

2017 FIRST-HALF
FINANCIAL REPORT

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1.1. BUSINESS ANALYSIS

Changes in scope

Throughout 2016, Foncière des Régions increased its stake in its hotel subsidiary Foncière des Murs, holding 50.0% of the share capital at 30 June 2017 compared to 49.6% at 30 June 2016. In the income statement, the average holding recognized in the first half of 2016 was 45.4%.

Over the same period, Foncière des Régions also increased its stake in its Italian subsidiary Beni Stabili, holding 52.2% of the share capital at 30 June 2017. At 30 June 2016, the average holding recognized in the first half of 2016 was 50.1% in the income statement and 52.2% in the balance sheet.

1.1.1. Recognised rental income: 2.8% growth

(€M)	100%			Group Share				
	H1 2016	H1 2017	Change (%)	H1 2016	H1 2017	Change (%)	Change (%) LFL ⁽¹⁾	% of rent
France Offices	138.4	135.7	-2.0%	125.7	123.0	-2.1%	0.9%	42%
Paris	44.2	41.0	-7%	41.9	38.7	-8%	1.3%	13%
Greater Paris	65.4	67.3	3%	55.0	57.0	4%	1.0%	19%
Other French regions	28.8	27.4	-5%	28.9	27.4	-5%	-0.4%	9%
Italy Offices	98.9	101.9	3.0%	49.6	52.7	6.3%	1.5%	18%
Offices – excl. Telecom Italia	39.3	43.2	10%	19.7	22.6	15%	3.1%	8%
Offices – Telecom Italia	49.6	49.1	-1%	24.8	25.1	1%	0.0%	9%
Retail & Others	10.0	9.5	-5%	5.0	5.0	-1%	1.6%	2%
Germany Residential	105.9	112.9	6.6%	65.3	69.9	7.1%	4.0%	24%
Berlin	41.1	48.8	19%	24.6	30.5	24%	4.8%	10%
Dresden & Leipzig	8.7	10.2	17%	5.8	6.3	8%	3.8%	2%
Hamburg	6.1	7.2	19%	3.4	4.6	36%	5.3%	2%
North Rhine-Westphalia	50.0	46.6	-7%	31.4	28.5	-9%	3.2%	10%
Hotels in Europe	100.9	102.9	2.0%	41.5	45.7	10.2%	1.9%	15%
Hotels	75.2	84.5	12%	29.9	36.5	22%	2.5%	12%
Healthcare	7.2	0.0	-100%	3.3	0.0	-100%	N/A	0%
Retail	18.5	18.4	0%	8.4	9.2	10%	0.0%	3%
Total strategic activities	444.2	453.3	2.1%	282.1	291.4	3.3%	1.9%	99%
France Residential	8.2	6.1	-26%	5.0	3.7	-25.6%	N/A	1%
TOTAL RENTS	452.4	459.4	1.6%	287.2	295.1	2.8%	1.9%	100%

⁽¹⁾ LFL: Like-for-Like.

Rental income increased by 2.8% over one year in Group Share, including +3.3% for the strategic activities. This €8.0 million increase is due primarily to the following factors:

- ♦ acquisitions (+€19.0 million) particularly consisting of hotels (+€7.7 million), with the acquisition of a portfolio of 17 assets in Spain, and Germany residential assets (+€6.6 million) mainly in Berlin
- ♦ deliveries of new assets (+€2.6 million), mainly in France Offices, including Silex 1 in Lyon
- ♦ rent increases of 1.9% (+€4.3 million) on a like-for-like scope with:
 - ♦ +0.9% in France Offices, thanks to the indexation factor (0.3 pt.) and good rental performance (0.6 pt.)
 - ♦ +1.5% in Italy Offices, thanks to an improvement in the occupancy rate
 - ♦ +4.0% in Germany Residential, including 1.3 pt. due to the indexation factor and 2.7 pts. due to renewals
 - ♦ the recovery of hotel activities with 4.3% growth in variable AccorHotels rents
- ♦ releases of assets intended to be restructured or redeveloped (-€3.2 million)
- ♦ asset disposals (-€18.8 million), particularly hotels (-€8.9 million) with the sale of low-performance AccorHotels assets in secondary locations in 2016
- ♦ an increase in Hotel real estate income due to the increase in the ownership stake in Foncière des Murs in 2016 (+€4.2 million).

1.1.2. Lease expirations and occupancy rates

1.1.2.1. Annualised lease expirations: average lease term remaining high (6.6 years)

(years) – Group Share	By lease end date (1 st break)		By lease end date	
	2016	H1 2017	2016	H1 2017
France Offices	5.6	5.2	6.2	6.2
Italy Offices	9.0	6.9	14.6	7.7
Hotels in Europe	10.4	10.4	10.7	12.3
TOTAL	7.2	6.6	9.0	7.8

In the first half of 2017, the average residual firm lease term stood at 6.6 years, after a drop following the disposal of 40% of the Telecom Italia portfolio in the Italy Offices segment during the half-year.

(€/M) – Group Share Excluding Residential	By lease end date (1 st break)	% of total	By lease end date	% of total
2017	21.6	5%	7.6	2%
2018	44.7	10%	18.5	4%
2019	49.0	11%	33.3	7%
2020	20.0	4%	25.8	6%
2021	29.5	7%	45.1	10%
2022	41.6	9%	42.1	9%
2023	49.1	11%	44.2	10%
2024	9.5	2%	15.3	3%
2025	62.4	14%	61.6	14%
2026	30.5	7%	29.0	6%
Beyond	93.7	21%	129.1	29%
TOTAL	451.6	100%	451.6	100%

Restatement of San Nicolaò, under disposal agreement.

The percentage of firm lease terms under 4 years remained stable compared to 2016, at 30% of annualised rental income, giving the Group excellent visibility over its cash flows, which are thus secure on the medium term.

Of the €45 million of rents maturing in 2018, more than a third concerns assets that will be redeveloped at medium-term (mainly four assets in Paris, including two buildings leased to Orange).

1.1.2.2. Occupancy rate: 96.6%

(%)- Group Share	Occupancy rate	
	2016	H1 2017
France Offices	95.6%	95.3%
Italy Offices	95.5%	94.8%
Germany Residential	98.2%	98.4%
Hotels in Europe	100.0%	100.0%
TOTAL	96.7%	96.6%

The occupancy rate has remained relatively stable, above 96% since 2013. The slight drop in Italy is due to the sale of part of the Telecom Italia portfolio in the first half of 2017. Proforma of this disposal, the occupancy rate in Italy Offices rose to 95.7%.

1.1.3. Breakdown of rental income – Group Share

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

(€M) – Group Share	Annualised rental income	
	H1 2017	%
Orange	77.7	13%
Telecom Italia	30.7	5%
AccorHotels	26.6	4%
Suez Environnement	21.6	4%
B&B	19.3	3%
EDF	16.4	3%
Vinci	14.8	2%
Dassault Systèmes	12.3	2%
Eiffage	9.4	2%
Thales	10.8	2%
Natixis	10.6	2%
Quick	8.5	1%
Sunparks	7.1	1%
Jardiland	6.7	1%
AON	5.4	1%
Lagardère	5.3	1%
Cisco System	4.8	1%
Other tenants < €4 m	166.6	27%
Germany residential	144.6	24%
France residential	7.7	1%
TOTAL RENTS	606.7	100%

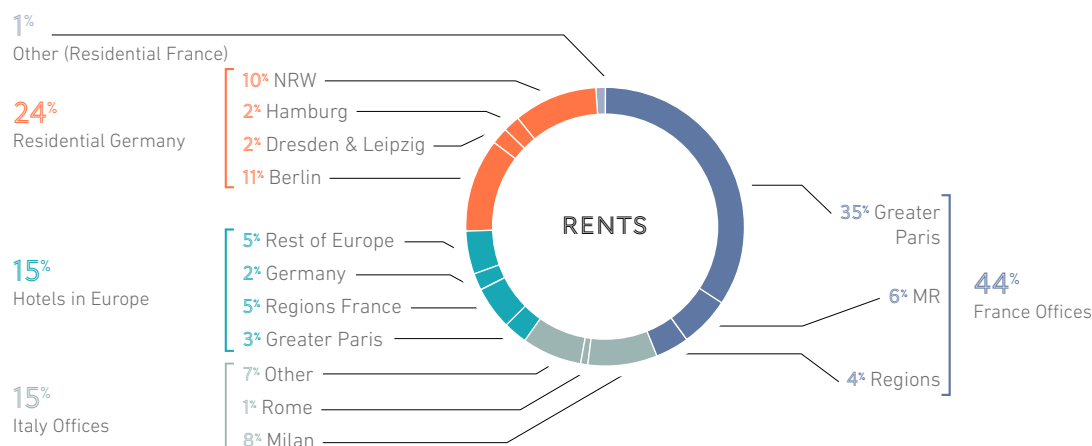
In 2017, Foncière des Régions continued its strategy of diversifying its tenant base. Its exposure to its 3 leading tenants thus continued to drop (22% versus 26% at end-2016 and 41% at end-2014).

Moreover, the Group's partnership strategy was extended to new players, particularly in the hotel segment with the main Spanish operators (Barcelo Melia, Hotusa, and NH). In France, devel-

opment projects made it possible to build new partnerships, as confirmed by the construction of EDO in Issy-les-Moulineaux, chosen by the Transdev group for its headquarters.

The Group's most significant exposure consists of the portfolio of assets leased to Orange with major value-creation levers through their locations in Paris (around €1 billion of assets in central Paris, i.e. 2/3 of the portfolio).

1.1.3.2. Geographic breakdown



In the first half of 2017, the Group continued to concentrate its activities on European capitals and major cities, with the aim of continuously improving the quality of its portfolio. Nearly 60% of the Group's rental income thus comes from Greater Paris, Berlin and Milan.

1.1.4. Cost to revenue, by business

Group Share	France Offices	Italy Offices	Germany Residential	Hotels in Europe	Other (France Residential)	Total	
	H1 2017	H1 2017	H1 2017	H1 2017	H1 2017	H1 2016	H1 2017
Rental Income	123.0	52.7	69.9	45.7	3.7	287.1	295.1
Unrecovered property operating costs	-7.6	-6.5	-1.3	-0.9	-1.4	-12.1	-17.6
Expenses on properties	-1.2	-1.4	-4.7	-0.0	-0.4	-8.4	-7.8
Net losses on unrecoverable receivable	-0.2	-0.4	-0.5	-0.0	-0.1	-1.1	-1.2
NET RENTAL INCOME	114.0	44.4	63.4	44.8	1.9	265.5	268.4
Cost to revenue ratio	5.3%	15.8%	9.3%	2.0%	38.1%	7.5%	7.9%

The cost to revenue ratio (7.9%) remained under control despite a slight year-on-year rise.

In Germany Residential, the cost to revenue ratio had been dropping for several years, now standing at 9.3% (versus 11.3% at 30 June 2016) thanks to a stronger position in Berlin and cost optimisation.

The cost to revenue ratio is low in France Offices and Hotels in Europe, as the Group essentially signs triple net leases.

In Italy, the cost to revenue ratio dropped to 15.8% (vs. 17.0% at 30 June 2016), reflecting the recent improvement in the vacancy rate.

1.1.5. Disposals totalling €505 million Group Share

(€M)		Disposals (agreements as of end of 2016 closed) (I)	Agreements as of end of 2016 to close Agreements as of end of 2016 to close	New disposals H1 2017 (II)	New agreements H1 2017 (III)	Total H1 2017 = (II) + (III)	Margin vs 2016 value	Yield	Total Realized Disposals = (I) + (II)
France	100%	69	38	36	156	192	5.5%	7.0%	105
Offices	Group Share	69	38	36	110	147	6.2%	7.1%	105
Italy Offices	100%	39	40	0	120	120	2.8%	4.0%	39
	Group Share	343	21	0	63	63	2.8%	4.0%	343
Germany Residential	100%	12	12	12	210	222	15.7%	6.0%	24
	Group Share	7	7	7	125	132	16.1%	6.0%	14
Hotels in Europe ⁽¹⁾	100%	2	18	16	88	104	3.8%	6.1%	18
	Group Share	1	9	4	39	43	3.9%	6.3%	5
Other	100%	34	2	27	68	95	-0.1%	2.3%	61
	Group Share	21	1	17	55	71	-1.4%	3.1%	38
TOTAL	100%	156	109	92	642	734	6.9%	5.5%	248
	GROUP SHARE	441	76	64	392	456	6.8%	5.7%	505

⁽¹⁾ Including disposals on Operating properties.

Since the beginning of the year, disposals totalling €248 million (€505 million Group Share) have been realized, including the sharing of 40% of the Telecom Italia portfolio, equivalent to €323 million Group Share of disposals, at appraisal value.

Moreover, during the first half-year, Foncière des Régions completed new disposals and signed new disposal agreements for a total of €456 million, mainly involving:

- ◆ non-strategic assets in France Offices, mainly small Orange buildings in Regions and an asset in Chevilly-Larue (€101 million) and two Euromed assets (€46 million), under final negotiations,

- ◆ a mature core asset in Milan, via San Nicolao (€60 million)
- ◆ Retail assets including 17 Quick restaurants (€16 million)
- ◆ Close to 2750 residential units in North Rhine-Westphalia (€116 million)
- ◆ the signing of a sales agreement for three Logistics assets (€34 million).

The new disposals were signed with a substantial margin over the most recent appraisal values (6.8% in the first half of 2017).

1.1.6. Asset acquisitions totalling €614 million Group Share

(€M) - Including Duties	Acquisitions 2017 signed			Acquisitions 2017 secured		
	Acquisitions 100%	Acquisitions Group Share	Yield Group Share	Acquisitions 100%	Acquisitions Group Share	Yield Group Share
France Offices	3	3	6.7%	0	0	0.0%
Italy Offices ⁽¹⁾	165	86	5.5%	29	15	8.9%
German Residential	376	241	4.0%	148	96	3.9%
Hotels in Europe	613	284	5.4%	71	36	9.1%
TOTAL	1,157	614	4.9%	248	146	5.7%

⁽¹⁾ Potential yield on acquisitions after delivery of the Principe Amedeo building, under development

With €614 million Group Share of acquisitions realized across all of its asset classes, including 55% secured in 2016, Foncière des Régions pushed ahead with its asset acquisition strategy in its strategic markets, in particular Germany Residential and Hotels, with:

- ◆ acquisitions of several German residential portfolios in Berlin, Dresden and Leipzig for €241 million Group Share at attractive prices (€1,860/m² on average, with a 35% reversion potential)
- ◆ the acquisition of a portfolio of 17 hotels comprising 3,335 rooms in Spain, mainly located in Madrid and Barcelona, for €280 million Group Share, with a potential yield of 6.3%
- ◆ the acquisition of an office portfolio in Italy from the Credito Valltelinese group, mainly located in Milan CBD, for a total of €62 million Group Share, including acquisitions of €52 million completed in the first half of 2017 with a high yield of 6.0%.

1.1.7. Development projects: €4.1 billion (€3.2 billion Group Share)

Foncière des Régions increased its development pipeline to €4.1 billion (€3.2 billion Group Share), after having doubled it in 2016. With the launch of the Germany Residential pipeline representing projects totalling €400 million, including €11 million in launches during the first semester, the Group now has the capacity to develop its assets in all of its markets.

At present, 29 projects are under way in three European countries and will be completed between 2017 and 2020. At the same time, new managed projects totalling 500,000 m² of offices and 1,900 residential units will feed the Group's growth by 2020 and beyond. The Group set a value creation objective of over 20% on the committed pipeline.

1.1.7.1. Four projects delivered in the first half of 2017 in France Offices

The growth in rental income in the first half of 2017 was driven by the real estate strategy focused on the development pipeline. Some 33,000 m² of office premises were delivered in France, with an average occupancy rate of 86%. They mainly consist of:

- ◆ Silex 1 in the business district of La Part-Dieu in Lyon, 100% let
- ◆ Thaïs in Levallois, in a district highly sought after by major corporations as an alternative to Paris CBD, 66% let.

Advanced negotiations are under way for the leasing of the rest of the premises.

1.1.7.2. Committed projects: €1.1 billion (€603 million Group Share)

Projects in Group Share	Location	Project	Surface ⁽¹⁾ (m ²)	Target rent (€/m ² / year)	Pre-leased (%)	Total Budget ⁽²⁾ (€M, Group Share)	Target Yield ⁽³⁾	Progress	Capex to be invested
France Offices									
Euromed Center – Bureaux Floreal (FdR share 50%) ⁽⁴⁾	Marseille	Construction	13,400	265	100%	18	>7%	87%	2
Edo	Issy-les-Moulineaux – Greater Paris	Regeneration-Extension	10,800	430	100%	83	6.0%	80%	8
ENEDIS – New Saint Charles	Reims	Construction	10,300	141	100%	19	>7%	55%	7
Art&Co	Paris	Regeneration	13,400	520	5%	130	5.0%	53%	12
Total deliveries 2017			47,900	444	50%	250	5.7%	65%	30
Hélios	Lille	Construction	9,000	160	100%	21	>7%	24%	15
Riverside	Toulouse	Construction	11,000	195	0%	32	7.0%	45%	15
Îlot Armagnac (FdR share 35%)	Bordeaux	Construction	31,700	200	29%	35	6.5%	47%	18
Total deliveries 2018			51,700	189	35%	89	6.8%	41%	48
TOTAL FRANCE OFFICES			99,600	377	46%	339	6.0%	58%	78
Italy Offices									
Via Cernaia	Milan	Regeneration	8,300	460	100%	30	5.4%	65%	5
Corso Ferrucci	Turin	Regeneration	45,600	130	29%	46	5.7%	55%	16
Total deliveries 2017			53,900	261	57%	76	5.6%	59%	21
Via Colonna	Milan	Regeneration	3,500	265	50%	9	5.1%	30%	4
Milan, Piazza Monte Titano	Milan	Regeneration	6,000	190	100%	12	5.0%	25%	7
Symbiosis A+B	Milan	Construction	20,600	305	85%	48	7.1%	40%	38
Milan, P. Amedeo	Milan	Regeneration	7,000	460	0%	30	5.2%	10%	13
Total deliveries 2018			37,100	334	58%	98	6.1%	28%	62
TOTAL ITALY OFFICES			91,000	302	58%	174	5.9%	45%	83

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Projects in Group Share	Location	Project	Surface ⁽¹⁾ (m ²)	Target rent (€/m ² /year)	Pre-leased (%)	Total Budget ⁽²⁾ (€M, Group Share)	Target Yield ⁽³⁾	Progress	Capex to be invested
Germany Residential									
Konstanzer	Berlin	Extension	400	N/A	N/A	1	5.8%	N/A	N/A
Total deliveries 2018			400	N/A	N/A	1	5.8%	N/A	N/A
Genter Strasse 63	Berlin	Construction	1,500	N/A	N/A	2	5.7%	N/A	N/A
Pannierstrasse 20	Berlin	Construction	810	N/A	N/A	2	5.2%	N/A	N/A
Breisgauer Strasse	Berlin	Extension	1,420	N/A	N/A	2	5.8%	N/A	N/A
Total deliveries 2019			3,730	N/A	N/A	6	5.6%	N/A	N/A
TOTAL GERMAN RESIDENTIAL			4,130	N/A	N/A	7	5.6%	N/A	N/A
Hotels in Europe									
B&B Lyon	Lyon – France	Construction	113 rooms	N/A	100%	2	5.5%	79%	0
Club Med Samoëns	France	Construction	420 rooms	N/A	100%	12	6.0%	80%	2
B&B Berlin	Berlin – Germany	Construction	140 rooms	N/A	100%	6	7.0%	45%	3
B&B Nanterre	Nanterre – Greater Paris	Construction	150 rooms	N/A	100%	3	6.2%	91%	0
Total deliveries 2017			823 rooms	N/A	100%	23	6.2%	73%	6
B&B Châtenay-Malabry	Châtenay-Malabry – Gretaer Paris	Construction	255 rooms	N/A	100%	2	6.3%	42%	1
Motel One Porte Dorée	Paris	Construction	255 rooms	N/A	100%	9	6.2%	81%	2
MEININGER Munich	Munich – Germany	Construction	173 rooms	N/A	100%	15	6.4%	73%	4
Total deliveries 2018			683 rooms	N/A	100%	26	6.3%	73%	7
MEININGER Porte de Vincennes	Paris	Construction	249 rooms	N/A	100%	23	6.2%	52%	11
B&B Bagnolet	Paris	Construction	108 rooms	N/A	100%	2	6.3%	15%	2
MEININGER Lyon Zimmermann	Lyon – France	Construction	169 rooms	N/A	100%	9	6.1%	0%	9
Total deliveries 2019 and beyond			526 rooms	N/A	100%	35	6.2%	36%	22
TOTAL HOTELS IN EUROPE			2,032 ROOMS	N/A	100%	84	6.2%	58%	35
TOTAL				N/A	57%	603	6.0%	54%	196

⁽¹⁾ Surface at 100%.

⁽²⁾ Including land and financial costs.

⁽³⁾ Yield on total rents including car parks, restaurants, etc.

⁽⁴⁾ Under final negotiation.

Projects in Group Share	Surface ⁽¹⁾ (m ²)	Target rent (€/m ² /year)	Pre-leased (%)	Total Budget ⁽²⁾ (€M, Group Share)	Target Yield ⁽³⁾	Progress	Capex to be invested
Total France Offices	99,600	377	46%	339	6.0%	58%	78
Total Italy Offices	91,000	302	58%	174	5.9%	45%	83
Total German Residential	4,130	N/A	N/A	7	5.6%	N/A	N/A
Total Hotels in Europe	2,032 rooms	N/A	100%	84	6.2%	58%	26
TOTAL		N/A	57%	603	6.0%	54%	187

The main evolution in the half-year was the launch of €11 million of projects (€7 million Group Share) in German Residential (59 units spread across 4,130 m²), for the building of new housing units through the extension of existing assets or the construction of residential buildings in Berlin.

In the hotel segment, the pipeline was reinforced through the launch of a third development project with MEININGER, right in the centre of Lyon.

2017 is set to be a record year for the delivery of real estate assets, with 14 projects representing over 100,000 m² of office space and 823 hotel rooms for a total investment of over €600 million.

1.1.7.3. Managed projects: €3.0 billion (€2.6 billion Group Share)

Projects (sorted by estimated total cost at 100%)	Location	Project	Surface ⁽¹⁾ (m ²)	Delivery timeframe
France Offices				
Rueil Lesseps	Rueil-Malmaison – Greater Paris	Regeneration-Extension	43,000	>2020
Cap 18	Paris	Construction	50,000	>2020
Canopée	Meudon – Greater Paris	Construction	55,000	2020
Montpellier Majoria	Montpellier	Construction	60,000	2018-2020
Silex II	Lyon	Regeneration-Extension	31,000	2020
Omega	Levallois-Perret – Greater Paris	Regeneration-Extension	21,500	>2020
Citroën PSA – Arago	Paris	Regeneration	27,200	>2020
Anjou	Paris	Regeneration	11,000	>2020
Opale	Meudon – Greater Paris	Construction	28,500	2019
Avenue de la Marne	Montrouge – Greater Paris	Construction	25,300	2020
Philippe Auguste	Paris	Regeneration	13,200	>2020
Cité Numérique	Bordeaux	Regeneration-Extension	18,100	2,018
Campus New Vélizy Extension (FdR share 50%)	Vélizy – Greater Paris	Construction	14,000	2020
DS Campus Extension 2 (FdR share 50%)	Vélizy – Greater Paris	Construction	11,000	>2020
Gobelins	Paris	Regeneration	4,900	>2020
ENEDIS Angers	Angers	Construction	4,700	2019
Total France Offices			418,400	
Italy Offices				
Via Schievano	Milan	Restructuration	31,800	2019
Symbiosis (other blocks)	Milan	Construction	101,500	2022
Total Italy Offices			133,300	
Germany Residential	Berlin	Extensions & Constructions	c.130,000	
TOTAL			681,700	

⁽¹⁾ Surface at 100%.

1.1.8. Portfolio

1.1.8.1. Portfolio value: up 3.2% at like-for-like scope

(€M) – Excluding Duties	Value 2016 100%	Value H1 2017 100%	Value H1 2017 Group Share	LFL ⁽¹⁾ change 6 months	Yield ⁽²⁾ 2016	Yield ⁽²⁾ H1 2017	% of portfolio
France Offices	6,183	6,332	5,439	2.6%	5.7%	5.4%	43%
Italy Offices	4,094	4,304	1,924	1.2%	5.7%	5.5%	15%
Residential Germany	4,004	4,690	2,911	7.8%	5.4%	5.0%	23%
Hotels in Europe	4,413	5,180	1,965	1.9%	5.7%	5.7%	16%
Other	489	430	286	-0.5%	2.9%	N/A	2%
Parking facilities	57	56	33	N/A	N/A	N/A	0%
PORTFOLIO	19,240	20,993	12,557	3.2%	5.6%	5.3%	100%

⁽¹⁾ LFL: Like-for-Like.

⁽²⁾ Yield excluding development projects.

1 2017 FIRST-HALF MANAGEMENT REPORT

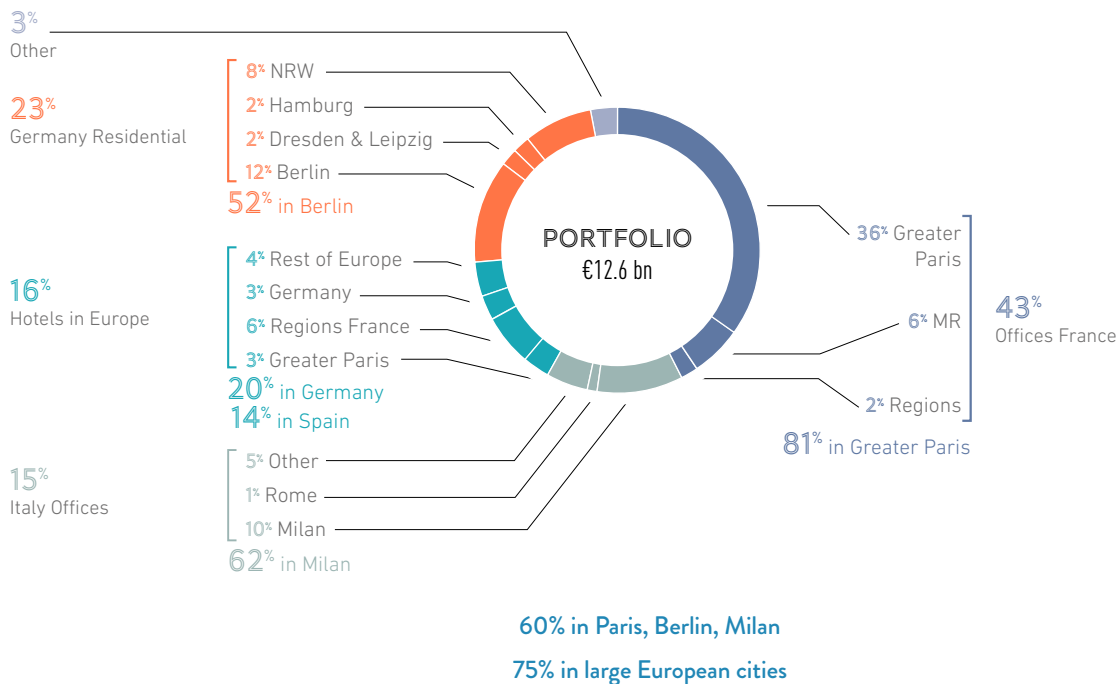
Business analysis

The Group Share of Foncière des Régions' total asset portfolio at 30 June 2017 amounted to €12.6 billion (€21.0 billion at 100%) compared to €12.0 billion at end-2016, up 3.2% at a like-for-like scope.

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

- ◆ +2.6% in France Offices spurred by the value creation on the assets delivered in the first half of 2017 (+23%)
- ◆ +1.2% in Italy Offices, thanks to the performance of Milan offices (+2.5%)
- ◆ +7.8% in Germany Residential (of which +8.9% in Berlin and +12% in Dresden and Leipzig) thanks to the compression of capitalization rates and significant rent increases.

1.1.8.2. Geographic breakdown



1.1.9. List of major assets

The value of the ten main assets represents almost 17% of the portfolio Group Share.

Top 10 Assets	Location	Tenants	Surface (m ²)	FdR share
Tour CB 21	La Défense (Greater Paris)	Suez Environnement, AIG Europe, Nokia, Groupon	68,077	75%
Carré Suffren	Paris 15	AON, Institut Français, Ministère Éducation	24,864	60%
Dassault Campus	Vélizy-Villacoublay (Greater Paris)	Dassault Systèmes	56,554	50%
Tours Garibaldi	Milan	Maire Tecnimont, LinkedIn, etc.	44,650	52%
New Vélizy	Vélizy-Villacoublay (Greater Paris)	Thales	46,163	50%
Vélizy Europe	Vélizy-Villacoublay (Greater Paris)	Eiffage	33,268	50%
Natixis Charenton	Charenton-le-Pont (Greater Paris)	Natixis	37,835	100%
Green Corner	Saint-Denis	HAS et Systra	20,817	100%
Anjou	Paris 8	Orange	10,067	100%
Paris Carnot	Paris 17	Orange	11,182	100%

1.2. BUSINESS ANALYSIS BY SEGMENT

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

1.2.1. France Offices

1.2.1.1. Acceleration in growth of rental income on the France Offices market in the first half of 2017⁽¹⁾

The €6.3 billion (€5.4 billion Group Share) France Offices portfolio of Foncière des Régions is situated in strategic locations in Paris, in the major business districts of the Paris region and in the Major regional cities. The first half-year was marked by sustained rental activity and growth in headline and economic rents on our markets.

- ◆ The offices market in Greater Paris started the year at a high volume of 1.2 million m² leased in the first half of 2017, up 4% from a level that was already high in 2016. There was particularly high-demand for surface larger than 5,000 m² (+18%).
- ◆ Despite smaller supply, the Paris CBD has remained active in 2017, with 496,000 m² leased, but it was the alternative areas that most showed increased demand: +50% in the Western Crescent due to the appeal of the major business districts (Issy-Boulogne, Rueil-Nanterre), and +95% in the inner suburbs.
- ◆ The immediate supply of offices in Greater Paris stabilised at around 3.6 million m², *i.e.* a vacancy rate of 6.5%. On the future offer, of the 1.6 million m² under construction, 42% is already leased and 45% is inside Paris.
- ◆ Average headline rent on new/restructured surfaces continued to rise in the Paris CBD (€650/m²) and in the Western Crescent (+€380/m², +3% vs the first semester 2016). The drop in incentives to 21.5% from 22.0% in 2016 bolstered the increase in market rental income (+4% on new or refurbished space in Paris, La Défense and the Western Crescent on average since 2015).
- ◆ In Lyon, Foncière des Régions is exposed in the La Part-Dieu business district, the second-largest French office centre, with around 25% of the take-up of the Lyon metropolitan area, including the leasing of 5,400 m² by Nextdoor at Silex 1. The vacancy rate remains at a historic low there (5,9% in Lyon including around 3% in La Part-Dieu), with a small share of new surface (36%, down from 2016), and a high pre-leasing rate: 60% of the 290,000 m² under construction within the next three years.
- ◆ Investment in France Offices remained vibrant, with €5.5 billion invested in the first half of 2017. The compression of prime yield rates continued, particularly in Paris excluding the CBD (3.4%) and in the inner suburbs (4%), and still posts a significant difference with the government borrowing rate (close to 0.8%).

In the first half of 2017, the France Offices segment reported:

- ◆ the success of the rental strategy for development projects with the delivery of four properties that are 86% let and the pre-leasing of the entire Hélios property in Lille
- ◆ sustained rental activity, with 160,000 m² renewed or rented, including the signature of the first co-working leases, a source of value creation and improved profitability
- ◆ the continuation of the qualitative turnover of the portfolio, with €147 million new commitments to dispose of non-strategic assets (34 assets)
- ◆ a +2.6% increase in values at a like-for-like scope, reflecting the success of the development projects, rental agreements with key accounts and the continuing strong performance of the Group's core markets.

Assets held partially are the following:

- ◆ CB 21 Tower (75% owned)
- ◆ Carré Suffren (60% owned)
- ◆ the Eiffage properties located at Vélizy (head office of Eiffage Construction and Eiffage Campus, head office of Eiffage Groupe) and the DS Campus (50.1% owned and fully consolidated)
- ◆ DS Campus extension (50.1% owned and accounted for under the equity method)
- ◆ the New Vélizy property for Thales (50.1% owned and accounted for under the equity method)
- ◆ Euromed Center (50% owned and accounted for under the equity method)
- ◆ Bordeaux Armagnac (34.7% owned and accounted for under the equity method).

⁽¹⁾ Sources: Immostat, C&W, Crane Survey.

