE LAGNY MONTREUIL, SCI BOBIGNY JEAN ROSTAND, SCI SAINT DENIS JADE, SCI SAINT DENIS LANDY, SCI FONTENAY PLAISANCE, SCI NANTERRE GUILLERAIES, SCI NANTES CARNOT, SCI CITYLIGHT BOULOGNE, SCI SAINT DENIS MITTERRAND, SCI VILLEURBANNE STALINGRAD, SCI LE MANS GARE, SCI PARIS BATIGNOLLES, SNC LES RESIDENCES</td>
</tr>
<tr>
<td><u>Terms of office expired within the last five fiscal years</u>:

Director:FONCIÈRE DÉVELOPPEMENT LOGEMENT (SA), public company (term ended in 2017), OFFICE FRANÇAIS DE PREVOYANCE FUNERAIRE, CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES plc, PINNACLE INSURANCE plc, CARDIF PINACLE INSURANCE HOLDINGS plc

Member of the Compensation Committee:FONCIÈRE DÉVELOPPEMENT LOGEMENT (SA), public company (term ended in 2017)

Member of the Investments Committee:FONCIÈRE DÉVELOPPEMENT LOGEMENT (SA), public company (term ended in 2017)

Member of the Strategy Committee:FDM MANAGEMENT SAS (until 24 January 2018)

Member of the Investment Committee:COVIVIO HOTELS SCA, public company (until 12 February 2018)

General Manager: SCI CLICHY NUOVO (until 12 April 2018)</td>
</tr>
</table>

Nathalie Robin Born on 19 November 1962 in Paris (75012) – France French national Business address: *8, rue du Port – 92728 NANTERRE CEDEX – France* **Main function:** Head of Real Estate BNP Paribas Cardif **Biography:** Nathalie Robin holds a DESS in Real Estate Law and has been the Head of Real Estate of BNP Paribas Cardif (following the merger of BNP and Paribas) since 2001. Previously, she was Head of Real Estate of Natio Vie (BNP Group) from 1989 to 2001. **Number of shares held at 31 December 2018:** 0	**Offices held with Covivio Hotels:** Permanent Representative of Cardif Assurance Vie, member of the Supervisory Board Member of the Audit committee **Date of appointment:**Supervisory Board meeting of 19 February 2008 **Date of renewal**: GMs of 4 April 2011, 16 April 2014 and 7 April 2017 ***Date of expiry of the term of office**: General Meeting of 2019 approving the annual financial statements* for the fiscal year ended 31 December 2018 **Offices held within the Covivio Group:** **Permanent Representative of CARDIF ASSURANCE VIE, member of the Supervisory Board:**COVIVIO HOTELS (SCA), public company, COVIVIO IMMOBILIEN SE (European company) **Member of the Audit Committee**: COVIVIO HOTELS (SCA), public company **Offices held outside the Group:** **Permanent Representative of CARDIF ASSURANCE VIE, Director:**AEW IMMOCOMMERCIAL SPPICAV, POWERHOUSE HABITAT SAS, CARMILA SA, BNP PARIBAS DIVERSIPIERRE SPPICAV, FREY SA, public company ***Permanent Representative* of CARDIF ASSURANCE VIE, *member of the Supervisory* Board:**BNP PARIBAS REIM France SA, OPERA RENDEMENT SCPI, France INVESTIPIERRE SCPI, PRIMONIAL,CAPIMMO SCI, DAUCHEZ SA, CFH SA, PLACEMENT CILOGER 3 SCPI, FLI SCI, ACCES VALEUR PIERRE SCPI, **Permanent Representative of CARDIF ASSURANCE VIE, member of the Oversight Committee:**ICADE SANTE SAS **Permanent Representative of CARDIF ASSURANCE VIE, member of the Supervisory *Board:***PREIM HEALTHCARE SAS, PWH SPPICAV SAS, HEMISPHERE SCI, PLEIN AIR PROPERTY FUND SPPICAV **Permanent Representative of CARDIF ASSURANCE VIE, member of the Investment Committee:**FREY SA, public company **Permanent Representative of CARDIF ASSURANCE VIE, member of the Audit Committee:**FREY SA, public company **Permanent Representative of CARDIF ASSURANCE VIE, Non-voting member of the Board of Directors:**BNP PARIBAS REPM France SAS **Permanent Representative of CARDIMMO, Director:** HIGH STREET RETAIL SAS SPPICAV **Chairman of the Strategy and Investment Committee:** CARMILA **Member of the Investment Committee:** BATIPART PARTICIPATIONS SAS **Member of the Advisory Board:** FONDS DE LOGEMENT INTERMEDIAIRE II (FLI II) SAS SPPICAV **Terms of office expired within the last five fiscal years:** **Permanent Representative of CARDIF ASSURANCE VIE, Director:**FONCIÈRE DÉVELOPPEMENT LOGEMENTS (SA), public company (term ended in 2017) **Permanent Representative of CARDIF ASSURANCE VIE, member of the Compensation Committee:**FONCIÈRE DÉVELOPPEMENT LOGEMENTS (SA), public company (term ended in 2017) **Permanent Representative of CARDIF ASSURANCE VIE, member of the Investment Committee:**FONCIÈRE DÉVELOPPEMENT LOGEMENTS (SA), public company (term ended in 2017) **Member of the Strategy Committee:**FDM MANAGEMENT SAS (until 24 January 2018) **Member of the Investment Committee:**COVIVIO HOTELS SCA, public company (until 12 February 2018)

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Patricia Damerval

Born on 28 April 1964 in Paris – France
French national
Business address: 11, rue de Cambrai – 75947 Paris cedex 19 – France

Main function:
Deputy General Manager, Pierre & Vacances Center Parcs Group

Biography:
Patricia Damerval has been Deputy Chief Executive Officer of the Pierre & Vacances Center Parcs Group which she joined 18 years ago. Previously, she held the position of Assistant Director of Financial Management at Société Générale. She is a graduate of the ESSEC Business School.

Number of shares held at 31 December 2018: 10

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Offices held with Covivio Hotels:

Member of the Supervisory board

Date of appointment:GM of 6 April 2018
Date of expiry of the term of office: General Meeting of 2021 approving the annual financial statements for the fiscal year ending 31 December 2020

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Offices held within the Covivio Group:

Member of the Supervisory Board:COVIVIO HOTELS (SCA), public company

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Offices held outside the Group:

Director:SNEF (SA), ADAGIO (SAS)

Permanent Representative of SA SITI on the Board of Directors:PIERRE ET VACANCES (SA)

Permanent Representative of PV-CP GESTION EXPLOITATION on the Board of Directors:GIE PV-CP SERVICES

Permanent Representative of Pierre & Vacances Tourisme Europe SAS on the Board of Directors:PV-CP DISTRIBUTION SA

Permanent Representative of PV-CP DISTRIBUTION on the Board of Directors:SA SOGIRE

Supervisory Board Member:CENTER PARCS EUROPE N.V. (Netherlands)

Manager: PV-CP CHINA HOLDING B.V (Netherlands)

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Terms of office expired within the last five fiscal years:

None

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SOGECAP

Tour D2 – 17 bis, place des Reflets – 92919 Paris La Défense 2 – France
NANTERRE Trade and Companies Register 086 380 730

Number of shares held at 31 December 2018: 6,234,282

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Offices held with Covivio Hotels:

Member of the Supervisory board

Date of appointment:GM of 6 April 2018
Date of expiry of the term of office: General Meeting of 2021 approving the annual financial statements for the fiscal year ending 31 December 2020

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Offices held within the Covivio Group:

Member of the Supervisory Board:COVIVIO HOTELS (SCA),

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Offices held outside the Group:

Director: SA ORADEA VIE, SA CARMILA, SPPICAV OTELI, SAS ORIENTEX HOLDINGS, SA BG1, SA SOGELIFE, SA LA MAROCAINE VIE, SA FREY

Chairman: SAS SGI HOLDING SIS

SCI General Manager: SOGEVIMMO, PIERRE PATRIMOINE, SOGEPIERRE, CHATEAU MAZEYRES POMEROL, SGI IMMO 1, SGI IMMO HEALTHCARE, SGI IMMO 3, SGI IMMO 4, SGI KOSMO, SGI 1-5 ASTORG, SGI 10-16 VILLE L'EVEQUE, SGI CAEN, SGI VILLETTE, SG VISITATION, 89 GRANDE ARMEE, 83-85 GRANDE ARMEE, MASSY 30 AVENUE CARNOT

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Terms of office expired within the last five fiscal years:

None

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Yann Briand Born on 31 May 1974 in Carhaix-Plouguer (29) – France French national *Business address: 17 bis, place des Reflets – 92919 Paris La Défense 2 – France* **Main function:** Head of Real Estate of Sogecap **Biography:** Yann Briand holds a Master's degree in Space Management and Development and Local Authorities (Paris IV) and a postgraduate degree in Commercial Real Estate (Paris I). Since 1999, he has worked for Arthur Andersen, General Electric, Catella and Société Générale in investment, appraisal and real estate consulting. Since 2014, he has been Head of Real Estate of Sogecap in charge of investment and asset management activities. . **Number of shares held at 31 December 2018:** 0	**Offices held with Covivio Hotels:** Member of the Supervisory board **Date of appointment:** GM of 6 April 2018 **Date of expiry of the term of office:** General Meeting of 2021 approving the annual financial statements *for the fiscal year ending 31 December 2020* **Offices held within the Covivio Group:** **Permanent representative of SOGECAP, member of the Supervisory Board:**COVIVIO HOTELS (SCA), public company **Offices held outside the Group:** **Permanent Representative of SOGECAP, Director:** BG1 SA, OTELI France, CARMILA, FREY **Permanent Representative of SOGECAP, member of the Audit Committee:** CARMILA **Permanent Representative of SOGECAP, Chairman of the Appointments and Compensation Committee and member of the Investment Committee:** FREY **Other office in his own capacity:** SOGECAP REAL ESTATE **Terms of office expired within the last five fiscal years:** None