1.2.1.2. Recognised rental income: €123 million, up 0.9% at a like-for-like scope

1.2.1.2.1. Geographic breakdown: the strategic locations (Paris, major business districts in Greater Paris and the Major regional cities) generated 86% of rental income

(€M)	Surface (m ²)	Number of assets	Rental income H1 2016 100%	Rental income H1 2016 Group Share	Rental income H1 2017 100%	Rental income H1 2017 Group Share	Change (%) Group Share	Change Group Share (%) LFL ⁽¹⁾	% of rental income
Paris Centre West	89,288	12	18.8	18.8	18.7	18.7	-0.6%	2.5%	15%
Southern Paris	72,094	9	15.7	13.4	12.6	10.3	-23.3%	0.1%	8%
North Eastern Paris	110,323	6	9.7	9.7	9.7	9.7	0.1%	0.5%	8%
Wester Crescent and La Défense	230,177	22	33.5	29.7	35.2	31.7	6.6%	0.8%	26%
Inner suburbs	387,238	21	26.3	19.6	26.5	19.8	0.6%	2.0%	16%
Outer suburbs	95,624	42	5.6	5.6	5.6	5.6	-1.3%	-1.6%	5%
Total Paris Region	984,744	112	109.6	96.9	108.3	95.6	-1.3%	1.2%	78%
Major regional cities	410,245	66	15.0	15.1	15.3	15.3	1.7%	0.3%	12%
Other French Regions	382,776	152	13.8	13.8	12.1	12.1	-12.5%	-1.2%	10%
TOTAL	1,777,765	330	138.4	125.7	135.7	123.0	-2.1%	0.9%	100%

⁽¹⁾ LFL: Like-for-Like.

Rental income slid by 2.1%, to €123 million Group Share (-€2.7 million). This change is the combined result of:

- ♦ asset acquisitions and deliveries (+€5.1 million):
 - ♦ +€3.1 million from acquisitions, particularly Vinci's head office in Rueil-Malmaison (+€2.4 million)
 - ♦ deliveries in 2016 and 2017 of assets providing €2.0 million in rental income, with, in 2017:
 - Silex 1 in Lyon in January, 100% let
 - Thais in Levallois in April, 66% let to date
- ♦ an increase at a like-for-like scope of +0.9% (+€1.0 million) related to:
 - ♦ the positive effect of indexation (+0.3 pt.)
 - ♦ strong rental activity in 2016 (+0.6 pt.)
- ♦ disposals (-€3.2 million), particularly outside Paris and in major regional cities
- ♦ vacating for development (-€3.2 million)
- ♦ other effects, including a scope effect (-€2.4 million).

1.2.1.3. Annualised rental income: €269 million, down 2.3% with the disposal of non-core assets

1.2.1.3.1. Breakdown by major tenants

(€M) – Group Share	Surface (m ²)	Number of assets	Annualised rental income 2016	Annualised rental income H1 2017	Change (%)	% of rental income
Orange	401,191	140	81.4	77.7	-4.6%	29%
Suez Environnement	60,350	3	21.5	21.6	0.5%	8%
EDF	143,999	25	17.4	16.4	-6.0%	6%
Eiffage	55,352	5	16.7	14.8	-11.4%	5%
Thalès	68,935	2	12.3	12.3	0.1%	5%
Natixis	122,777	51	11.4	9.4	-17.4%	3%
AON	88,274	2	10.8	10.8	0.0%	4%
Lagardère	37,887	3	10.6	10.6	0.0%	4%
Cisco	15,592	1	5.4	5.4	0.0%	2%
Lagardère	12,953	3	5.3	5.3	0.0%	2%
Cisco	11,461	1	4.8	4.8	0.0%	2%
Other tenants	758,993	94	77.7	80.0	2.9%	30%
TOTAL	1,777,765	330	275.2	268.9	-2.3%	100%

The 11 biggest tenants account for 70% of annualised rental income, versus 72% in 2016 and 80% at 2010 year-end. The main changes affecting Key Accounts were as follows:

- ♦ Vinci: disposal of an asset in the outer suburbs of Paris
- ♦ Orange: decreased exposure related to disposals of non-strategic assets in French Regions
- ♦ Eiffage: combined effect of the renegotiation of 44 leases (extension of the leases by nearly 5 years) and disposal of 10 assets in the first half of 2017
- ♦ EDF/ENEDIS: renegotiation of the lease and vacating of premises rented in the Patio building in Lyon.

1.2.1.3.2. Geographic breakdown: Greater Paris and Major regional cities account for 91% of the annualised rental income

(€M) – Group Share	Surface (m ²)	Number of assets	Annualised rental income 2016	Annualised rental income H1 2017	Change (%)	% of rental income
Paris Centre West	89,288	12	41.5	40.3	-3.1%	15%
Southern Paris	72,094	9	21.3	21.0	-1.5%	8%
North Eastern Paris	110,323	6	19.4	19.6	1.0%	7%
Wester Crescent and La Défense	230,177	22	70.3	70.0	-0.5%	26%
Inner suburbs	387,238	21	51.3	50.8	-0.9%	19%
Outer suburbs	95,624	42	11.0	8.4	-23.7%	3%
Total Paris Region	984,744	112	214.9	210.1	-2.3%	78%
Major regional cities	410,245	66	32.8	35.3	7.6%	13%
Other French Regions	382,776	152	27.5	23.6	-14.3%	9%
TOTAL	1,777,765	330	275.2	268.9	-2.3%	100%

The delivery of assets in the Group's strategic locations combined with the disposals of non-core assets gave a greater proportion to the major regional cities (+1 point compared to 2016 year-end) and reduced exposure in the outer suburbs of Paris (-1 point) and in other French regions (-1 point).

Greater Paris remains the greatest source of annualised rental income, up slightly since 2016 year-end.

The increase in rental income in the major regional cities stems from the delivery of the Calypso property in Marseille in 2016 and of Silex 1 in Lyon in 2017.

1.2.1.4. Indexation

The indexation effect is +€0.3 million over six months (+0.3%).

- ◆ 84% of rental income is indexed to the ILAT [French index of tertiary sector rents] (+1.1% over one year in the first quarter of 2017)
- ◆ 15% is indexed to the ICC [French construction cost index] (+2.2% over one year)
- ◆ the balance is indexed to the ILC [French commercial rent index] (+1.0% over one year) or the IRL [French rental reference index] (+0.51% over one year).

Rents benefiting from an indexation floor (1%) represent 29% of the annualised rental income and are indexed to the ILAT.

1.2.1.5. Rental activity

	Surface (m ²)	Annualised rental income H1 2017 (€M, Group Share)	Annualised rental income (€/m ² , 100%)
Vacating	43,239	5.8	135.4
Letting	28,357	6.6	294.9
Pre-letting	22,435	3.4	229.7
Renewal	109,091	9.4	96.7

The first half of 2017 included the continuation of activity in Asset Management. Renegotiations and renewals pertained mainly to non-strategic assets outside Paris, making it possible to improve their liquidity by extending the maturity of the leases and to speed up future disposals.

28,400 m² were leased out during the half-year, amounting to €6.6 million in rental income (Group Share) and applying to:

- ◆ the launching of the co-working business of Foncière des Régions, with 5,575 m² let at The Line in the Paris CBD (3,284 m²) and Calypso in Marseille (2,291 m²)
- ◆ the letting of 5,530 m² of the Thaïs asset in Levallois through two leases generating €1.7 million in rental income. The property is 66% let and negotiations to lease the balance are at an advanced stage.

Pre-letting continued with around 22,440 m² and €3.4 million signed in 2017, applying mainly to Hélios, an asset under development located in Lille and let in its entirety to ITCE (nine years firm). Delivery is scheduled for 2018.

43,240 m² were vacated, equivalent to €5.9 million in rental income, 21,000 m² of which were in the Eiffage assets committed during the disposal processes.

1.2.1.6. Lease expirations and occupancy rates

1.2.1.6.1. Lease expirations: residual lease term of 5.2 years firm

(€M)	By lease end date (1 st break)	% of total	By lease end date	% of total
2017	7.8	3%	5.3	2%
2018	30.7	11%	11.7	4%
2019	36.5	14%	20.9	8%
2020	16.7	6%	21.2	8%
2021	23.9	9%	38.7	14%
2022	26.7	10%	24.6	9%
2023	37.8	14%	31.7	12%
2024	7.9	3%	11.3	4%
2025	45.6	17%	43.7	16%
2026	26.6	10%	24.5	9%
Beyond	8.7	3%	35.3	13%
TOTAL	268.9	100%	268.9	100%

The residual lease term dropped by 0.4 points, to 5.2 years.

On the €31 million maturing in 2018, more than half concerns assets that will be redeveloped at medium-term, including two buildings in Paris leased to Orange (Anjou and Gobelins).

1.2.1.6.2. Occupancy rate: 95.3%

(%)	2016	H1 2017
Paris Centre West	97.2%	98.3%
Southern Paris	100.0%	100.0%
North Eastern Paris	96.7%	96.0%
Wester Crescent and La Défense	98.5%	97.0%
Inner suburbs	96.2%	94.5%
Outer suburbs	91.2%	92.1%
Total Paris Region	97.2%	96.6%
Major regional cities	90.0%	91.3%
Other French Regions	90.5%	90.0%
TOTAL	95.6%	95.3%

The occupancy rate remained high, at 95.3%, of which 96.9% is in the core portfolio (compared to 97.1% at 2016 year-end). The positive effect of the rental activity (new letting) partially offset the delivery of assets that were not completely let (Thais, Nancy O'rigin). Negotiations are at an advanced stage to let the remaining surface of these two assets.

1.2.1.7. Reserves for unpaid rent

No significant additional amounts were set aside for unpaid rents in the portfolio in 2017.

1.2.1.8. Disposals and disposal agreements: €192 million in new commitments (€147 million Group Share)

(€M)	Disposals (agreements as of end of 2016 closed)		New disposals and agreements					Total Realized Disposals = (I) + (II)
	(I)	Agreements as of end of 2016 to close	H1 2017 (II)	New agreements H1 2017 (III)	Total H1 2017 = (II) + (III)	Margin vs 2016 value	Yield	
Paris Centre West	0	13	0	0	0	N/A	N/A	0
Southern Paris	20	6	0	1	1	0.0%	4.8%	20
North Eastern Paris	0	2	0	0	0	N/A	N/A	0
Wester Crescent and La Défense	0	0	0	0	0	N/A	N/A	0
Inner ring	0	0	0	0	0	N/A	N/A	0
Outer ring	7	4	32	10	43	4.5%	6.6%	39
Total Paris Region	27	25	32	11	43	4.4%	6.5%	59
Major regional cities	4	8	2	99	102	3.4%	6.9%	6
Other French Regions	37	5	2	45	47	11.7%	7.7%	39
TOTAL	69	38	36	156	192	5.5%	7.0%	105
Total Group Share	69	38	36	110	147	6.2%	7.1%	105

New commitments (new disposals and new agreements) for €192 million (€147 million Group Share) apply to non-strategic assets and have helped improve the quality of the portfolio:

- ◆ 19 Orange assets in French Regions, equivalent to €55 million
- ◆ two Euromed assets: Hermione and Floréal totalling €91 million (€46 million Group Share), under final negotiations,
- ◆ the disposal of the Chevilly Petit Leroy asset for €30 million

◆ the remainder, i.e. €16 million, concerns sales of small assets in French regions other than the Paris region, in Major regional cities and in the outer suburbs of Paris.

Effective disposals for the period totalled €105 million: 35 assets disposed of, including the Chevilly Petit Leroy asset (€30 million), one asset in Avignon (€10 million), one asset in Paris Choisy (€9 million) and 10 assets/volumes to Orange under the partnership agreements (€26 million).

1.2.1.9. Acquisitions: €3 million in 2017

(€M) - Including Duties	Surface (m ²)	Localisation	Tenants	Acquisition Price	Yield
Paris/Gobelins (5 ^e)	590	Paris	Orange	3.2	6.7%
TOTAL	590			3.2	6.7%

This acquisition was made as part of the memoranda of understanding with Orange and applies to part of the surface of the Gobelins asset in Paris's 5th arrondissement. This transaction helps optimise the value creation potential of this property with a view to a medium-term redevelopment project.

1.2.1.10. Development projects: a pipeline of €2.6 billion (€2.5 billion in Group Share)

In light of high user demand for new surface, Foncière des Régions took on a development pipeline representing 45% of its France offices portfolio in Group Share at end-June 2017. Development projects are one of the growth drivers for profitability and the improvement in the quality of the portfolio, both in terms of location and thanks to the high standards of delivered assets. Users appreciate this quality: since 2011, 92% of surface has been let within 12 months after delivery.

In Greater Paris, Foncière des Régions focuses on strategic locations in established business districts with solid public transport links. In major regional cities (with an annual take-up of more than 50,000 m²), the Group targets prime locations such as the La Part-Dieu district in Lyon. The Group aims to create value of more than 20% on the committed pipeline.

1.2.1.10.1. Projects delivered

Around 33,000 m² were delivered in the first half of 2017, of which 27,450 m² were in major regional cities.

For the projects delivered in the first half of 2017, the occupancy rate was 86% in June 2017:

- ♦ in Lyon, the Silex 1 asset delivered in January 2017 is 100% let
- ♦ the Hermione property built for the Euromed Center complex in Marseille was delivered in June 2017

♦ in Levallois, the Thais asset was delivered in early April 2017 and is 66% let

♦ the O'origin property in Nancy, which is 91% let, was delivered in June 2017.

1.2.1.10.2. Committed projects: €423 million at 100% (€339 million Group Share)

Projects	Location	Project	Surface (m ²)	Target rent (€/m ² /year)	Pre-leased (%)	Total Budget ⁽¹⁾ (€M, 100%)	Target Yield ⁽²⁾	Progress	Capex to be invested (€M)
Euromed Center – Bureaux Floreal ⁽³⁾ FdR share: 50%	Marseille	Construction	13,400	265	100%	36	>7%	87%	5
Edo	Issy-les- Moulineaux – Greater Paris	Regeneration- Extension	10,800	430	100%	83	6.0%	80%	8
ENEDIS – New Saint Charles	Reims	Construction	10,300	141	100%	19	>7%	55%	7
Art&Co	Paris	Restructuration	13,400	520	5%	130	5.0%	53%	12
Total deliveries 2017			47,900	347	54%	268	5.8%	66%	32
Riverside	Toulouse	Construction	11,000	195	0%	32	7.0%	45%	15
Hélios	Lille	Construction	9,000	160	100%	21	>7%	24%	15
Îlot Armagnac FdR share: 35%	Bordeaux	Construction	31,700	200	29%	102	6.5%	47%	51
Total deliveries 2018			51,700	192	33%	155	6.7%	43%	81
TOTAL 100%			99,600	290	46%	423	6.2%	58%	113
Total Group Share				377	46%	339	6.0%	58%	78

⁽¹⁾ Including land and financial costs.

⁽²⁾ Yield on total rents including car parks, restaurants, etc.

⁽³⁾ Under final negotiation.

In the first half of 2017, work continued on several projects, including:

- ♦ Edo in Issy-les-Moulineaux, a refurbishment-extension project for a 10,800 m² office building. Delivery is expected in the third quarter of 2017. It will house the future head office of the Transdev Group
- ♦ Art&Co located on rue Traversière in Paris (12th arrondissement) near the Gare de Lyon, with 13,400 m² of office space undergoing refurbishment. Delivery is expected in the fourth quarter of 2017. 40% of the asset will be dedicated to the new co-working offer of Foncière des Régions, and negotiations to pre-let the balance are at an advanced stage
- ♦ Floréal is the last office building of the Euromed Center complex. This 13,400 m² property will be delivered in late 2017

♦ Riverside in Toulouse, involving the demolition and construction of a new 11,000 m² office building close to the centre of Toulouse. Construction work is under way with delivery scheduled for early 2018

♦ Bordeaux Armagnac, next to the station for the future high-speed rail link, where there are plans to construct a group of three new office buildings purchased off-plan in partnership with ANF Immobilier. Foncière des Régions has a 35% stake in the project and will retain 100% ownership of one of the buildings

♦ Hélios in Lille-Villeneuve-d'Ascq, involving the construction of two new buildings of 9,000 m² in one of Lille's main business districts. The asset is already entirely pre-leased to the Caisse d'Épargne Group.

1.2.1.10.3. Managed projects: €2.2 billion of fully managed pipeline (€2.1 billion in Group Share)

Around 418,000 m² of new developments and redevelopments will drive the Group's future growth.

Projects (sorted by total estimated cost at 100%)	Location	Project	Surface ⁽¹⁾ (m ²)	Delivery timeframe
Rueil Lesseps	Rueil-Malmaison – Greater Paris	Regeneration-Extension	43,000	>2020
Cap 18	Paris	Construction	50,000	>2020
Canopée	Meudon – Greater Paris	Construction	55,000	2020
Montpellier Majoria	Montpellier	Construction	60,000	2018-2020
Silex II	Lyon	Regeneration-Extension	31,000	2020
Omega	Levallois-Perret – Greater Paris	Regeneration-Extension	21,500	>2020
Citroën PSA – Arago	Paris	Regeneration	27,200	>2020
Anjou	Paris	Regeneration	11,000	>2020
Opale	Meudon – Greater Paris	Construction	28,500	2019
Avenue de la Marne	Montrouge – Greater Paris	Construction	25,300	2020
Philippe Auguste	Paris	Regeneration	13,200	>2020
Cité Numérique	Bordeaux	Regeneration-Extension	18,100	2018
Campus New Vélizy Extension (QP FdR 50%)	Vélizy – Greater Paris	Construction	14,000	2020
DS Campus Extension 2 (QP FdR 50%)	Vélizy – Greater Paris	Construction	11,000	>2020
Gobelins	Paris	Regeneration	4,900	>2020
ENEDIS Angers	Angers	Construction	4,700	2019
TOTAL			418,400	

⁽¹⁾ Surface at 100%.

Following on the success of the Silex 1 project in Lyon, Foncière des Régions plans to launch the Silex 2 project in the second half of 2017. This project consists of 31,000 m² of prime offices across from the train station and is central to the La Part-Dieu urban regeneration plan.

The building permit for the Avenue de la Marne project in Montrouge is under review and demolition has begun.

Several turnkey rental projects are under study in the Pompiñana business park in Montpellier (Majoria), with launches scheduled between 2017 and 2018, for a total of nearly 60,000 m² dedicated to offices and services.

Finally, surveys are currently being conducted on some assets in operation, with a view towards medium- and long-term redevelopment, namely, on Omega in Levallois, Gobelins in Paris (5th arrondissement), Anjou in Paris (8th arrondissement), Arago Paris (17th arrondissement), Cap18 in Paris (18th arrondissement) and Rueil Lesseps.

1.2.1.11. Portfolio values

1.2.1.11.1. Change in portfolio values: €121 million increase (+2%) in Group Share in the first half of 2017

(€M) – Excluding Duties Group Share	Value 2016	Value adjustment	Acquisitions	Disposals	Invest.	Value creation on Acquis./Disposals	Transfer	Value H1 2017
Assets in operation	4,833	127	3	-105	34	1	127	5,020
Assets under development	485	10	0	0	51	0	-127	419
TOTAL	5,318	137	3	-105	85	1	0	5,439

The portfolio grew by 2.2% since 2016 year-end due to like-for-like growth in value and investments made. Disposal plans helped finance investments in the development pipeline (€51 million) and

works to increase value on the assets in operation (€34 million), with high marginal yields averaging around 10%.

1.2.1.11.2. Like-for-like change: +2.6%, i.e. +€137 million

(€M) – Excluding Duties	Value 2016 100%	Value H1 2017 100%	Value H1 2017 Group Share	LFL ⁽¹⁾ change 6 months	Yield ⁽²⁾ 2016	Yield ⁽²⁾ H1 2017	% of total value
Paris Centre West	942	983	983	3.8%	4.4%	4.1%	18%
Southern Paris	691	704	568	2.5%	4.7%	4.7%	10%
North Eastern Paris	350	365	365	4.2%	5.5%	5.4%	7%
Wester Crescent and La Défense	1,528	1,574	1,414	2.0%	5.8%	5.4%	26%
Inner suburbs	1,396	1,425	993	2.5%	5.7%	5.5%	18%
Outer suburbs	144	104	104	-1.8%	7.7%	8.1%	2%
Total Paris Region	5,051	5,156	4,427	2.7%	5.4%	5.1%	81%
Major regional cities	830	899	734	3.3%	6.0%	5.6%	14%
Other French regions	302	277	277	-0.4%	9.8%	9.0%	5%
TOTAL	6,183	6,332	5,439	2.6%	5.7%	5.4%	100%

⁽¹⁾ LFL: Like-for-Like.

⁽²⁾ Yield excluding assets under development.

Values jumped by 2.6% at a like-for-like scope; the main drivers of this growth were:

- ♦ the core portfolio (+3.0%), due particularly to:
 - ♦ the value creation in delivered assets of +23.4% (primarily Silex 1 and Thaïs), i.e. a quarter of the growth at a like-for-like scope
 - ♦ the rate compression and the rental value increase on the Paris markets with 3.4% growth, especially for assets that underwent work to increase value (mainly The Line, Littré and Ménilmontant)

- ♦ portfolio pipeline: +2.4%, including the rate compression and increase in market rental income from Art&Co at the Gare de Lyon and EDO in the Issy-Val-de-Seine business district.

The yield on the operating portfolio was 5.4%, which was a drop of around 30 bps compared to 2016 year-end, resulting from the improvement in the quality of the portfolio and robust performance in the markets where the Group is exposed.

1.2.1.12. Strategic segmentation of the portfolio

- ♦ The core portfolio is the strategic grouping of key assets, consisting of resilient properties providing long-term income. Mature assets may be disposed of on an opportunistic basis in managed proportions. This frees up resources that can be reinvested in value-creating transactions, such as in developing our portfolio or making new investments
- ♦ The portfolio of “assets under development” consists of assets for which a “committed” (appraised) development project has been initiated, the land reserve that may be undergoing

appraisal, and the assets freed for short/medium term development, i.e. “managed” (undergoing internal valuation). Such assets will become “core assets” once delivered

- ♦ Non-core assets form a portfolio compartment with a higher average yield than that of the office portfolio, with smaller, liquid assets in local markets, allowing their possible progressive sale. All assets under preliminary sales agreements are automatically classed in this category.

	Core Portfolio	Pipeline	Non-core Portfolio	Total
Number of assets	87	12	231	330
Value excluding duties Group Share (€M)	4,550	419	470	5,439
Annualised rental income	230	0	39	269
Yield ⁽¹⁾	5.0%	N/A	8.4%	5.4%
Residual firm duration of leases (years)	5.4	N/A	4.2	5.2
Occupancy rate	96.9%	N/A	86.6%	95.3%

⁽¹⁾ Yield excluding development.

At the end of the first half of 2017, core assets represented 83% of the portfolio (Group Share), due in large part to four deliveries during the year and a rise in the value of the Paris assets.

The “Pipeline” portfolio shrank by four assets following deliveries during the half-year. It represents 8% of the portfolio (Group Share).

Non-core assets now represent 9% of the portfolio (Group Share) as of the end of June 2017, or -2 points compared to 2016 year-end, due mainly to disposals.

1.2.2. Italy Offices

Listed on the Milan stock exchange since 1999, Beni Stabili is the largest listed Italian property firm and is a 52.2% subsidiary of Foncière des Régions. The figures are expressed as 100% and as Foncière des Régions Group Share. The income statement reflects the average rate of 50.1% for the first half of 2016.

1.2.2.1. A Milan market buoyed by strong demand⁽¹⁾

The strategy of Foncière des Régions in Italy is focused on Milan, where the Group's acquisitions and developments are concentrated. As of the end of June 2017, the Company had a portfolio worth €4.3 billion (€1.9 billion in Group Share). Coming off a robust 2016, the Milan offices market experienced an acceleration during the first half of 2017:

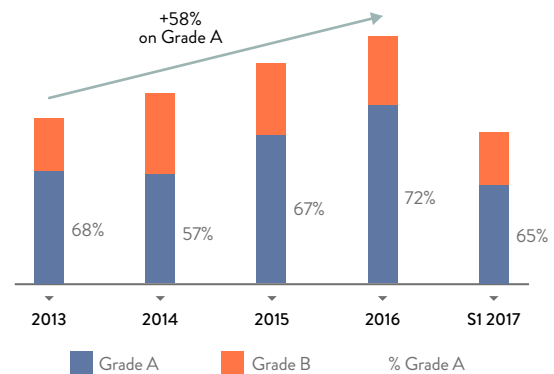
- ◆ Take-up soared by 29% in Milan, to 202,000 m² in the first half of 2017, led by new or restructured surface (65% of take-up pertained to so-called Grade A properties). Demand for large surface also rose, particularly in the CBD, where the average size of transactions increased by 30% thanks to several major transactions in the Porta Nuova district.
- ◆ The vacancy rate was 10.6%, an amount that has been relatively stable since the end of 2016, but the lack of new or restructured supply continued with just 25% availability. In the central areas such as the CBD, the Centre and Semi-Centre, Grade A buildings represent only 4% of the offer.
- ◆ Prime rental income was up in all segments. It was €530/m² in the CBD segments and €420/m² in central Milan. At the same time, rental incentives were stable at 12 months of rent.
- ◆ The investment continued at a sustained rhythm in Italy with €3.6 billion in the first half 2017 of which 40% in Offices thanks to the attractiveness of Milan, which represents almost half of these transactions.

The activities of the first half of 2017 were marked by:

- ◆ the reinforcement of Foncière des Régions in Milan, which represents 62% of the portfolio in Group Share in Italy
- ◆ the diversification of the tenant base, with the sharing of 40% of the Telecom Italia portfolio representing the equivalent of €323 million Group Share disposal realised at appraisal values
- ◆ the success of the development pipeline, with 12,100 m² pre-let during the first half of the year, including 50% of the Via Colonna property, 100% of the Via Cernaia asset and ground-floor retail on the first part of Symbiosis.

TAKE-UP IN MILAN

(in volume since 2013)



1.2.2.2. Recognised rental income: +1.5% at a like-for-like scope

(€M)	Surface (m ²)	Number of assets	Rental income H1 2016 100%	Rental income H1 2016 Group Share	Rental income H1 2017 100%	Rental income H1 2017 Group Share	Change (%)	Change (%) LFL ⁽¹⁾	% of total
Offices – Telecom Italia	639,329	145	49.6	24.8	49.1	25.1	1%	0.0%	48%
Offices – excl. Telecom Italia	538,798	72	39.3	19.7	43.2	22.6	14%	3.1%	42%
Retail	96,867	16	10.0	5.0	9.5	5.0	0%	1.6%	9%
Others	1,705	17	0.0	0.0	0.0	0.0	N/A	N/A	0%
TOTAL	1,276,699	250	98.9	49.6	101.8	52.7	6.3%	1.5%	100%

⁽¹⁾ LFL: Like-for-Like.

After a slight increase in 2016, rental income jumped by 1.5% at a like-for-like scope, totalling €52.7 million in Group Share due to the combined effect of:

- ◆ acquisitions in Milan (+€1.6 million): the Via Scarsellini and Via Messina assets
- ◆ asset disposals (-€1.2 million), specifically, the Via Durini asset in Milan

- ◆ growth at a like-for-like scope of +1.5% (+€0.7 million), led by the performance of offices excluding Telecom Italia (+3.1%):
 - ◆ +€1.2 million of new letting and renewal, particularly in the Messina towers
 - ◆ -€0.5 million due to vacating, mainly on the surface of the Piazza San Fedele that had already been re-let
- ◆ the increase in the ownership interest of Foncière des Régions in the capital of its subsidiary during 2016 (+€2.1 million).

⁽¹⁾ Source CBRE, JLL, C&W.

1.2.2.3. Annualised rental income: €93.1 million in Group Share

1.2.2.3.1. Breakdown by portfolio

(€M) – Group Share	Surface (m ²)	Number of assets	Annualised rental income 2016 100%	Annualised rental income 2016 Group Share	Annualised rental income H1 2017 100%	Annualised rental income H1 2017 Group Share	Change (%)	% of total
Offices – Telecom Italia	639,329	145	98.4	51.4	98.0	30.7	-40.2%	33%
Offices – excl. Telecom Italia	538,798	72	91.5	47.8	99.5	52.0	8.8%	56%
Retail	96,867	16	21.6	11.3	19.8	10.3	-8.5%	11%
Others	1,705	17	0.1	0.0	0.1	0.0	0.0%	0%
Sub-total	1,276,699	250	211.5	110.5	217.4	93.1	-15.8%	100%
Development portfolio	237,041	7	0.1	0.1	0.1	0.1	N/A	N/A
TOTAL	1,513,740	257	211.6	110.6	217.5	93.1	-15.8%	100%

Annualised rental income dropped by 15.8% following the sharing of 40% of the Telecom Italia portfolio in the first half of 2017. The diversification of the rental income base continued: Telecom Italia now represents 33% of annualised rental income, versus 46% at end-2016.

1.2.2.3.2. Geographic breakdown

(€M) – Group Share	Surface (m ²)	Number of assets	Annualised rental income 2016 100%	Annualised rental income 2016 Group Share	Annualised rental income H1 2017 100%	Annualised rental income H1 2017 Group Share	Change (%)	% of total
Milan	587,658	53	93.0	48.6	98.2	48.2	-0.7%	52%
Rome	143,073	12	12.0	6.2	11.7	5.4	-13.7%	6%
Turin	64,362	30	11.6	6.1	12.5	4.9	-19.9%	5%
North of Italy (other cities)	454,671	96	59.4	31.0	59.7	22.9	-26.3%	25%
Others	263,976	66	35.6	18.6	35.4	11.8	-36.8%	13%
TOTAL	1,513,740	257	211.6	110.6	217.5	93.1	-15.8%	100%

Milan's proportion surpassed the 50% threshold in annualised rental income following acquisitions during the first half-year and the sharing of the Telecom Italia portfolio. For offices excluding Telecom Italia, Milan now represents 84% of annualised rental income, down from 86% at 31 December 2016.

1.2.2.4. Indexation

The annual indexation of rental income is generally calculated by applying the increase in the Consumer Price Index (CPI) on each anniversary date of the signature of the contract (for around 20% of the portfolio, 75% of the increase is applied). During the first half of 2017, the CPI rose by around 1.4% on average.

1.2.2.5. Rental activity

(€M)	Surface (m ²)	Annualised rental income H1 2017 100%	Annualised rental income H1 2017 (100%, €/m ²)
Vacating	6,473	1.2	182
Letting	5,112	1.5	284
Letting Development	12,112	4.0	333
Renewal	31,842	9.6	301

Strong rental activity during the first half-year shows the improvement in the Italian portfolio of Foncière des Régions and the success of the development projects.

- ◆ nearly 6,500 m² were vacated during this half-year, mainly on the Piazza San Fedele surface in central Milan, and already re-let to Lavazza and Lasmus (€0.8 million in rental income)
- ◆ new letting applied mainly to the Messina towers in Milan, where 1,959 m² were let to Carlotta and Focus Investment (€0.6 million total in rental income)

- ◆ the successful rental of development projects continued with:
 - ◆ 50% of the Via Colonna development project (1,890 m²), which was pre-let by two law firms. Delivery is scheduled for early 2018
 - ◆ Cir Food signed a lease for 1,000 m² of catering space in the first part of the Symbiosis project
 - ◆ the pre-let of the entire Via Cernaia asset, i.e. 8,300 m² for €3.1 million to Amundi
- ◆ the renewals, mainly on the asset Montebello in Milan, of which 18,500 m² have been renewed with Intesa.

1.2.2.6. Lease expirations and occupancy rates

1.2.2.6.1. Lease expirations: residual lease term of 6.9 years firm

(€M) – Group Share	By lease end date (1 st break)	% of total	By lease end date	% of total
2017	10.7	12%	2.3	2%
2018	9.1	10%	3.6	4%
2019	11.3	12%	12.3	14%
2020	3.0	3%	4.3	5%
2021	5.6	6%	6.4	7%
2022	10.6	12%	15.9	18%
2023	7.4	8%	9.9	11%
2024	1.5	2%	2.2	2%
2025	0.2	0%	0.9	1%
2026	1.6	2%	1.8	2%
Beyond	29.4	33%	30.8	34%
TOTAL	90.3	100%	90.3	100%

Restatement of San Nicolao under disposal agreement.

The firm residual lease term remained high, at 6.9 years (down from 9 years at 2016 year-end) following the sharing of 40% of the Telecom Italia portfolio.

1.2.2.6.2. Occupancy rate: 94.8% in Group Share

(%)	2016	H1 2017
Offices – Telecom Italia	100.0%	100.0%
Offices – excl. Telecom Italia	91.0%	91.4%
Retail	96.0%	96.0%
Others	9.8%	29.5%
TOTAL	95.5%	94.8%

The occupancy rate also fell from 2016 year-end, also as a result of the sharing of the Telecom Italia portfolio. The occupancy rate of offices excluding Telecom Italia improved markedly since 2016 year-end up 0.4 points thanks to the capex programme aiming to reduce vacancies.