CAISSE DES DEPOTS ET CONSIGNATIONS 56, rue de Lille – 75007 Paris – France Special status establishment created by the Budget Act of 28 April 1816, codified in Articles L 518-24 and R 518-1 to R 518-42 of the French Monetary and Financial Code SIREN No. 180 020 026 **Number of shares held at 31 December 2018:** 5,902,897	**Offices held with Covivio Hotels:** Member of the Supervisory board **Date of appointment:**GM of 6 April 2018 **Date of expiry of the term of office:** General Meeting of 2021 approving the annual financial statements for the fiscal year ending 31 December 2020 **Offices held within the Covivio Group:** **Member of the Supervisory Board:**COVIVIO HOTELS (SCA) **Offices held outside the Group:** **Director:** LA COMPAGNIE DES ALPES (public company), CNP ASSURANCES (public company), ICADE (public company), VEOLIA ENVIRONNEMENT (public company) **Terms of office expired within the last five fiscal years:** None

Arnaud Taverne Born on 18 May 1973 in Paris – France French national Business address: 56, rue de Lille – 75007 Paris – France **Main function:** Managing Director of CDC Real Estate Investment Management and Head of Investment Real Estate at Caisse des Dépôts et Consignations **Biography:** Arnaud Taverne is a graduate of Université Paris IX Dauphine with a Master's in Banking, Finance and Insurance (License, Master 1 and Master 2) and a Master 2 (DEA) in International Economics and Finance. He began his career at PWC in 1997 (Senior Banking and Insurance Auditor) before joining Arthur Andersen in 2000 (Restructuring Transaction Advisory Services Paris, Senior Manager). In 2006, he joined the Financial Department of Veolia Transport as Head of Acquisitions. He joined the Groupe Caisse des Dépôts Financial Department at the end of 2007 in the individual real estate office and in July 2014 became Chief Executive Officer of CDC GPI, an asset management company wholly owned by CDC. . **Number of shares held at 31 December 2018:** 0	**Offices held with Covivio Hotels:** Member of the Supervisory board **Date of appointment:**GM of 6 April 2018 **Date of expiry of the termof office**: General Meeting of 2021 approving the annual financial statements for the fiscal year ending 31 December 2020 **Offices held within the Covivio Group:** **Permanent Representative of CAISSE DES DEPOTS ET CONSIGNATIONS, member of the Supervisory Board:**COVIVIO HOTELS (SCA), public company **Offices held outside the Group:** **Permanent Representative of CDC, member of the Board of Directors:** OPCI RIVER OUEST, OPCI AEW IMMOCOMMERCIAL, LE MARQUIS SA **Permanent Representative of SASU Logistis 2, member of the Supervisory Board:** OPCI FONCIERE FRANKLIN, **Member of the Board of Directors:** AIH FRANCE SA, OTELI EUROPE SARL, OPCI OTELI France, **Terms of office expired within the last five fiscal years:** None

Jean Luchet Born on 12 June 1944 in Casteljaloux (47700) – France French national Adresse : 400, Venedey Hameau de Bayonne – 26230 GRIGNAN – France **Main function:** Chairman of the association APEG **Biography:** Jean Luchet is a graduate of the Institut des Sciences Politiques de Paris and the Institut d'Administration des Entreprises and has a law degree. After a career with a real estate bank (BHE) and a property development company (Rhonalcop), Jean Luchet joined Accor in 1987, where he worked until he retired in July 2008. Jean Luchet was responsible for defining and implementing the outsourcing policy for Accor's hotel assets. **Number of shares held at 31 December 2018:** 11	**Office held with Covivio Hotels:** Member of the Supervisory board **Date of appointment:**GM of 8 April 2009 **Date of renewal**: GMs of 4 April 2012, 10 April 2015, 6 April 2018 **Date of expiry of the term of office**: General Meeting of 2021 approving the annual financial statements for the fiscal year ending 31 December 2020 **Offices held within the Covivio Group:** **Member of the Supervisory Board:** COVIVIO HOTELS(SCA), public company **Offices held outside the Group:** **Chairman:** APEG (Association) **Terms of office expired within the last five fiscal years:** None

4.2.5. SPECIAL PROCEDURES FOR SHAREHOLDER PARTICIPATION IN GENERAL MEETINGS

Shareholder participation at General Meetings is governed by the legal and regulatory provisions in force and applicable to companies whose shares are listed for trading on a regulated market. These terms are described in Articles 19 to 22 of the company's Articles of Association.

After each General Meeting, the company publishes a summary of the meeting, including the results of the vote for each of the resolutions presented to shareholders.

4.2.5.1. Notification – admission – quorum – majority

General Meetings of Shareholders are called by the management, the Supervisory Board or any other person having this right under the law or the Articles of Association. Notices are given in the forms and within the periods provided by law and regulations.

Meetings are held at the registered office or at any other place indicated in the notice.

Every shareholder has the right to attend General Meetings and to participate in the deliberations, in person or by proxy, upon proof of his or her identity and of the registration of the shares in the books in the name of the shareholder or of an intermediary registered on his or her behalf.

In accordance with Article R. 225-85 of the French Commercial Code, shareholders must prove ownership of their shares on the second working day preceding the General Meeting at midnight, Paris time:

- for registered shareholders, by registration of their shares with the company on that date;
- for holders of bearer shares, by book entry of their shares in their name or in the name of the intermediary registered on their behalf, no later than that date, in their securities account held by an intermediary mentioned in Article L. 211-3 of the French Monetary and Financial Code. Registration in a securities account must be recorded by a certificate of participation issued by the authorised intermediary. Such certificate must be attached to the postal or proxy voting form or the application for an admission card sent by the authorized intermediary to the company.

General Meetings are chaired by the General Manager or by one of the General Managers, if there are more than one, unless the Meeting is convened by the Supervisory Board, in which case it is chaired by the Chairman of that Board, or one of the members thereof designated for this purpose. In the event of notification by another person specially authorised by law, the Meeting is chaired by the author of the notification. In all cases, if the person authorised or appointed to chair the Meeting is absent, the Meeting shall elect its Chairman.

The duties of scrutineers shall be performed by the two shareholders present who have the greatest number of votes, both by themselves and as proxy holders, if they so accept.

The Executive Board (bureau) shall appoint a secretary, who may or may not be a shareholder.

At each Meeting, an attendance sheet shall be kept that contains the information required by law.

Any copy or extract of the minutes must be certified by one of the General Managers, the Chairman of the Supervisory Board or the secretary of the Meeting.

No deliberations may be adopted at an Ordinary General Meeting without the unanimous and prior agreement of the general partner(s) with the exception of deliberations relating to the election, resignation or dismissal of members of the Supervisory Board. The deliberations of Ordinary General Meetings are adopted by a majority of the votes of the shareholders who are present or represented or vote by post at that Meeting.

A deliberation can be adopted at an Extraordinary General Meeting only with the unanimous prior agreement of the general partner(s). On an exceptional basis, if there is more than one general partner, the deliberations required to decide the transformation of the company into a company of another form will require only the prior approval of the majority of the general partners. The deliberations of an Extraordinary General Meeting are adopted, in all cases, by a majority of two thirds of the shareholders who are present or represented or vote by post.

Shareholders may vote by correspondence or give their proxy in accordance with the laws and regulations in force.

4.2.5.2. Voting rights

Each shareholder has a number of votes equal to the number of shares owned or represented.

At the close of its General Meeting of 10 April 2015, the company maintained, on the recommendation of the General Manager, the principle of "one share = one vote". This was approved by the shareholders, thereby waiving the automatic assignment of double voting rights in accordance with the Article L.225-123 of the French Commercial Codeintroduced by the Florange Law of 29 March 2014 and thus amended Article 9 of the Articles of Association.

Voting rights are exercised by the owner of the shares pledged by the beneficial owner in Ordinary Meetings and by the bare owner in Extraordinary Meetings.

Shareholders may exercise their voting right in two ways:

- personally attend the General Meeting by requesting an admission card,
- use a postal or proxy voting form, which gives the shareholder the option of choosing one of the following three options:
  - give proxy to the Chairman of the General Meeting: the latter will then vote in the shareholder's name in favour of the adoption of the draft resolutions presented or approved by the General Manager and vote against the adoption of all other projects
  - vote by post by following the voting instructions provided
  - give proxy to any other natural or legal person of his or her choice attending the General Meeting by registering the contact details of that person.

The voting form is available, within the periods stated, on the company's website (www.covivio-hotels.fr), and it may be requested electronically or by post from the company or an authorised intermediary managing the shareholder's account, at least six days before the date of the General Meeting.

The final date for receipt of the forms is three calendar days before the General Meeting for postal votes and proxies in paper form.

4.2.6. PUBLICATION OF THE INFORMATION REFERRED TO IN ARTICLE L. 225-37-5 OF THE FRENCH COMMERCIAL CODE

In accordance with the provisions of Article L. 225-37-5 of the French Commercial Code, please find hereafter our report on the elements likely to have an impact in the event of a public offer.

- Share capital structure:

  Information regarding the Covivio Hotels share capital structure is presented in the company's management report.

- Statutory restrictions on the exercise of voting rights:

  Under Article 8 of the company's Articles of Association: (i) if any corporate entity holds more than 10% of the share capital directly or indirectly (ii) and for shareholders who hold indirectly, through the Company, a percentage of the share capital or dividend rights of publicly traded real estate management companies in Spain (SOCIMI) at least equal to the percentage specified in Article 9.3 of the Law of the Kingdom of Spain 11/2009 of 26 October 2009, the shares of which have not been registered by the second working day prior to any General Meeting of the company's shareholders, their voting rights will be capped at one tenth of the number of shares held. This situation may be resolved by ensuring that all the shares held directly or indirectly are registered no later than the second working day prior to the General Meeting in question;

  Article 9 bis of the Articles of Association further establishes an obligation to declare to the company every instance in which a shareholder's stake exceeds the threshold of 1% (or any multiple of that percentage) of the capital or the voting rights relating thereto, including the legal and regulatory thresholds. Such notification must be made by registered letter with return receipt addressed to the registered office within the time limit stipulated in Article R. 233-1 of the French Commercial Code;

  Unless a declaration has been duly made, shares above the fraction which should have been declared will have no voting rights attached for any General Meeting held within two years after the date of regularisation of the declaration, at the request, recorded in the minutes of the General Meeting, of one or several shareholders together holding at least 5% of the share capital;

  Article L.233-14 para. 1 of the French Commercial Code states that shareholders who have not duly made the declarations set forth in sections I, II, VI and VII of Article L.233-7 shall be deprived of the voting rights attached to such shares exceeding the fraction that has not been duly declared for any Shareholders' Meeting to be held until the expiry of a period of two years following the date of regularisation of the notice. Under the same conditions, the voting rights attached to such shares that have not been duly declared may not be exercised or delegated by the defaulting shareholder.