1.2.2.7. Reserves for unpaid rent

(€ million)	H1 2016	H1 2017
As % of rental income	1.1%	1.0%
In value ⁽¹⁾	0.6	0.5

⁽¹⁾ Net provision/reversals of provision.

Reserves for unpaid rents correspond to charges to reserves net of reversals and write-offs and are slightly down over one year, at a low level of 1.0%.

1.2.2.8. Disposals: €343 million Group Share in disposals

(€M) – 100%	Disposals (agreements as of end of 2016 closed) (I)	Agreements as of end of 2016 to close	New disposals H1 2017 (II)	New agreements H1 2017 (III)	Total H1 2017 = (II) + (III)	Margin vs 2016 value	Yield	Total Realized Disposals = (I) + (II)
Milan	27	38	0	115	115	3.1%	4.2%	27
Rome	0	0	0	0	0	N/A	N/A	0
Other	12	2	0	6	6	-1.8%	0.0%	12
TOTAL	39	40	0	120	120	2.8%	4.0%	39
Telecom Italia portfolio (Group Share)	323	0	0	0	0	N/A	N/A	323
TOTAL GROUP SHARE	343	21	0	63	63	2.8%	4.0%	343

In the first half of 2017, the Company completed sales worth €343 million Group Share, including €323 million of the Telecom Italia portfolio: €618 million of assets have been transferred to a SICAF that is 60% held by Beni Stabili and 40% held by EDF Invest and Crédit Agricole Assurances.

In addition, €120 million in new agreements were signed during this half-year; they applied mainly to a mature core asset on Via San Nicolao in central Milan. This 11,700 m² office building was redeveloped in 2014 and is let entirely to Luxottica. The sale was completed with a 4.2% yield.

1.2.2.9. Acquisitions: reinforcement in Milan

(€M) – Including Duties	Location	Acquisitions 2017 signed			Acquisitions 2017 secured		
		Acquisition price 100%	Acquisition Price Group Share	Potential Gross Yield	Acquisition price 100%	Acquisition Price Group Share	Potential Gross Yield
Via Principe Amedeo	Milan	42	22	5.2%	0	0	N/A
Via Marostica	Milan	25	13	6.9%	0	0	N/A
Portfolio Creval	Milan	99	51	5.3%	19	10	9.9%
Adamello	Milan	0.0	0.0	N/A	9	5	6.9%
TOTAL		165	86	5.5%	29	15	8.9%

During the first half-year, Foncière des Régions continued its acquisition strategy, signing nearly €200 million and consequently increasing the portfolio share in Milan. These four transactions pertained to:

- ♦ a 7,000 m² office property on Via Principe Amedeo, in the Porto Nuova business district. This asset offers significant value creation potential through a redevelopment project that has been committed to and is scheduled to be delivered in 2018

- ♦ a 10,500 m² offices asset on Via Marostica, on metro line 1, with a high yield of 6.9%
- ♦ a portfolio of 17 assets acquired from the Credito Valtellinese banking group, for an attractive yield of 6.0%. 82% of the portfolio is located in Milan, mainly in the CBD. Out of the 17 assets, two will be transferred in the second half of 2017 for €19 million.

1.2.2.10. Development projects: a pipeline of €792 million, 89% of which is in Milan

Foncière des Régions has a €792 million pipeline in offices in Italy (€414 million in Group Share), 89% of which is located in Milan. Faced with high demand for new or restructured surface, the Group has boosted its development capacity since 2015 year-end, with six committed projects as of the end of June that will drive the Group's growth in the coming years.

The projects apply to the redevelopment of assets that have high potential for value creation and to the construction of 120,000 m² of new surface in several phases through the Symbiosis project.

1.2.2.10.1. Committed projects: €332 million, primarily in Milan

Projects	Location	Project	Surface (m ²)	Delivery	Target offices rent (€/m ² /year)	Pre-let (%)	Total Budget (€/M, 100% ⁽¹⁾)	Target Yield ⁽²⁾	Progress	Capex to be invested (€/M)
Corso Ferrucci	Turin	Regeneration	45,600	'17-'19	130	29%	87	5.7%	55%	16
Via Cernaia	Milan	Regeneration	8,300	2017	460	100%	57	5.4%	65%	5
Via Colonna	Milan	Regeneration	3,500	2018	265	50%	17	5.1%	30%	4
P. Monte Titano	Milan	Regeneration	6,000	2018	190	100%	22	5.0%	25%	7
Symbiosis A+B	Milan	Construction	20,600	2018	305	85%	92	7.1%	40%	38
P. Amedeo	Milan	Regeneration	7,000	2018	460	0%	56	5.2%	10%	13
TOTAL			45,400		302	58%	332	5.9%	45%	83
Total Group Share					302	58%	174	5.9%	45%	43

⁽¹⁾ Including land and financial costs.

⁽²⁾ Yield on total rent including parking facilities, restaurant, etc.

There are six development projects under way, with deliveries expected between 2017 and 2019:

- ◆ the redevelopment of the existing Ferrucci asset in Turin. Of the 14,200 m² scheduled to be delivered in late 2017, 65% have been pre-let to Eaton, McFit and Argentia. The remaining surface is expected to be delivered in 2019-2020
- ◆ the redevelopment project of the Via Cernaia asset (Milan, Brera business district), which will involve the complete refurbishment of the asset and the addition of a rooftop extension. Delivery is scheduled for late 2017. The asset has been pre-let in its entirety to Amundi
- ◆ the redevelopment of an asset located on Via Colonna in Milan, the delivery of which is scheduled for early 2018. Half the surface is pre-let to two law firms

- ◆ the planned redevelopment of the existing Piazza Monte Titano asset located in Milan, to be transformed into a MEININGER hotel. The delivery is scheduled for the first quarter of 2018
- ◆ the first development phase of the Symbiosis project, of which 16,000 m² have been pre-let to Fastweb and 1,000 m² of additional surface are intended for ground-floor retail, pre-let during this half-year to Cir Food
- ◆ the redevelopment of the Principe Amedeo property, acquired in March 2017 and located in the Porta Nuova business district. The project entails the regeneration of the surface, the restoration of the historic facade and a terrace extension.

1.2.2.10.2. Managed projects: €460 million of projects in Milan

Projects	Location	Area	Project	Surface (m ²)	Delivery timeframe
Via Schievano	Milan	Italy	Regeneration	31,800	2019
Symbiosis (other blocks)	Milan	Italy	Construction	101,500	2022
TOTAL				133,300	

Two projects are in the managed pipeline:

- ◆ the Schievano project consists of the refurbishment of three office buildings for a total of 31,800 m², located at the southern limit of central Milan

- ◆ Symbiosis, in Milan, represents a potential of 100,000 m² of offices in a developing business district located at the southern limit of Milan across from the Prada Foundation.

1.2.2.11. Portfolio values

1.2.2.11.1. Change in portfolio values

(€M) – Group Share Excluding Duties	Value 2016	Change in value	Acquisitions	Disposals	Invest.	Rate var.	Value H1 2017
Offices – Telecom Italia	810	3	-	-323	-	-	490
Offices – excl. Telecom Italia	943	20	64	-3	2	2	1,028
Retail	196	-	-	-18	-	-	178
Others	4	-	-	-	-	-	4
Subtotal	1,953	22	64	-343	2	2	1,700
Development portfolio	186	-	22	-	16	-	224
TOTAL	2,139	22	86	-343	17	2	1,923

The portfolio was valued at €1.9 billion in Group Share as of the end of June 2017, down 10% as a result of the sharing of the Telecom Italia portfolio; this was partially offset by the acquisitions and investments made in Milan during this half-year.

1.2.2.11.2. Like-for-like change: +1.2%

(€M) – Excluding Duties	Value 2016 Group Share FdR	Value H1 2017 100%	Value H1 2017 Group Share	LFL ⁽¹⁾ change 6 months	Yield 2016	Yield H1 2017	% of total
Offices – Telecom Italia	810	1,554	487	0.5%	6.3%	6.3%	25%
Offices – excl. Telecom Italia	943	1,977	1,033	2.1%	5.1%	5.0%	54%
Retail	196	340	178	-0.1%	5.8%	5.8%	9%
Others	4	4	2	-6.3%	1.0%	2.3%	0%
Subtotal	1,953	3,875	1,700	1.4%	5.7%	5.5%	88%
Development portfolio	186	429	224	0.2%	N/A	N/A	12%
TOTAL	2,139	4,304	1,924	1.2%	5.7%	5.5%	100%

⁽¹⁾ LFL: Like-for-Like.

The Telecom Italia portfolio now constitutes 25% of the portfolio in Group Share, close to the 20% target set for 2020.

(€M) – Excluding Duties	Value 2016 Group Share FdR	Value H1 2017 100%	Value H1 2017 Group Share	LFL ⁽¹⁾ change 6 months	Yield ⁽²⁾ 2016	Yield ⁽²⁾ H1 2017	% of total
Milan	1,138	2,380	1,188	2.5%	4.9%	4.8%	62%
Turin	122	243	116	0.1%	6.8%	6.9%	6%
Rome	116	232	88	1.0%	5.4%	5.6%	5%
North of Italy	486	925	358	-1.1%	6.4%	6.4%	19%
Others	277	524	174	-0.4%	6.7%	6.8%	9%
TOTAL	2,139	4,304	1,924	1.2%	5.7%	5.5%	100%

⁽¹⁾ LFL: Like-for-Like.

⁽²⁾ Yield excluding development projects.

The increase in constant like-for-like value continued at +1.2% in the first half of the year, following +1.8% at 2016 year-end as a result of:

- ♦ the strong performance of the Telecom Italia portfolio, up +0.5%, of which +1.7% in Milan
- ♦ the performance of the portfolio excluding Telecom Italia, which increased by +2.1% thanks to value creation in Milan of +3.1%. The strategic locations of the Milan portfolio, 60% of which is in the CBD and the Porta Nuova business district, benefited particularly from the property value increase.

1.2.3. Germany Residential

Foncière des Régions is present in the German residential sector through its subsidiary Immeo SE, in which it holds a 61.0% stake. The figures presented are divided into 100% and Foncière des Régions Group Share (GS).

1.2.3.1. The Germany residential market is booming⁽¹⁾

Foncière des Régions owns over 43,250 units, located in Berlin, Hamburg, Dresden, Leipzig and North Rhine-Westphalia (NRW). The asset portfolio represents €4.7 billion (€2.9 billion Group Share). The German residential market has been booming for several years, particularly in Berlin where the Group initiated investments in 2011 and where it currently holds nearly 52% of its residential portfolio.

- ◆ Germany's macroeconomic indicators are solid, upheld by GDP growth of 1.9% and a record low unemployment rate, down to 3.9% at end-2016. The risk associated with the reinforcement of rent capping measures has diminished following the publication of the CDU's election program, favouring the construction of new housing units.
- ◆ The housing supply remains limited in Berlin, where the population grew by 50,000 thousand inhabitants per year on average over the past years. The number of building permits for 2017 remains insufficient, at around 7,700 units per year. Consequently, Berlin's Mietspiegel rent index rose by 9.4% between 2015 and 2017, a sharp increase after the 5.4% rise between 2013 and 2015.

- ◆ The residential market continues to attract investors with transactions totalling €3.7 billion in the first quarter (+75% compared to 2016) under the impact of the rise in average market prices which, for the first time in Germany, have exceeded €2,000/m². One third of the investments were made in Berlin and 10% in Hamburg.

In the first half of 2017, Foncière des Régions' activity was market by:

- ◆ a 4.0% increase in rental income on a like-for-like scope, after +3.6% in 2016. The portfolio's rent increase potential remains high, particularly in Berlin where it reaches 30%-35% and in Hamburg and in Dresden & Leipzig where it stands around 20%-25%
- ◆ the launch of the development pipeline, with €400 million in identified projects, of which 4 were launched in the first half of 2017
- ◆ the continuation of acquisitions in Berlin, Dresden and Leipzig at attractive prices (€241 million Group Share, around €1,860/m² with a rent increase potential of 35%)
- ◆ the portfolio continued to increase in value with +7.8% at a like-for-like scope of which +8.9% in Berlin after +12.4% in 2016.

1.2.3.2. Recognised rental income: +4.0% at a like-for-like scope

1.2.3.2.1. Geographic breakdown

(€M)	Surface (m ²)	Number of units	Rental income H1 2016 100%	Rental income H1 2016 Group Share	Rental income H1 2017 100%	Rental income H1 2017 Group Share	Change Group Share (%)	Change Group Share (%) LFL ⁽¹⁾	% of rental income
Berlin	1,147,688	15,244	41.1	24.6	48.8	30.5	23.8%	4.8%	44%
Dresden & Leipzig	308,914	5,159	8.7	5.8	10.2	6.3	8.4%	3.8%	9%
Hamburg	143,993	2,302	6.1	3.4	7.2	4.6	36.0%	5.3%	7%
North Rhine-Westphalia	1,381,272	20,553	50.0	31.4	46.6	28.5	-9.4%	3.2%	41%
Essen	399,772	5,851	14.1	8.9	14.4	8.8	-0.3%	3.8%	13%
Duisburg	321,432	4,797	14.8	9.3	10.3	6.3	-32.0%	2.9%	9%
Mullheim	153,719	2,550	5.7	3.5	5.5	3.4	-3.6%	1.7%	5%
Oberhausen	172,885	2,421	5.1	3.1	5.2	3.2	1.8%	2.8%	5%
Other	333,465	4,934	10.3	6.7	11.3	6.8	1.7%	3.7%	10%
TOTAL	2,981,867	43,258	105.9	65.3	112.9	69.9	7.1%	4.0%	100%

⁽¹⁾ LFL: Like-for-Like.

Recognised rental income (Group Share) amounted to €69.9 million in the first half of 2017, up 7.1% under the combined effects of:

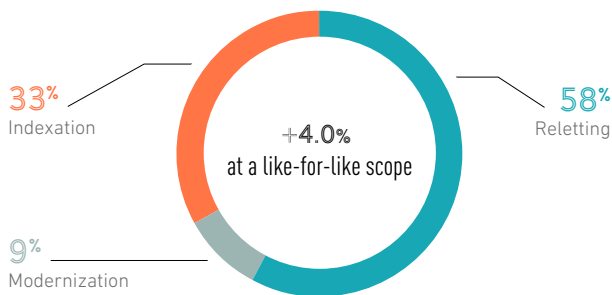
- ◆ 2016 and 2017 acquisitions (+€6.6 million) mainly in Berlin, with a rent increase potential of 35%
- ◆ disposals (-€4.4 million) in North Rhine-Westphalia

- ◆ a €2.0 million increase in rental income on a like-for-like scope, i.e. +4.0% (of which +4.8% in Berlin) with:

- ◆ +1.3 pt due to indexation. The impact of the rise in the Mietspiegel index in Berlin will be visible from the second half-year
- ◆ +2.3 pts. due to reletting, of which +3.3 pts in Berlin
- ◆ +0.4 pt. due to modernisation CAPEX.

⁽¹⁾ Sources: Destatis, JLL, CBRE.

BREAKDOWN OF GROWTH IN RENTAL INCOME AT A LIKE-FOR-LIKE SCOPE



In Berlin, re-lettings took place at rent levels exceeding €10/m², a sharp rise. Foncière des Régions thus gradually realises the rent increase potential of the numerous acquisitions made over recent years.

1.2.3.3. Annualised rental income: €145 million in Group Share

1.2.3.3.1. Geographic breakdown

(€M)	Surface (m ²)	Number of units	Annualised rental income 2016 100% Immeo	Annualised rental income 2016	Annualised rental income H1 2017 100% Immeo	Annualised rental income H1 2017	Change (%)	Average rent (€/m ² /month)	% of rental income
Berlin	1,147,688	15,244	88.9	54.9	102.9	63.8	16.3%	7.5	44%
Dresden & Leipzig	308,914	5,159	18.6	11.6	21.1	13.3	14.0%	5.7	9%
Hamburg	143,993	2,302	14.5	9.4	14.8	9.6	2.5%	8.6	7%
North Rhine-Westphalia	1,381,272	20,553	93.4	57.2	94.5	57.9	1.1%	5.7	40%
Essen	399,772	5,851	28.7	17.5	29.2	17.8	1.7%	6.1	12%
Duisburg	321,432	4,797	20.5	12.5	20.8	12.7	1.5%	5.4	9%
Mulheim	153,719	2,550	11.3	6.9	11.0	6.7	-3.0%	5.9	5%
Oberhausen	172,885	2,421	15.0	9.3	10.6	6.5	-29.6%	5.1	5%
Others	333,465	4,934	18.0	11.1	23.0	14.2	28.2%	5.7	10%
TOTAL	2,981,867	43,258	215.4	133.1	233.4	144.6	8.6%	6.5	100%

The 8.6% increase in annualised rental income reflects the portfolio rotation strategy:

- ♦ the strategic markets of Berlin, Hamburg, Dresden and Leipzig generate 60% of rental income
- ♦ the relative weight of North Rhine-Westphalia has been diminishing steadily over recent years, from 68% at end-2014

to 40% in the first half of 2017. The stronger growth in rental income in this area reflects the better quality of the portfolio. The measured rent level per m² (€6.5/m²) offers solid growth prospects through the rent increase potential (30%-35% in Berlin, 20%-25% in Hamburg and in Dresden & Leipzig).

1.2.3.4. Indexation

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

◆ Rents for re-leased properties:

In principle, rents may be increased freely.

As an exception to that unrestricted rent setting principle, certain cities like Berlin and Hamburg have introduced rent caps for re-leased properties.

In these cities, rents for re-leased properties cannot exceed by more than 10% a rent reference. If construction works result in an increase in the value of the property (work amounting to more than 30% of the residence), the rent for re-let property may be increased by a maximum of 11% of the cost of the work. In the event of complete modernisation, the rent may be increased freely.

◆ For current leases:

The current rent may be increased by 15% to 20% depending on the region, although without exceeding the Mietspiegel or another rent benchmark. This increase may only be applied every three years.

In Berlin, the Mietspiegel was published in May 2017 up 9.4% since 2015, thus raising the cap on rent increase on the current leases.

◆ For current leases with work done:

In the event that work has been carried out, 11% of refurbishment costs may be passed onto the new rent as indicated in the Mietspiegel. This increase is subject to two conditions:

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

1.2.3.5. Occupancy rate

(%)	2016	H1 2017
Berlin	98.2%	98.4%
Dresden & Leipzig	98.1%	98.2%
Hamburg	98.9%	99.6%
North Rhine-Westphalia	98.2%	98.3%
TOTAL	98.2%	98.4%

The occupancy rate for operating assets remained at the high level of 98.4%, up in comparison with end-2016, particularly in Hamburg (+0.7 pt.).

1.2.3.6. Reserves for unpaid rent

(€M) – Group Share	H1 2016	H1 2017
As % of rental income	1.2%	0.7%
In value ⁽¹⁾	1.2	0.5

⁽¹⁾ Net provision/reversals of provision.

The unpaid rent amount is 0.7% of rents, showing a significant decrease from 2016, thanks to a pro-active property management policy.

1.2.3.7. Disposals and disposal agreements: €222 million, mainly in North Rhine-Westphalia (€132 million Group Share)

(€M) – 100%	Disposals (agreements as of end of 2016 closed) (I)	Agreements as of end of 2016 to close	New disposals H1 2017 (II)	New agreements H1 2017 (III)	Total H1 2017 = (II) + (III)	Margin vs 2016 value	Yield	Total Realized Disposals = (I) + (II)
Berlin	8	0	3	2	5	54%	2.4%	11
Dresden & Leipzig	1	10	0	0	0	N/A	N/A	1
Hamburg	0	0	4	22	26	15%	5.9%	4
North Rhine-Westphalia	4	2	5	186	191	15%	6.1%	9
TOTAL	12	12	12	210	222	16%	6.0%	24
Total Group Share	7	7	7	125	132	16%	6.0%	14

The new commitments signed in the first half of 2017 totalled €222 million (€132 million Group Share), comprising a gross margin of 16%:

- ◆ 2,473 units on non-strategic assets in North Rhine-Westphalia for €191 million (€116 million Group Share)

- ◆ A few unit sales were conducted in Berlin at prices significantly higher than the latest appraisal values (>50% margin, i.e. around €2,800/m²).

The disposals made in the first half-year amounted to €24 million. Around one third of this amount concerned unit sales in Berlin in 2016.

1.2.3.8. Acquisitions: €376 million (€241 million Group Share)

(€M) – Including duties	Surface (m ²)	Number of units	Acquisitions 2017 signed			Acquisitions 2017 secured		
			Acquisition price 100%	Acquisition Price Group Share	Gross Yield	Acquisition price 100%	Acquisition Price Group Share	Gross Yield
Berlin	189,384	2,425	324	208	3.9%	112	73	3.8%
Dresden & Leipzig	70,605	1,134	49	32	4.6%	36	23	4.5%
Hamburg	-	-	-	-	-	-	-	-
North Rhine-Westphalia	1,380	5	3	2	5.3%	0	0	N/A
TOTAL	261,369	3,564	376	241	4.0%	148	96	3.9%

Foncière des Régions maintained a steady pace of investments at attractive prices in a highly competitive context, with acquisitions totalling €376 million (€241 million Group Share) in the first half of 2017:

- ◆ 2,730 units of which 86% in Berlin, purchased at an average price of €1,860/m²

- ◆ a return on acquisition of 4.0% of which 3.9% in Berlin, due to the unusually high vacancy rate (11% on average). The return after re-leasing, i.e. 4.5%, will continue to rise thanks to the high rent increase potential (+35%)

- ◆ €8 million of land reserve that will be exploited in the development pipeline to provide future growth.

1.2.3.9. Development projects: a pipeline of €400 million (€244 million Group Share)

In response to the supply/demand imbalance in new housing in Berlin, Foncière des Régions launched a residential development pipeline in 2017. A total of €400 million was earmarked for new housing extension, redevelopment and construction projects.

This pipeline will enable Foncière des Régions to maximize value creation in the portfolio with a 5.6% return on the committed pipeline and a value creation objective of around 40%, partly through unit sale programs.

1.2.3.9.1. Committed projects: €11 million (€7 million Group Share)

Projects at 100%	Location	Project	Surface (m ²)	Number of units	Total cost (€M, 100%) ⁽¹⁾	Total cost (€/m ² , 100%) ⁽¹⁾	Target Yield ⁽²⁾
Konstanzer	Berlin	Extension	400	8	1	3,083	5.8%
Total deliveries 2018			400	8	1	3,083	5.8%
Genter Strasse 63	Berlin	Construction	1,500	19	4	2,524	5.7%
Pannierstrasse 20	Berlin	Construction	810	10	2	2,974	5.2%
Breisgauer Strasse	Berlin	Extension	1,420	22	4	2,660	5.8%
Total deliveries 2019			3,730	51	10	2,684	5.6%
TOTAL 100%			4,130	59	11	2,727	5.6%
Total Group Share			N/A	N/A	7	N/A	5.6%

⁽¹⁾ Including land, financial costs and works for the tenant.

⁽²⁾ Yield on total rents including car parks, etc.

Four residential development projects were launched in Berlin during the half-year. They concern:

- ◆ Konstanzer, an extension project of eight units in the Charlottenburg-Wilmersdorf district
- ◆ Genter Strasse 63, a project for the construction of 19 residential units in the Mitte district
- ◆ Pannierstrasse 20, a project for the construction of 10 residential units in the Friedrichshain-Kreuzberg district
- ◆ Breisgauer Strasse, an extension project involving 22 new housing units in the Zehlendorf district.

1.2.3.9.2. Managed projects

44 projects are currently managed by the Group representing €390 million of developments. They mainly consist of construction projects in the centre of Berlin and in Potsdam for some 1,900 new housing units spread across 130,000 m².

1.2.3.10. Portfolio values

1.2.3.10.1. Change in portfolio value: 18% growth

(€M) – Group Share Excluding Duties	Value 2016	Value adjustment	Acquisitions	Disposals	Value creation on Acquis./Disposals	Value H1 2017
Berlin	1,190	106	208	-6	11	1,509
Dresden & Leipzig	192	23	32	-0	3	249
Hamburg	190	14	-	-2	-	202
North Rhine-Westphalia	905	49	2	-5	0	951
Essen	286	16	0	-0	-	302
Duisburg	187	12	-	-1	-	198
Mullheim	107	6	-	-4	-	109
Oberhausen	150	4	-	-0	-	154
Other	174	12	2	-0	0	188
TOTAL	2477	192	241	-13	13	2,911

At 30 June 2017, the portfolio was valued at €2,911 million, Group Share (€4.7 billion at 100%) versus €2,477 million at end-2016. This change was due to the following:

- ◆ the investments made over the period (55% of the growth), in Berlin, Dresden and Leipzig
- ◆ the rise in values on a like-for-like scope (45% of the growth).

1.2.3.10.2. Like-for-like change: +7.8% of which +8.9% in Berlin

(€M) – Excluding Duties	Value 2016 100%	Value 2016 Group Share	Value H1 2017 100%	Value H1 2017 Group Share	LfL ⁽¹⁾ change 6 months	Yield 2016	Yield H1 2017	% of total value
Berlin	1,928	1,190	2,431	1,509	8.9%	4.6%	4.2%	52%
Dresden & Leipzig	307	192	396	249	12.0%	6.1%	5.3%	9%
Hamburg	293	190	311	202	7.5%	4.9%	4.8%	7%
North Rhine-Westphalia	1,476	905	1,552	951	5.5%	6.3%	6.1%	33%
Essen	469	286	495	302	5.4%	6.1%	5.9%	10%
Duisburg	306	187	324	198	6.2%	6.7%	6.4%	7%
Mullheim	175	107	179	109	5.4%	6.4%	6.1%	4%
Oberhausen	243	150	163	154	4.6%	6.7%	6.5%	5%
Other	283	174	392	188	5.3%	6.1%	5.9%	6%
TOTAL GERMANY	4,004	2,477	4,690	2,911	7.8%	5.4%	5.0%	100%

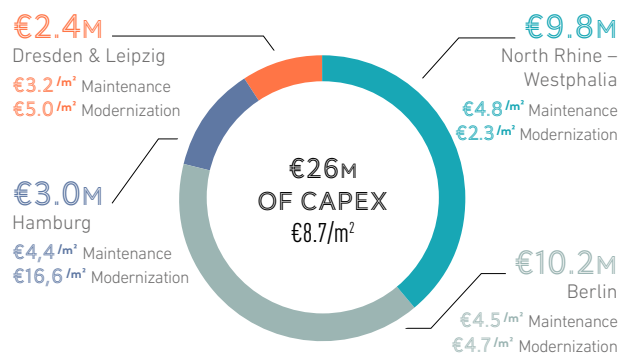
⁽¹⁾ LfL: Like-for-Like.

On a like-for-like scope, values increased by 7.8% in 6 months, reflecting the success of the Group's investment policy:

- ♦ +8.9% in Berlin after excellent performance in 2016 (+12.4%) mainly due to the yield compression in highly sought-after locations: 3/4 of the assets in the Berlin portfolio are located in prime districts (18% in Mitte, 11% in Friedrichshain-Kreuzberg, etc.).
- ♦ Hamburg (+7.5%) and Dresden and Leipzig (+12.0%) also generated strong performance thanks to the rise in rental income (+5.3% and +3.8% respectively) and the yield compression. The 0.7 pt. reduction in the vacancy rate in Hamburg contributed to this growth.

1.2.3.11. Maintenance and modernization Capex

In the first half of 2017, CAPEX totalled €26 million (€15 million Group Share) i.e. €8.7/m², more than 60% in modernization, while OPEX amounted to €7 million (€2.4/m²). As a reminder, for the whole of 2016, Foncière des Régions invested €56 million in CAPEX, i.e. €19.3/m², of which more than 70% in modernization.



1.2.4. Hotels in Europe

Foncière des Murs (FDM), a 50.0%-owned subsidiary of Foncière des Régions (49.9% owned at end-2016), is a listed property investment company (SIIC) specialising in the hotel real estate sector. Through its subsidiary, Foncière des Régions is now the leading player in hotel investment in major Europe cities.

The figures presented are divided into 100%, and Foncière des Régions Group Share (GS). In the first half of 2017, FDM was 50.0% consolidated vs 45.4% in the first half of 2016.

1.2.4.1. Revenue on the upswing and very good outlook for the hotel sector⁽¹⁾

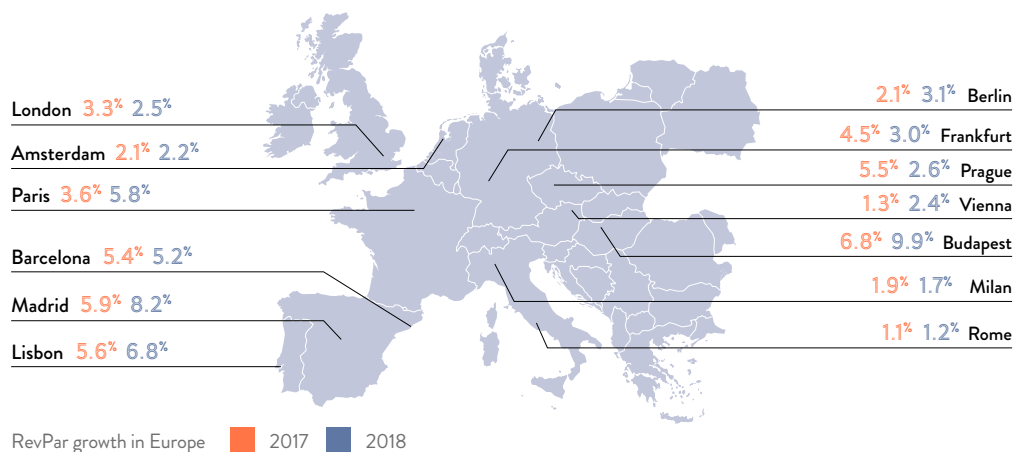
Foncière des Régions holds hotel assets totalling €5.2 billion (€2.0 billion, Group Share) spread across 4 Western European countries through 18 partner hotel operators. One of the group's main strengths is its great investment flexibility (Lease properties and Operating properties). The European hotel market started to recover at the end of 2016. This turnaround was confirmed and strengthened in the first half of 2017:

- ◆ In Europe, revenue per available room (RevPAR) increased by an average 6.8% YTD to end of May 2016, boosted by the average room price (up 2.5%) and occupancy rate (up 2.7 pts). This performance was particularly strong in the mid-market segment, in which Foncière des Régions strengthened its position in Spain (+13.1% YTD), Germany (+5.2% YTD) and France (+6.0% YTD).
- ◆ Overall, investment in the European hotel market dropped 15% compared to the first quarter of 2016 to €4.3 billion, partly due to the elections in France (-84%) in the first half-year. The German market remained in the leading position with record volume of €1.12 billion (+55%). Appetite was also strong in Southern Europe with growth of 24% in Spain and 48% in Italy.

Capitalisation rates remained around 4.5% in Paris and in major German cities. The difference with rates on hotel operating properties holdings remained around 1 pt.

In the first half of 2017, Foncière des Régions' hotel activity was characterised by:

- ◆ encouraging growth in rental income on a like-for-like scope, driven by hotel sector growth and the rise in the variable rents of AccorHotels assets (+4.3%)
- ◆ a solid increase in asset values on the hotel portfolio (+2.8% on a like-for-like scope), in particular with the acquisition of the portfolio in Spain (+6.8%), confirming the effectiveness of the Group's investment strategy and asset management
- ◆ 7% growth in the development pipeline during the half-year, to €280 million (€84 million Group Share) after the doubling of the pipeline in 2016. Ten projects are under way with long-time Group partners (B&B) as well as recent partners (MEININGER, Motel One) in strategic locations (Paris, Lyon, Berlin and Munich).



⁽¹⁾ Sources: MKG, CBRE, PWC.

1.2.4.2. Recognised rental income: +1.9% at a like-for-like scope

Assets not wholly held by FDM consist of the 180 B&B Hotels properties acquired since 2012 (held at 50.2%), as well as the 22 B&B assets in Germany (held at 93.0%) and two Motel One properties (held at 94.0%), acquired in 2015. Foncière des Murs

also holds 40.7% of FDM Management, a company focused on hotel operating properties investments and 50.1% of the company Foncière Développement Touristique.

1.2.4.2.1. Breakdown by business sector

(€M)	Number of rooms	Number of assets	Rental income H1 2016 100%	Rental income H1 2016 Group Share	Rental income H1 2017 100%	Rental income H1 2017 Group Share	Change (%) Group Share	Change Group Share (%) LFL ⁽¹⁾	% of rental income
Hotels – Lease properties	35,737	335	75.2	29.9	84.5	36.5	22.1%	2.5%	80%
Healthcare	0	0	7.2	3.3	0.0	0.0	N/A	N/A	N/A
Retail Premises	0	184	18.5	8.4	18.4	9.2	9.6%	0.0%	20%
TOTAL	35,737	519	100.9	41.5	102.9	45.7	10.2%	1.9%	100%
HOTELS – OPERATING PROPERTIES (EBITDA)	6,282	30	5.8	1.2	31.7	6.2			

⁽¹⁾ LFL: Like-for-Like.