- Direct or indirect interests in the company's equity that are known to the company pursuant to Articles L.233-7 and L.233-12 of the French Commercial Code:

  These elements are described in Section 1.9 of the management report.

- Shares with special control rights:

  None

- Control mechanism provided for employee shareholders:

  None

- Agreements between shareholders that are known to the company and could restrict the transfer of shares and the exercise of voting rights

  Covivio, ACM Vie, Predica, Pacifica and Generali Vie are bound by a shareholders' agreement signed on 29 November 2004 for a period of five years tacitly renewable by successive periods of the same duration unless terminated by one of the parties subject to abiding by a notice period of six months prior to each successive renewal period. The agreement provides for a right of first offer in the case where one party seeks to sell all or part of his or her shares in the company insofar as the shares whose disposal is contemplated would constitute a block. In this event, the other investors would have 10 days as from receipt of the notification sent by the investor wishing to sell its securities in order send the outgoing investor a purchase offer, jointly or individually, for the block of securities intended for sale.

  The agreement also provides for a commitment to discuss in good faith in the case where a party to the agreement seeks to sell all or part of its shares on the market representing at least 1% of the company's share capital. In this event, it undertakes to inform the other parties beforehand of its intentions and, if required, to approach and discuss in good faith with the other investors with the aim of avoiding any steps such as would disrupt the smooth functioning of the market.

- Rules applicable to the appointment and replacement of members of the Supervisory Board and changes in the company's Articles of Association

  The company's Articles of Association on these matters do not differ from the generally accepted guidelines for French limited partnerships.

- Powers of the General Manager with respect to an issuance or buyback of shares:

  A summary of current delegations granted by the General Meeting of Shareholders of 6 April 2018 concerning increases in the share capital is presented in Section 4.2.8, below..

  The Combined General Meeting of 6 April 2018 authorised the General Manager (Resolution 12) to purchase the company's ownshares. The Combined General Meeting of 5 April 2019 is asked to replace that authorisation with a new authorisation of the same purpose.

- Agreements entered into by the company that are amended or terminated in the event of a change of control of the company:

  Financing agreements in which Covivio Hotels is a borrower generally have clauses covering changes of control, which is defined as the loss of control of Covivio Hotels by Covivio. These clauses allow the lending institutions to demand repayment of the debt in the event of a change of control.

- Agreements providing for compensation by members of the Supervisory Board or employees in the event of a resignation or dismissal without real and serious cause or if employment terminates due to a public offer:

  None

4.2.7. AGREEMENTS REFERRED TO IN THE LAST PARAGRAPH OF ARTICLE L.225-37-4 OF THE FRENCH COMMERCIAL CODE

In accordance with Article L.225-37-4 2° of the French Commercial Code, we hereby inform you that no agreement has been entered into during the 2018 fiscal year, directly and by proxy, between a manager, director or shareholder holding more than 10% of the voting rights of the company and a subsidiary directly or indirectly holding more than 50% of the share capital of the company, it being specified that the provisions of the aforementioned article exclude agreements relating to current transactions entered into under normal conditions from its scope of application.

4.2.8. SUMMARY OF FINANCIAL AUTHORISATIONS CURRENTLY IN FORCE IN THE AREA OF CAPITAL INCREASES

In accordance with Article L. 225-100 para. 7 of the French Commercial Code, the following is a summary of current delegations granted by the Combined General Meeting of Shareholders of 6 April 2018 concerning increases in the share capital:

Delegation granted by the Combined General Meeting of 6 April 2018	Validity of delegation	Use of delegation
Authorisation given to the General Manager to decide to increase the share capital of the company through the capitalisation of reserves, profits or premiums for a maximum nominal amount of €42,500,000. (Resolution 13)	26 months, i.e. until 5 June 2020	None
Authorisation given to the General Manager to issue shares and/or securities convertible to equity, maintaining shareholders' preferential right of subscription for a maximum nominal amount of €212,500,000. Nominal ceiling for the issuance of debt securities of €1,000,000,000 (corresponding to the total ceiling for all debt securities that may be issued pursuant to this delegation and those granted pursuant to Resolutions 16 to 19). (Resolution 15)	26 months, i.e. until 5 June 2020	21 June 2018: capital increase of a nominal amount of €47,223,152
Authorisation given to the General Manager to issue, through a public offer, shares and/or securities convertible to equity, maintaining shareholders' preferential right of subscription and, for issues of shares, a mandatory priority period, for a maximum nominal amount of €44,500,000. Nominal ceiling for the issuance of debt securities set at €1,000,000,000 (deducted from the total ceiling for all debt securities set in Resolution 15). (Resolution 16)	26 months, i.e. until 5 June 2020	None
Authorisation given to the General Manager to issue shares and/or transferable securities convertible to equity, up to a limit of 10% of the share capital, in order to pay for the contributions in kind granted to the company consisting of capital shares or transferable securities convertible to equity, with waiver of shareholders' preferential right of subscription. Nominal ceiling for the issuance of debt securities set at €1,000,000,000 (deducted from the total ceiling for all debt securities set in Resolution 15). (Resolution 18)	26 months, i.e. until 5 June 2020	None
Authorisation given to the General Manager to issue shares and/or securities convertible to equity, in the event of a public exchange offer initiated by the company, with waiver of shareholders' preferential right of subscription for a maximum nominal amount of €44,500,000. Nominal ceiling for the issuance of debt securities set at €1,000,000,000 (deducted from the total ceiling for all debt securities set in Resolution 15). (Resolution 19)	26 months, i.e. until 5 June 2020	None
Authorisation given to the General Manager to undertake capital increases reserved for employees of the company who are members of a savings plan, with waiver of shareholders' preferential right of subscription for a maximum nominal amount of €500,000. (Resolution 20)	26 months, i.e. until 5 June 2020	None

5 GENERAL INFORMATION AND MANAGEMENT

5.1. General information concerning the issuer and its share capital

5.1.1. GENERAL INFORMATION CONCERNING THE ISSUER

5.1.1.1. Corporate name (Article 2 of the Articles of Association)

Covivio Hotels

5.1.1.2. Legal form (Article 1 of the Articles of Association)

Set up in the form of a public limited company with a Board of Directors, Covivio Hotels was converted into a partnership limited by shares at the Combined General Meeting held on 30 November 2004.

5.1.1.3. Registered office (Article 4 of the Articles of Association)

The registered office of the company is located at 30, avenue Kléber, 75116 Paris.

5.1.1.4. Trade and Companies Register

The company is registered in the Paris Trade and Companies Register under number 955,515,895.

Its APE code is 6820 B.

The SIRET number of the Company is 955,515,895 00071.

Its LEI is 969500N2QX5LGFFZ0I67.

5.1.1.5. Share market listing

The Covivio Hotels shares (ISIN code: FR0000060303) are listed for trading on the Euronext Paris market – Compartment A.

The Covivio Hotels bonds issued in November 2012 (ISIN code: FR0011352806), in May 2015 (ISIN code: FR0012741072), and in September 2018 (ISIN code: FR0013367422) are listed for trading on the Euronext Paris market.

5.1.1.6. Nationality

The Company is governed by French law.

5.1.1.7. Term of the Company (Article 5 of the Articles of Association)

The company was incorporated in 1900. The duration of the company, which was due to expire on 31 December 1949, was extended for 90 years, by virtue of a decision by the Extraordinary General Meeting held on 8 May 1941, shall therefore end on 31 December 2039, unless it is liquidated early or extended.

5.1.1.8. Company purpose (Article 3 of the Articles of Association)

The purpose of Covivio Hotels, both in France and abroad, for itself or in partnership with third parties, involves:

- Primarily:
  - the acquisition of any land, real estate rights or assets, including through construction leases, particularly in the health-care and leisure sectors, and accommodation in the broad sense, as well as assets and rights that may be accessory or attached to said real estate properties or contribute to their development,
  - the construction of buildings for the health-care and leisure sectors, accommodation in the broad sense and all operations directly or indirectly connected with the construction of these buildings.
  - the operation and creation of value of such real estate assets through rental,
  - the acquisition or conclusion of any credit agreement as lessee in order to let or provide in return for payment, buildings the subject of such credit agreements.
  - directly or indirectly, the holding of equity investments in entities stipulated in Article 8 and sections 1, 2 and 3 of Article 206 of the French General Tax Code and, in general, investment in companies whose primary purpose is the operation of a rental and/or commercial real estate portfolio in the health-care and leisure sectors, and accommodation in the broad sense, as well as the and the promotion, management and assistance of such entities and companies
- On an ancillary basis:
  - directly or indirectly, the leasing of any real estate properties in the health-care and leisure sectors, and accommodation in the broad sense including through a credit agreement or financial let.
  - indirectly, the acquisition, holding, disposal or operation of a business in the health-care and leisure sectors and accommodation in the broad sense.
- In exceptional circumstances, the transfer, particularly through the sale, contribution or merger of the assets of the Company.
- And more generally

- the participation as borrower and lender in any intra-group loan or cash transactions and the possibility of granting for this purpose any personal guarantees or security interests in real or personal property, whether mortgages or other borrowings,
- and all civil, financial, commercial, industrial, personal and real property transactions deemed useful for the development of any one of the aforementioned purposes of the Company.

5.1.1.9. Location where the documents and information relating to the Company may be consulted

At the registered office: 30, avenue Kléber, 75116 Paris (telephone: +33 (0)1 58 97 5173)

On the website: www.covivio-hotels.fr

On the AMF site: www.amf-france.org

5.1.1.10. Rights of the limited partners

The rights of the limited partner shareholders are governed by common law

5.1.1.11. Rights and status of the general partners (Article 18 of the Articles of Association)

The Company's sole general partner, also general manager of the Company, is Covivio Hotels Gestion, a limited joint stock company with capital of €37,000, the registered office of which is at 30, avenue Kléber 75016 Paris, registered in the Paris TCR under number 450,140,298.

The rights of the general partners are governed by common law and by the following provisions of the Articles of Association: In accordance with Article 20.4 of the Articles of Association: "Except for deliberations concerning the election, resignation or dismissal of the members of the Supervisory Board, no deliberation may be adopted at an Ordinary General Meeting, without the unanimous and prior agreement of the general partner(s). Said agreement must be obtained by the management, prior to said Ordinary General Meeting."

In accordance with Article 21.3 of the Articles of Association: "A deliberation may only be adopted at an Extraordinary General Meeting, with the unanimous and prior agreement of the general partners; nevertheless, in the case where there are multiple partners, the deliberations required to decide to transform the company into a company of another form will only require the prior agreement of the majority".