At the end of June 2017, consolidated rental income stood at €45.7 million, Group Share, up 1.9% on a like-for-like scope compared to the first half of 2016. This change was partly due to the different movements over the portfolio:

- ◆ acquisitions and deliveries of assets under development (+€8.3 million):
 - ◆ five B&B hotels totalling 590 rooms delivered in Germany and France in 2016
 - ◆ acquisition of a portfolio of 17 hotels under leases in Spain (of which one third of the leases have a variable component) in 2017

- ◆ disposal of non-core assets in 2016 (-€8.9 million), including low-performance AccorHotels assets and the Healthcare portfolio

- ◆ a rise in rental income on a like-for-like scope (+€0.7 million), mainly attributable to the good performance of variable-rent AccorHotels assets: +4.3% of which +5.2% in Belgium and +4.2% in France

- ◆ the reinforcement of Foncière des Régions in the capital of its subsidiary (+€4.2 million).

For hotel operating properties, EBITDA rose significantly to €6.2 million over the first half of 2017, thanks to the acquisitions made in 2016.

1.2.4.3. Annualised rental income: €92.4 million in Group Share

1.2.4.3.1. Breakdown by business sector

(€M) – Group Share	Number of rooms	Number of assets	Annualised rental income 2016	Annualised rental income H1 2017	Change (%)	% of rental income
Hotels	35,737	335	56.9	73.9	29.9%	80%
Retail	0	184	18.5	18.4	-0.3%	20%
TOTAL	35,737	519	75.5	92.4	22.4%	100%

The Group's exposure to the hotel sector has been growing for several years (80% of rental income versus 73% at end-2015) following the numerous acquisitions and the disposal of non-strategic operations (disposal of the Healthcare portfolio in 2016).

Foncière des Régions continued to sell off Retail Premises during the half-year, with the signing of several sale agreements (19 assets for €43 million).

1.2.4.3.2. Breakdown by tenant

(€M) – Group Share	Number of rooms	Number of assets	Annualised rental income 2016	Annualised rental income H1 2017	Change (%)	% of rental income
AccorHotels	10,165	77	26.1	26.6	1.8%	29%
B&B	18,871	230	19.2	19.3	0.9%	21%
Quick	0	81	8.4	8.5	0.2%	9%
Sunparks	1,759	4	7.1	7.1	0.2%	8%
Jardiland	0	48	6.7	6.7	0.2%	7%
NH	924	5	1.7	4.4	166.4%	5%
Hotusa	671	3	0.0	4.1	-	4%
Barcelo	641	3	0.0	3.5	-	4%
Courtepaille	0	55	3.3	3.3	0.2%	4%
Melia	632	4	0.0	2.5	-	3%
Club Med	372	1	2.0	2.0	0.6%	2%
AC Hotels	368	1	0.0	1.2	-	1%
Motel One	457	2	1.0	1.1	1.9%	1%
Indépendants	877	5	0.0	2.1	-	2%
TOTAL	35,737	519	75.5	92.4	22.4%	100%

The diversification of the rental income base continued through new partnerships with leading Spanish operators (Barcelo, Hotusa, Melia) and the strengthening of the partnership with NH Hotels.

The Group's exposure to AccorHotels diminished by 6 pts. since the end of 2016, now accounting for less than one third of rental income.

1.2.4.3.3. Geographic breakdown

(€M) – Group Share	Number of rooms	Number of assets	Annualised rental income 2016	Annualised rental income 2017	Change (%)	% of rental income
Paris	3,470	14	10.2	10.4	1.9%	14%
Inner suburbs	528	4	1.4	1.4	2.2%	2%
Outer suburbs	3,324	34	4.7	4.7	1.2%	6%
Total Paris Regions	7,322	52	16.3	16.5	1.5%	22%
Major regional cities	6,254	67	10.1	10.3	1.8%	14%
Other French Regions	8,894	127	7.5	7.5	1.0%	10%
Total France	22,470	246	33.8	34.3	1.5%	46%
Germany	5,742	52	8.8	10.7	21.4%	14%
Belgium	3,124	14	10.4	10.4	0.8%	14%
Spain	3,797	21	0.4	14.8	N/A	20%
Other French Regions	604	2	3.6	3.7	1.2%	5%
TOTAL HOTELS IN LEASE	35,737	335	57.0	73.9	29.8%	100%
TOTAL RETAIL PREMISES	0	184	18.5	18.4	-0.3%	0%

In the first half of 2017, the Group continued to pursue its investment policy focusing on assets in Europe's largest cities. This resulted in a rise in foreign rental income, particularly in Spain (+€14.5 million), mainly in Madrid and Barcelona.

Spain accounts for 20% of the annualised rental income of hotels following the acquisition of 17 hotels at the beginning of the year.

1.2.4.4. Indexation

59% of rents are indexed to benchmark indices (ICC, ILC, and consumer price index for foreign assets). The indexation had little impact in the first half-year given the anniversary dates of the leases, which are mainly concentrated in the second half-year.

29% of rents are indexed to hotel revenues (AccorHotels) while 12% benefit from a revenue performance clause.

1.2.4.5. Lease expirations and occupancy rates: firm residual lease term of 10.4 years

(€M) – Group Share	By lease end date (1 st break)	% of total	By lease end date	% of total
2017	3.2	3%	0.0	0%
2018	4.9	5%	3.1	3%
2019	1.2	1%	0.2	0%
2020	0.3	0%	0.3	0%
2021	0.0	0%	0.0	0%
2022	4.2	5%	1.6	2%
2023	3.9	4%	2.7	3%
2024	0.1	0%	1.9	2%
2025	16.6	18%	17.0	18%
2026	2.3	3%	2.7	3%
Beyond	55.6	60%	63.0	68%
TOTAL	92.4	100%	92.4	100%

At the end of June 2017, the firm residual lease term remained high, at 10.4 years, even 11 years for hotel assets. The occupancy rate remained at 100% at the end of June 2017.

In the first half of 2017, the Group renegotiated the leases of 158 B&B hotels in France, resulting in the lengthening of firm lease terms to 12 years on these assets.

1.2.4.6. Reserves for unpaid rent

As in 2016, no additional amounts were set aside for unpaid rents in the portfolio in 2017.

1.2.4.7. Disposals and disposal agreements: €104 million in new commitments (€43 million Group Share)

(€M) – 100%	Disposals (agreements as of end of 2016 closed) (I)	Agreements as of end of 2016 to close	New disposals H1 2017 (II)	New agreements H1 2017 (III)	Total H1 2017 = (II) + (III)	Margin vs 2016 value	Yield	Total Realized Disposals = (I) + (II)
Hotels in lease	0	15	3	31	34	6.3%	5.6%	3
Healthcare	2	0	0	0	0	N/A	N/A	2
Retail	0	3	0	40	40	2.3%	7.2%	0
Total Investment properties	2	18	3	71	75	4.1%	6.5%	5
TOTAL INVESTMENT PROPERTIES GROUP SHARE	1	9	2	36	37	4.1%	6.5%	3
Total Operating properties 100%	0	0	12	15	28	3.0%	5.4%	12
TOTAL OPERATING PROPERTIES FDR GROUP SHARE	0	0	3	3	6	3.0%	5.4%	3

New commitments (new disposals + new agreements) totalling €104 million (€43 million in Group Share) were signed in the first half of 2017 concerning:

- ◆ AccorHotels assets in secondary locations (€34 million)

- ◆ non-strategic activities: two Jardiland assets (€2 million) and 17 Quick assets (€38 million), with a margin of 3% over the latest appraisal values.

1.2.4.8. Acquisitions: €614 million (€284 million Group Share)

(€M) – Including Duties	Number of rooms	Location	Tenants	Acquisitions 2017 signed			Acquisitions 2017 secured		
				Acquisition Price 100%	Acquisition Price Group Share FdR	Gross Yield	Acquisition Price 100%	Acquisition Price Group Share FdR	Gross Yield
Spain (17 assets)	3,335	France	Multi let	559	257	5.3%	-	23	5.5%
NH (5 assets)	901	Germany	NH	54	27	6.7%	71	36	5.7%
TOTAL ACQUISITIONS LEASE PROPERTIES	4,236			613	284	5.4%	71	36	9.1%
TOTAL ACQUISITIONS OPERATING PROPERTIES	0			N/A	N/A	N/A	N/A	N/A	N/A

During the half-year, Foncière des Régions continued to strengthen its position in major European cities with acquisitions of hotels under leases totalling €613 million (€284 million Group Share).

The Group increased its European exposure with:

- ◆ the acquisition of a portfolio of 17 hotels (3,335 rooms) in Spain for €559 million (€280 million Group Share), located in Madrid (80%) and Barcelona. The very good performance of

the Spanish hotel market since the sign-off and the increase in value (+6.8% on a like-for-like scope since end-2016) confirm the appropriateness of the Group's acquisition strategy

- ◆ the acquisition of 3 NH Hotels (546 rooms) in Germany located in Frankfurt, Stuttgart and Oberhausen for €54 million. Two more hotels (355 rooms) will be acquired in the second half-year in Nuremberg and Düsseldorf for €71 million.

1.2.4.9. Development projects: a pipeline of €280 million (€84 million Group Share)

In the first half of 2017, Foncière des Régions maintained its strategy to support the expansion of its new partners in Europe's largest cities. The Group strengthened its partnership with MEININGER through the construction of a 176-room hotel in Lyon. Its delivery is scheduled for 2019, after the delivery of MEININGER hotels in Munich and at Paris Porte de Vincennes.

1.2.4.9.1. Committed projects: €280 million, 100% pre-let

Projects 100%	Location	Project	Number of rooms	Pre-let (%)	Total Budget (€M, 100%) ⁽¹⁾	Yield ⁽²⁾	Progress	Capex to be invested (€M)
B&B Lyon	Lyon – France	Construction	113	100%	9	5.5%	79%	2
Club Med Samoëns	France	Construction	420	100%	100	6.0%	80%	20
B&B Nanterre	Nanterre – Greater Paris	Construction	150	100%	11	6.2%	91%	1
B&B Berlin	Berlin – Germany	Construction	140	100%	11	7.0%	45%	6
Total deliveries 2017			823	100%	131	6.1%	78%	29
B&B Châtenay-Malabry	Châtenay-Malabry – Greater Paris	Construction	255	100%	9	6.3%	42%	5
Motel One Porte Dorée	Paris	Construction	255	100%	37	6.2%	81%	7
Meininger Munich	Munich – Germany	Conversion	173	100%	29	6.4%	73%	8
Total deliveries 2018			683	100%	75	6.3%	73%	20
Meininger Porte de Vincennes	Paris	Construction	249	100%	47	6.2%	52%	23
B&B Bagnolet	Paris	Construction	108	100%	8	6.3%	15%	7
Meininger Lyon Zimmermann	Lyon – France	Construction	169	100%	18	6.1%	0%	18
Total deliveries 2019-2020			169	100%	18	6.1%	0%	18
TOTAL			526	100%	74	6.2%	35%	47
Total Group Share			2,032	100%	280	6.2%	65%	35

⁽¹⁾ Including land and financial costs.

⁽²⁾ Yield on total rents including parking facilities, restaurants, etc.

Since the end of 2015, Foncière des Régions more than doubled its hotel development pipeline, while stepping up its deliveries:

- ♦ five B&B projects were delivered in 2016, representing €34 million and 590 rooms in France and Germany
- ♦ 10 projects totalling €280 million are under development; half of these projects will be delivered in 2017.

1.2.4.10. Portfolio values

1.2.4.10.1. Change in portfolio values

(€M) – Excluding Duties	Value 2016 Group Share	Value adjustment	Acquisitions	Disposals	Invest.	Others	Value H1 2017 Group Share
Assets in operation	1,346	29	283	-3	5	3	1,664
Assets under development	39	3	0	0	11	0	52
Total Hotels – Lease properties	1,385	31	283	-3	15	3	1,716
Hotels – Operating properties	245	5	0	-2	1	0	249
TOTAL	1,631	37	283	-5	16	3	1,965

The value of the portfolio amounts to €1,965 million, Group Share, up €334 million, i.e. +20% due to the acquisitions made and the growth in value on a like-for-like scope.

1.2.4.10.2. Like-for-like change: +1.9%

(€M) – Excluding Duties	Value 2016 Group Share	Value H1 2017 100%	Value H1 2017 Group Share	LfL ⁽¹⁾ change 6 months	Yield ⁽²⁾ 2016	Yield ⁽²⁾ H1 2017	% of total value
Hotels – Lease properties	1,061	3,167	1,388	2.8%	5.4%	5.3%	61%
Healthcare	1	0	0	N/A	N/A	N/A	0%
Retail Premises	284	552	276	-3.2%	6.5%	6.7%	11%
Total in operation	1,346	3,719	1,664	1.8%	5.6%	5.6%	72%
Assets under development	39	190	52	5.4%	N/A	N/A	4%
Total Hotels & Service	1,385	3,909	1,716	1.9%	5.6%	5.6%	75%
Hotels – Operating properties	246	1,271	249	2.0%	6.5%	6.6%	25%
TOTAL	1,631	5,180	1,965	1.9%	5.7%	5.7%	100%

⁽¹⁾ LfL: Like-for-Like.

⁽²⁾ EBITDA yield for operating properties.

(€M) – Excluding Duties	Value 2016 Group Share	Value H1 2017 100%	Value H1 2017 Group Share	LFL ⁽¹⁾ change 6 months	Yield ⁽²⁾ 2016	Yield ⁽²⁾ H1 2017	% of total value
Paris	272	614	281	2.0%	4.0%	4.0%	17%
Inner suburbs	33	74	34	3.2%	4.5%	4.6%	2%
Outer suburbs	86	227	87	0.3%	5.2%	5.5%	5%
Total Paris Regions	391	914	402	1.7%	4.3%	4.4%	24%
Major regional cities	177	449	182	1.4%	5.7%	5.7%	11%
Other French Regions	126	486	133	3.1%	6.1%	6.1%	8%
Total France	693	1,850	717	1.9%	5.0%	5.0%	42%
Germany	169	423	205	3.3%	5.7%	5.7%	12%
Belgium	176	352	176	0.1%	5.8%	5.9%	10%
Spain	6	609	280	6.7%	6.2%	5.3%	17%
Other	58	124	62	6.4%	6.3%	6.0%	4%
Total Hotels – Lease properties	1,102	3,357	1,440	2.9%	5.3%	5.3%	85%
France	43	214	44	2.2%	5.8%	6.5%	3%
Germany	188	979	189	2.1%	6.7%	6.6%	11%
Belgium	16	78	16	1.5%	6.4%	7.2%	1%
Total Hotels – Operating properties	246	1,271	249	2.0%	6.5%	6.6%	15%
TOTAL HOTELS	1,348	4,629	1,689	2.8%	5.5%	5.5%	100%
TOTAL RETAIL	284	552	276	-3.2%	6.5%	6.7%	

⁽¹⁾ LFL: Like-for-Like.

⁽²⁾ Yield excluding assets under development; EBITDA yield on hotel operating properties.

After 2.1% value creation in the hotel portfolio in 2016, growth was stepped up to 2.8% due to:

- ◆ 2.9% growth in the value of hotels under leases, with:
 - ◆ +6.8% on the Spanish portfolio acquired in 2016
 - ◆ +1.9% in France with a return to growth in rental income in the hotel sector and the renegotiation of leases with B&B (lengthening of lease terms to 12 years for 158 hotels in France)

- ◆ the good performance of hotel operating properties holdings (+2.0%), which further drove up value creation in 2016 (+6%). The portfolio of nine hotels acquired in August 2016 in Germany saw its total value grow by 13% in one year.

The Group pushed ahead with its geographical diversification strategy. Following the acquisition of the Spanish portfolios and NH assets, 17% of the Group's assets are now located in Spain, while 23% are in Germany.

1.2.4.10.3. Hotel operating properties – value per room

(€ thousand)	Number of rooms H1 2017	Value per room 2015	Value per room H1 2017	Var. (%)
France	880	239	243	2.1%
Germany	4,881	153	157	2.8%
Belgium	521	148	150	1.5%
TOTAL	6,282	164	169	2.5%

Foncière des Régions' upscaling strategy has given rise to a sharp increase in values per room since 2015 (+48%). In Germany in particular, the value per room more than doubled thanks to the

acquisition of high-end hotels such as the Westin and the Park Inn in the centre of Berlin. The level, at €157 thousand per room, remains lower than the average in other European capitals.

1.2.5. France Residential

The Residential business activity in France is managed by Foncière Développement Logements, a 61.3% subsidiary of Foncière des Régions. The data presented is 100% FDL.

1.2.5.1. Recognised rental income

(€M) – 100%	Rental income H1 2016	Rental income H1 2017	Change (%)	% of rental income
TOTAL FRANCE	8.2	6.1	-25.6%	100%

Rental income amounted to €6.1 million over the first half of 2017, compared with €8.2 million at the end of June 2016. This change was mainly due to the impact of continuing the disposal strategy.

1.2.5.2. Annualised rental income

(€M) – 100%	Annualised rental income 2016	Annualised rental income H1 2017	Change (%)	% of rental income
Paris and Neuilly	4.8	3.4	-29%	44%
Others	7.2	4.3	-40%	56%
TOTAL	12.0	7.7	-35.7%	100%

The 35.7% decrease in annualised rental income is the result of the acceleration of the disposal programme.

1.2.5.3. Indexation

The index used to calculate the indexation of rents for homes in France is the IRL.

1.2.5.4. Disposals and disposal agreements: €62 million

(€M) – 100%	Disposals (agreements as of end of 2016 closed) (I)	Agreements as of end of 2016 to close	New disposals 2017 (II)	New agreements 2017 (III)	Total 2017 = (II) + (III)	Margin vs 2016 value	Yield	Total Realized Disposals = (I) + (II)
TOTAL	34	2	27	35	62	4.0%	0.6%	61

In line with the strategy to dispose of vacant assets, disposals and agreements for disposals amounting to €62 million were signed in the first half of the year; these gave a very low average yield of 0.6%.

1.2.5.5. Portfolio value: up 0.6% at a like-for-like scope

On 30 June 2017, the France Residential portfolio was valued at €371 million, practically stable at like-for-like scope at +0.6% over one year.

(€M) – Excluding Duties 100%	Value 2016	Value H1 2017	LFL ⁽¹⁾ change 6 months	Yield 2016	Yield H1 2017
TOTAL	427.9	371.2	0.6%	2.8%	3.4%

⁽¹⁾ LFL: Like-for-Like.

1.3. FINANCIAL INFORMATION AND COMMENTS

Foncière des Régions acquires, owns, manages and rents built and unbuilt property, particularly in the Offices, Residential, Hotels & Service Sectors.

Registered in France, Foncière des Régions is a limited company (*société anonyme*) with a Board of Directors.

1.3.1. Scope of consolidation

On 30 June 2017, the Foncière des Régions scope of consolidation included the companies located in France and several other European countries (offices in France and Italy; Residential in Germany and France, Austria, Denmark and Luxembourg; Hotels in Germany, Portugal, Belgium, the Netherlands, Spain and Luxembourg). The main ownership interests in the fully consolidated but not wholly owned companies are the following:

Subsidiaries	2016	H1 2017
Foncière Développement Logements	61.3%	61.3%
Foncière des Murs	49.9%	50.0%
Immeo	61.0%	61.0%
Beni Stabili	52.2%	52.2%
OPCI CB 21 (Tour CB 21)	75.0%	75.0%
Republique (ex-Urbis Park)	59.5%	59.5%
Fédérिमмо (Carré Suffren)	60.0%	60.0%
SCI Latécoère (DS Campus)	50.1%	50.1%
SCI 11, Place de l'Europe (Campus Eiffage)	50.1%	50.1%

There was no significant change in ownership interest between 31 December 2016 and 30 June 2017.

1.3.2. Accounting principles

The consolidated financial statements have been prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Union on the date of preparation. These standards include the IFRS (International Financial Reporting Standards), as well as their interpretations. The financial statements were approved by the Board of Directors on 20 July 2017.

1.3.3. Simplified income statements – Group Share

(€M) – Group Share	H1 2016	H1 2017	var.	%
Net rental income	261.9	268.4	6.5	2.5%
Net operating costs	-32.8	-31.1	1.7	-5.2%
in % of net rent rental income	-12.5%	-11.6%	0.0	0.0%
Income from other activities	7.1	3.3	-3.8	-53.5%
Depreciation of operating assets	-4.6	-3.1	1.5	-32.6%
Net change in provisions and other	-2.0	-0.6	1.4	-
CURRENT OPERATING INCOME	229.6	237.0	7.4	3.2%
in % of net rent rental income	87.7%	88.3%	0.0	0.0%
Net income from inventory properties	0.7	-0.2	-0.9	-
Income from asset disposals	0.8	-0.7	-1.5	-
Income from value adjustments	307.7	350.3	42.6	-
Income from disposal of securities	0.0	-3.3	-3.3	-
Income from changes in scope	-4.9	-1.6	3.3	-
OPERATING INCOME	533.9	581.5	47.6	8.9%
Income from non-consolidated companies	0.0	0.0	0.0	-
Cost of net financial debt	-73.3	-91.3	-18.0	24.6%
Value adjustment on derivatives	-18.5	30.4	48.9	-264.3%
Discounting of liabilities and receivables	-2.0	-3.1	-1.1	55.0%
Net change in financial and other provisions	-29.7	-7.5	22.2	-74.7%
Share in earnings of affiliates	16.4	18.7	2.3	-
INCOME FROM CONTINUING OPERATIONS	426.7	528.6	101.9	-
Deferred tax	-11.3	-34.8	-23.5	208.0%
Corporate income tax	-3.1	-4.8	-1.7	-
NET INCOME FROM CONTINUING OPERATIONS	412.3	489.0	76.7	-
Post-tax profit or loss of discontinued operations	-1.3	0.0	1.3	-
NET INCOME FOR THE PERIOD	411.0	489.0	78.0	-

In the first half of 2016, discontinued operations were in the Logistics sector. As of 1 January 2017, following the merger of Foncière Europe Logistique with Foncière des Régions, the residual Logistics operations, which are insignificant at Group level (€58 million in assets, mostly under preliminary sale agreement), no longer appear under discontinued operations and have been reclassified with France Offices in the financial statements.

1.3.3.1. 2.5% rise in net rental income – Group Share

Net rental income varies under the combined impact of acquisitions, disposals and deliveries of developments, as well as the effect of indexation in the Germany Residential sector. The Italy Offices sector is also growing thanks to the increased ownership interest (ownership interest for H1 2016: 50.12%, H1 2017: 52.24%).

The net rental income by operating segment is the following:

(€M) – Group Share	H1 2016	H1 2017	var.	%
France Offices	118.4	114.0	-4.4	-3.7%
Italy Offices	41.1	44.4	3.3	8.0%
Germany Residential	57.9	63.3	5.4	9.3%
Hotels in Europe	41.5	44.8	3.3	8.0%
France Residential	2.9	1.9	-1.0	-34.5%
TOTAL NET RENTAL INCOME	261.9	268.4	6.5	2.5%

France Offices: €4.4 million drop in net rental income – Group Share due to the combined effect of property vacated as a result of developments and others (-€4 million), disposals (-€3.2 million), acquisitions (+€3.1 million), development deliveries (+€2 million), the slight deterioration in unrecovered rental costs following the reinclusion of the residual Logistics operations (-€0.7 million) and the rise in non-refundable taxes on projects under development (-€0.8 million).

Italy Offices: €3.3 million increase in net rental income – Group Share thanks to a €1.9 million increase in the ownership interest, the impact of acquisitions (+€1.6 million) and new leases (+€1.2 million). The components of this increase are negatively affected by the impact of disposals (-€0.7 million).

Germany Residential: net rental income – Group Share increased by €5.4 million, driven by acquisitions (+€7 million), further boosted by the impact of indexation (+€2 million) and decreased by disposals (-€4.5 million).

Hotels in Europe: €3.3 million increase in net rental income – Group Share. This net rise is made up of increased income from the hotel sector (+€9 million) mainly as a result of acquisitions over the first half of 2017 in Spain (+€7 million), which were partly offset by a decrease as a result of the disposal of the AccorHotels assets (-€5 million), and a deterioration in unrecovered rental costs of -€0.9 million following acquisitions in Spain (double net leases).

1.3.3.2. Net cost of operations

Net cost of operations were €31.1 million compared with €32.8 million at 30 June 2016, an improvement of €1.7 million. This improvement is mainly due to the impact in the first half of 2016 of expenses which were not repeated in the first half of 2017 (compensation, expenses relating to discontinued projects, etc.).

1.3.3.7. Share in earnings of affiliates

(€M) – Group Share	% interest	Value 2016	Contribution to earnings	Value H1 2017	Change (%)
OPCI Foncière des Murs	9.95%	37.0	2.4	37.7	1.8%
Lénovilla (New Vélizy)	50.10%	59.6	6.9	66.5	11.6%
Euromed	50.00%	41.2	4.9	46.0	11.7%
SCI Latécoère 2 (Extension DS)	50.10%	1.5	1.0	2.5	66.7%
FDM Management	20.35%	71.1	1.2	70.1	-1.4%
Other Equity Interests	N/A	14.4	2.2	21.8	51.2%
TOTAL		224.8	18.6	244.5	8.1%

The change over the period (+€18.6 million) was the result of the net income generated over the period (+€22.3 million), the allocation of losses to the partners (+€5.3 million) and dividend distributions (-€8.9 million)

1.3.3.3. Income from other activities

Net income from other activities (€3.3 million) mainly came from real estate promotion activities and the income generated by car park companies. Due to the major disengagement at the end of 2016, the income from car parks (excluding depreciation and provisions) fell from €1.6 million to €0.8 million. Real estate promotion generated net income of €2.4 million over the fiscal year.

1.3.3.4. Depreciation of operating assets

Depreciation of operating assets was composed of the real estate depreciation of the headquarter buildings and depreciation of other tangible and intangible fixed assets. This item decreased, mainly due to disposals of car park operations.

1.3.3.5. Change in the fair value of assets

The income statement recognises changes in the fair value of assets based on appraisals conducted on the portfolio. For the first half of 2017, the change in the fair value of investment assets is positive and stands at €350 million. Change in the fair value of investment assets by operating segment can be broken down as follows:

♦ France Offices:	+€120 million
♦ Italy Offices:	+€21 million
♦ Germany Residential:	+€176 million
♦ Hotels in Europe:	+€29 million

Operating income rose €47.6 million, totalling €581.5 million compared to €533.9 million at 30 June 2016.

1.3.3.6. Financial aggregates

Changes in the fair value of financial instruments stood at +€30.4 million compared to -€18.5 million at 30 June 2016. These mainly consist of positive changes of €35 million in the fair value of hedging instruments and negative changes of €6 million in the value of the ORNANE bonds.

1.3.3.8. Recurring net income of affiliates

(€M) – Group Share	France offices	Italy offices	Hotel investment properties	Hotel operating properties	H1 2017
Net rental income/Revenue of hotel operating properties	5.0		2.2	21.3	28.5
Net operating costs	-0.2		-0.2	-15.2	-15.6
Income from other activities	-1.1		-0.6	-1.7	-3.4
Cost of net financial debt	1.5	-0.1	0.0	0.0	1.4
Corporate income tax	0.0		0.0	-0.7	-0.7
SHARE IN RNI OF AFFILIATES	5.2	-0.1	1.3	3.7	10.1

1.3.3.9. Taxes

Taxes determined are for:

- ♦ foreign companies that are not or are only partially subject to a tax transparency regime (Germany, Belgium, the Netherlands)
- ♦ French subsidiaries not having opted for the SIIC regime (FDR Property, FDRD, Latepromo, etc.)

- ♦ French SIIC or Italian subsidiaries with taxable activity.

The €4.8 million decrease in corporate income tax includes the 3% contribution on distributions in excess of the SIIC (real estate trust) obligation (-€1 million) and the withholding tax on dividends received by Foncière des Régions from its Italian subsidiary (-€2 million).

1.3.3.10. Recurring net income up 2.3%, an increase of €21.6 million

	Net income Group Share	Restatements	RNI H1 2017	RNI H1 2016
NET RENTAL INCOME	268.4	3.3	271.8	264.5
Operating costs	-31.1	1.8	-29.3	-32.3
Income from other activities	3.3	0.0	3.3	7.0
Depreciation of operating assets	-3.1	3.1	0.0	0.0
Net change in provisions and other	-0.6	0.6	0.0	0.0
OPERATING INCOME	236.9	8.8	245.7	239.3
Net income from inventory properties	-0.2	0.2	0.0	0.0
Income from asset disposals	-0.7	0.7	0.0	0.0
Income from value adjustments	350.3	-350.3	0.0	0.0
Income from disposal of securities	-3.3	3.3	0.0	0.0
Income from changes in scope	-1.6	1.6	0.0	0.0
OPERATING RESULT	581.4	-335.7	245.7	239.3
Income from non-consolidated companies	0.0	0.0	0.0	0.0
COST OF NET FINANCIAL DEBT	-91.3	35.4	-55.9	-66.0
Value adjustment on derivatives	30.4	-30.4	0.0	0.0
Discounting of liabilities and receivables	-3.1	3.1	0.0	0.0
Net change in financial provisions	-7.5	7.5	0.0	0.0
Share in earnings of affiliates	18.7	-8.5	10.1	5.0
PRE-TAX NET INCOME	528.6	-328.7	199.9	178.3
Deferred tax	-34.8	34.8	0.0	0.0
Corporate income tax	-4.8	3.2	-1.6	-1.6
NET INCOME FOR CONTINUED OPERATIONS	489.0	-290.6	198.3	176.7
Profits or losses on discontinued operations	0.0	0.0	0.0	-0.1
NET INCOME FOR THE PERIOD	489.0	-290.6	198.3	176.6

- ♦ The income from changes in consolidation scope (-€1.6 million) consists exclusively of the acquisition costs for the shares of companies consolidated in accordance with IFRS3 R.

- ♦ The cost of debt is impacted in the amount of €35.4 million by the early debt-restructuring costs (including buyback of the Beni Stabili ORNANE bonds).

1.3.3.11. Recurring net income by activity

(€M) – Group Share	France offices	Italy offices	Germany Residential	Hotels in Europe	France Residential	Corporate or non-attributable sector	Intercos Inter-sector	H1 2017
Net rental income	113.4	44.2	63.4	44.6	2.3	0	3.7	271.6
Net operating costs	-7.7	-4.7	-10.7	-1.9	-0.9	0.4	-3.7	-29.2
Income from other activities	2.5	-0.2	0.2	0	0	0.8	0	3.3
Cost of net financial debt	-4.5	-9.7	-12.2	-7.6	-0.5	-21.4	0	-55.9
Share in earnings of affiliates	5.2	-0.1	0	5	0	0	0	10.1
Corporate income tax	0.1	-0.2	-0.7	-0.7	0	-0.2	0	-1.7
RECURRING NET INCOME	109	29.3	40	39.5	1	-20.5	0	198.3

1.3.4. Simplified consolidated income statement

(€M) – 100%	H1 2016	H1 2017	var.	%
Net rental income	412.7	419.0	6.3	1.5%
Net operating costs	-48.4	-50.7	-2.3	4.8%
Income from other activities	9.5	3.8	-5.7	-60.0%
Depreciation of operating assets	-7.0	-4.4	2.6	-37.1%
Net change in provisions and other	-2.8	-0.8	2.0	-
CURRENT OPERATING INCOME	363.9	367.0	3.1	0.9%
Net income from inventory properties	1.0	-0.5	-1.5	-
Income from asset disposals	1.0	-0.6	-1.6	-
Income from value adjustments	429.8	539.2	109.4	-
Income from disposal of securities	0.0	-6.3	-6.3	-
Income from changes in scope	-7.6	-2.5	5.1	-
OPERATING INCOME	788.2	896.3	108.1	13.7%
Income from non-consolidated companies	0.0	0.0	0.0	-
Cost of net financial debt	-113.8	-137.3	-23.5	20.7%
Value adjustment on derivatives	-32.9	33.7	66.6	-202.4%
Discounting of liabilities and receivables	-1.6	-2.8	-1.2	75.0%
Net change in financial and other provisions	-34.7	-12.1	22.6	-65.1%
Share in earnings of affiliates	17.8	22.3	4.5	-
INCOME FROM CONTINUING OPERATIONS	623.0	800.1	177.1	-
Deferred tax	-22.1	-57.6	-35.5	160.6%
Corporate income tax	-5.6	-6.3	-0.7	12.5%
NET INCOME FROM CONTINUING OPERATIONS	595.3	736.3	141.0	-
Post-tax profit or loss of discontinued operations	-1.4	0.0	1.4	-
NET INCOME FOR THE PERIOD	-1.4	0.0	1.4	-
Non-controlling interests	-182.8	-247.2	-64.4	-
NET INCOME FOR THE PERIOD – GROUP SHARE	411.0	489.0	78.0	-

1.3.4.1. €6.3 million (1.5%) rise in consolidated net rental income

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

(€M) – 100%	H1 2016	H1 2017	var.	%
France Offices	131.0	126.6	-4.4	-3.4%
Italy Offices	82.0	85.9	3.9	4.8%
Germany Residential	93.9	102.4	8.5	9.1%
Hotels in Europe	101.0	101.0	0.0	0.0%
France Residential	4.8	3.0	-1.8	-37.5%
TOTAL NET RENTAL INCOME	412.7	419.0	6.3	1.5%

1.3.5. Simplified consolidated balance sheet – Group Share

(€M) – Group Share	2016	H1 2017	Liabilities	2016	H1 2017
Assets					
Investment properties	10,450	10,856			
Investment properties under development	463	647			
Other fixed assets	116	112			
Equity affiliates	225	245			
Financial assets	213	215			
Deferred tax assets	6	7	Shareholders' equity	5,302	5,871
Financial instruments	35	33	Borrowings	6,879	6,850
Assets held for sale	228	323	Financial instruments	345	296
Cash	991	923	Deferred tax liabilities	241	293
Discontinued operations	69	0	Other	335	449
Other	334	398	Discontinued operations	27	0
TOTAL	13,130	13,758		13,130	13,758

1.3.5.1. Fixed assets

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

(€M) – Group Share	2016	H1 2017	var.	incl. Like-for-like change
France Offices	4,825	4,987	162	120
Italy Offices	2,088	1,855	-233	21
Germany Residential	2,467	2,871	404	177
Hotels in Europe	1,398	1,685	287	31
France Residential	237	204	-33	1
Car parks	14	13	-1	0
TOTAL FIXED ASSETS	11,030	11,615	586	350

The change in fixed assets for France Offices is primarily the result of the change in the fair value of investment properties (+€120 million), and the work carried out on properties under development (+€58 million).

The change in fixed assets for Italy Offices (-€233 million) was due to the splitting of Sicaf (Telecom Italia assets, -€310 million in Group Share), offset by the acquisition of the Creval portfolio for €62 million (offices in Milan) and the acquisition of two assets in Milan for +€35 million (Via Principe Amedeo and Via Marostica).

The change in fixed assets for Hotels in Europe is essentially linked to acquisitions in Spain (€280 million in Group Share), the exercising of the purchase option on NH Hotels (+€18 million) and the rise in fair value (+€30 million), reduced by 17 Quick assets, four AccorHotels assets and two Jardiland assets being reclassified as Assets held for sale (-€36 million).

The change in fixed assets for Germany Residential is mainly due to acquisitions of companies over the period for a portfolio value of €197 million, the acquisition of direct assets for €38 million and the €177 million change in fair value.

1.3.5.2. Assets held for sale

The assets held for sale primarily consist of assets for which a preliminary sales agreement has been signed. The €95 million increase between 2016 and 2017 mostly comes from completed sales and newly signed preliminary sale agreements. Hotels in Europe has entered into new preliminary sale agreements (€36 million) for four Accor Hotels and 17 Quick assets, and Italy Offices has entered into new preliminary sale agreements worth €62 million, including one for a property located in Piazza San Nicolao in Milan.

1.3.5.3. Total shareholders' equity Group Share

Shareholders' equity increased from €5,302 million at the end of 2016 to €5,871 million at 30 June 2017, i.e. an increase of €569 million, due mainly to:

- ♦ income for the period: +€489 million
- ♦ the capital increase net of costs: +€395.6 million

- ♦ impact of the cash dividend distribution: -€324.7 million
- ♦ financial instruments included in shareholders' equity: +€5.4 million.

1.3.5.4. Other assets

The application of IFRIC 21 resulted in the property tax debt for the current full year (properties owned on 1 January are liable) being recognised under liabilities at 30 June 2017. Concomitantly with the recognition of these liabilities, re-invoicing to tenants was recognised with assets under "Other Receivables". At 31 December, given the deadlines for property tax payments, these positions no longer exist, bringing about a change between the position at 30 June and the position at 31 December (the impact of the change is an increase of €28 million).

Furthermore, "Expenses for re-invoicing", which are included under the "Other assets" aggregate, increased by €10 million due to the process for settling expenses (property expenses to be re-invoiced to tenants) and the schedule for presenting expenses. Note the increased liabilities under the "Advances & down payments" item (included in the "Other Liabilities" aggregate), which includes calls for provisioned funds received from tenants.

1.3.5.5. Other liabilities

The €111 million increase in liabilities is mainly a result of the recognition of the deferred payment for Hotels in Europe acquisitions (+€26 million), changes in accounts payable to fixed-asset suppliers, notably for work on projects under development (+€23 million), the recognition of property tax debt (+€35 million) and calls for funds from tenants.

1.3.6. Simplified consolidated balance sheet

(€M) - 100%						
Assets	2016	H1 2017	Liabilities	2016	H1 2017	
Investment properties	16,170	17,425				
Investment properties under development	593	904				
Other fixed assets	177	168				
Equity affiliates	345	364	Shareholders' equity	5,302	5,871	
Financial assets	255	254	Non-controlling interests	3,166	3,719	
Deferred tax assets	11	12	Shareholders' equity	8,468	9,589	
Financial instruments	41	38	Borrowings	9,737	10,158	
Assets held for sale	298	481	Financial instruments	429	355	
Cash	1,083	1,020	Deferred tax liabilities	410	494	
Discontinued operations	69	0	Discontinued operations	27	0	
Other	458	531	Other liabilities	429	601	
TOTAL	19,501	21,198		19,501	21,198	

1.3.6.1. Investment properties and properties under development

These two fixed asset items increased by €1,566 million, mainly as a result of value adjustments (+€539 million) and asset acquisitions and work in the amount of €1,182 million (€597 million for Hotels in Europe, €388 million for Germany Residential and €123 million for Italy Offices).

1.3.6.2. Investments in equity affiliates

The investments in equity affiliates are up by €19 million. This change is principally due to the income for the period (+€22 million).

1.3.6.3. Discontinued operations (Logistics operations in 2016)

As of 1 January 2017, following the merger of FEL with Foncière des Régions, the residual logistics operations (for which most assets are subject to preliminary sale agreements) are no longer included under discontinued operations and have been reclassified under France Offices in the financial statements.

1.3.6.4. Deferred tax liabilities

The deferred taxes amounted to €482 million compared to €399 million at 31 December 2016. This €83 million increase is mainly due to the acquisitions completed and the increase in the value of assets in the sectors Germany Residential and Hotels & Service Sector abroad.

1.3.6.5. Other assets

The €73 million increase in this item includes the impact of IFRIC 21 in relation to the recognition of property tax re-invoicing (+€35 million), and the increase in the expenses to be re-invoiced to tenants (+€16 million) and immature trade receivables (+€14 million).

1.3.6.6. Other liabilities

The €168 million rise in this item is mainly due to the recognition of property tax debts (application of IFRIC 21: +€43 million), new deferred payment liabilities following acquisitions by Hotels in Spain (+€52 million) and the increase in accounts payable to fixed-asset suppliers for work on property under development (€27 million).

1.4. FINANCIAL RESOURCES

1.4.1. Main debt characteristics

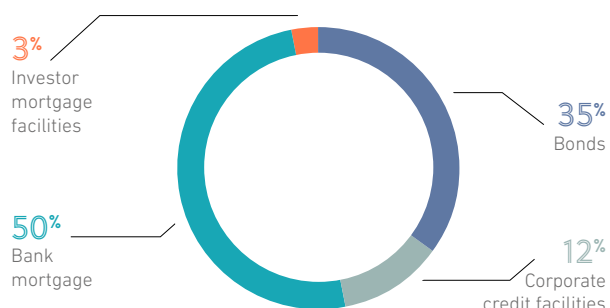
Group Share	2016	H1 2017
Net debt, Group Share (€M)	5,888	5,927
Average annual rate of debt	2.21%	1.95%
Average maturity of debt (in years)	5.7	5.8
Debt active hedging spot rate	81%	73%
Average maturity of hedging	5.7	6.1
LTV Including Duties	44.6%	42.9%
ICR	3.60	4.32

1.4.2. Debt by type

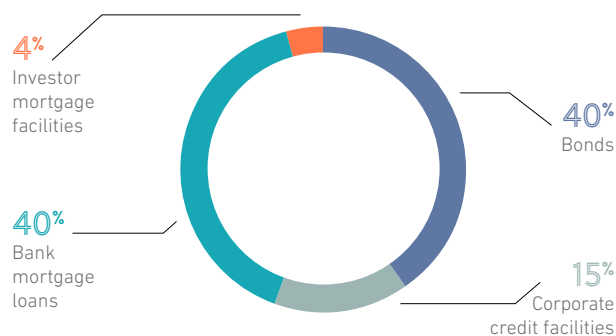
Foncière des Régions' net debt (Group Share) amounted to €5.9 billion at 30 June 2017 (€9.1 billion on a consolidated basis). As a share of total debt, corporate debt remains the highest at 53% at 30 June 2017.

In addition, at the end of June 2017, the cash and cash equivalents of Foncière des Régions totalled nearly €2.1 billion, Group Share (€2.4 billion on a consolidated basis). In particular, Foncière des Régions had €890.4 million in commercial paper outstanding at 30 June 2017.

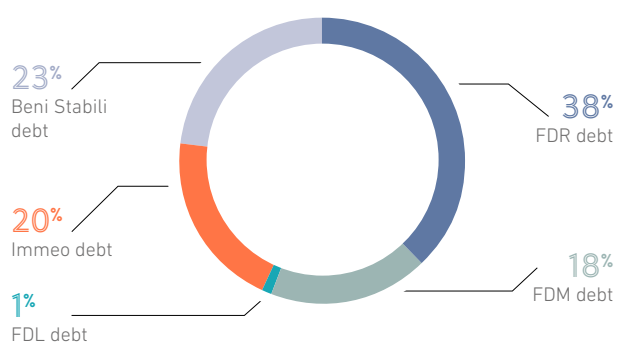
COMMITMENTS 100%



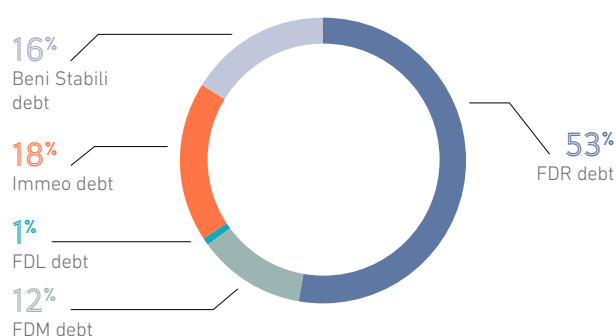
COMMITMENTS GROUP SHARE



COMMITMENTS 100% PER COMPANY



COMMITMENTS GROUP SHARE PER COMPANY

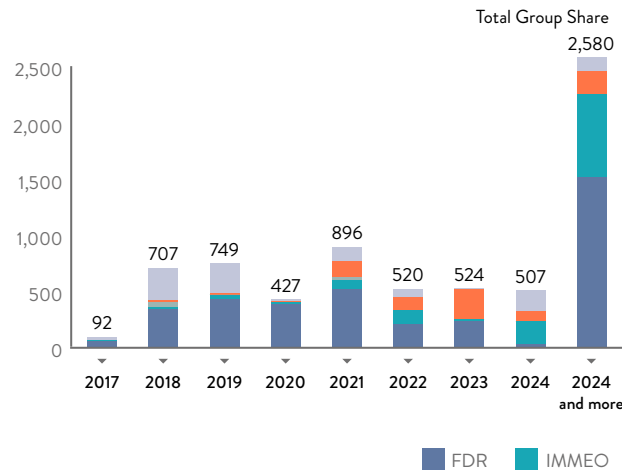


1.4.3. Debt maturity

The average maturity of Foncière des Régions' debt increased by 0.1 year to 5.8 years at the end of June 2017. This was due to active refinancing (for €1.2 billion Group Share and €2.0 billion at 100%). The 2017 and 2018 maturities are covered by existing cash and primarily involve corporate debt (including the TOWER bond maturing in early 2018), Germany Residential (Immeo) and Italy Offices (Beni Stabili, including the Pillar bond maturing in early 2018).

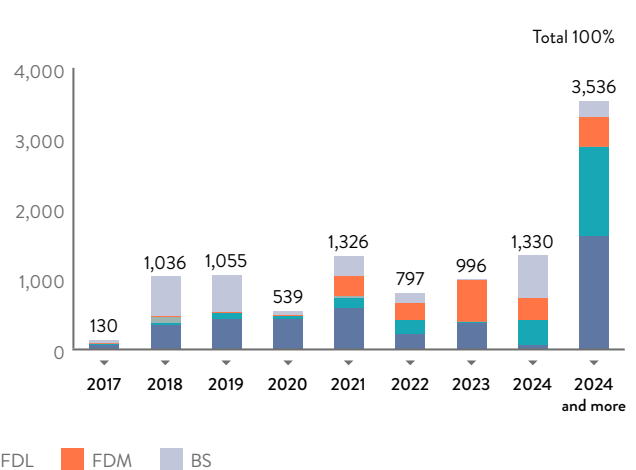
DEBT AMORTISATION SCHEDULE FOR EACH COMPANY

(Group Share), in €M



DEBT AMORTISATION SCHEDULE BY COMPANY

(on a consolidated basis), in €M



1.4.4. Main changes during the period

1.4.4.1. Strong financing and refinancing activity: €2.05 billion at 100% (€1.2 billion in Group Share)

- ◆ Foncière des Régions – €500 million (€500 million in Group Share):
 - ◆ In June 2017, Foncière des Régions proceeded to a successful €500 million bond issue, maturing in 2027, with a fixed coupon of 1.500%, i.e. a spread of 85 bps. This transaction was coupled with a cash redemption offer on part of the 2021 bonds bearing interest at a fixed rate of 1.750%. The total value of bonds redeemed was €273.1 million (of a total 2021 issue of €500 million).
 - ◆ These transactions enable Foncière des Régions to continue diversifying its sources of finance, reduce the cost of debt and prolong its maturity.
- ◆ Italy Offices (Beni Stabili) – €455 million (€238 million in Group Share):
 - ◆ In March 2017, Beni Stabili redeemed its €270 million convertible bond maturing in April 2019, to reduce the risk of future dilution.
 - ◆ In the first half of 2017, Beni Stabili also renewed over €150 million in corporate lines with its trusted banks.

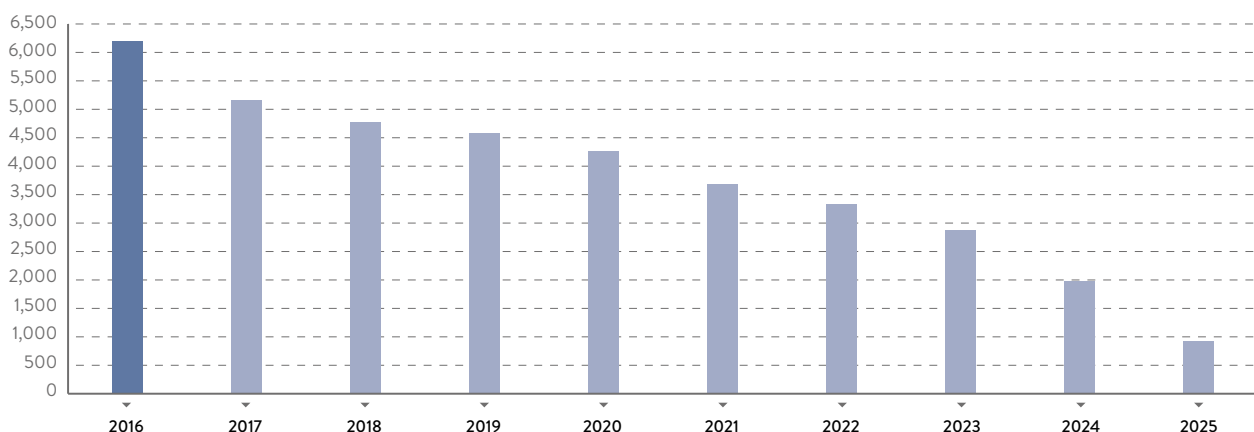
- ◆ Hotels in Europe (Foncière des Murs) – €724 million (€362 million in Group Share):
 - ◆ In March 2017, Foncière des Murs took out an eight year, €278.5 million mortgage for the purchase of 17 hotels (3,335 rooms) in Spain, mostly 4* and located in the centre of Spain's major cities, essentially Barcelona and Madrid.
 - ◆ In May 2017, Foncière des Murs refinanced a portfolio of 166 B&B properties in France held via the OPPCI vehicle B2 Hotel Invest. Financing of €290 million over seven years was raised on this occasion.
- ◆ Germany Residential (Immeo) – €371 million (€226 million in Group Share):
 - ◆ In the first half of 2017, Immeo took out several mortgages to finance its acquisitions, including:
 - €115 million over 10 years for the purchase of a portfolio of 1,827 units in Berlin, Dresden and Leipzig
 - €32 million over 10 years to finance the purchase of a portfolio of 330 units in Berlin.
 - ◆ Immeo has also continued to refinance older debts to optimise their maturity and financial conditions. In this way, financing of €140 million over a maturity of 10 years was raised, backed by a portfolio of 3,082 units in Essen and Duisburg.

1.4.5. Hedging profile

In the first half of 2017, the hedge management policy remained unchanged, with debt hedged at 90% to 100% on average over the year, at least 75% of which through short-term hedges, and all of which with maturities equivalent to or exceeding the debt maturity.

Based on net debt at the end of June 2017, Foncière des Régions is hedged (Group Share) at 73%, compared to 81% at the end of 2016. The average term of the hedges is 6.1 years (in Group Share).

HEDGING MATURITIES (€ thousand, Group Share)



1.4.6. Average interest rate on the debt and sensitivity

The average interest rate on Foncière des Régions' debt continued to improve, standing at 1.95% in Group Share, compared to 2.2% in 2016. This reduction is mainly due to the "full year" effect of the issue on Foncière des Régions in May 2016 of a Green bond at 1.875% for 10 years combined with the partial redemption of the issue maturing in January 2018 and to the impact of the renegotiations in 2016 and 2017 and the restructuring of hedges. For information purposes, an increase of 50 basis points in the three-month Euribor rate would have a negative impact of €1.2 million on recurring net income.

1.4.6.1. Financial structure

Excluding debts raised without recourse to the Group's property companies, the debts of Foncière des Régions and its subsidiaries generally include bank covenants (ICR and LTV) applying to the borrower's consolidated financial statements. If these covenants are breached, early debt repayment may be triggered. These covenants are established in Group Share for Foncière des Régions and for FDM and on a consolidated basis for the other subsidiaries of Foncière des Régions (if their debts include them).

- ◆ The most restrictive consolidated LTV covenants amounted to 60% for Foncière des Régions, FDM, FDL and Beni Stabili at 30 June 2017.
- ◆ The threshold for consolidated ICR covenants differs from one REIT to another, depending on the type of assets, and may be different from one debt to another even for the same REIT, depending on debt seniority.

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

- ◆ for Foncière des Régions: 200%
- ◆ for FDM: 200%
- ◆ for FDL: 150%
- ◆ for Beni Stabili: 150%.

With respect to Immeo, for which the debt raised is "non-recourse" debt, there are no consolidated covenants associated with portfolio financing.

Lastly, with respect to Foncière des Régions, some corporate credit facilities are subject to the following ratios:

Ratio	Covenant	June 2017
LTV	60.0%	47.4%
ICR	200.0%	430.0%
Secured debt ratio ⁽¹⁾	25.0%	7.1%

⁽¹⁾ Only one loan with a covenant at 22.5%.

All covenants were fully complied with at the end June 2017. No loan has an accelerated payment clause contingent on Foncière des Régions' rating, which is currently BBB, stable outlook (S&P rating).

(€M) – Group Share	2016	H1 2017
Net book debt	5,888	5,927
Receivables linked to associates (full consolidated)	-23	-23
Receivables on disposals	-523	-467
Security deposits received	-20	-21
NET DEBT	5,323	5,416
Appraised value of real estate assets (Including Duties)	12,059	12,717
Preliminary sale agreements	-523	-467
Purchase debt	-22	-71
Financial assets	20	15
Receivables linked to associates (equity method)	164	172
Share of equity affiliates	243	269
Value of assets	11,941	12,634
LTV EXCLUDING DUTIES	47.2%	45.3%
LTV INCLUDING DUTIES	44.6%	42.9%

1.4.7. Reconciliation with consolidated accounts

1.4.7.1. Net debt

(€M)	Consolidated accounts	Minority interests	Group Share
Bank debt	10,158	-3,308	6,850
Cash and cash-equivalents	1,020	-97	923
NET DEBT	9,138	-3,211	5,927

1.4.7.2. Portfolio

(€M)	Consolidated accounts	Portfolio of companies under equity method	Fair value of investment properties	Discontinued activities	Fair value of trading activities	Minority interests	Group Share
Investment & development properties	16,763	1,905	124	117	32	-7,248	11,693
Assets held for sale	298					-70	228
TOTAL PORTFOLIO	17,061	1,905	124	117	32	-7,318	11,921
				Duties			661
				Portfolio Group Share including duties			12,582
				(-) share of companies consolidated under equity method			-559
				(+) Tangible and intangible fixed assets ⁽¹⁾			36
				PORTFOLIO FOR LTV CALCULATION			12,059

⁽¹⁾ Including €28 million of down payments.

1.4.7.3. Interest Coverage Ratio

	Consolidated accounts	Minority interests	Group Share
EBE (Net rents (-) operating expenses (+) results of other activities)	= 419 (-) 50.7 (+) 3.8 = 372.1	-129.7	242.4
Cost of debt	-137.3	(-) -81,3	-56.0
ICR			x 4,32

1.5. EPRA REPORTING

EPRA data reporting is presented only for ongoing operations.

1.5.1. Change in net rental income (Group Share)

(€M)	2016	Acquisitions	Disposals	Developments	Change in percentage held/consolidation method	Indexation, asset management and others	H1 2017
France Offices	118	3	-3	-1	-1	-2	114
Italy Offices	41	1	-1	0	0	3	44
Germany Residential	58	6	-4	0	0	3	64
Hotels in Europe	42	8	-9	1	4	0	45
France Residential	3	0	-1	0	0	0	2
TOTAL	262	18	-17	-1	3	4	269

1.5.1.1. Reconciliation with financial data

(€M)	H1 2017
Total from the table of changes in Net rental income (Group Share)	269
Adjustments	0
TOTAL NET RENTAL INCOME (FINANCIAL DATA 1.3.3)	269
Minority interests	151
TOTAL NET RENTAL INCOME (FINANCIAL DATA 1.3.4)	419

1.5.2. Investment assets – Lease data

- ◆ Annualised rental income corresponds to the gross amount of guaranteed rent for the full year based on existing assets at the period end, excluding any relief.
- ◆ Vacancy rates at the end of the financial period are determined by comparing:

$$\frac{\text{Market rental value of vacant assets}}{\text{Contractual annualised rental income of occupied assets (+) Market rental value of vacant assets}}$$

- ◆ EPRA vacancy rates at the end of the period are determined by comparing:

$$\frac{\text{Market rental value of vacant assets}}{\text{Market rental value of occupied and vacant assets}}$$

(€M) – Group Share	Gross rental income	Net rental income	Annualised rental income	Floor area to lease (m ²)	Average rent (€/m ²)	Vacancy rate at year end	EPRA vacancy rate at year end
France Offices	123	114	269	1,777,765	151	4.7%	5.3%
Italy Offices	53	44	93	1,276,699	150	5.2%	5.3%
Germany Residential	70	64	145	2,981,867	79	1.6%	1.6%
Hotels in Europe	46	45	92	1,556,533	138	0.0%	0.0%
France Residential	4	2	8	91,944	137	N/A	N/A
TOTAL AT 31 DECEMBER 2016	295	269	607	7,684,808	0	3.4%	3.6%

1.5.3 Investment assets – Asset values

- ♦ The EPRA net initial yield is the ratio of:

$$\frac{\text{Annualised rental payments received after deduction of outstanding benefits granted to tenants such as rent-free periods, rent ceilings (-) unrecovered property charges for the year}}{\text{Assets in operation including duties}}$$

(€M) – Group Share	Market value	Change in fair value over the year	Duties	EPRA NIY
France Offices	5,497	120	309	4.5%
Italy Offices	1,924	21	74	4.3%
Hotels & Services	2,911	177	184	4.2%
Germany Residential	1,965	31	102	5.2%
France Residential and parking facilities ⁽¹⁾	261	1	14	2.0%
TOTAL 2016 EXCL. DISCONTINUED ACTIVITIES	12,557	350	683	4.5%

⁽¹⁾ The yield is presented on France residential only.

1.5.3.1. Reconciliation with financial data

(€M)	H1 2017
Total portfolio value (Group Share, market value)	12,557
Fair value of the operating properties	-116
Fair value of companies under equity method	-581
Inventories of real estate companies and others	-15
Fair value of parkings facilities	-33
Intangible fixed assets	14
INVESTMENT ASSETS GROUP SHARE (FINANCIAL DATA 1.3.5)	11,826
Minority interests	6,984
INVESTMENT ASSETS 100% (FINANCIAL DATA 1.3.6)	18,810⁽¹⁾

⁽¹⁾ Fixed assets + Developments assets + Asset held for sale.

(€M)	H1 2017
Change in fair value over the year (Group Share)	350
Others	0
INCOME FROM FAIR VALUE ADJUSTMENTS GROUP SHARE (FINANCIAL DATA 1.3.3)	350
Minority interests	189
INCOME FROM FAIR VALUE ADJUSTMENTS 100% (FINANCIAL DATA 1.3.4)	539

1.5.4. Information on leases

(€M)	Firm residual term of leases	Residual term leases	Lease expiration by date of 1 st exit option				Total %	Total (€M)	Section
			Annualised rental income of leases expiring						
			N+1	N+2	N+3 to 5	Beyond			
France Offices	5.2	6.2	3%	11%	29%	57%	100%	269	1.2.1.6
Italy Offices	6.9	13.1	12%	10%	22%	56%	100%	93	1.2.2.6
Hotels in Europe	10.4	12.3	3%	5%	2%	90%	100%	92	1.2.4.5
TOTAL	6.6	8.8	5%	9%	25%	62%	100%	454	1.1.2.1

1.5.5. EPRA topped-up yield rate

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

(€M) – Group Share	Total 2016	France Offices	Italy Offices	Germany residential	Hotels in Europe	France residential	Total H1 2017
Investment, saleable and operating properties	11,827	5,497	1,924	2,911	1,965	227	12,524
Restatement of assets under development	-181	-89	-55		-22		-166
Restatement of undeveloped land and other assets under development		-58					-58
Restatement of Logistics	-246				-249		-249
Restatement of operating hotel properties	650	309	74	184	102	14	683
Duties	650	309	74	184	102	14	683
Value of assets including duties (1)	11,519	5,329	1,774	3,095	1,763	242	12,202
Gross annualised rental income	575	255	90	145	92	8	589
Irrecoverable property charge	-45	-15	-13	-13		-3	-44
Annualised net rental income (2)	530	240	77	131	92	5	545
Rent charges upon expiration of rent-free periods or other reductions in rental rates	27	14	4				18
Annualised topped-up net rental income (3)	557	254	81	131	92	5	563
EPRA Net Initial Yield (2)/(1)	4.6%	4.5%	4.3%	4.2%	5.2%	2.0%	4.5%
EPRA «Topped-up» Net Initial Yield (3)/(1)	4.8%	4.8%	4.5%	4.2%	5.2%	2.0%	4.6%
Transition from EPRA topped-up NIY to Foncière des Régions yields							
Impact of adjustments of EPRA rents	0.4%	0.3%	0.7%	0.5%	0.0%	1.3%	0.4%
Scope of effect							0.1%
Impact of restatement of duties	0.3%	0.3%	0.2%	0.3%	0.3%	0.2%	0.3%
FONCIÈRE DES RÉGIONS YIELD RATE	5.5%	5.4%	5.5%	5.0%	5.6%	3.4%	5.3%

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

Annualised rental payments received after expiry of benefits granted to tenants such as rent-free periods and rent ceilings (-) unrecoverable property charges

Assets in operation including duties

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

Annualised rental payments received after deduction of outstanding benefits granted to tenants such as rent-free periods, rent ceilings (-) unrecovered property charges for the year

Assets in operation including duties

1.5.6. EPRA cost ratio

(€ thousand) – Group Share	H1 2016	H1 2017
Unrecovered rental costs	-14,006	-14,505
Expenses on properties	-8,744	-7,795
Net losses on unrecoverable receivables	-1,143	-1,222
Other expenses	-1,978	-2,179
Overhead	-38,781	-39,039
Amortisation, impairment and net provisions	1,203	-586
Income covering overheads	8,347	10,359
Cost of other activities and fair value	-1,911	-3,407
Property expenses	-282	-154
EPRA costs (including vacancy costs) (A)	-57,297	-58,526
Vacancy cost	7,277	7,486
EPRA costs (excluding vacancy costs) (B)	-50,020	-51,040
Gross rental income less property expenses	290,220	295,253
Income from other activities and fair value	12,101	12,656
Gross rental income (C)	302,321	307,909
EPRA costs ratio (including vacancy costs) (A/C)	19.0%	19.0%
EPRA costs ratio (excluding vacancy costs) (B/C)	16.5%	16.6%

The calculation of the EPRA cost ratio excludes Car Parks, Logistics and Business and Premises.

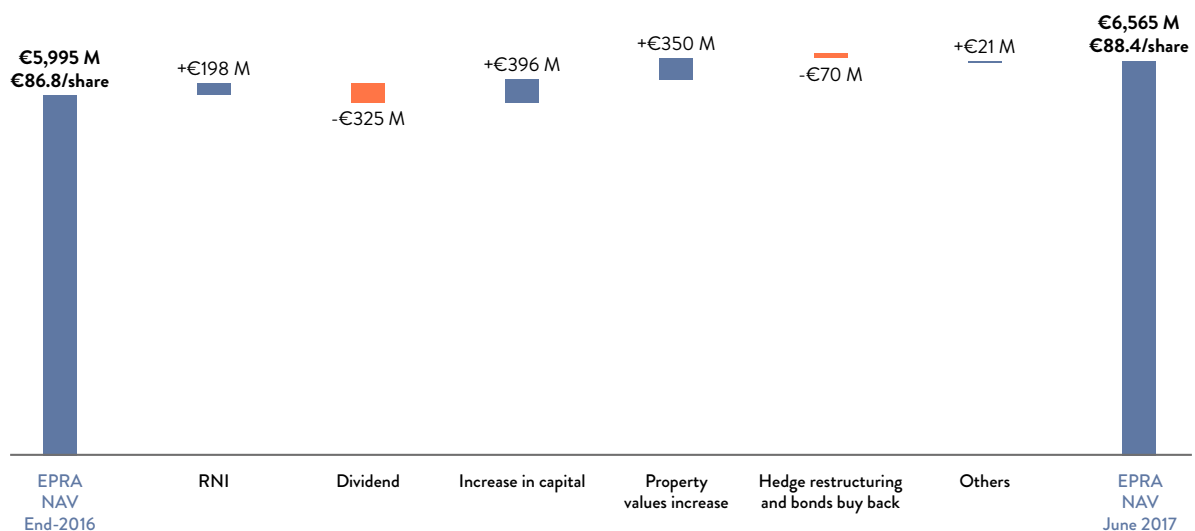
The EPRA cost ratio is stable thanks to the decrease of the costs in German Residential, offsetting the increase in Hotels relating to the signing of «double net» leases in Spain.