The status of general partner is lost in the cases provided for by law.

The general partner and general manager is definitively and jointly and severally responsible for the company's liabilities.

5.1.1.12. Fiscal year (Article 23 of the Articles of Association)

Each fiscal year lasts for 12 months, beginning on 1 January and ending on 31 December of each calendar year.

5.1.1.13. Statutory distribution of profits (Article 25 of the Articles of Association)

Out of the distributable profit for each fiscal year, a sum of €500,000 is first of all deducted and paid to the general partner. This statutory dividend is cumulative. The balance of the distributable profit for each fiscal year is divided among the limited shareholders, it being specified that, in accordance with the fiscal regime applicable to listed real estate investment companies ("SIIC") for which Covivio Hotels opted, the tax-exempt income arising from building rentals and dividends from companies that opted for the SIIC regime are obligatorily distributed before the end of the fiscal year following the year in which they were generated, in the respective amounts of 95% and 100%, and those stemming from the disposal of buildings or investments in companies that opted for the SIIC regime, in the amount 70%, before the end of the second fiscal year following the year in which they were generated.

5.1.1.14. General Meeting

This information is detailed in the report by the Supervisory Board on corporate governance, Chapter 4.2 of this Document.

Exceeding the statutory thresholds (Article 9 *A* of the Articles of Association)

In addition to the legal obligation to notify the Company of the holding of certain fractions of the capital and to make any resultant declarations of intent, any physical person or legal entity, acting alone or in concert, who has come to hold or stops holding, directly or indirectly, at least one per cent (1%) of the Company's capital or voting rights, or any multiple of this percentage, must notify the Company, by registered post with proof of receipt request to the registered office within the period provided for in Article R. 233-1 of the French Commercial Code, also indicating the number of securities ultimately giving access to the share capital it holds, the number of related voting rights as well as all the information referred to in Article L. 233-7 I of the French Commercial Code. Mutual fund management firms must carry out such reporting for the entirety of the shares of the Company held by the funds that they manage.

Unless a declaration has been made under the conditions outlined above, shares above the fraction which should have been declared will have no voting rights attached for any General Meeting held within two (2) years after the date of regularisation of the declaration, at the request, recorded in the minutes of the General Meeting, of one or several shareholders together holding at least five per cent (5%) of the share capital.

5.1.2. GENERAL INFORMATION CONCERNING THE SHARE CAPITAL

5.1.2.1. Form of shares - Identification of shareholders (Article 8 of the Articles of Association)

Shares will be registered or bearer shares, at the shareholder's choice. Nevertheless:

- any shareholder, other than a natural person, holding directly or through entities it controls within the meaning of Article L. 233-3 of the French Commercial Code, a percentage of the rights to dividends of the Company at least equal to that stipulated in Article 208 C II ter of the French General Tax Code; and
- any shareholder holding, directly or through the Company, a percentage of the share capital or rights to dividends of listed public limited real estate companies in Spain (the "SOCIMI") at least equal to that stipulated in Article 9.3 of Act 11/2009 of the Kingdom of Spain, of 26 October 2019 (the "11/2009 Act)

  (a "Concerned Shareholder")

  must register all the shares of which he/she is the registered owner, and ensure that all shares in the company held by any entities that he/she controls within the meaning of Article L. 233-3 of the French Commercial Code are also registered. Any Concerned Shareholder which has not met these obligations by the second working day prior to a General Meeting will have the voting rights it holds, either directly or via entities it controls within the meaning of Article L. 233-3 of the French Commercial Code, capped at a tenth (1/10) of the number of shares that they hold, respectively, at the relevant General Meeting.

The Concerned Shareholder referred to above will regain all of the voting rights attached to the shares it holds, directly or via entities it controls within the meaning of Article L. 233-3 of the French Commercial Code, at the following General Meeting, provided that it regularises its situation by registering all the shares it holds, directly or via entities it controls within the meaning of Article L. 233-3 of the French Commercial Code, in registered form, by the second working day prior to that General Meeting.

The register of registered shares is held by CM-CIC Market Solutions.

Shares will be registered in the account of their owner under the conditions and the terms provided for by the legal provisions in force.

The Company may use the provisions outlined in Articles L. 228-2 et seq. of the French Commercial Code at any time to identify (i) holders of securities conferring immediately or in the future voting rights in its own General Meetings of Shareholders (a "General Meeting") and (ii) holders of bonds issued by the Company.

5.1.2.2. Transfer of shares (Article 8 of the Articles of Association)

The shares may be freely disposed of and transmitted under the conditions and the terms provided for by the legal provisions in force Where the Company and third parties are concerned, shares are disposed of by transferring them from one account to the other.

5.1.2.3. Rights and obligations attached to shares (Article 9 of the Articles of Association)

Each share gives the right, in the ownership of company assets, in the profit distribution and in the liquidation surpluses, to a proportional part of the share of the capital it represents.

Shareholders are only responsible for Company debts up to the limit of their contribution, i.e. the value of their shares.

Each shareholder will have the same number of votes as the number of shares owned or represented. No double voting rights are conferred pursuant to Article L. 225-123, last paragraph, of the French Commercial Code.

Each share gives the right to participate in the General Meetings of Shareholders, with entitlement to vote, under the conditions and subject to the reservations provided for by the law, the regulations and the Articles of Association.

Any person with one or more shares is bound by the Articles of Association and by all decision taken by the General Meetings.

Every time it is required to own several shares to exercise any right whatsoever, the shareholders are personally responsible for pooling together the required number of shares and do not hold any right against the Company.

Shares are indivisible with respect to the Company. Consequently, joint owners are required to be represented in relation to the Company by only one of them.

Each of the shares gives the right, in the case of breakdown or redemption, to the same net sum. Consequently, all the shares shall be taken together irrespective of any tax exemptions such as any taxation likely to be paid by the Company to which this breakdown or this redemption may give rise.

Any Concerned Shareholder whose own position or that of its partners makes:

(i) the Company liable for the withholding ("Withholding") stipulated in Article 208 C II ter of the French General Tax Code; or

(ii) the SOCIMI regime, whose capital is held directly or indirectly by the Company, liable for the Spanish withholding (the "Spanish *Withholding") stipulated in Article 9.3 of Act 11/2009.*

(a "Shareholder subject to Withholding") will be required to compensate the Company, or the SOCIMIs, whose capital is held directly or indirectly by the Company, for the Withholding and/or the Spanish Withholding due, arising from a distribution of dividends, reserves, premiums or "income deemed distributed" within the meaning of the French General Tax Code or Act 27/2014 of 27 November 2014, of the Kingdom of Spain, on the corporate income tax, respectively, according to the terms of Article 9.3 hereafter.

Any Concerned Shareholder is assumed to be a Shareholder subject to Withholding. If he or she states that he or she is not a Shareholder subject to Withholding, he or she shall provide the Company upon request:

(i) for the requirements of the Withholding, no later than (5) business days prior to payment of the distributions by providing a satisfactory legal opinion without reservations, issued by an internationally renowned law firm with recognised expertise in French tax law or of the country where the Concerned Shareholder resides, certifying that he or she is not a Shareholder subject to Withholding and that the distributions paid to him or her do not make the Company liable for Withholding;

(ii) for the requirements of the Spanish Withholding, no less than five (5) business days prior to payment of the distributions by the SOCIMIs whose capital is held directly or indirectly by the Company, a certificate of fiscal residence issued by the competent authority of the country where the Concerned Shareholder states is resident and, no less than five (5) business days prior to payment of the distributions by providing a satisfactory legal opinion without reservations that he or she is not a Shareholder subject to Spanish Withholding and that the distributions paid by the SOCIMIs, whose capital is held directly or indirectly by the Company, do not make the Company liable for Spanish Withholding due to their investment in the Company.

In the event that (a) the Company directly or indirectly holds a percentage of the dividend rights at least equal to that stipulated in Article 208 C II ter of the French General Tax Code or more than one or several listed real estate investment companies stipulated in Article 208 C of the French General Tax Code ("SIIC Subsidiary"), or (b) the Company directly or indirectly holds a percentage of the share capital or the dividend rights of one or more SOCIMIs at least equal to that stipulated in Article 9.3 of Act 11/2009, and, where the SIIC Subsidiary or said SOCIMI, due to the position of the Shareholder subject to Withdrawal, has paid the Withholding or the Spanish Withholding, the Shareholder subject to Withholding should, depending on the case, compensate the Company either for the amount paid as compensation by the Company to the SIIC Subsidiary, or the SOCIMI concerned by the payment of the Withholding by the SIIC Subsidiary or the Spanish Withholding by the SOCIMI or, if no compensation is paid to the SIIC Subsidiary or the SOCIMI by the Company, an amount equal to the Withholding paid by the SIIC Subsidiary or the Spanish Withholding paid by the SOCIMI concerned, so that the other shareholders of the Company do not have to financially bear any part of the Withholding or the Spanish Withholding paid respectively by any one of the SIICs or SOCIMIs in the investment chains due to the Shareholder subject to Withholding "Additional Compensation"). The amount of the Additional Compensation will be paid by each of the Shareholders subject to Withholding proportionately to their respective dividend rights divided by the total dividend rights of the Shareholders subject to Withholding.

The Company will be entitled to make an offset between its receivables under the indemnity against any Shareholder subject to Withholding, on the one hand, and the sum which must be paid by the Company thereto, on the other hand. Thus, the sums distributed by the Company which must, for each share held by said Shareholder subject to Withholding, be paid thereto in application of the aforementioned distribution decision or share redemption, will be reduced by the amount of the Withholding or Spanish Withholding due by the Company or the SOCIMIs for the distribution of these sums and/or the Additional Compensation.

The amount of any compensation owed by a Shareholder subject to Withholding will be calculated in such a manner that, after payment thereof and taking into account any specific tax regime that maybe applicable to it, the Company will be placed in the same position as if the Withholding or the Spanish Withholding had never become due. In particular, the compensation should include any tax due by the Company as compensation.

The Company and the Concerned Shareholders must cooperate in good faith to ensure that all reasonable measures are taken to limit the amount of Withholdingor the Spanish Withholding due or to become due and the compensation arising or that could arise from it.

5.1.2.4. Conditions for modification of the share capital (Article 7 of the Articles of Association)

Authorisations to change the share capital are set out in the management report.

The share capital may be increased or reduced, by any means or in any way authorised by the law.

Any increase or reduction in the share capital must be decided by an Extraordinary General Meeting of Shareholders, after having obtained the unanimous consent of the limited partners.

The Supervisory Board makes a report on any proposal to increase or reduce the share capital proposed by the management to the shareholders.

In accordance with the law, the General Meeting of Shareholders may delegate to the management all powers required to carry out the proposed capital increase or reduction, by determining the amount, the terms and conditions and to take all steps required for the successful completion of the operation.

5.1.2.5. Financial instruments that do not represent capital

Nil.

5.1.2.6. Other securities giving access to the share capital

Nil.

5.1.2.7. Authorisation to increase the share capital

The summary of the delegations currently in force granted by the General Meeting of Shareholders of 6 April 2018 concerning increases in the share capital of the Company is given in the report by the Supervisory Board on corporate governance in section 4.2.8.

5.1.2.8. Change in the capital over the last five years

The summary of changes in the share capital over the last five fiscal years is given in the management report, in section1.7.4.

5.1.3. SHAREHOLDING STRUCTURE OF THE COMPANY

The share capital and voting rights over the last three fiscal years is presented in the management report in section 1.7.2.

5.1.3.1. Information on the main shareholders at 31 December 2018

The main shareholders or group of shareholders are presented in the management report in section 1.7.1.

5.1.3.2. Significant agreements

5.1.3.2.1. Shareholders' agreement

Shareholders' agreement between Covivio, ACM Vie, Predica, Pacifica and Generali Vie
For the purpose of organising their relations within the company Covivio Hotels, Covivio, Predica, Pacifica, ACM Vie and Generali Vie, signed a shareholders' agreement on 29 November 2004 for a period of five (5 years) tacitly renewable by successive periods of the same duration unless terminated by one of the parties subject to abiding by a notice period of six months prior to each successive renewal period.The companies Generali IARD and Equité Compagnie d'Assurances et de Réassurance, members of the Generali group, subscribed on 26 November 2018 to said agreement as party and coinvestor following the acquisition from Generali of company shares. This agreement draws attention to the commitments to make cash contributions that the parties to said agreement undertook and specifies the arrangements. The agreement provides for a right of first offer in the case where one party seeks to sell all or part of his or her shares in the company insofar as the shares whose disposal is contemplated would constitute a block. In this event, the other investors would have 10 days as from receipt of the notification sent by the investor wishing to sell its securities in order send the outgoing investor a purchase offer, jointly or individually, for the block of securities intended for sale.

The agreement also provides for a commitment to discuss in good faith in the case where a party to the agreement seeks to sell all or part of its shares on the market representing at least 1% of the company's share capital. In this event, it undertakes to inform the other parties beforehand of its intentions and, if required, to approach and discuss in good faith with the other investors with the aim of avoiding any steps such as would disrupt the smooth functioning of the market. Furthermore, the parties to the agreement agreed to distribute among themselves the seats on the Supervisory Board of Covivio Hotels in proportion to their investment in the capital of the company.

Partners' Agreement between Covivio Hotels and Predica

On 6 December 2010, the companies Covivio Hotels and Predica signed a Partners' Agreement in order to govern their relations with a view to acquiring from the AccorHotels group hotel properties operated in France, Germany and Belgium under the trade names Suite Novotel, Ibis budget, Ibis and Novotel. These acquisitions were made by setting up an OPCI which indirectly held the assets in France and through a French holding company which indirectly holds the assets in Germany and Belgium. Consequently, the parties have organised their relations within each of the holding companies set up in this way. The agreement provides for a prohibition to transfer the securities of the OPCI or the holding company until after the fifth anniversary of the date of completion of the operation and however allows exemptions. It provides for a right of first refusal by the partners in the event that one of them seeks to sell its shareholding on expiry of the period of inalienability The agreement also provides for a tag-along right and a right of expulsion.

Shareholders' agreement relating to the Pei project between Covivio Hotels and Predica and the Crédit Agricole Assurances entities.

On 24 May, 2011, the companies Covivio Hotels, Predica, Pacifica, IMEFA CENT DEUX, IMEFA QUATRE, IMEFA CENT VINGT HUIT signed a shareholders' agreement in order to govern their relations with a view to acquiring from the Louvre Hotels Group hotel properties operated in France under the Campanile trade name. These acquisition were made by setting up an OPCI which indirectly held all the assets through its subsidiary Campeli. Consequently, the parties have organised their relations within the OPCI Camp Invest and subsidiary Campeli. The agreement provides for a prohibition to transfer the securities of the OPCI until after the fifth anniversary of the date of completion of the operation and however allows exemptions. It provides for a right of first refusal by the partners in the event that one of them seeks to sell its shareholding on expiry of the period of inalienability The agreement also provides for a tag-along right and a right of expulsion.

Partners' Agreement relating to the Dahlia project between Covivio Hotels, Predica and the SCI Holding Dahlia

On 29 November 2011, the companies Covivio Hotels, Predica, and the SCI HOLDING DAHLIA signed a Partners' Agreement in order to govern their relations with a view to selling hotel properties, leased to the AccorHotels group and operated in France under the trade names Ibis and Novotel, to one or more entities 80% held by Predica and 20% by Covivio Hotels. The agreement provides for a prohibition to transfer the securities of the SCI DAHLIA until after the fifth anniversary of the date of completion of the operation, saving exemptions. It provides for a right of first refusal by the partners in the event that one of them seeks to sell its shareholding on expiry of the period of inalienability

Shareholders' agreement relating to the company B2 Hotel Invest between Covivio Hotels, Predica and the Crédit Agricole Assurances entities and ACM Vie.

On 6 November 2012, the companies Covivio Hotels, Loire, Foncière Manon, Predica, Pacifica, the entities in the Crédit Agricole Assurances group, and *Assurance du Crédit Mutuel Vie, a mutual insurance company, signed a shareholders' agreement in order to govern their relations with a view to acquiring from* ANF a portfolio of hotel properties operated in France under the trade name B&B. These acquisitions were made by setting up an OPCI which indirectly held all the assets through Foncière B2 Hotel Invest. Consequently, the parties sought to organise their relations within the OPCI B2 Hotel Invest. The agreement provides for a prohibition to transfer the securities of the OPCI until after the fourth anniversary of the date of the Agreement the operation and however allows exemptions. It provides for a right of first refusal by the partners in the event that one of them seeks to sell its shareholdings on expiry of the period of inalienability *The agreement also provides for a tag-along right and a right of expulsion.*

Partners' Agreement relating to the company SAS Samoëns between Covivio Hotels, and OPCI ACM Lagune with SAS Samoëns and Assurance du Crédit Mutuel Vie present.

On 13 May 2016, Covivio Hotels and OPCI ACM Lagune signed a Partners' Agreement to govern their relations within the partnership consisting of a joint company for the purpose of acquiring from Club Méditerranée the land on which a holiday village will be built on a site located in "Plateau de Saix" in the commune of Samoëns, to be operated by Club Méditerranée. The village will comprise 420 rooms for rental and 161 rooms or apartments intended for the Club Méditerranée personnel as well as 222 parking spaces. The agreement provides for a prohibition to transfer the securities until after the fifth anniversary of the date the commercial lease to be signed with the Club Méditerranée takes effect and however allows exemptions. It also provides for a *rendez-vous* clause after a period of 10 years as from the date the commercial lease takes effect.

Following the signing of the Partners' Agreement relating to the company Foncière Développement Tourisme between Covivio Hotels and Caisse des Dépôts et Consignations on 21 September 2016, and the disposal by Covivio Hotels of all its shares in the Samoëns company to Foncière Développement Tourisme on 29 September 2016, on the same date Foncière Développement Tourisme joined the Partners' Agreement initially signed on 13 May 2016 by Covivio Hotels and OPCI ACM Lagune and hence agreed to be irrevocably bound by the undertakings set forth in the Agreement to the same degree as Covivio Hotels, and to comply with all the stipulations thereof, as though it had been an original party acting as partner with effect on 29 September 2016.

Partners' Agreement relating to the company Foncière Développement Tourisme between Covivio Hotels and Caisse des Dépôts et Consignations, in the presence of Covivio Hotels acting on behalf of Foncière Développement Tourisme and Ampère Gestion

On 23 September 2016, the companies Covivio Hotels and Caisse des Dépôts et Consignations signed a Partners' Agreement to govern their relations within a partnership consisting of a joint company for the purpose of investing in a certain number of projects, consisting in the acquisition, management and rental of hotels, tourist residence properties or holiday villages in the mountains, by the sea or in dynamic tourist areas. These projects are construction projects, or for those already existing, refurbishments or redevelopments. These investments are made only through dedicated subsidiaries. The agreement provides for a prohibition to transfer the securities for a period of seven (7) years starting with the date of the Agreement was signed and however allows exemptions. It provides for a right of first refusal and pre-emption by the partners in the event that one of them seeks to sell its investment on expiry of the period of transferability The agreement also provides for a tag-along right and a right of expulsion.

5.1.3.2.2. Other contracts

Secured bond issue of €255 million.

On 16 November 2012, the company issued a mortgage bond of €255 million to institutional investors backed by hotel assets leased to AccorHotels. The issue involves 1,275 bonds priced at €200,000 each, maturing on 16 November 2019, with a coupon of 3.6820%. It enables Covivio Hotels to continue to diversity its sources of finance, reduce the cost of debt and extend its maturity.

In December 2014, Covivio Hotels extended by two years its €242 million bond secured by hotel assets for a coupon reduced to 2.7540% as from 16 February 2015.

Bond issue loan of €200 million by private placement

On 29 May 2015, a bond of €200 million by private placement was issued to institutional investors. The issue involves 2,000 bonds with a nominal value of €100,000 each, maturing on 29 May 2023, with a coupon of 2.218%.

Bond issue of €350 million

In September 2018, the company issued a 7-year bond for €350 million (maturing on 24 September 2025). The issue, after obtaining a BBB rating with a positive outlook from Standard & Poor's has a coupon of 1.875%.

5.1.3.2.3. Principal financial agreements

The principal financial agreements are detailed in the notes to the financial statements presented in Part 3 "Financial Information" of this Registration Document.

5.2. Presentation of the company

5.2.1. HISTORY

Created in 1900, then obtained stock market listing in 1903, the business of Établissements Ferrand et Renaud was the manufacture of pastas and all other related products.