1.5.7. EPRA earnings

(€M)	H1 2016	H1 2017
Net income Group Share (Financial data 1.3.3)	411.0	489.0
Change in asset values	-307.7	-350.3
Income from disposal	-1.5	5.0
Acquisition costs for shares of consolidated companies	4.9	1.6
Changes in the values of financial instruments	18.5	-30.4
Deferred tax liabilities	11.3	34.8
Taxes on disposals	0.0	0.2
Adjustments from early repayments of financial instruments	31.1	38.4
Adjustment IFRIC 21	2.6	3.3
RNI adjustments for associates	-11.4	-9.0
Profits or losses on discontinued operations	1.3	0.0
EPRA earnings	160.2	182.7
EPRA earnings/€-shares	2.40	2.49
Specific FDR adjustments:		
Non-recurring operating income (loss)	1.8	4.0
Neutralisation of depreciation and borrowings costs and discounting effects	5.9	4.3
Neutralisation of amortisation and provisions	6.6	4.3
Impact of free shares and actualisation	2.0	3.1
FDR RECURRING NET INCOME (FINANCIAL DATA 1.3.3)	176.6	198.3

1.5.8. EPRA NAV and EPRA NNAV

	2016	H1 2017	Var.	Var. (%)
EPRA NAV (€M)	5,995	6,565	570	9.5%
EPRA NAV/share (€)	86.8	88.4	1.7	1.9%
EPRA NNAV (€M)	5,332	5,975	643	12.1%
EPRA NNAV/share (€)	77.2	80.5	3.3	4.3%
Number of shares	69,099,587	74,231,370	5,131,783	7.4%



	€M	€/share
Shareholders' equity	5,870.6	79.1
Fair value assessment of goodwill	57.5	
Fair value assessment of parking facilities	16.5	
Fixed debt	24.4	
Additional 2016 duties	-21.3	
Restatement of value Excluding Duties	27.2	
EPRA NNNAV	5,974.8	80.5
Financial instruments and fixed rate debt	233.0	
Deferred tax liabilities	304.4	
ORNANE	52.8	
EPRA NAV	6,565.0	88.4
IFRS NAV	5,870.6	79.1

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

The real estate portfolio held directly by the Group was valued on 31 December 2016 by independent real estate experts such as REAG, DTZ, CBRE, JLL, BNP Real Estate, Yard Valtech, VIF, MKG and CFE. This did not include:

- ◆ buildings that do not meet the criteria of the revised IAS 40 (certain buildings in development), which are valued at cost
- ◆ assets on which the sale has been agreed, which are valued at their agreed sale price
- ◆ assets owned for less than 75 days, for which the acquisition value is deemed to be the market value.

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

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

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

For companies shared with other investors, only the Group Share was taken into account.

1.5.8.1. Fair value assessment of operating properties

In accordance with IFRS, operating properties are valued at historical cost. To take into account the appraisal value, a value adjustment is recognised in EPRA NNNAV for a total of €57.5 million.

1.5.8.2. Fair value adjustment for the car parks

Car parks are valued at historical cost in the consolidated financial statements. NAV is restated to take into account the appraisal value of these assets net of tax. The impact on EPRA NNNAV was €6 million at 30 June 2017.

1.5.8.3. Fair value adjustment for the buildings and business goodwill of FDM Management

FDM Management owns and operates hotels. In accordance with IAS 40, these assets are not recognised at fair value in the consolidated financial statements. In line with EPRA principles, EPRA NNNAV is adjusted for the difference resulting from the fair value appraisal of the assets for €14.4 million. The market value of these assets is determined by independent experts.

1.5.8.4. Fair value adjustment for fixed-rate debts

The Group has taken out fixed-rate loans (secured bond and private placement). In accordance with EPRA principles, EPRA NNNAV is adjusted for the fair value of fixed-rate debt.

1.5.8.5. Recalculation of the base cost excluding duties of certain assets

When a company, rather than the asset that it holds, can be sold off, transfer duties are recalculated based on the company's NAV. The difference between these recalculated duties and the transfer duties already deducted from the value.

1.5.9. EPRA performance indicator reference table

EPRA information	Section	Amount in %	Amount in €M	Amount in €/share
EPRA Earnings	1.5.7		182.7	2.5
EPRA NAV	1.5.8		6,565.0	88.4
EPRA NNNNAV	1.5.8		5,974.8	80.5
EPRA NAV/IFRS NAV reconciliation	1.5.8			
EPRA net initial yield	1.5.5	4.5%		
EPRA topped-up net initial yield	1.5.5	4.6%		
EPRA vacancy rate at year-end	1.5.2	3.6%		
EPRA costs ratio (including vacancy costs)	1.5.6	19.0%		
EPRA costs ratio (excluding vacancy costs)	1.5.6	16.5%		
EPRA indicators of main subsidiaries	1.5.5			

1.6. FINANCIAL INDICATORS OF THE MAIN ACTIVITIES

	Foncière des Murs			Beni Stabili		
	2016	H1 2017	Var. (%)	2016	H1 2017	Var. (%)
Recurring net income (€M)	69.0 ⁽¹⁾	78.1	13.1%	51.3 ⁽¹⁾	55.7	8.4%
EPRA NAV (€M)	2097	2,323	10.8%	1924.3	1,888	-1.9%
EPRA NNNNAV (€M)	1873	2,112	12.8%	1834.8	1,830	-0.3%
% of capital held by FDR	49.9%	50.0%	+0.1 pt	52.2%	52.2%	N/A
LTV Including Duties	32.5%	34.8%	+2.3 pts	51.6%	46.1%	-5.5 pts
ICR	4.6	5.7	+1.09	2.6	2.7	+0.07

⁽¹⁾ H1 2016.

	Immeo		
	2016	H1 2017	Var. (%)
Recurring net income (€M)	51.2 ⁽¹⁾	62.4	21.9%
EPRA NAV (€M)	2020	2,383	17.9%
EPRA NNNNAV (€M)	1640	1,967	19.9%
% of capital held by FDR	61.0%	61.0%	N/A
LTV Including Duties	42.0%	40.8%	-1.1 pt
ICR	3.5	4.5	+0.93

⁽¹⁾ H1 2016.

2

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2017



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2.1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2017

2.1.1. Statement of financial position

ASSETS

(€K)	Note	30/06/2017	31/12/2016
INTANGIBLE FIXED ASSETS	2.2.5.1.2		
Goodwill		1,572	1,572
Other intangible fixed assets		24,659	24,410
TANGIBLE FIXED ASSETS	2.2.5.1.2		
Operating properties		67,296	66,810
Other tangible fixed assets		8,492	8,970
Fixed assets in progress		66,247	74,761
Investment properties	2.2.5.1.3	18,329,204	16,763,445
Non-current financial assets	2.2.5.2.2	254,241	255,092
Investments in equity affiliates	2.2.5.3.2	364,096	345,392
Deferred tax assets	2.2.5.4	12,319	10,990
Long-term derivatives	2.2.5.11.5	22,458	24,322
Total non-current assets		19,150,585	17,575,764
Assets held for sale	2.2.5.1.3	480,627	297,894
Loans & receivables	2.2.5.5	12,893	17,851
Inventories and work-in-progress	2.2.5.6.2	32,915	34,683
Short-term derivatives	2.2.5.11.5	15,504	16,370
Trade receivables	2.2.5.7	332,572	270,596
Tax receivables		11,447	5,098
Other receivables	2.2.5.8	123,591	117,841
Accrued expenses		17,415	12,148
Cash and cash equivalents	2.2.5.9	1,020,065	1,082,793
Discontinued operations ⁽¹⁾		0	69,391
Total current assets		2,047,029	1,924,665
TOTAL ASSETS		21,197,614	19,500,429

⁽¹⁾ As of 1 January 2017, following the merger of FEL with Foncière des Régions, the residual logistics operations (not material at the Group level) are no longer included under discontinued operations and have been reclassified under France Offices in the financial statements.

LIABILITIES

(€K)	Note	30/06/2017	31/12/2016
Share capital		221,611	206,274
Share premium account		2,783,303	2,480,609
Treasury shares		-5,327	-7,496
Consolidated reserves		2,381,959	1,840,211
Net income		489,026	782,774
Total shareholders' equity, Group Share	2.2.5.10	5,870,573	5,302,372
Non-controlling interests		3,718,578	3,165,604
Total shareholders' equity		9,589,151	8,467,976
Long-term borrowings	2.2.5.11.2	8,437,626	8,384,176
Long-term derivatives	2.2.5.11.5	285,359	361,037
Deferred tax liabilities	2.2.5.4	493,659	410,044
Pension and other liabilities	2.2.5.12.2	49,238	49,597
Other long-term liabilities		14,581	8,943
Total non-current liabilities		9,280,463	9,213,797
Liabilities held for sale		0	0
Trade payables		212,022	114,100
Short-term borrowings	2.2.5.11.2	1,720,821	1,353,105
Short-term derivatives	2.2.5.11.5	69,679	67,833
Security deposits		4,054	5,074
Advances and pre-payments received		158,482	159,329
Short-term provisions	2.2.5.12.2	8,841	9,599
Current tax		16,950	14,374
Other short-term liabilities	2.2.5.13	119,074	53,035
Pre-booked income		18,077	14,819
Discontinued operations		0	27,388
Total current liabilities		2,328,000	1,818,656
TOTAL LIABILITIES		21,197,614	19,500,429

2.1.2. Statement of net income

(€K)	Note	30/06/2017	30/06/2016
Rental Income	2.2.6.2.1	459,380	452,288
Unrecovered rental costs	2.2.6.2.2	-26,126	-23,359
Expenses on properties	2.2.6.2.2	-12,323	-13,986
Net losses on unrecoverable receivables	2.2.6.2.2	-1,932	-2,254
Net rental income		418,999	412,689
Management and administration income		9,567	6,868
Business expenses		-3,120	-2,331
Overhead		-56,849	-52,301
Development costs (not capitalised)		-249	-679
Net cost of operations	2.2.6.2.3	-50,651	-48,443
Income from other activities		14,035	25,927
Expenses of other activities		-10,190	-16,380
Income from other activities	2.2.6.2.4	3,845	9,547
Depreciation of operating assets		-4,408	-7,026
Net allowances to provisions and other	2.2.5.12.2	-789	-2,836
OPERATING PROFIT		366,996	363,931
Proceeds from disposals of trading properties		3,582	2,653
Exit value and/or amortisations of trading properties		-4,116	-1,615
Net income from inventory properties		-534	1,038
Income from asset disposals		235,544	562,091
Carrying value of investment properties sold		-236,159	-561,054
Income from asset disposals		-615	1,037
Gains in value of investment properties		614,517	487,000
Losses in value of investment properties		-75,287	-57,191
Net valuation gains and losses	2.2.6.3	539,230	429,809
Income from disposal of securities		-6,315	-17
Income from changes in scope	2.2.6.4	-2,477	-7,627
OPERATING INCOME		896,285	788,171
Income from non-consolidated companies		0	-1
Cost of net financial debt	2.2.6.5	-137,304	-113,821
Fair value adjustment on derivatives	2.2.6.6	33,740	-32,899
Discounting of liabilities and receivables	2.2.6.6	-2,774	-1,567
Net change in financial and other provisions	2.2.6.6	-12,080	-34,656
Share in income of equity affiliates	2.2.5.3.2	22,279	17,776
PRE-TAX NET INCOME		800,146	623,003
Deferred tax	2.2.6.7.2	-57,638	-22,069
Recurrent Tax	2.2.6.7.2	-6,254	-5,648
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS		736,254	595,286
Profit (loss) after tax of discontinued operations		0	-1,412
Net income (loss) from discontinued operations		0	-1,412
NET INCOME FOR THE PERIOD		736,254	593,874
Net income from non-controlling interests		-247,227	-182,847
NET INCOME FOR THE PERIOD – GROUP SHARE		489,026	411,027
Group net income per share (€)	2.2.7.2	6.67	6.15
Group diluted net income per share (€)	2.2.7.2	6.63	6.12

2.1.3. Statement of comprehensive income

(€K)	30/06/2017	30/06/2016
NET INCOME FOR THE PERIOD	736,254	593,874
Other items in the comprehensive income statement recognised directly in shareholders' equity and:		
Destined for subsequent reclassification in the "Net income" section of the income statement		
Actuarial losses on employee benefits		
Effective portion of gains or losses on hedging instruments	13,750	-23,506
Tax on other items of comprehensive income	0	0
Not destined for subsequent reclassification in the "Net income" section	0	0
Other items of comprehensive income	13,750	-23,506
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	750,004	570,368
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE		
To the owners of the parent company	494,379	398,750
To non-controlling interests	255,624	171,618
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	750,004	570,368
Group net income per share	6.75	5.97
Group diluted net income per share	6.71	5.93

2.1.4. Statement of changes in shareholders' equity

(€K)	Share capital	Share premium account	Treasury shares	Non distributed reserves and income (loss)	Gains and losses recognised directly in shareholders' equity	Group share of total shareholders' equity	Non-controlling interests	Total shareholders' equity
Position at 31 December 2015	199,889	2,449,065	-4,264	2,025,208	-30,575	4,639,323	3,088,884	7,728,207
Distribution of dividends		-80,312		-206,254		-286,566	-136,998	-423,564
Capital increase	4,952	108,270				113,222		113,222
Allocation to the legal reserve		-486		486		0		0
Other			-2,535	69		-2,466	26	-2,440
Total comprehensive income for the period				411,027	-12,277	398,750	171,618	570,368
Of which actuarial gains and losses on post-employment benefits (IAS 19 revised)						0		0
Of which effective portion of gains or losses on hedging instruments					-12,277	-12,277	-11,229	-23,506
Of which net income (loss)				411,027		411,027	182,847	593,874
Impact of change in shareholding/ Capital increase				7,418		7,418	-154,689	-147,271
Shared-based payments				2,230		2,230		2,230
Position at 30 June 2016	204,841	2,476,538	-6,799	2,240,184	-42,852	4,871,912	2,968,841	7,840,753
Distribution of dividends						0	-14,714	-14,714
Capital increase	1,433	4,202				5,635		5,635
Allocation to the legal reserve		-131		131		0		0
Other			-697	-70		-767	-22	-789
Total comprehensive income for the period				371,747	18,382	390,129	170,311	560,440
Of which changes due to revaluation of financial assets available for sale						0		0
Of which actuarial gains and losses on post-employment benefits (IAS 19 revised)					-469	-469	-297	-766
Of which effective portion of gains or losses on hedging instruments					18,851	18,851	17,178	36,029
Of which net income (loss)				371,747		371,747	153,430	525,177
Impact of change in shareholding/ Capital increase				3,382		3,382	41,188	44,570
Impact of conversion of ORNANE-type bonds				29,253		29,253		29,253
Shared-based payments				2,828		2,828		2,828
Position at 31 December 2016	206,274	2,480,609	-7,496	2,647,455	-24,470	5,302,372	3,165,604	8,467,976

(€K)	Share capital	Share premium account	Treasury shares	Non distributed reserves and income (loss)	Gains and losses recognised directly in shareholders' equity	Group share of total shareholders' equity	Non-controlling interests	Total shareholders' equity
Position at 31 December 2016	206,274	2,480,609	-7,496	2,647,455	-24,470	5,302,372	3,165,604	8,467,976
Distribution of dividends		-76,061		-248,670		-324,731	-207,172	-531,903
Capital increase	15,337	380,278		-11		395,604	465,445	861,049
Allocation to the legal reserve		-1,523		1,523		0		0
Other			2,169	-1,527		642	470	1,112
Total comprehensive income for the period				489,026	5,353	494,379	255,624	750,003
Of which actuarial gains and losses on post-employment benefits (IAS 19 revised)						0		0
Of which effective portion of gains or losses on hedging instruments					5,353	5,353	8,397	13,750
Of which net income (loss)				489,026		489,026	247,227	736,253
Impact of change in shareholding/Capital increase				-722		-722	38,607	37,885
Shared-based payments				3,029		3,029		3,029
POSITION AT 30 JUNE 2017	221,611	2,783,303	-5,327	2,890,103	-19,117	5,870,573	3,718,578	9,589,151

Dividends paid in cash during the period amounted to €324.7 million, including €76.0 million applied to the share premium and merger premium accounts and €248.7 million to net income and retained earnings.

During the first half of 2017, Foncière des Régions undertook a capital increase of €400 million (€395.6 million net of costs) by issuing 5,076,786 new shares, i.e. €15.2 million of par value (€3.00 per share) and €380.4 million of share premium (€75.79 per share) and vested award of 35,812 bonus shares.

The increase in investments not giving control of nearly €550 million resulted from period net income to non-controlling interests (+€247 million), the capital increases in Foncière des Murs companies (+€155 million) and Immeo SE (+€38 million), the split up Central Sicaf (60% Beni Stabili, 40% other partners) (+€272 million) and distributions during the period (-€207 million).

2.1.5. Statement of cash flows

(€K)	Note	30/06/2017	31/12/2016
Total consolidated net income of continuing operations		736,254	1,123,251
Total consolidated net income of discontinued operations		0	-4,197
Net consolidated income (including minority interests)		736,254	1,119,054
Net amortisation, depreciation and provisions (excluding provisions relating to current assets)		7,052	25,801
Unrealised gains and losses relating to changes in fair value	2.2.5.11.5 & 2.2.6.3	-572,185	-670,248
Income and expenses calculated on stock options and related share-based payments		3,542	5,457
Other calculated income and expenses		11,511	33,658
Gains or losses on disposals		3,856	-92,240
Gains or losses from dilution and accretion		0	-19
Share of income from companies accounted for under the equity method		-22,262	-27,374
Dividends (non-consolidated securities)		0	0
Cash flow from continuing operations after tax and cost of net financial debt		167,768	398,286
Cash flow from discontinued operations after tax and cost of net financial debt		0	4,788
Cash flow after tax and cost of net financial debt		167,768	403,074
Cost of net financial debt	2.2.6.5	137,304	236,270
Income tax expense (including deferred taxes)	2.2.6.7.2	63,892	67,616
Cash flow from continuing operations before tax and cost of net financial debt		368,964	702,172
Cash flow from discontinued operations before tax and cost of net financial debt		0	10,175
Cash flow before tax and cost of net financial debt		368,964	712,347
Taxes paid		-11,097	-63,705
Change in working capital requirements on continuing operations (including employee benefits liabilities)		-7,306	-17,478
Net cash flow provided by operating activities of continuing operations		350,561	620,989
Net cash flow provided by operating activities of discontinued operations		0	62,849
Net cash flow provided by operating activities		350,561	683,838
Impact of changes in the scope of consolidation ⁽¹⁾		-372,219	-223,158
Disbursements related to acquisition of tangible and intangible fixed assets	2.2.5.1.2	-797,470	-845,178
Proceeds relating to the disposal of tangible and intangible fixed assets	2.2.5.1.2	233,920	1,246,888
Disbursements relating to acquisition of financial assets (non-consolidated securities)		102	-140
Proceeds relating to the disposal of financial assets (non-consolidated securities)		726	5,191
Dividends received (companies accounted for under the equity method, non-consolidated securities)		8,964	109,004
Change in loans and advances granted		-6,353	-39,642
Investment grants received		0	0
Other cash flow from investment activities		4,565	-1,803
Net cash flow from investing activities of continuing operations		-927,765	251,162
Net cash flow from investing activities of discontinued operations		0	61,841
Net cash flow from investment activities		-927,765	313,003

(€K)	Note	30/06/2017	31/12/2016
Impact of changes in the scope of consolidation ⁽²⁾		265,595	-191,820
Amounts received from shareholders in connection with capital increases:			
Paid by parent company shareholders		395,604	178,659
Paid by minority shareholders of consolidated companies		139,621	0
Purchases and sales of treasury shares		1,081	-3,182
Dividends paid during the fiscal year:			
Dividends paid to parent company shareholders	2.1.4	-324,731	-286,566
Dividends paid to non-controlling interests of consolidated companies	2.1.4	-153,400	-151,712
Proceeds related to new borrowings	2.2.5.11.2	1,806,056	3,257,344
Repayments of borrowings (including finance lease agreements)	2.2.5.11.2	-1,476,119	-3,167,474
Net interest paid (including finance lease agreements)		-162,558	-244,239
Other cash flow from financing activities		-42,129	-89,923
Net cash flow from financing activities of continuing operations		449,020	-698,913
Net cash flow from financing activities of discontinued operations		0	-128,335
Net cash flow from financing activities		449,020	-827,248
Impact of changes in accounting policies		0	0
Change in net cash of continuing operations		-128,184	173,238
Change in net cash of discontinued operations		0	-3,645
CHANGE IN NET CASH		-128,184	169,593
Opening cash position		1,060,137	890,544
Closing cash position		931,953	1,060,137
CHANGE IN CASH AND CASH EQUIVALENTS		-128,184	169,593

(€K)		30/06/2017	31/12/2016
Gross cash flow from continuing operations (A)	2.2.5.9.2	1,020,065	1,082,793
Gross cash flow from discontinued operations (A)		0	55
Debit balances and bank overdrafts from continuing operations (B)	2.2.5.11.2	-85,817	-15,797
Debit balances and bank overdrafts from discontinued operations (B)		0	-54
Net cash and cash equivalents (C) = (A) - (B)		934,248	1,066,997
Of which available net cash of continuing operations		931,953	1,060,136
Of which available net cash of discontinued operations		0	1
Of which unavailable net cash and cash equivalents		2,295	6,860
Gross debt (D)	2.2.5.11.2	10,148,059	9,788,444
Amortisation of financing costs (E)	2.2.5.11.2	-75,429	-66,960
NET DEBT (D) - (C) + (E)		9,138,382	8,654,487

⁽¹⁾ The impact of changes in scope of consolidation resulting from investing activities (§ 39 of IAS 7) of -€372.2 million mainly reflected outflows for the acquisition of companies in the Germany Residential (-€254.2 million) and Hotels and Service sectors (-€117.7 million).

⁽²⁾ The +€265.6 million impact of changes in the scope of consolidation related to financing activities (§ 42A of IAS 7) primarily corresponds to:
 - disbursements related to the acquisition of additional stakes in Foncière des Murs (-€2.2 million)
 - proceeds related to the sale of the investment in Central Sicaf in the Italy Offices segment (+€267.9 million net of costs).

2.2. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.2.1. General principles

2.2.1.1. Accounting standards

The condensed consolidated financial statements of the Foncière des Régions group as at 30 June 2017 were prepared in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”. Since they are condensed statements, they do not include all of the information required by IFRS guidelines and must be read in conjunction with the annual financial statements of the Foncière des Régions group for the year ending on 31 December 2016.

The financial statements were approved by the Board of Directors on 20 July 2017.

Accounting principles and methods used

The accounting principles applied for the condensed consolidated financial statements as at 30 June 2017 are identical to those used for the consolidated financial statements as at 31 December 2016, except for new standards and amendments whose application was mandatory on or after 1 January 2017 and which were not applied early by the Group.

New standards awaiting adoption by the European Union, whose application is possible as of 1 January 2017:

- ◆ amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealised Losses”, published on 19 January 2016; its adoption by the European Union is expected in the second half of 2017. The amendment provides clarification on how to estimate the existence of future taxable profit
- ◆ amendments to IAS 7 “Disclosure Initiative”, published on 29 January 2016; its adoption by the European Union is expected in the second half of 2017. As part of its overall reflection on the presentation of financial statements, the IASB published amendments to IAS 7 “Statement of cash flows”. Under these amendments, entities must provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, whether or not these changes stem from cash flows
- ◆ annual improvements to IFRS (2014-2016 cycle), published on 8 December 2016; its adoption by the European Union is expected in the second half of 2017. Early adoption of the IAS 28 Amendment is possible.

The new amendments and standards adopted by the European Union for which application was not mandatory at 1 January 2017 and which are not being applied early by the Foncière des Régions group are:

- ◆ IFRS 15 “Revenue from Contracts with Customers”, adopted by the European Union on 22 September 2016; according to the IASB, the amendments should come into force on 1 January 2018. 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.

For the Group, this standard could have an impact on real estate development activities, for which an analysis is underway.

- ◆ IFRS 9 “Financial instruments: Hedge Accounting”, adopted by the European Union on 22 November 2016; according to the IASB, the standard should come into force on 1 January 2018. This standard will replace IAS 39 “Financial Instruments” and should have only a limited impact on the financial statements.

IFRS standards and amendments published by the IASB but not adopted by the European Union, not yet mandatory for fiscal years beginning on or after 1 January 2017:

- ◆ amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”, published on 20 June 2016; according to the IASB, the amendments should come into force on 1 January 2018. Its adoption by the European Union is expected in the second half of 2017. 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
- ◆ amendments to IFRS 15, published on 12 April 2016; according to the IASB, the amendments should come into force on 1 January 2018. Its adoption by the European Union is expected in the second half of 2017. Clarifications have been made to IFRS 15 concerning the following: identification of performance obligations, principal versus agent application, licenses, and transitory provisions

- ◆ IFRS 16 “Leases”; according to the IASB, the amendments should come into force on 1 January 2019. Its adoption by the European Union is expected in the second half of 2017. 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 tenant’s balance sheet, providing better visibility on their assets and liabilities. An analysis of the impacts for the Group is under way. At 30 June 2017, the estimated impact of the standard on the financial statements is not significant
- ◆ amendments to IAS 40 “Transfers of Investment Property”, published on 8 December 2016; according to the IASB, the amendments should come into force on 1 January 2018. Its adoption by the European Union is expected in the second half of 2017
- ◆ 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.

2.2.1.2. 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.

2.2.2. Financial risk management

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

2.2.2.1. 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. These risks can be assessed in light of the schedule of properties under development (§2.2.5.1.4).

The significant estimates made by the Foncière des Régions group 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.

Because of the uncertainties inherent in any valuation process, the Foncière des Régions group reviews its estimates based on regularly updated information. The future results of the transactions in question may differ from these estimates.

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.

2.2.1.3. Operating segments

The operating segments of the Foncière des Régions group are detailed in paragraph 2.2.8.1.

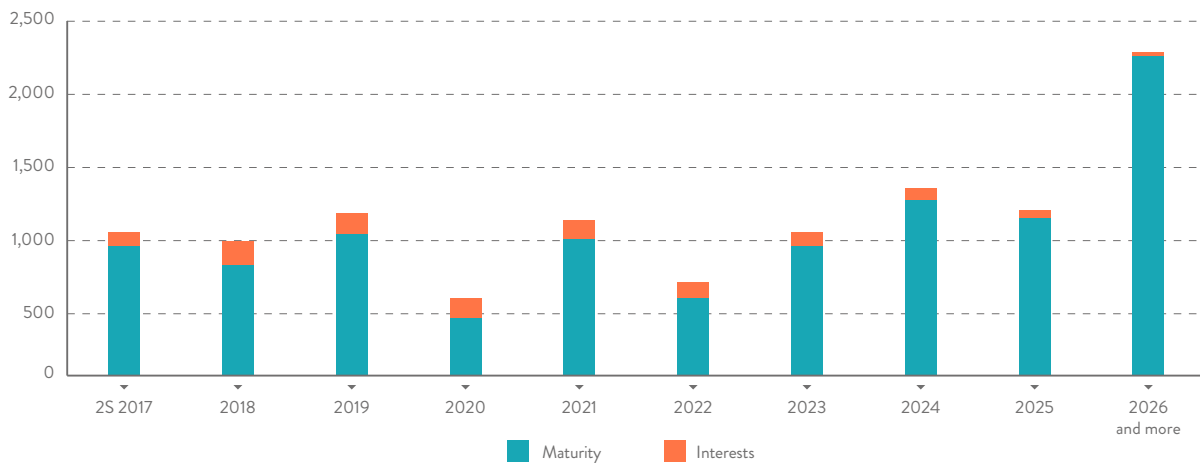
2.2.1.4. IFRS 7 – Reference table

◆ Liquidity risk	§ 2.2.2.2
◆ Financial expense sensitivity	§ 2.2.2.3
◆ Credit risk	§ 2.2.2.4
◆ Market risk	§ 2.2.2.6
◆ Sensitivity of the fair value of investment properties	§ 2.2.5.1.3
◆ Covenants	§ 2.2.5.1.6

2.2.2.2. 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 30 June 2017, Foncière des Régions’ available cash and cash equivalents amounted to €2,392 million, including €1,208 million in usable unconditional credit lines, €1,020 million in investments and €164 million in unused overdraft facilities.

The graph below summarises the maturities of borrowings (in €M), including treasury bills existing as at 30 June 2017:



30 June 2017 maturities include €890.4 million in treasury bills.

The amount of interest payable up to the maturity of the debt, estimated on the basis of the outstanding amount at 30 June 2017 and the average interest rate on the debt, totalled €1,048 million.

Details concerning the debt maturities are provided in Note 2.2.5.11.3, and a description of the banking covenants and accelerated payment clauses included in the loan agreements is presented in Note 2.2.5.11.6.

During the first half of 2017 the Group continued to diversify its sources of finance, reduce the cost of debt and extend its maturity.

◆ France Offices

In June 2017, Foncière des Régions proceeded to a successful €500 million bond issue, maturing in 2027, with a fixed coupon of 1.5%. At the same time, the Group redeemed €273.1 million and 55% of the bond issue maturing in 2021 and bearing interest at the rate of 1.75%.

◆ Italy Offices

In March 2017, Beni Stabili redeemed its €270 million ORNANE-type bond maturing in April 2019, thus reducing the risk of future dilution. Beni Stabili also renewed over €150 million in corporate lines with its operational banks.

◆ Hotels and Service sector

In March 2017, Foncière des Murs took mortgage financing of €278.5 million for 8 years as part of the acquisition of 17 hotels in Spain. In May 2017, it also refinanced a portfolio of 166 B&B assets in France in the amount of €290 million for 7 years.

◆ Germany Residential

During the first half of 2017, Immeo SE took out several mortgage loans as part of its acquisitions, including €115 million for 10 years to acquire a portfolio of 1,872 units in Berlin, Dresden and Leipzig and €32 million for 10 years to finance its acquisition of 330 units in Berlin.

Immeo has also continued to refinance older debts to optimise their maturity and financial conditions. A financing backed by a

portfolio of 3,082 units in the Essen and Duisburg regions was raised in the amount of €140 million for 10 years.

2.2.2.3. Interest rate risk

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

Wherever possible, bank debt is for the most part hedged via financial instruments (see 2.2.5.11.5). At 30 June 2017, after taking interest rate swaps into account, approximately 73% of the Group's debt was 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 an increase of 100 bps on rates as at 30 June 2017 was -€3,276 thousand on recurring net income, Group share, in 2017
- ◆ the impact of an increase of 50 bps on rates as at 30 June 2017 was -€1,238 thousand on recurring net income, Group share, in 2017
- ◆ the impact of a decrease of 50 bps on rates as at 30 June 2017 was +€642 thousand on net recurring income, Group share, in 2017.

2.2.2.4. Financial counterparty risk

Given Foncière des Régions' 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 Foncière des Régions 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 Company continually monitors its exposure to financial counterparty risk. The Company'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. For the first half of 2017, this amounted to €3,524 thousand.

2.2.2.5. Lease counterparty risk

Foncière des Régions' rental income is subject to a certain degree of concentration, to the extent that the principal tenants (Orange, Telecom Italia, AccorHotels, Suez Environnement, B&B, EDF) generate the main part of the annual rental income.

Foncière des Régions 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.

2.2.2.6. 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 Company'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, particularly in the office sector. 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 Foncière des Régions 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 city centres
- ◆ 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 Foncière des Régions 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.

The sensitivity of the fair value of investment properties to changes in capitalisation rates is analysed in § 2.2.5.1.3.

2.2.2.7. Exchange rate risk

The Company operates in the Euro zone. It is therefore not exposed to exchange rate risk.

2.2.2.8. Risks related to changes in the value of shares and bonds

The Group is exposed to risks for two classes of shares (see § 2.2.5.2.2).

This risk primarily involves listed securities in companies consolidated using the equity method, which are valued according to their value in use. Value in use is determined based on independent assessments of the real estate assets and financial instruments.

In addition, Foncière des Régions and Beni Stabili issued bonds (ORNANE) valued at their fair value in the income statement at each closing. The fair value corresponds to the monthly closing price of the bond, exposing the Group to changes in the value of the bond. The specific features of the ORNANE are described in Note 2.2.5.11.4.

2.2.2.9. Tax environment

2.2.2.9.1. Changes in the French tax environment

The French tax environment has not seen any changes affecting the Group's fiscal situation since 1 January 2017.

2.2.2.9.2. Changes in the Italian tax environment

The changes in the Italian tax environment concern the corporation tax rate (IRES by the Italian acronym), which is lowered from 27.5% to 24% as of fiscal years ending in 2017.

2.2.2.9.3 Changes in the German tax environment

The Group has not observed any significant change in the German tax environment.

2.2.2.9.4. Tax risks

Given the ongoing changes to tax legislation, the Group is likely to be subject to reassessment proposals from the Tax Administration. If our counsel believes that an adjustment presents a risk of reassessment, a provision is made. The list of the main ongoing proceedings includes the following:

◆ Foncière des Régions tax inspection

Foncière des Régions' accounts were audited for the 2012 and 2013 fiscal years, which resulted in a reassessment proposal in December 2015 for corporate value added tax (CVAE) and corporate tax generating:

- ◆ a €9.7 million tax impact on the principal, relating to (i) the corporation tax, with a correlative increase in deficits on the taxable segment in the amount of €36.6 million and (ii) the CVAE. The Group is disputing this reassessment and, based on the analysis by the Company's legal counsels, no provision was recorded to that effect as at 30 June 2017. The reassessment proposal concerning a reduction in deficits in the taxable segment of €1 million on a total of €240 million was accepted
- ◆ a new reassessment proposal concerning the 2014 corporation tax was received as a follow-up to the reassessment made for 2012 and 2013, generating a financial impact of €3.9 million in principal. On the same basis as for the 2012 and 2013 financial years, this reassessment proposal is being contested and, based on the analysis by the Company's legal counsels, no provision was recorded to that effect as at 30 June 2017.