In 1961, the company contributed its industrial and commercial business to the new companies Régia-Scaramelli and Semoulerie de Bellevue, and the entire real estate comprising the Lyon factory and a new company. After these contributions, it became a holding company.

Since 2001, the date the last significant asset disposal was made, the Ferrand et Renaud business was limited to a 35% shareholding in Oralia Investissements, a company managing real estate and a portfolio of securities.

For Ferrand et Renaud, fiscal year 2004 was marked by the disposal of some assets with a low unit value but above all by the sale on 29 November 2004, of the whole shareholding in Oralia to its current majority shareholder for €11,480,433 and its real estate subsidiary Foch to Mr Christian Baverey.

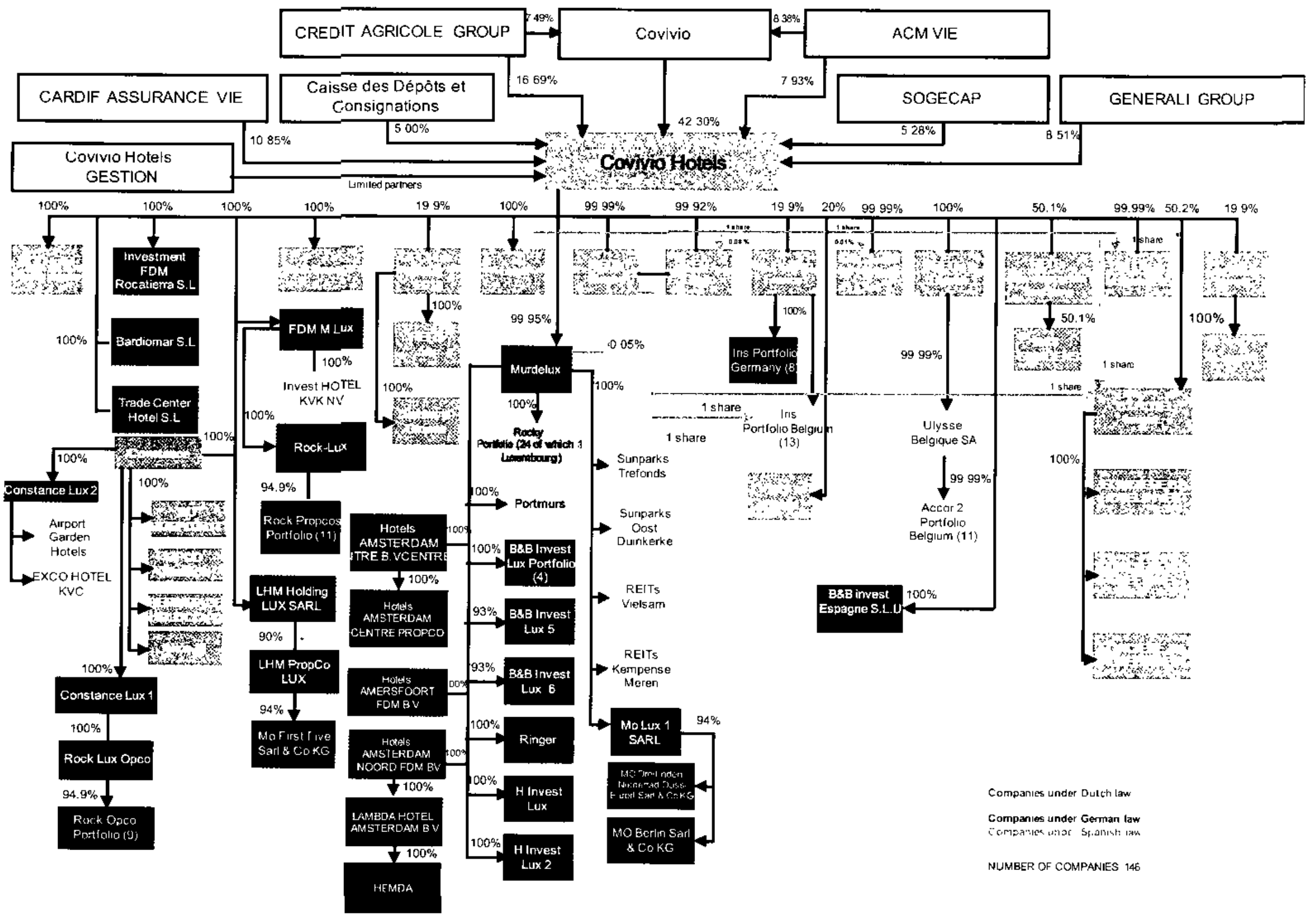
On 30 November 2004, Ferrand et Renaud, now Foncière des Murs, acquired SCI Foncière des Murs. This operation lay within the scope of the project to restructure the company into becoming a REIT specialised in long-term ownership of lease properties in the health-care and leisure sectors and accommodation in the broad sense.

At the Combined General Meeting of 14 September 2018, the Company decided to change its identity and its brand, consistent with the change made at Covivio level. To make this new identity and corporate name consistent, it was decided to adopt "Covivio Hotels" as the Company's new corporate name.

On 31 December 2018, Covivio Hotels held a portfolio of 460 assets (including 20 lease properties and five assets under development) with a total appraised value of €5,483 million (excluding transfer duties in group share (i.e. €6,009 million in total share), spread over France and in Europe, of which 384 are hotels, 54 restaurants and 22 garden centres.

5.2.2. GROUP ORGANISATION CHART AT 31 DECEMBER 2018

Details of Covivio Hotels and its subsidiaries at 31 December 2018 are as follows:



The percentage held and voting rights of Covivio Hotels in its subsidiaries is identical. Only the share capital distribution and voting rights of the company's shareholders may vary depending on the number of treasury shares the company holds (without voting rights)

Furthermore, we would make clear that:

- details of the main shareholders' agreements are given in 5.1.3.2.1,
- details of the transactions between related parties are given in 3.2.8.4, and
- the special report by the Statutory Auditors on the regulated agreements within the company is presented in Chapter 3.9.

Majority shareholder

Covivio holds 42.30% of the share capital of Covivio Hotels. The summary of the distribution of the Covivio share capital at 27 February 2019 is given in detail below:

		At 07/02/2019
NAME OF SHAREHOLDERS	**NUMBER OF SHARES**	**%**
DELFIN Group	21,920,790	26.43
COVEA Group	5,846,147	7.05
CREDIT AGRICOLE ASSURANCES Group	6,670,484	8.04
CM-CIC Group	6,269,881	7.56
BANQUE POPULAIRE LORRAINE CHAMPAGNE	880,691	1.06
FREE FLOAT, REGISTERED AND OTHER BEARERS	41,148,597	49.61
TREASURY SHARES	210,317	0.25
TOTAL	82,946.907	100.00

5.3. Administration, management and Supervisory Board

5.3.1. MANAGEMENT (ARTICLE 10 OF THE ARTICLES OF ASSOCIATION)

The company is managed and administered by one or more general managers. The first general manager, appointed for a period of six years, is the company Covivio Hotels Gestion, a simplified joint stock company with capital of €37,000 the registered office of which is at 30, avenue Kléber, 75116 Paris, registered in the Paris TCR under number 450,140,298.

During the company's existence, any new general manager shall be appointed unanimously by the general partners, with the agreement of the Supervisory Board or, if applicable, the General Meeting.

The company Covivio Hotels Gestion, appointed as first general manager of the company, shall be considered as automatically resigning from the position of general manager in the case where it ceases to be directly or indirectly controlled, within the meaning of Article L. 233-3 of the French Commercial Code, by Covivio, unless the new controlling shareholder of said general manager was approved by the Supervisory Board.

When the functions of a general manager comes to an end, the management is carried out by the remaining general manager or managers, without prejudice to the right of the general partners to appoint a new general manager as replacement, or to re-appoint the outgoing general manager.

In the event that the functions of the sole general manager are terminated, one or more new general managers will be appointed, or the sole general manager will be reappointed. Nevertheless, while awaiting this or these appointments, the management is carried out by the limited partner or partners who may then delegate all powers necessary for managing the company's business until the new general manager or managers are appointed.

Each general manager may be dismissed at any time for incompetence (whether or not the consequence of a collective procedure), or for any other cause by a unanimous decision of the general partners; each general manager may also be dismissed for a legitimate reason by a court decision.

5.3.2. POWERS AND REMUNERATION OF THE GENERAL MANAGER (ARTICLES 10, 11 TO 14 OF THE ARTICLES OF ASSOCIATION)

Powers of the general manager (Articles 10 and 14 of the Articles of Association)

The general manager has the widest possible powers to act in all circumstances in the name of the company within the limits of the corporate purpose and subject to the powers granted expressly by law and the Articles of Association to General Meetings of Shareholders and the Supervisory Board.

In this regard it is indicated that the general manager of the company should, in accordance with Article 14 of the Articles of Association, obtain prior authorisation from the Supervisory Board, ruling by a three-fifths majority, on operations to subscribe to bank loans, purchase properties or equity investments, divestments or granting any guarantee, comfort letter or pledge when their amount exceeds €10 million.

Remuneration of the general manager (Article 11 of the Articles of Association)

The general manager or general managers shall together have an annual remuneration for their functions of €1 million, said remuneration being indexed annually on the basis of changes in the Syntec index recorded on 31 December of the preceding year. The reference index is the index at 31 December 2008.

No other remuneration may be allocated to the general managers, for their term of office, without have been decided beforehand by the Ordinary General Meeting following the unanimous consent of the limited partners.

Furthermore, the general manager or managers have the right to be reimbursed for all the expenses and cost of any nature arising from the use of external service providers, carried out in the interest of the company or the companies it controls, directly or indirectly, within the meaning of Article L.233-3 of the French Commercial Code.

5.3.3. SUPERVISORY BOARD (ARTICLES 12 TO 15 OF THE ARTICLES OF ASSOCIATION)

The company has a Supervisory Board comprising at least three members selected exclusively from among the shareholders who are neither general partners nor a general manager.

The members of the Supervisory Board are appointed or removed by the Ordinary General Assembly of Shareholders, as the shareholders who are general partners cannot vote on the corresponding resolutions.

The duration of the term of office of the Supervisory Board's members is three years at most and each member must own at least one share in the company.

The members of the Supervisory Board may receive annual remuneration, in the form of attendance fees, the amount of which, charged to the overheads, is determined by the Ordinary General Meeting and shall stand until a contrary decision is taken by this Meeting.

5.3.3.1. Composition of the Covivio Hotels Supervisory Board

The Supervisory Board is comprised of 14 members, natural persons or legal entities, selected from among the shareholders. The composition of the Supervisory Board as well as the curriculum vitae and terms of office and functions exercised by each of these persons is given in the Supervisory Board report on corporate governance.

5.3.3.2. Operation of the Supervisory Board

5.3.3.2.1. Powers of the Supervisory Board (Article 14 of the Articles of Association)

The Supervisory Board permanently controls the management of the company as provided for by law.

It prepares a report for the Ordinary Annual General Meeting, which approves the Company's financial statements, as well as at the time of any increase or reduction in the share capital proposed to the shareholders. The prior authorisation of the Supervisory Board, ruling by a three-fifths majority, is require before implementation of the following operations by the general manager:

- subscription to bank borrowings
- purchase of buildings or equity investments
- divestments
- granting of any guarantee, comfort letter or pledge

when their amount exceeds €10,000,000.

When their amount does not exceed €50,000,000, the Supervisory Board may authorise it in a single deed signed by the members of the Supervisory Board ruling by a three-fifths majority.

Furthermore, up to a limit of a certain annual amount it will determine, it may authorise the general manager to give guarantees in the company's name.

The Supervisory Board meets at least four times per year, once per quarter, and the general manager provides the Supervisory Board with the following information, taking into account, where appropriate, the activities of the company and its subsidiaries on a consolidated basis:

- at the Supervisory Board meeting held during the second quarter of the fiscal year, the draft consolidated balance sheet, consolidated income statement, draft statement of consolidated financial flows, and report by the Statutory Auditors on the consolidated financial statements
- at the Supervisory Board meeting held in the fourth quarter of each fiscal year, an annual consolidated budget as well as the Company's annual cash flow projections and the consolidated cash flow of the company and its subsidiaries
- at each of the quarterly meetings, a business report, comprising all the elements determined by the Supervisory Board, and a description of major events that occurred during the previous quarter.

More generally, the general manager should provide the Supervisory Board with the same documents as those given to the Statutory Auditors as well as any document or information that the Supervisory Board may reasonably request.

The Supervisory Board's prior agreement is also required for the appointment or renewal of any general manager with the exception of the appointment of the first general manager.

Accordingly, the Supervisory Board has a maximum of twenty (20) days from the notification it received from the limited partners on the appointment or renewal project, to give or to refuse its consent.

In the event that, on two successive occasions within a period of two months, the Supervisory Board refuses this consent for two successive candidates, even though the company is without a general manager and the management is temporarily carried out by the general partners, consent may be given by the Ordinary General Meeting of the Shareholders ruling in the majority, called by the limited partner or partners submitting one of these two candidates only.

In the case where the consent of the Supervisory Board or the General Meeting is not obtained pursuant to the foregoing sections, the general partner or partners shall appoint a third person. If the Supervisory Board does not give its consent to this new person, his or her appointment shall be submitted to the Ordinary General Meeting, which may only refuse its consent on a two-thirds majority of the shareholders present or represented.

5.3.3.2.2. Meetings of the Supervisory Board (Articles 13 and 14 of the Articles of Associations)

The Supervisory Board meets as often as required by the interests of the Company and, in any case, at least four times per year, in particular to hear the report by the management on the company's businesses. Except in an emergency, the members of the Supervisory Board must be called to a meeting at least one week prior to the date of the Board meeting.

The meetings may be convened by the Chairman of the Supervisory Board, as well as by at least half of its members, or by each of the general managers and general partners of the company. The general manager or managers must be called to the meeting at which they attend on a purely consultative basis.

For the deliberations to be valid, at least half the members must be present.

Deliberations are adopted by a majority of the members present or represented and who are entitled to vote. Any member of the Supervisory Board may be represented by another member of the Board on presentation of an express authorisation bearing in mind that a member of the Board may represent several members. In the case of a tied vote, the Chairman shall have the casting vote.

The members of the Board taking part in the meeting by video conference shall be considered as present when calculating the quorum and the majority.

The Statutory Auditors are called to the meetings of the Supervisory Board which examines the annual or interim financial statements.

5.3.3.2.3. Duties of the members of the Supervisory Board (Article 1.6 of the internal regulations)

Details of the duties of the Board members are given in the report by the Supervisory Board on corporate governance in section 4.2.1.5.

5.3.3.2.4. Declarations on the information required in accordance with Articles 14.1 and 14.2 of Annex of Regulation EC 809/2004 and Articles 12.1 and 12.2 of Annex 1 of ESMA technical notice No. 31-62-800

The current corporate officers of the company have informed the company:

- that they have not been convicted of fraud during at least the last five years
- that they have not participated as an executive in bankruptcy, receivership or liquidation proceedings during at least the last five years
- that they have not be incriminated and/or received an official public sanction by the statutory or regulatory authorities during the last five years (except the companies Cardif Assurance Vie[9] and Generali Vie[10]),

[9] The sanctions committee of the APCR convicted Cardif Assurance Vie on 7 April 2014 for unclaimed contracts.
[10] Generali Vie was sanctioned on 24 July 2015 by the Autorité de Contrôle Prudentiel et de Résolution (rebuke and financial penalty of €5 million) following an inspection of the mechanism for the prevention of money laundering and financing of terrorism.

- that they have not been prevented by a court from serving as a member of an administrative, management or supervisory body, or from being involved in managing or leading a company's business during at least the last five years.

5.3.3.2.5. Conflicts of interest - family links

There are no family links between the members of the Covivio Hotels Supervisory Board.

As things stand, we do not have any information leading to the conclusion that there are other potential conflicts of interest.

The Internal Regulations of the Supervisory Board establishes, in its Article 1.6.5., a procedure to prevent conflicts of interest when the Board or a Committee meets.

5.3.3.2.6. Extraordinary events and litigation

To the best of our knowledge, there were no governmental, judicial or arbitration proceedings during the last 12 months with significant effect on the financial position or the profitability of Covivio Hotels and its subsidiaries.

5.3.4. STATUTORY AUDITORS

5.3.4.1. Statutory Auditors

	Statutory Auditors	Date of appointment	Expiry of term of office
Principal	**Cabinet Mazars** Tour Exaltis 61, rue Henri Regnault, 92400 Courbevoie	30 November 2004, Renewed on 8 April 2010 and 8 April 2016	OGM ruling on the annual financial statements closed at 31 December 2021
	ERNST & YOUNG Et AUTRES 1 / 2 Place des Saisons Paris-La Défense 1 92400 COURBEVOIE	11 April 2013	OGM ruling on the annual financial statements closed at 31 December 2018
Alternates	**Cyrille Brouard** Tour Exaltis 61, rue Henri-Regnault COURBEVOIE	6 April 2005 Renewed on 8 April 2016 and 8 April 2016	OGM ruling on the annual financial statements closed at 31 December 2021
	AUDITEX 1 / 2 Place des Saisons Paris-La Défense 1 92400 COURBEVOIE	11 April 2013	OGM ruling on the annual financial statements closed at 31 December 2018

5.3.4.2. Remuneration of the Statutory Auditors

The remuneration of the Statutory Auditors is presented in section 3.2.8.6 of the notes to the consolidated financial statements.

5.4. Person responsible for the document

5.4.1. PERSON RESPONSIBLE FOR THE DOCUMENT

Dominique Ozanne
Chairman of Covivio Hotels Gestion
Managing partner

5.4.2. CERTIFICATION OF THE PREPARER

Ihereby certify, after having taken all reasonable measures to this effect, that the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and makes no omission likely to affect its import.

Ihereby certify, to the best of my knowledge, that the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and all its consolidated companies, and that the information in the management report on page 3 *et seq.* of the Registration Document, fairly reflects the development of the business, the results and the financial position of the Company and all its consolidated companies, as well as a description of the main risks and uncertainties they face.

Ihave received a completion letter from the Statutory Auditors stating that they have audited the information contained in this Registration Document about the financial position and financial statements and that they have read this document in its entirety.

The historic financial information presented in this registration document were included in reports from the Statutory Auditors, which did not contain any observation on the fiscal years ended at 31 December 2016 and 2017.

The report by the Statutory Auditors on the consolidated financial statements of the group for the fiscal year ended at 31 December 2018 is given in section 3.3 of this Registration Document. It does not contain any observation. It contains an observation relating to the change in consolidation method as a result of the application of IFRS 15 "Revenue from contract with the customers" and IFRS 9 "Financial instruments".

The report by the Statutory Auditors on the annual financial statements for the fiscal year ended on 31 December 2018 is given in section3.6 of this Registration Document. It does not contain any observation.

Paris, 7March 2019

Dominique Ozanne
Chairman of Covivio Hotels Gestion
Managing partner

Person in Charge of the Financial Information

5.4.3. HISTORIC FINANCIAL INFORMATION

Pursuant to Article 28 of European Commission Regulation (EC) No. 809/2004 of 29 April 2004, the following information is incorporated by reference in this Registration Document:

- the consolidated financial statements for the fiscal year ended 31 December 2017 as well as the corresponding reports by the statutory auditors appear on pages 92 to 133of the 2017 Registration Document filed with the AMF on 7 March 2018 under No. D.18-0106.
- The consolidated financial statements for the fiscal year ended 31 December 2016 as well as the corresponding reports by the statutory auditors appear on pages 121 to 159 of the 2016 Registration Document filed with the AMF on 21 February 2017 under No. D.17-0101.

A reconciliation between the IFRS and EPRA data was made during the first year in which the data was communication in the EPRA format, in 2010. It is available on page 154 of the 2010 Registration Document. No change was made in the restatements since this reconciliation.

These documents are available at the company's registered office at 30, avenue Kléber – 75116 Paris, as well as on their website (www.covivio-hotels.fr) and on the website of the Autorité des Marchés Financiers.