◆ Foncière Europe Logistique tax audit (merged with and into Foncière des Régions on 31 December 2016)

A corporate income tax reassessment proposal was received by Foncière Europe Logistique amounting to €3.2 million for fiscal years 2007 and 2008, followed by a tax collection procedure and a payment during the first half of 2012. Foncière Europe Logistique is nonetheless contesting this reassessment and filed a claim against it. The Tax Administration rejected the claim on the merits but nevertheless granted an abatement of €2.4 million in principal and interest to take into account the fact that the financial consequences were spread out over 2008, 2009, 2010 and 2011. Since 2009 was prescribed, a final abatement of €0.8 million was obtained.

The case was referred to the Administrative Court, which rejected Foncière Europe Logistique's application in December 2015. A hearing before the Administrative Appeals Court of Versailles was held on 27 June 2017, with the ruling still expected. Based on the analysis by legal counsel, this dispute has not been provisioned as at 30 June 2017.

An accounting audit pertaining to the 2010 and 2011 fiscal years took place during the 2013 fiscal year, which ended in a reassessment proposal on the corporate tax for €3.5 million on the same grounds as the previous reassessment proposal for 2007 and 2008. This rectification was followed by a tax collection procedure and payment. The case was referred to the Administrative Court, which rejected Foncière Europe Logistique's request in June 2016. A hearing before the Administrative Appeals Court of Versailles was held on 27 June 2017, with the ruling still expected. Based on the analysis by legal counsel, this dispute has not been provisioned as at 30 June 2017.

An audit of Foncière Europe Logistique's accounts was conducted covering the 2012 and 2013 fiscal years, and culminated in a proposed corporate tax reassessment amounting to €1.3 million, on the same grounds as the previous reassessment proposal for 2007 to 2011. The case has been referred to the Administrative Court. Based on the analysis by legal counsel, this dispute has not been provisioned as at 30 June 2017.

◆ Foncière des Murs tax audit

Foncière des Murs underwent an accounting audit for the 2010 and 2011 fiscal years, which resulted in a reassessment proposal for the CVAE in the amount of €2.4 million. This reassessment proposal was confirmed in April 2015 following administrative reviews. It gave rise to a tax collection procedure and payment in the first half of 2016. The proposal is being contested in its entirety, and, based on the analysis by the Company's legal counsels, no provision was recorded to that effect as at 30 June 2017.

Foncière des Murs' accounts were also audited for the 2012, 2013 and 2014 fiscal years, which resulted in a reassessment proposal in December 2015 for corporate value added tax (CVAE) in the amount of €2 million, on the same grounds as the previous reassessment proposal for 2010 and 2011. This reassessment proposal was confirmed in May 2016 following administrative reviews. It gave rise to a tax collection procedure and payment in the second half of 2016. The proposal is being contested in its entirety, and, based on the analysis by the Company's legal counsel, no provision was recorded to that effect as at 30 June 2017.

◆ SNC Otello (Foncière des Murs subsidiary) tax audit

SNC 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 proposal was confirmed in April 2015 following administrative reviews. It gave rise to a tax collection procedure and payment in the first half of 2016. This proposal is being contested in its entirety, and, based on analysis by the Company's legal counsel, no provision was recorded to that effect as at 30 June 2017.

◆ République tax audit

République had a tax audit for the 2008, 2009 and 2010 fiscal years. A tax reassessment proposal for 2008, which has no impact on the corporate income tax owed, was received at the end of December 2011. On 6 June 2017, the Administrative Court of Montreuil found in the company's favour.

◆ Tax audits of the Germany Residential segment

Immeo and all its subsidiaries had a tax audit for the 2011, 2012 and 2013 fiscal years. These audits are ongoing. No provision has been set aside for these audits as at 30 June 2017.

◆ Tax audits of the Italy Offices segment

◆ Comit Fund tax dispute – Beni Stabili

On 17 April 2012, following a court decision, the Italian tax administration refunded the debt borne by Beni Stabili for the Comit Fund dispute (principal: €58.2 million and interest: €2.3 million). In April 2012, the Tax Administration appealed this decision. The Court of Appeal ruled in favour of the Tax Administration on 18 December 2015.

The dispute with the Tax Administration was settled with the payment of €55 million. The €56.2 million provision set aside in 2015 was reversed as at 31 December 2016.

However, Comit Fund and Beni Stabili have not entered a joint agreement to definitely ratify that they each will pay an equal share of this adjustment. A civil arbitration proceeding has been initiated by Comit Fund.

◆ Tax audits

Beni Stabili had a tax audit for the 2008, 2009, 2010 and 2011 fiscal years. The tax administration issued reassessments in the amount of €9.8 million for the principal, which is disputed by the company in its entirety. The dispute was ongoing at 30 June 2017 and no provision has been recorded for the adjustment.

2.2.2.9.5. Deferred tax liabilities

Most of the Group's property companies have opted for the SIIC regime in France or for the SIIC regime in Italy. The impact of deferred tax liabilities is therefore essentially related to the Germany Residential segment and to investments in the Hotels and Service sector for which the SIIC regime is not applicable (Germany, Belgium, Netherlands and Portugal).

2.2.3. Scope of consolidation

2.2.3.1. Accounting principles applicable to the scope of consolidation

2.2.3.1.1. Consolidated subsidiaries and structured entities – IFRS 10

These financial statements include the financial statements of Foncière des Régions and the financial statements of the entities (including structured entities) that it controls and its subsidiaries.

The Foncière des Régions group 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 a manner as to affect the amount of returns that it receives.

The Foncière des Régions 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.

2.2.3.1.2. 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.

2.2.3.1.3. Partnerships (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 accounted for 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.

2.2.3.2. Additions to the scope of consolidation**2.2.3.2.1. France Offices segment**

Creation of SNC Opco Network, dedicated to co-working, with no operations to date. This company is fully consolidated and 100% owned.

2.2.3.2.2. Hotels and Service sector

- ◆ Creation of Investment FDM Racatierra for the acquisition of 15 assets in Spain with recognition of the rental income as of 1 January 2017. This company is wholly owned by Foncière des Murs.
- ◆ The effective transfer of ownership of the equity in two Spanish companies, S.L. Bardiomar and Trade Center Hotel effective 1 January 2017. Trade Center Hotel owns the Gran Marina hotel in Barcelona and is wholly owned.

S.L. Bardiomar owns a hotel in Barcelona and was acquired at 50% ownership by Foncière des Murs. The remaining 50% will be acquired in the second half of 2017.

Investment FDM Rocatierra and Trade Center Hotel are fully consolidated, with 50% percentage interest.

Since Foncière des Murs controls that company and Foncière des Régions controls Foncière des Murs, Bardiomar is fully consolidated, as a 25% percentage interest.

2.2.3.2.3. Germany Residential segment

During the first half of 2017, Foncière des Régions kept up a steady pace of acquisitions by acquiring 19 companies with 2,342 assets located principally in Berlin, Potsdam and Leipzig:

- ◆ as of 1 January 2017, three companies were acquired with 225 assets and fully consolidated as a 64.92% interest
- ◆ as of 28 February 2017, six companies were acquired with 1,848 assets and fully consolidated, 64.88% owned
- ◆ as of 31 May 2017, ten companies were acquired with 269 assets and fully consolidated, 64.88% owned.

2.2.3.3. Internal restructuring**2.2.3.3.1. France Offices segment**

Universal transfer of the assets of SARL 11 rue Victor Leroy to Foncière des Régions.

Universal transfer of the assets of SNC SUP 3 to Foncière des Régions.

2.2.3.3.2. Germany Residential segment

Merger of IW Verwaltungs GmbH and RRW Verwaltungs GmbH into Immeo Rewo Holding GmbH.

Merger of Immeo Stadtwohnung GmbH into Immeo Wohnen Verwaltungs GmbH.

2.2.3.4. Change in holding and/or in consolidation method

2.2.3.4.1. Capital increases of Foncière des Murs – Impact on the percentage held

During the first half of 2017 Foncière des Murs undertook several capital increases in the amount of €311.1 million (€310.2 million net of costs) by issuing 13,712,124 new shares, including 4,449,129 shares following the distribution of the extraordinary dividend in shares.

As a result of these two capital increases of 28 March and 19 May 2017, Foncière des Régions holds 43,907,731 Foncière des Murs shares, or 50.0% of the equity, versus 49.91% at 31 December 2016.

2.2.3.5. Evaluation of control

2.2.3.5.1. SCI 11 place de l'Europe (consolidated structured entity)

SCI 11 place de l'Europe is 50.1% owned by Foncière des Régions at 30 June 2017 and is fully consolidated. The partnership with the Crédit Agricole Assurances group (49.9%) was established as of 18 December 2013 as part of the Campus Eiffage project. Considering the rules of governance that confer on Foncière des Régions powers that give it the ability to affect asset yields, the company is fully consolidated.

2.2.3.5.2. SCI Lenovilla (joint venture)

Lenovilla is 50.09% owned by Foncière des Régions at 30 June 2017 and is consolidated using the equity method. The partnership with the Crédit Agricole Assurances group (49.91%) was established in January 2013 as part of the New Vélizy (Campus Thalès) project. The shareholder agreement stipulates that decisions be made unanimously. The parties that exercise joint control have rights to the net assets of the partnership arrangement. The partnership meets the criteria for joint ventures and is consolidated using the equity method.

2.2.3.5.3. SCI Latécoère 2 (joint venture)

Latécoère 2 is 50.10% owned by Foncière des Régions at 30 June 2017 and is consolidated using the equity method. The partnership with the Crédit Agricole Assurances group (49.90%) was established starting in June 2015 as part of the Extension Dassault project. The shareholder agreement stipulates that decisions be made unanimously. The parties that exercise joint control have rights to the net assets of the partnership arrangement. The partnership meets the criteria for joint ventures and is consolidated using the equity method.

2.2.3.5.4. SAS FDM Management (equity affiliate)

FDM Management was 40.7% owned by SCA Foncière des Murs at 30 June 2017 and is consolidated using the equity method.

Strategic decisions are adopted by a two-thirds majority, and major decisions are made by a three-quarters majority.

2.2.3.5.5. SCI Porte Dorée (joint venture)

SCI Porte Dorée was 50% owned by Foncière des Murs at 30 June 2017 and is consolidated using the equity method. The partnership with the Caisse des Dépôts et Consignations group (50%) was established starting in December 2015 as part of the Motel One development project. The shareholder agreement stipulates that decisions be made unanimously. The parties that exercise joint control have rights to the net assets of the partnership arrangement. The partnership meets the criteria for joint ventures and is consolidated using the equity method.

2.2.3.5.6. SAS Samoëns (consolidated structured entity) and Foncière Développement Tourisme

SAS Samoëns was 25.10% held by Foncière des Murs at 30 June 2017 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, Foncière des Murs 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 Foncière des Murs powers that give it the ability to affect asset yields, the company is fully consolidated.

2.2.3.5.7. SL Bardiomar (consolidated structured entity)

SL Bardiomar was 50% held by Foncière des Murs at 30 June 2017 and is fully consolidated. A bilateral (purchase and sale) commitment was signed conditionally on the remaining 50% and will be carried out by the end of 2017. Accordingly, this company has been fully consolidated.

2.2.4. Significant events of the period

The significant events of the period are the acquisitions representing over €1.1 billion and the asset disposals of nearly €235 million, excluding splitting Central SICAF (60% Beni Stabili) which holds a portfolio of assets leased to Telecom Italia of about €1.5 billion.

By segment, the significant events of the period were as follows.

2.2.4.1. France Offices segment

2.2.4.1.1. Disposals and assets under preliminary agreement

During the first half of 2017, Foncière des Régions disposed of assets with a selling price of €105 million, including Chevilly (€30.3 million), 8 assets leased to Orange (€22.7 million), Avignon Gabriel (€11.1 million), Paris Châtillon (€9.4 million) and Paris Choisy (€9.1 million).

At 30 June 2017, the amount of assets under agreement totalled €136.2 million.

2.2.4.1.2. Assets under development

The asset development programme is presented in Note 2.2.5.1.4.

The first half of 2017 saw the delivery of 4 developments:

- ♦ in January 2017, Silex 1, a 10,586 m² building located in the heart of the Part-Dieu business district of Lyon, was delivered. This office building is spread over 9 levels and also boasts 615 m² of retail, 610 m² of green space and two landscaped patios of 100 m²
- ♦ the Thais office building of 5,468 m² in Levallois-Perret was delivered in April 2017. Ideally located and fully served by public transport, this building has large office floors offering maximum flexibility as well as many accessible gardens and terraces making a total of 1,200 m² of green space in the centre city
- ♦ in June 2017, the 10,586 m² Hermione office building was delivered in Marseille. This 3rd delivery in the Euromed Centre project confirms its appeal and illustrates its role in the transformation of the Marseille urban landscape. This asset is held by a company consolidated by the equity method
- ♦ in June 2017, Nancy O'origin, a 6,331 m² building located in Nancy, was also delivered.

2.2.4.1.3. Refinancing and redemption

On 2 January 2017, the balance of the 2011 ORNANE-type bonds was fully redeemed in the amount of €79.7 million (928,197 bonds).

In June 2017, Foncière des Régions placed a 2027 bond issue of €500 million at 1.5% and at the same time bought back and cancelled 55% (€273.1 million) of the 2021 bond at 1.75%.

2.2.4.2. Italy Offices segment

2.2.4.2.1. Disposals and assets under preliminary agreement

In the first half of 2017, 4 assets were sold for a total price of €39 million, including an asset located in Milan (Via Durini) for €27 million.

At 30 June 2017, the amount of assets under agreement totalled €155.3 million.

2.2.4.2.2. Acquisitions

In the first half of 2017, assets located in Milan were acquired for €167.4 million. This involved 3 transactions:

- ♦ an asset located on Via Principe Amedeo for €41.9 million, after deducting a €5 million down payment made in 2015
- ♦ an asset on Via Marostica for €24.7 million
- ♦ a group of 17 assets for €117.7 million, including one asset whose sale is still conditional (€19.2 million).

2.2.4.2.3. Partnership Central Sicaf, Crédit Agricole Assurances and EDF Invest

A partnership was signed among Beni Stabili, Crédit Agricole Assurances and EDF Invest to share a portfolio of 145 real estate assets in Italy and leased for 14 years firm to Telecom Italia. The transfer of these assets and the associated debt was made in an unlisted regulated fund, Central SICAF, in which Crédit Agricole Assurances and EDF Invest each invested 20%. Beni Stabili retains 60% of the equity and continues to fully consolidate Central Sicaf.

2.2.4.2.4. Purchase by Beni Stabili of the 2019 ORNANE-type bonds – total amount €299.3 million

Beni Stabili purchased the 2019 ORNANE-type bonds at the face price of €270 million for a total of €299.3 million (costs and premiums included) at the same time as setting up a corporate financing of €250 million.

2.2.4.3. Hotels and Service sector

2.2.4.3.1. Disposals and assets under preliminary agreement

During the first half of 2017, Foncière des Murs sold a Healthcare asset in Colombes for €1.7 million and an Ibis hotel for €3.5 million.

At 30 June 2017, preliminary sales agreements stood at €88.9 million, including preliminary sales agreements on 17 Quick assets signed on 19 April for €38 million and preliminary sales agreements on 4 AccorHotels signed on 16 May for €31 million.

2.2.4.3.2. Acquisitions

During the first half of 2017, Foncière des Murs exercised the call options on 3 four-star hotels leased to NH for €52.1 million (a €15.3 million down payment made in 2016). These assets are located in Stuttgart, Oberhausen and Frankfurt. The transfer of ownership of the two remaining hotels is planned to occur by the end of 2017.

In Spain, 17 hotels were acquired early in the year for €558 million (after accounting for lease payments at 1 January 2017), including 2 share-deal assets for €185 million. The transaction was made with a deferred payment, maturing in September 2018 and present-discounted to €52 million.

2.2.4.3.3. Financing

In March 2017, Foncière des Murs took mortgage financing of €278.5 million for 8 years as part of the acquisition of 17 hotels in Spain.

2.2.4.4. Germany Residential segment

2.2.4.4.1. Asset disposals

€24.2 million of disposals were made during the first half of 2017.

At 30 June 2017, the amount of assets under agreement totalled €64.7 million (net of costs).

Note that subsequently to 30 June 2017, €148 million in preliminary sale agreements were signed.

2.2.4.4.2. Acquisitions

In the first half of 2017, Immeo SE acquired several companies holding assets located mostly in Berlin, Potsdam and Leipzig (€325 million).

Other acquisitions included a directly held portfolio of assets in Berlin, Potsdam and Dusseldorf for €63.4 million, after deduction of the €9 million deposit paid in 2016.

Immeo SE made a down payment of €5.4 million for the acquisition of shares, a transaction that will unwind in the second half of the year.

2.2.4.5. France Residential segment

2.2.4.5.1. Asset disposals

In France, Foncière Développement Logements continued its sales plan and made disposals for a sale price of €58.7 million (net of costs).

At 30 June 2017, the amount of assets under agreement totalled €35.5 million (net of costs).

2.2.5. Notes to the statement of financial position

2.2.5.1. Portfolio

2.2.5.1.1. Accounting principles applicable to tangible and intangible fixed assets

2.2.5.1.1.1. Intangible fixed assets

Identifiable intangible fixed assets are amortised on a straight-line basis over their expected useful lives. Intangible fixed assets acquired appear on the balance sheet at acquisition cost. They primarily include entry fees (long-term leases conferring ad rem rights and occupancy rights for car parks) and computer software.

Intangible fixed assets are amortised on a straight-line basis, as follows:

- ◆ Software: over a period of 1 to 3 years
- ◆ Occupancy rights: 30 years.

Fixed assets in the concession segment – Concession activity

The Foncière des Régions group has applied IFRIC 12 to the consolidated financial statements since 1 January 2008. An analysis of the Group's concession agreements results in classifying agreements as intangible assets as the Group is paid directly by users for all car parks operated without a subsidy from public authorities. These concession assets are assessed at historical cost less accumulated depreciation and any impairment. Note that the Group no longer has wholly owned car parks; accordingly it no longer has "Car Parks" tangible assets.

2.2.5.1.1.2. Business combinations (IFRS 3)

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 units.

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

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.

2.2.5.1.1.3. Investment properties (IAS 40)

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. Assets occupied by the Foncière des Régions group are accounted for under tangible fixed assets.

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.

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

The real estate portfolio directly held by the Group was appraised in full on 30 June 2017 by independent real estate experts such as BNP Real Estate, JLL, DTZ, CBRE, Cushman, Yard Valltech, CFE, MKG, VIF and REAG.

The assets were estimated at values excluding and/or including duties, and rents at market value. Estimates were made using the comparables method, the rent capitalisation method and the discounted future cash flows method.

The assets are accounted for at their net market value.

◆ For France Offices and Italy Offices, the valuations are performed via two methods:

◆ the yield (or income capitalisation) method:

This approach consists of capitalising an annual income, which, in general, is rental income from occupied assets, with the possible impact of a reversion potential, and market rent for vacant assets, taking into account the time needed to find new tenants, any renovation work and other costs

◆ the Discounted Cash Flow (DCF) method:

This method consists of determining the useful value of an asset by discounting the forecast cash flows that it is likely to generate over a given time frame. The discount rate is determined on the basis of the risk-free rate plus a risk premium associated with the asset and defined by comparison with the discount rates applied to cash flows generated by similar assets.

◆ For the Hotels and Service sector, the methodology changes according to the type of asset:

◆ the rent capitalisation method is used for restaurants, garden centres and Club Med holiday villages

◆ the DCF method is used for hotels (including the revenue forecasts determined by the appraiser) and Sunparks holiday villages.

◆ For the Residential segment, the methodology changes according to the type of asset:

The assets are accounted for at their net fair value. The fair value is determined based on:

◆ a block value for assets for which no sales strategy has been developed or which have not been marketed

◆ an occupied retail value for assets on which at least one offer has been made before the closing date.

The following valuation methods were used:

◆ for assets located in France: the leasing revenue discount method and the comparison method

◆ for assets located in Germany: the Discounted Cash Flow method.

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 mainly categorised as level 3 according to the IFRS 13 fair value hierarchy.

2.2.5.1.1.4. Assets under development (revised IAS 40)

Since 1 January 2009, in accordance with amended IAS 40, assets under construction are valued 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.

2.2.5.1.1.5. Tangible fixed assets (IAS 16)

Pursuant to the preferred method proposed by IAS 16, operating assets and wholly-owned car parks are valued at historical cost less accumulated depreciation and any potential impairment.

2.2.5.1.1.6. Non-current assets held for sale (IFRS 5)

In accordance with IFRS 5, when Foncière des Régions decides to dispose of an asset or group of assets, it classifies it or them as an asset or 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 the Foncière des Régions group, only assets corresponding to the above criteria and included in a planned sales programme drawn up by the Board of Directors are classified as non-current assets held for sale.

The conditions for valuing these assets are identical to those expressed above for investment properties if no sale commitment has been signed. 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.

2.2.5.1.2. Table of changes in fixed assets

(€K)	31/12/2016	Change in scope and interest rates	Increase/ Allocation	Disposal/ Recovery	Change in fair value	Transfers	30/06/2017
Goodwill	1,572	0	0	0	0	0	1,572
Intangible fixed assets	24,410	0	-1,348	-63	0	1,660	24,659⁽¹⁾
Gross amounts	97,079	28	1,084	-341	0	4,354	102,204
Depreciation	-72,669	-28	-2,432	278	0	-2,694	-77,545
Tangible fixed assets	150,541	172	21,071	-709	0	-29,040	142,035
Operating properties	66,810	0	-912	0	0	1,398	67,296
Gross amounts	84,714	0	114	0	0	1,362	86,190
Depreciation	-17,904	0	-1,026	0	0	36	-18,894
Other tangible fixed assets	8,970	62	170	-709	0	-1	8,492
Gross amounts	22,164	76	1,119	-747	0	-2,667	19,945
Depreciation	-13,194	-14	-949	38	0	2,666	-11,453
Fixed assets in progress	74,761	110	21,813	0	0	-30,437	66,247
Gross amounts	74,761	110	21,813 ⁽³⁾	0	0	-30,437 ⁽²⁾	66,247
Depreciation	0	0	0	0	0	0	0
Investment properties	16,763,445	510,318	835,236	0	507,315	-287,110	18,329,204
Operating properties	15,859,637	510,318 ⁽⁴⁾	670,934 ⁽⁵⁾	0	458,880	-136,427	17,363,342
Properties under development	903,808	0	164,302	0	48,435	-150,683	965,862
Assets held for sale	297,894	0	1,037	-228,473	31,915	378,254	480,627
Assets held for sale	297,894	0	1,037	-228,473 ⁽⁶⁾	31,915	378,254	480,627
TOTAL	17,237,862	510,490	855,996	-229,245	539,230	63,764*	18,978,097

* Re-consolidation (€60.7 million) of the residual logistics division at 1 January 2017 not material at the Group level.

⁽¹⁾ The "intangible fixed assets" line includes €22.2 million in Car Park assets held under concession.

⁽²⁾ Use of a €15.3 million deposit following the exercise of purchase options on 3 NH hotels for €8.9 million following the acquisition of buildings in Germany and €5 million following the acquisition of the asset located in Milan on Via Principe Amedeo.

⁽³⁾ This includes €19.2 million down paid on the acquisition on an emphyteutic lease in Milan and €0.9 million down on the acquisition of additional land for the Symbiosis project under development in the Ripamonti district of Milan.

⁽⁴⁾ Corresponds to "Share deals" transactions, including:

- the acquisition of asset-holding companies in Berlin, Potsdam and Leipzig for €325.1 million (Golddust portfolio for €217.2 million, Sofia portfolio for €55.1 million, Ferdinand portfolio for €35.5 million and Electra portfolio for €17.3 million)
- the acquisition of companies holding two hotels in Spain for €185.2 million.

⁽⁵⁾ The acquisitions in "asset deals" are detailed in § 2.2.5.1.3 Investment properties.

⁽⁶⁾ The decreases are detailed in § 2.2.5.1.3 Investment properties.

The "Disbursements related to acquisition of tangible and intangible fixed assets" line item on the statement of cash flow (€797.5 million) refers to increases in the table of changes in the portfolio excluding the effect of depreciation for €860.4 million, to changes in inventories of the property dealer for €2.1 million and adjusted for change in trade payables for fixed assets for negative €63.7 million.

The “Proceeds relating to the disposal of tangible and intangible fixed assets” line item in the statement of cash flows (€233.9 million) primarily corresponds to income from disposals as presented in the net income statement (€235.5 million), proceeds from the disposal of assets in inventory (€3.6 million), less asset disposal costs (-€6.1 million), and restated for the reduction from receivables from asset disposals (€1.5 million).

2.2.5.1.3. Investment properties

(€K)	31/12/2016	Change in scope and interest rates	Increase	Disposal	Change in fair value	Transfers	30/06/2017
Investment properties	16,763,445	510,318	835,236	0	507,315	-287,110	18,329,204
Operating properties	15,859,637	510,318	670,934	0	458,880	-136,427	17,363,342
France Offices	4,891,390	0	22,620 ⁽¹⁾	0	62,455	139,395	5,115,860
Italy Offices	3,612,251	0	129,573 ⁽²⁾	0	43,532	-115,869	3,669,487
Hotels and Service sector	2,999,592	185,171	429,510 ⁽³⁾	0	72,130	-56,541	3,629,862
Germany Residential	3,968,790	325,147	88,922 ⁽⁴⁾	0	278,799	-46,981	4,614,677
France Residential	387,614	0	309	0	1,964	-56,431	333,456
Properties under development	903,808	0	164,302	0	48,435	-150,683	965,862
France Offices	434,859	0	57,590	0	41,512	-155,700	378,261
Italy Offices	355,370	0	68,043	0	700	5,017	429,130
Hotels and Service sector	113,579	0	38,669	0	6,223	0	158,471
Germany Residential	0	0	0	0	0	0	0
France Residential	0	0	0	0	0	0	0
Assets held for sale	297,894	0	1,037	-228,473	31,915	378,254	480,627
Assets held for sale	297,894	0	1,037	-228,473	31,915	378,254	480,627
France Offices	140,110	0	1,037	-103,655 ⁽⁵⁾	21,728	76,995	136,215
Italy Offices	76,601	0	0	-39,102 ⁽⁶⁾	-17	117,786	155,268
Hotels and Service sector	19,417	0	0	-5,212	2,822	71,873	88,900
Germany Residential	23,749	0	0	-21,569	7,382	55,169	64,731
France Residential	38,017	0	0	-58,935	0	56,431	35,513
TOTAL	17,061,339	510,318	836,273	-228,473	539,230	91,144	18,809,831

⁽¹⁾ Refers to the acquisition of an Offices asset located in Paris (VTA Orange) for €3.2 million and to construction completed in the amount of €19 million.

⁽²⁾ Acquisition of a group of 16 assets for €98.5 million and of Via Marostica for €24.7 million, both in Milan, and construction completed for €6.3 million.

⁽³⁾ Acquisition of 15 hotels in Spain for €375 million and exercise of three options on NH hotels in Germany for €36.8 million and construction during the period of €17.7 million.

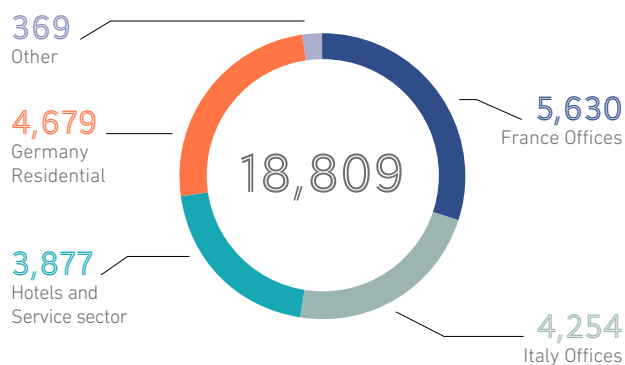
⁽⁴⁾ Acquisition of assets located in Berlin, Potsdam and Dusseldorf for €63.4 million and construction during the period totalling €25.5 million.

⁽⁵⁾ Includes disposal of Chevilly (€30 million), eight leased to Orange (€23 million) and Avignon Gabriel (€11 million).

⁽⁶⁾ Includes disposal of Via Durioni in Milan (€27 million).

The amounts in the “Disposals” column correspond to the appraisal figures published on 31 December 2016.

CONSOLIDATED PORTFOLIO OF ASSETS AT 30 JUNE 2017 BY BUSINESS SEGMENT (IN €M)



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 the real estate appraisers:

FRANCE OFFICES, ITALY OFFICES AND HOTELS AND SERVICE SECTOR

Grouping of similar assets	Level	Portfolio (€M)	Yield rate (excluding duties, min. -max.)	Yield rate (excluding duties, weighted average)	Discount rate
Paris Center West	Level 3	891	3.2% - 7.7%	4.3%	4.0% - 7.0%
Paris North East	Level 3	365	3.7% - 8.0%	5.4%	4.5% - 6.8%
Paris South	Level 3	704	3.5% - 5.9%	3.8%	4.5% - 6.5%
Western Crescent	Level 3	1,574	4.8% - 7.6%	5.0%	4.5% - 7.3%
Inner suburbs	Level 3	1,075	4.6% - 7.0%	5.4%	4.5% - 8.0%
Outer suburbs	Level 3	104	3.8% - 13.0%	8.1%	4.5% - 11.5%
Total Paris region		4,715	3.2% - 13.0%		4.0% - 11.5%
Major Regional Cities	Level 3	580	4.2% - 8.3%	5.4%	4.5% - 10.0%
Regions	Level 3	277	7.2% - 12.1%	8.5%	4.5% - 12.5%
Total Regions		857	4.2% - 12.1%		4.5% - 12.5%
Total Logistics assets		58			
TOTAL FRANCE OFFICES		5,630	3.2% - 13.0%		4.0% - 12.5%
Milano	Level 2	427	3.2% - 5.3%	4.4%	4.6% - 5.5%
Milano	Level 3	1,471	2.3% - 7.9%	4.6%	4.7% - 7.7%
Rome	Level 3	230	3.1% - 17.6%	5.4%	5.8% - 10.5%
Other	Level 2	159	3.5% - 9.2%	4.9%	6.0% - 6.4%
Other	Level 3	1,538	2.1% - 15.1%	6.7%	5.4% - 10.4%
Total in operation		3,825	2.1% - 17.6%		4.6% - 10.5%
Assets under development	Level 2	13			6.0%
Assets under development	Level 3	416			5.3% - 7.1%
TOTAL ITALY OFFICES		4,241	2.1% - 17.6%		4.6% - 10.5%
Hotels	Level 3	3,167	3.5% - 6.6%	5.4%	4.0% - 7.8%
Retail premises	Level 3	552	5.9% - 7.2%	6.7%	6.2% - 8.2%
Total in operation		3,719	3.5% - 7.2%		4.0% - 8.2%
Assets under development	Level 3	158			5.0% - 7.0%
TOTAL HOTELS AND SERVICE SECTOR		3,877	3.5% - 7.2%		4.0% - 8.2%

GERMANY RESIDENTIAL AND FRANCE RESIDENTIAL

Grouping of similar assets	Level	Portfolio (€M)	Yield rate ⁽¹⁾			Average value (€/m ²)
			Total portfolio	Block valued properties	Discount rate	
Great East	Level 3	6	4.5% – 6.5%	N/A	N/A	1,533
Provence-Alpes-Côte d'Azur region	Level 3	71	3.5% – 7.0%	4.0% – 5.5%	N/A	2,322
Paris-Neuilly	Level 3	178	2.0% – 5.5%	5.0%	N/A	8,234
Rest of Paris region	Level 3	72	3.0% – 5.5%	N/A	N/A	5,088
Rhône-Alpes region	Level 3	29	2.0% – 6.5%	N/A	N/A	3,225
South West – Great West	Level 3	12	3.5% – 7.0%	N/A	N/A	2,123
TOTAL FRANCE RESIDENTIAL		369	2.0% – 7.0%	4.0% – 5.5%	N/A	4,302
Duisburg	Level 3	324	4.3% – 6.3%	4.3% – 6.3%	4.8% – 10.0%	1,009
Essen	Level 3	495	4.0% – 6.8%	4.0% – 6.8%	4.2% – 7.9%	1,237
Mülheim	Level 3	179	4.0% – 6.3%	4.0% – 6.3%	2.0% – 8.6%	1,144
Oberhausen	Level 3	151	4.5% – 6.3%	4.5% – 6.3%	5.2% – 8.0%	943
Datteln	Level 3	120	3.5% – 5.8%	3.5% – 5.8%	1.8% – 7.8%	874
Berlin	Level 3	2,432	3.0% – 5.8%	3.0% – 5.8%	0.4% – 7.1%	2,143
Düsseldorf	Level 3	95	3.5% – 4.8%	3.5% – 4.8%	2.4% – 5.7%	1,737
Dresden	Level 3	278	4.0% – 6.8%	4.0% – 6.8%	4.6% – 7.8%	1,400
Leipzig	Level 3	119	3.8% – 6.0%	3.8% – 6.0%	4.5% – 7.3%	1,070
Hamburg	Level 3	311	3.8% – 5.0%	3.8% – 5.0%	3.0% – 6.0%	2,160
Other	Level 3	177	3.5% – 5.8%	3.5% – 5.8%	2.0% – 9.3%	1,247
TOTAL GERMANY RESIDENTIAL		4,679	3.0% – 6.8%	3.0% – 6.8%	0.4% – 10.0%	1,563

(1) Yield rate:

France Residential: Potential yield rate excluding taxes (potential rents calculated by the appraiser/appraisal values excluding taxes determined by the appraiser).