5.5. Annual information document (Article 221-1-1 of the AMF General Regulation)

5.5.1. COMMUNICATION ON THE BASIS OF REGULATORY INFORMATION PUBLISHED ON THE AMF WEBSITE AND ON THECOVIVIO HOTELS WEBSITE

11 January 2018	Publication of the liquidity contract half-year balance sheet
24 January 2018	*Announcement that the shareholders of Foncière des Murs and FDM Management SAS have approved the merger of their companies*
25 January 2018	Publication of information on the total number of voting rights and shares comprising the share capital
13 February 2018	2017 Annual results
26 February 2018	Arrangements for making documents available in preparation for the 2018 Combined General Meeting
14 March 2018	2017 Registration Document made available
27 March 2018	Announcement of the project to acquire a hotel portfolio in the United Kingdom
6 April 2018	Publication of the description of the 2018 share buyback programme
3 May 2018	Announcement of the acquisition of a prime portfolio of £858 million in the United Kingdom
25 May 2018	Launch of a share capital increase of about €300 million by the free allocation of share purchase warrants to its shareholders
19 June 2018	Announcement of the success of the share capital increase of about €300 million by the free of allocation of share purchase warrants to its shareholders
21 June 2018	Publication of information on the total number of voting rights and shares making up the share capital
9 July 2018	Publication of the liquidity contract half-year balance sheet
16 July 2018	Publication of 2018 half-year results
28 July 2018	Announcement of the finalisation of the acquisition of almost 80% of the hotel portfolio in the United Kingdom
21 July 2018:	Publication of 2018 half-year results
6 August 14	*Arrangements for making documents available in preparation for the Combined General Meeting on 14 September 2018*
3 September 2018	Announcement that a BBB rating with positive outlook is obtained from Standard & Poor's
5 September 2018	Publication of the 2017 consolidated financial statements
17 September 2018	Announcement of the successful placement of €350 million in 7-year bonds at 1.875%
19 September 2018	Inauguration of the first Motel One in Paris
10 January 2019	Publication of the liquidity contract half-year balance sheet
17 January 2019	Announcement of the disposal of €482 million in non-strategic assets
13 February 2019	2018 Annual results

5.5.2. PUBLICATIONS IN THE BALO (BULLETIN DES ANNONCES LÉGALES OBLIGATOIRES)

5 January 2018	Publication of the convening notice for the Extraordinary General Meeting on 24 January 2018
26 February 2018	Publication of the meeting notice for the Combined General Meeting on 6 April 2018
19 March 2018	Publication of the convening notice for the Combined General Meeting on 6 April 2018
16 April 2018	Publication of the final financial statements at 31/12/2017
6 August 2018	Publication of the meeting notice for the Combined General Meeting on 14/9/2018
29 August 2018	Publication of the convening notice for the Combined General Meeting on 14/9/2018

5.6. Summary appraisers' report

Dominique Ozanne
Covivio Hotels
10, avenue Kléber
75116 Paris

Paris, 8 February 2019

Dear Sir,

We have the honour of attaching herewith our summary report on the appraisal of the fair value of the Covivio assets as at 31 December 2018.

5.6.1. GENERAL BACKGROUND ON THE APPRAISALS

General framework

Covivio requested us to appraise the fair value of the assets comprising its portfolio in France, Germany, Portugal, the Netherlands, Belgium, the United *Kingdom and Spain. This request was part of the half-year valuation of its portfolio.*

These appraisals were conducted with complete independence.

The appraisal companies BNP Paribas Real Estate Valuation, CBRE Valuation, Cushman & Wakefield Valuation France, Crédit Foncier Expertise, HVS, Christie & *Co and MKG have no capital ties with Covivio.*

The appraisal companies BNP Paribas Real Estate Valuation, CBRE Valuation, Cushman & Wakefield Valuation France, Crédit Foncier Expertise, HVS, Christie & Co and MKG certify that the appraisals were performed by, and under the responsibility, of qualified appraisers.

The annual fees billed to Covivio are determined before the appraisal year. They account for less than 10% of the revenues of each appraisal company.

The rotation of the appraisers is organised by Covivio.

We have not identified any conflict of interest in this appraisal.

The assignment is in compliance with the AMF recommendation concerning the presentation of the real estate asset valuation for listed companies published on 8 February 2010.

Current appraisal

Our assignment was to appraise the fair value of the 278 assets in France, 75 assets in Germany, 2 assets in the Netherlands, 12 assets in Belgium, 1 asset in Portugal, 9 assets in the United Kingdom and 20 assets in Spain. For this assignment, Covivio requested us to carry out initial appraisals or updates on documents

Our assignment was to appraise the fair value with the occupancy rate announced at 31 December 2018.

The assets appraised are located in France, Germany, Portugal, the Netherlands, Belgium, the United Kingdom and Spain. They are primarily assets that are wholly owned by Covivio or by its subsidiaries.

It should be noted here that, when the client is the tenant under the terms of a credit agreement, the appraiser values only the assets underlying the contract, and not the credit agreement itself. In the same way, when a real estate asset is held by *a special* purpose entity, its value was estimated on the assumption of the sale of the underlying real estate asset, and not the sale of the company.

5.6.2. CONDITIONS OF PERFORMANCE

Documents examined

This assignment was conducted on the basis of the documents and information provided during the month of October 2018 and the preceding years for the sites being updated, and which is assumed to be accurate and to represent all the information and documents in the possession of, or known to, the client, which could have an impact on the fair value of the portfolio. Accordingly, title deeds and zoning certificates are not examined.

Standards

The appraisals and valuations were completed in accordance with:

- *the recommendations of the Barthès de Ruyter report on the valuation of real estate portfolios of listed/publicly traded companies, published in February* 2000
- the Charter for Expert Appraisal in Real Estate Valuation
- the recommendations set out by the RICS appraisal standards published by the Royal Institute of Chartered Surveyors
- the principles laid down by the SIIC code of ethics.

Methodology used

For assets making up the various portfolios, being investment properties, we have taken:

- for hotel assets: the leasing revenue discount method and the "discounted cash flow" method
- for "retail premises": the leasing revenue discount method and the "discounted cash flow" method

5.6.3. COMPREHENSIVE FAIR VALUE

5.6.3.1. The fair value appraised by the Crédit Foncier Expertise appraisal companies

The comprehensive fair value corresponds to the sum of the unit values each of asset.

Fair value as 100%: €767,010,000 excluding expenses and duties.

Presentation of the appraisal values per class of assets.

Sectoral breakdown	Valuation	Number of assets
AccorHotels assets	545,600,000	22
Motel One assets	48,400,000	1
Retail premises assets	173,010,000	76
TOTAL	767,010,000	99

5.6.3.2. The fair value appraised by the BNP Paribas Real Estate Valuation appraisal company

The comprehensive fair value corresponds to the sum of the unit values each of asset.

Fair value as 100%: €1,561,698,472 excluding expenses and duties.

Presentation of the appraisal values per class of assets.

Sectoral breakdown	Valuation	Number of assets
LHM assets	54,046,718	8
B&B assets	383,340,232	55
Meininger / Motel One assets	86,111,131	3
Leisure assets	103,454,696	1
Operating properties assets	934,745,696	9
TOTAL	1,561,698,472	76

5.6.3.3. Fair value appraised by the Cushman & Wakefield Valuation France appraisal company

The comprehensive fair value corresponds to the sum of the unit values each of asset.

Fair value as 100%: €1,775,580,000 excluding expenses and duties.

Presentation of the appraisal values per class of assets.

Sectoral breakdown	Valuation	Number of assets
AccorHotels assets	236,430,000	33
B&B assets	494,730,000	123
NH Hotel Group assets	226,420,000	8
Spain assets	623,600,000	16
Leisure assets	73,200,000	1
Operating properties assets	121,200,000	3
TOTAL	1,775,580,000	184

5.6.3.4. Fair value appraised by the HVS appraisal company

The comprehensive fair value corresponds to the sum of the unit values each of asset.

Fair value as 100% (in pounds sterling): £700,822,966 excluding expenses and duties.

Presentation of the appraisal values per class of assets.

Sectoral breakdown	Valuation (in pounds sterling)	Number of assets
UK assets	700,822,966	9
TOTAL	700,822,966	9

5.6.3.5. Fair value appraised by the CBRE Hotels Valuation appraisal company

Fair value as 100%: €403,020,800 excluding expenses and duties.

Presentation of the appraisal values per class of assets.

Sectoral breakdown	Valuation	Number of assets
AccorHotels assets	341,218,800	18
Meininger assets	61,802,000	2
TOTAL	403,020,800	20

5.6.3.6. Fair value appraised by the Christie & Co appraisal company

Fair value as 100%: €70,450,000 excluding expenses and duties.

Presentation of the appraisal values per class of assets.

Sectoral breakdown	Valuation	Number of assets
NH Hotel Group assets	70,450,000	1
TOTAL	70,450,000	1

5.6.3.7. Fair value appraised by the MKG appraisal company

Fair value as 100%: €180,900,059 excluding expenses and duties.

Presentation of the appraisal values per class of assets.

Sectoral breakdown	Valuation	Number of assets
Operating properties assets	180,900,059	8
TOTAL	180,900,059	8

5.6.4. GENERAL COMMENTS

These values are understood as being based on the market remaining stable and no significant changes occurring to the assets between the appraisal date and the value date.

This summary report is an element that cannot be separated from the work carried out by each of the appraisers in their assignment

Each of the appraisers confirms the values of the assets for which they themselves performed the appraisal or update, without assuming responsibility for those performed by the other appraisal companies.

BNP Paribas Real Estate Valuation
Jean-Claude Dubois
Chairman

CBRE Hotels Valuation
Maaike Smorenburg
Senior Director – Valuations & Advisory

Cushman & Wakefield Valuation France
Philippe Dorion
Directeur Général adjoint

Cushman & Wakefield Valuation France SA
Tour Opus 12 – 77 Esplanade du [illegible]
92081 Paris La Défense Cedex
Tel [illegible]
Société Anonyme au capital de [illegible] €
RC Siret 332 111 574 00049
N° TVA intracommunautaire FR 10 332 111 574

Crédit Foncier Expertises
Angélique Siboni
Deputy General Manager

HVS London
Sophie Perret, MRICS
Director

Christie & Co
Soazig Drais
Associate Director – Consultancy & Valuation

MKG

Vanguelis Panayotis

Président

MKG CONSULTING EMEA

5 Rue de Dantzig - 75015 PARIS
Tél. 01 56 56 87 87
SAS au capital de 10 000,00 €
RCS Paris : 827 917 865
Siret : 827 917 865 00012

CROSS-REFERENCE TABLE

To facilitate the reading of the annual report registered as registration document, the following theme-based table enables identification of the main information required by European Regulation (EC) No. 809/2004 by the European Commission of 29 April 2014

TABLE OF CONCORDANCE WITH THE ANNUAL FINANCIAL REPORT

Type of information

CONCORDANCE TABLE ON THE REPORT FOR THE ANNUAL GENERAL MEETING

Type of information

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www.covivio.eu

COVIVIO
HOTELS