Germany Residential: Potential yield rate assumed excluding taxes (actual rents/appraisal values excluding taxes).

IMPACT OF CHANGES IN THE YIELD RATE ON CHANGES IN THE FAIR VALUE OF REAL ESTATE ASSETS,
BY OPERATING SEGMENT

(€M)	Yield ⁽²⁾	Yield rate -50 bps	Yield rate +50 bps
France Offices ⁽¹⁾	5.4%	540.7	-448.4
Italy Offices	5.5%	384.3	-320.0
Hotels and Service sector ⁽¹⁾	5.5%	373.0	-310.4
Germany Residential	5.0%	519.0	-424.8
France Residential	3.4%	63.8	-47.4
Total⁽¹⁾	5.3%	1,880.7	-1,550.9

(1) Including assets held by equity affiliates (excluding FDM Management).

(2) Return on operating portfolio – excluding duties.

- ◆ 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 €1,880.7 million.
- ◆ If the yield rate excluding taxes increases 50 bps (+0.5 point), the market value excluding taxes of the real estate assets will decrease by €1,550.9 million.

2.2.5.1.4. Properties under development

Properties under development relate to building or redevelopment programmes that fall within the application of IAS 40 (revised).

(€K)	31/12/2016	Acquisitions and work	Capitalised interest	Change in fair value	Transfers and disposals	30/06/2017
France Offices	434,859	52,381	5,209	41,512	-155,700 ⁽¹⁾	378,261
Italy Offices	355,370	59,257 ⁽³⁾	8,786	700	5,017 ⁽²⁾	429,130
Hotels and Service sector	113,579	36,905 ⁽⁴⁾	1,764	6,223	0	158,471
TOTAL	903,808	148,543	15,759	48,435	-150,683	965,862

⁽¹⁾ The Thais assets in Levallois-Perret, Lyon Silex 1 and Nancy O'origin were delivered (-€155.7 million).

⁽²⁾ Transfer of the deposit of €5 million paid upon acquisition of Principe Amedeo in Milan.

⁽³⁾ Includes one new project in development in Milan acquired for €41.9 million after deducting the deposit made in 2016 (-€5 million) and construction in the amount of €22.3 million.

⁽⁴⁾ Corresponds to the following disbursements:

- €19.5 million concerning the construction of a Club Med in Samoëns
- construction on three B&B hotels in France (€7.9 million)
- construction on the MEININGER hotel in Paris (€4.9 million)
- construction on the two development projects in Germany (€4.6 million).

2.2.5.2. Financial assets

2.2.5.2.1. Accounting principles

2.2.5.2.1.1. Other 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.

Securities available for sale of public and private companies are recorded at their stock-market price with an offsetting entry in shareholders' equity in accordance with IAS 39.

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

2.2.5.2.1.2. Loans

At each closing 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.

2.2.5.2.2. Table of financial assets

(€K)	31/12/2016	Increase	Decrease	Change in fair value	Change in scope	Transfers	30/06/2017
Ordinary loans ⁽¹⁾	192,653	11,285	-2,904	0	891	0	201,925
Current accounts	0	0	0	0	0	0	0
Total loans and current accounts	192,653	11,285	-2,904	0	891	0	201,925
Securities at fair value through net income	0	0	0	0	0	0	0
Advances and pre-payments on acquisition of shares	13,400	6,000			-13,400		6,000
Securities at historic cost	44,154	17	-828	0	0	0	43,343
Dividend to be distributed	0	0	0	0	0	0	0
Subscribed capital not paid up	20,160	0	0	0	0	0	20,160
Total other financial assets⁽²⁾	77,714	6,017	-828	0	-13,400	0	69,503
Finance-lease receivables	2	0	-2	0	0	0	0
Total finance-lease receivables	2	0	-2	0	0	0	0
Receivables on financial assets	13,765	0	-25	0	0	0	13,740
Total receivables on financial assets	13,765	0	-25	0	0	0	13,740
TOTAL	284,134	17,302	-3,759	0	-12,509	0	285,168
Depreciation and amortisation ⁽³⁾	-29,042	-1,885	0	0	0	0	-30,927
NET TOTAL	255,092	15,417	-3,759	0	-12,509	0	254,241

⁽¹⁾ Ordinary loans include specifically receivables from equity investments held in equity-accounted companies.

⁽²⁾ Total other financial assets are broken down as follows:

- Securities at historic cost:

The investments held by Beni Stabili in property funds (€30.5 million) are valued at their historical cost. Potential impairments are accounted for in the income statement.

- Advances and deposits made to acquire shares of unconsolidated companies:

A deposit of €6 million made to acquire shares of unconsolidated companies in Germany and €13.4 million of advances and deposits used to acquire the shares of companies in Germany.

- Share capital of Foncière Développement Tourisme subscribed by the Caisse des Dépôts et Consignations and not paid up.

⁽³⁾ Includes impairment losses on securities at historical cost held by Beni Stabili (€23.7 million) and impairment losses on receivables for disposals of more than one year (€3.3 million) and for receivables related to financial assets (€3.1 million).

2.2.5.3. Investments in equity affiliates and joint ventures

2.2.5.3.1. Accounting principles

Investments in equity affiliates and joint ventures are accounted for by the equity method. According to this method, the Group's investment in the equity affiliate or the joint venture 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 affiliate. The goodwill related to an equity affiliate or joint venture is included in the book value of the investment, if it is not impaired. The share in the earnings for the period is shown in the line item "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 the Foncière des Régions group.

2.2.5.3.2. Table of investments in equity affiliates and joint ventures

(€K)	% held	Operating segment	Country	31/12/2016	30/06/2017	Change	Of which share of net income	Of which distribution and change in scope
Latécoère 2 (DS Campus extension)	50.10%	France Offices	France	1,528	2,495	967	968	0
SCI Factor E and SCI Orianz	34.69%	France Offices (Properties under development)	France	2,073	2,674	600	600	0
Lénovilla (New Vélizy)	50.10%	France Offices	France	59,579	66,506	6,926	6,926	0
Euromarseille (Euromed)	50.00%	France Offices	France	41,219	46,071	4,852	4,855	0
Cœur d'Orly (Askia)	25.00%	France Offices	France	-597	6,373	6,970	1,684	5,286
Investire Immobiliare and others		Italy Offices	Italy	19,042	18,214	-828	-225	-603
Iris Holding France	19.90%	Hotels and Service sector	Belgium, Germany	11,933	12,847	914	1,352	-438
OPCI IRIS Invest 2010	19.90%	Hotels and Service sector	France	27,423	27,234	-189	1,179	-1,368
OPCI Camp Invest	19.90%	Hotels and Service sector	France	18,919	19,060	141	1,257	-1,116
Dahlia	20.00%	Hotels and Service sector	France	15,842	16,176	334	1,095	-761
SCI Porte Dorée	50.00%	Hotels and Service sector (Building in development)	France	5,933	6,185	252	252	0
FDM Management	40.70%	Hotels and Service sector	France and Germany	142,498	140,263	-2,235	2,336	-4,571
TOTAL				345,392	364,096	18,704	22,279	-3,571

Investments in equity affiliates as at 30 June 2017 amounted to €364.1 million, compared to €345.4 million as at 31 December 2016. The change over the period (+€18.7 million) was the result of the net income of the period (+€22.3 million), the allocation of Cœur d'Orly losses to the partners (+€5.3 million) and dividend distributions (-€8.9 million).

2.2.5.3.3. Breakdown of shareholdings in the main equity affiliates and joint ventures

Holding as at 30 June 2017	Cœur d'Orly	Euromed Group	Latécoère 2 (DS Campus extension)	SCI Lénovilla (New Vélizy)	SCI Factor E/ SCI Orianz (Bordeaux Armagnac)
Foncière des Régions	25%	50%	50.10%	50.09%	34.69%
Non-group third parties	75%	50%	49.90%	49.91%	65.31%
Altaréa	25%				
Crédit Agricole Assurances		50%	49.90%	49.91%	
Aéroport de Paris	50%				
ANF Immobilier					65.31%
TOTAL	100%	100%	100%	100%	100%

Indirect holding at 30 June 2017	Iris Holding France	OPCI Iris Invest 2010	OPCI Campinvest	SCI Dahlia	FDM Management	SCI Porte Dorée
Foncière des Murs	19.9%	19.9%	19.9%	20.0%	40.70%	50.00%
Non-group third parties	80.1%	80.1%	80.1%	80.0%	59.30%	50.00%
Crédit Agricole Assurances	80.1%	80.1%	68.8%	80.0%	11.63%	
Pacifica			11.3%			
Cardif Assurance Vie					11.63%	
Assurances du Crédit Mutuel Vie					11.63%	
SOGECAP					11.63%	
Caisse des Dépôts et Consignations					11.63%	50.00%
Maro Lux					1.15%	
TOTAL	100%	100%	100%	100%	100%	100%

2.2.5.3.4. Key financial information on equity affiliates and joint ventures

(€K)	Asset name	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	Cost of net financial debt	Consolidated net income
	Cœur d'Orly (Askia)	106,733	71,871	17,477	611	10,673	77,981	4,105	-809	-992
	Latécoère 2 (DS Campus extension)	88,516	84,484	889	0	3,079	80,456	1,994	-462	1,932
	New Vélizy Lénovilla (New Vélizy) and extension	295,066	265,029	9,917	0	981	161,329	5,721	-933	13,826
	Euromarseille (Euromed)	282,025	263,833	6,924	871	12,796	176,228	2,416	-2,183	9,709
	SCI Factor E and SCI Orianz	52,842	51,258	367	0	3,126	42,008	0	0	1,731
	Iris Holding France AccorHotels Hotels	186,488	182,747	3,135	14,507	5,302	102,037	6,143	-1,453	6,794
	OPCI IRIS Invest 2010 AccorHotels Hotels	250,914	242,230	7,041	3,858	2,845	107,356	7,934	-1,944	5,926
	OPCI Camp Invest Campanile Hotels	177,302	168,865	4,867	0	1,422	80,099	5,760	-1,563	6,317
	Dahlia AccorHotels Hotels	163,713	161,354	797	0	1,331	81,503	3,759	-778	5,474
	FDM Management Hotels and Service Sector	1,258,268	1,132,094	62,701	89,573	84,032	726,295	108,550	-9,855	5,742
	SCI Porte Dorée Motel One Porte Dorée hotel	33,683	32,135	1,185	0	2,125	19,189	0	0	504

2.2.5.4. Deferred tax liabilities on the reporting date

(€K) DTA	Balance sheet at 31/12/2016	Increases				Decreases		Balance sheet at 30/06/2017
		First time consolidations	By net income for the year	Shareholder's equity	Other changes and transfers	By net income for the year	Shareholder's equity	
Losses carried forward	48,304	440	1,834		8,586	-705		58,459
Fair value of properties	1,624		1,569			-113		3,080
Derivatives	10,672		16			-1,300		9,388
Temporary differences	26,511	369	13		-8,586	-759		17,548
	87,111							88,475
DTA/DTL offset	-76,121							-76,156
TOTAL DTA	10,990	809	3,432	0	0	-2,877	0	12,319

(€K) DTL	Balance sheet at 31/12/2016	Increases				Decreases		Balance sheet at 30/06/2017
		First time consolidations	By net income for the year	Shareholder's equity	Other changes and transfers	By net income for the year	Shareholder's equity	
Fair value of properties	465,834	25,457	57,995			-1,236		548,050
Derivatives	454		1,265					1,719
Temporary differences	19,877		305			-136		20,046
	486,165							569,815
DTA/DTL offset	-76,121							-76,156
TOTAL DTL	410,044	25,457	59,565	0	0	-1,372	0	493,659
NET TOTAL	-399,054	-24,648	-56,133	0	0	-1,505	0	-481,340
TOTAL IMPACT ON THE INCOME STATEMENT:					-57,638			

As at 30 June 2017, the consolidated unrealised tax position showed a deferred tax asset of €12 million (versus €11 million as at 31 December 2016) and a deferred tax liability of €493 million (versus €410 million as at 31 December 2016).

The primary contributors to the balance of deferred tax liabilities are:

- ♦ Germany Residential: €377 million
- ♦ Hotels and Service sector: €103 million
- ♦ Italy Offices: €13 million.

The impact on net income is detailed in 2.2.6.7.2.

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.

2.2.5.5. Short-term loans and finance lease receivables – current portion

(€K)	31/12/2016	Change in scope	Increase	Decrease	Transfers	30/06/2017
Short-term loans	15,795	0	5,988	-8,907	0	12,876
Finance-lease receivables	2,069	0	0	-2,039	0	30
TOTAL	17,864	0	5,988	-10,946	0	12,906
Amortisations and provisions	-13	0	0	0	0	-13
NET TOTAL	17,851	0	5,988	-10,946	0	12,893

2.2.5.6. Inventories and work-in-progress

2.2.5.6.1. Accounting principles applicable to inventories

The inventories held by the Foncière des Régions group relate mainly to Beni Stabili's "Trading portfolio" and the Germany Residential segment. They are intended to be sold during the normal course of business. They are recorded at acquisition price and, as applicable, are depreciated in relation to the sale value (independent appraisal value).

2.2.5.6.2. Inventories and work-in-progress at 30 June 2017

The "Inventories and work-in-progress" line item on the balance sheet primarily consists of trading business inventories in the Italy Offices segment (€26.4 million). This line also consists of assets dedicated to trading business and real estate development in the Germany Residential segment (€4.6 million), the trading business in the France Residential segment (€1.8 million) and land in Orléans (€0.1 million).

2.2.5.7. Trade receivables

2.2.5.7.1. Accounting principles applicable to trade receivables

Trade receivables consist mainly of operating and finance lease receivables. 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.

2.2.5.7.2. Trade receivables

(€K)	30/06/2017	31/12/2016	Change
Charges reinvoiced to tenants	178,073	126,551	51,522
Rent exemptions	115,110	117,622	-2,512
Trade receivables	69,210	54,166	15,044
Total trade receivables	362,393	298,339	64,054
Impairment of receivables	-29,821	-27,743	-2,078
NET TOTAL TRADE RECEIVABLES	332,572	270,596	61,976

The balance of net trade receivables includes mainly expenses to be invoiced to tenants for €178.1 million (including €35.4 million as the impact of IFRIC 21), net trade receivables for €40.9 million and receivables related to the linearisation of relief granted on rent for €113.6 million.

2.2.5.7.1.1. Receivables from operating lease transactions

For operating-lease receivables, a provision is made at the first non-payment. The impairment rates applied by Foncière des Régions are as follows:

- ◆ no provision is set aside for existing or vacated tenants whose receivables are less than three months overdue
- ◆ 50% of the total 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 vacated tenants whose receivables are more than three months overdue.

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

2.2.5.7.1.2. Finance lease receivables

The receivables are accounted for at their amortised value. When the financial position of the debtor gives grounds for the likelihood of non-recovery, a provision is made.

Provisions for doubtful unpaid receivables in relation to financial contracts are made for at least the interest billed according to the terms of the contract.

Termination fees are accounted for when invoiced. Given the significant possibility of non-recovery, these revenues are generally depreciated by an identical amount.

Moreover, finance-lease assets related to doubtful contracts manifesting termination risks that are considered significant are independently appraised at market value. When these valuations, net of transfer taxes, and line-by-line, are lower than the net financial value, an impairment provision equal to the difference is recognised.

2.2.5.8. Other receivables

(€K)	30/06/2017	31/12/2016	Change
Government receivables	75,205	67,822	7,383
Other receivables	15,431	15,791	-360
Security deposits received	28,525	29,800	-1,275
Current accounts	4,430	4,428	2
TOTAL	123,591	117,841	5,750

◆ €75.2 million in government receivables comprise €35.5 million for France Offices, €19.9 million for Italy Offices, €17.5 million for Hotels and Service sector and €1.6 million for Corporate. The receivables are mainly VAT and government receivables following the payment of tax adjustments recognised and not provisioned (€35 million).

Note that in the first half of 2017 we recognised the reclassification of receivables from the State related to tax audits of

our Logistics division, presented in “Discontinued operations” at 31 December 2016 (+€5.7 million).

◆ The change in receivables from disposals consists of the segments France Residential in the amount of -€9.9 million, Germany Residential in the amount of +€2.9 million and France Offices in the amount of +€5.7 million.

2.2.5.9. Cash and cash equivalents

2.2.5.9.1. Accounting principles applicable to 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.

2.2.5.9.2. Table of cash and cash equivalents

(€K)	30/06/2017	31/12/2016
Money-market securities available for sale	569,481	875,790
Cash at bank	450,584	207,003
TOTAL	1,020,065	1,082,793

As at 30 June 2017, the portfolio of money-market securities available for sale consists mainly of level 2 standard money-market collective investment vehicles (SICAV).

◆ 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).

Foncière des Régions holds no investments subject to capital risk.

2.2.5.10. Total shareholders' equity**2.2.5.10.1. Accounting principles applicable to equity****2.2.5.10.1.1. 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.

As at 30 June 2017, the share capital broke down as follows:

Number of authorised shares	73,870,450
Number of shares issued and fully paid up	73,870,450
Number of shares issued and not fully paid up	0
Par value of shares	€3.00
Share classes	none
Restriction on payment of dividends	none
Shares held by the Company or its subsidiaries	65,985

2.2.5.10.2. Statement of changes in shareholders' equity

The capital of Foncière des Régions totalled €221.6 million as at 30 June 2017.

In the first half of 2017, Foncière des Régions undertook a capital increase of €400 million (€395.6 million net of costs) with the issue of 5,112,598 new shares including 5,076,786 shares as part of the addition to equity and the allocation of 35,812 vested bonus shares.

Reserves correspond to parent company retained earnings and reserves, together with reserves from consolidation.

CHANGES IN THE NUMBER OF SHARES DURING THE PERIOD

Date	Transaction	Shares issued	Treasury shares	Shares outstanding
31/12/2016		68,757,852	96,809	68,661,043
	Capital increase – delivery of bonus share plan	35,812		
	Capital increase – cash issue	5,076,786		
	Treasury shares – liquidity agreement		-9,399	
	Treasury shares – employee award		-21,425	
	Treasury shares – awaiting allocation			
30/06/2017		73,870,450	65,985	73,804,465

The statement of changes in shareholders' equity is presented in Note 2.1.4.

2.2.5.11. Statement of debts

2.2.5.11.1. Accounting principles applicable to debt

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".

Convertible bonds (ORNANE-type) issued by the Foncière des Régions group are either (i) accounted for at fair value in the income statement or (ii) accounted for separately as a financial liability at amortised cost and an embedded derivative measured at fair value in the income statement.

For Foncière des Régions, the fair value is determined according to the closing bond price.

In the case of financial liabilities resulting from the recognition of finance lease agreements, the financial liability recognised against the tangible fixed asset is initially accounted for at the leased asset's fair value, or if lower, at the discounted value of the minimum lease payments.

2.2.5.11.1.1. Tenants' security deposits

The Foncière des Régions group discounts security deposits at the average financing rate of the structure and over the average remaining term of the leases determined for each type of asset.

2.2.5.11.1.2. Derivatives and hedging instruments

The Foncière des Régions group uses derivatives to hedge its floating rate debt against interest rate risk (hedging of future cash flows).

Derivative financial instruments are recorded on the balance sheet 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.

The Group has been applying IFRS 13 since 1 January 2013. This standard requires accounting for counterparty risk (i.e. the risk of a counterparty defaulting on its commitments) in the assessment of the fair value of financial assets and liabilities.

The majority of the financial instruments in the Italy Offices segment qualify for hedge accounting as defined by IAS 39.

In this case, changes in the fair value of the effective portion of the hedge are accounted for net of tax in shareholders' equity until the hedged transaction occurs. The ineffective portion is recorded in the income statement.

Only Beni Stabili used hedge accounting as at 30 June 2017.

In other cases, given the characteristics of its debt, as of 1 January 2007 the Foncière des Régions group no longer qualifies for hedge accounting under IAS 39. All derivative instruments are therefore accounted for at their fair value, and changes are reflected in the income statement.

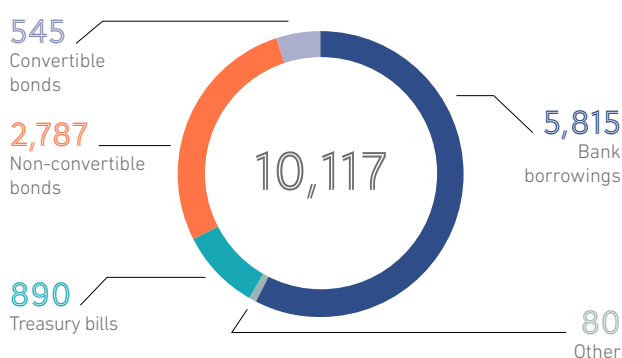
2.2.5.11.2. Table of debt

(€K)	31/12/2016	Increase	Decrease	Change in scope	Other changes	30/06/2017
Bank borrowings	5,158,577	1,325,406	-704,785	35,386	1	5,814,585
Other borrowing	75,715	142	-3,290	3,267	0	75,834
Treasury bills	1,035,400	0	-145,000	0	0	890,400
Securitised loans	3,978	0	0	0	0	3,978
Non-convertible bonds ⁽¹⁾	2,559,129	500,862	-273,100	0	0	2,786,891
Convertible bonds	894,695	0	-349,695	0	0	545,000
Subtotal interest-bearing loans	9,727,494	1,826,410	-1,475,870	38,653	1	10,116,688
Accrued interest	60,950	36,020	-65,640	0	41	31,371
Deferral of loan expenses	-66,960	11,273	-19,742	0	0	-75,429
Creditor banks	15,797	0	0	0	70,020	85,817
Total loans (LT/ST) excl. JV of ORNANE-type bonds	9,737,281	1,873,703	-1,561,252	38,653	70,062	10,158,447
of which Long-term	8,384,176					8,437,626
of which Short-term	1,353,105					1,720,821
Valuation of financial instruments	340,160	0	0	0	-74,707	265,453
Convertible bond derivatives	48,018	0	0	0	3,605	51,623
Total derivatives	388,178	0	0	0	-71,102	317,076
of which Assets	-40,692					-37,962
of which Liabilities	428,870					355,038
TOTAL BANK DEBT	10,125,459	1,873,703	-1,561,252	38,653	-1,040	10,475,523

⁽¹⁾ Convertible bond movements are presented in 2.2.5.11.4 – Convertible bonds.

The new financing taken out during the year is presented in 2.2.2.2 – Liquidity risk and in 2.2.5.11.3 – Bank borrowings.

DEBT BY TYPE AS AT 30 JUNE 2017 (in €M)



The “Proceeds relating to new borrowings” line item of the statement of cash flows (+€1,806.1 million) refers to:

- ◆ increases in interest-bearing borrowings (+€1,826.4 million)
- ◆ less new debt issuance costs (-€19.7 million).

The “Repayments of borrowings” line item of the statement of cash flows (-€1,476.1 million) corresponds to decreases in interest-bearing borrowings.

2.2.5.11.3. Bank borrowings

The table below outlines the characteristics of the borrowings taken out by Foncière des Régions and the amount of the associated guarantees (principal amount over €100 million):

(€K)	Outstanding debt (> or < €100 M)	Debt	Appraisal value at 30/06/2017 ⁽¹⁾	Outstanding debt at 30/06/2017	Date of signature	Initial amount of debt	Maturity
France Offices		€280 M (2015) and €145 M (2015) – Tour CB21 and Carré Suffren		417,925	29/07/2015 and 01/12/2015	280,000 and 145,000	29/07/2025 and 30/11/2023
		€167.5 M (2015) – DS Campus		164,150	23/03/2015	167,500	20/04/2023
		€300 M (2016) – Orange		300,000	18/02/2016	300,000	18/02/2026
		> €100 M		2,144,923	882,075		
		< €100 M		227,405	88,460		
		Total France Offices		2,372,328	970,535		
Italy Offices		€252 M (2015) – Europe		250,864	09/06/2015	255,000	09/06/2025
		€760 M (2016) and €50 M (2017) – Central		803,925	20/09/2016	810,000	14/09/2024
		> €100 M		2,046,245	1,054,789		
		< €100 M		21,330	12,500		
	Total Italy Offices		2,067,575	1,067,289			
Hotels and Service sector		€447 M (2013)		290,620	25/10/2013	447,000	31/01/2023
		€255 M (2012) – Covered bonds		189,169	14/11/2012	255,000	16/11/2021
		€350 M (2013)		131,735	15/07/2013	350,000	31/07/2022
		€279 M (2017) – Rocca		177,090	29/03/2017	278,518	29/03/2025
		€290 M (2017) – OPCI B2 HI (B&B)		245,000	10/05/2017	290,000	10/05/2024
		> €100 M		2,463,310	1,033,614		
		< €100 M		971,707	391,429		
	Total Hotels and Service sector		3,435,016	1,425,043			
France Residential		€350 M (2014)	256,133	46,680	15/01/2014	350,000	31/10/2018
		< €100 M Total France Residential	256,133	46,680			
Germany Residential		Lyndon Immeo 01		111,951	12/12/2011	184,720	12/12/2021
		Lyndon Immeo 04		196,785	09/03/2012	485,000	14/03/2022
		Lego		137,556	01/10/2014	145,000	30/09/2024
		Refinancing Wohnbau/Dümpfen/ Aurélia/Duomo		135,600	20/01/2015	177,000	30/01/2025
		Refinancing Amadeus/Herbstlaub/Valore/Valartis/Sunflower		157,743	28/10/2015	167,000	30/04/2026
		Cornerstone		146,230	16/06/2015	148,589	30/06/2025
		Quadriga		211,552	23/03/2016	220,000	31/01/2024
		Refinancing LBBW		162,690	24/06/2016	165,892	31/03/2024
		Lyndon Immeo 02		139,177	26/01/2017	140,000	29/01/2027
		Golddust		109,728	24/04/2017	115,000	30/04/2027
		> €100 M		3,320,108	1,509,012		
		< €100 M		1,307,849	622,234		
		Total Germany Residential		4,627,957	2,131,246		
		Total Residential		4,884,090	2,177,926		
Total collateralised			12,759,009	5,640,793			

(€K)	Outstanding debt (> or < €100 M)	Debt	Appraisal value at 30/06/2017 ⁽¹⁾	Outstanding debt at 30/06/2017	Date of signature	Initial amount of debt	Maturity
France Offices		€345 M (2013) – ORNANE		345,000	20/11/2013	345,000	01/04/2019
		€500 M (2012) – Bonds		266,400	16/10/2012	500,000	16/01/2018
		Treasury bills BT/BMTN		890,400			
		€180 M (2013) – Private placement		180,000	28/03/2013	180,000	30/04/2020
		€500 M (2014) – Bonds		226,322	10/09/2014	500,000	30/09/2021
		€500 M (2016) – Green bond		500,000	20/05/2016	500,000	20/05/2026
		€500 M (2017) – Bonds		500,000	21/06/2017	500,000	21/06/2027
		> €100 M		3,191,295	2,908,122		
	< €100 M		163,400	0			
		Total France Offices	3,354,695	2,908,122			
Italy Offices		€350 M (2014) – Bonds		350,000	22/01/2014	350,000	22/01/2018
		€250 M (2014) – Bonds		250,000	31/03/2014	250,000	01/04/2019
		€125 M (2015) – Bonds		125,000	30/03/2015	125,000	30/03/2022
		€200 M (2015) – Convertible bonds		200,000	03/08/2015	200,000	31/01/2021
		€250 M (2017) – Corporate		250,000	02/03/2017	250,000	26/02/2019
		> €100 M		2,236,652	1,175,000		
	< €100 M			28,978			
		Total Italy Offices	2,236,652	1,203,978			
Hotels and Service sector		€200 M (2015) – Private placement		200,000	29/05/2015	200,000	29/05/2023
		> €100 M		442,219	200,000		
		< €100 M			50,000		
		Total Hotels and Service sector	442,219	250,000			
France Residential	< €100 M	Total France Residential	115,100	40,000			
Germany Residential	< €100 M	Total Germany Residential	63,690				
Car Parks		Total Corporate	56,033	0			
Total unencumbered			6,268,389	4,402,100			
		Other debt		73,795			
GRAND TOTAL			19,027,399	10,116,688			

⁽¹⁾ The portfolio includes the fair value of occupied assets and inventories of the trading activity.

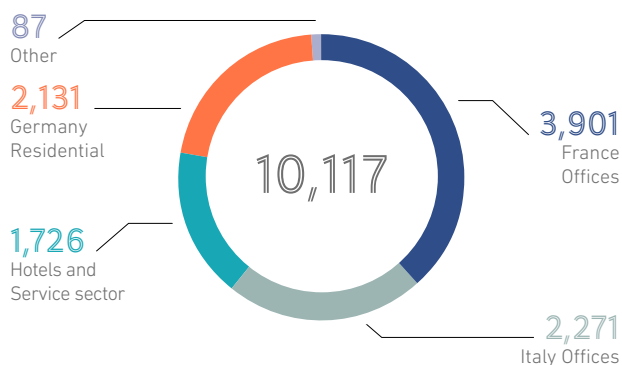
The borrowings are valued after their initial recognition at cost, amortised based on the effective interest rate. The average interest rate on the consolidated debt for Foncière des Régions was 1.95% in the first half of 2017.

Breakdown of borrowings at their face value according to the time left to maturity and by interest-rate type:

(€K)	Balance as at 30/06/2017	Maturity in < 1 year	Balance as at 30/06/2018	Maturity from 2 to 5 years	Outstanding at 30/06/2022 (over 5 years)
Fixed-rate long-term financial liabilities	5,216,679	1,434,549	3,782,130	1,895,531	1,886,599
France Offices – Bank borrowings	150,450	1,538	148,913	7,175	141,738
France Offices – ORNANE-type bonds ⁽¹⁾	345,000	0	345,000	345,000	0
France Offices – Other	22,455	0	22,455	22,455	0
Italy Offices – Convertible bonds ⁽¹⁾	200,000	0	200,000	200,000	0
Hotels and Service sector – Bank borrowings	107,547	1,083	106,464	4,448	102,015
Hotels and Service sector – Other	51,340	0	51,340	19,720	31,619
Germany Residential – Bank borrowings	746,579	11,188	735,391	324,333	411,058
Germany Residential – Other	2,039	269	1,770	1,602	168
Total borrowings and convertible bonds	1,625,410	14,078	1,611,332	924,733	686,599
France Offices – Bonds	1,672,722	266,093	1,406,629	406,629	1,000,000
France Offices – Treasury bills	800,400	800,400	0	0	0
Italy Offices – Bonds	725,000	350,000	375,000	375,000	0
Italy Offices – Securitisation	3,978	3,978	0	0	0
Hotels and Service sector – Bonds	389,169	0	389,169	189,169	200,000
Total debts represented by securities	3,591,269	1,420,471	2,170,798	970,798	1,200,000
Floating-rate financial debt	4,900,010	180,411	4,719,599	930,311	3,789,288
France Offices – Bank borrowings	820,085	5,998	814,087	109,237	704,850
Italy Offices – Bank borrowings	1,342,289	48,357	1,293,933	436,083	857,849
Hotels and Service sector – Bank borrowings	1,178,327	15,973	1,162,354	164,726	997,629
France Residential – Bank borrowings	86,680	0	86,680	86,680	0
Germany Residential – Bank borrowings	1,382,628	20,083	1,362,545	133,585	1,228,960
Total borrowings and convertible bonds	4,810,010	90,411	4,719,599	930,311	3,789,288
France Offices – Treasury bills	90,000	90,000	0	0	0
Total debts represented by securities	90,000	90,000	0	0	0
TOTAL	10,116,688	1,614,959	8,501,729	2,825,842	5,675,887

⁽¹⁾ The ORNANE-type bonds are presented at face value.

DEBT BY OPERATING SEGMENT AS AT 30 JUNE 2017 (in €M)



2.2.5.11.4. Convertible bonds**2.2.5.11.4.1. France Offices**

The characteristic features of these convertible bonds are as follows:

Features	ORNANE-type bonds France Offices	ORNANE-type bonds France Offices
Issue date	24/05/2011	20/11/2013
Issue amount (€M)	550	345
Issue price (€)	85.86	84.73
Conversion rate	1.18	1.11
Nominal rate	3.34%	0.88%
Maturity	01/01/2017	01/04/2019
Number of convertible bonds issued	6,405,776	4,071,757
Number of convertible bonds as at 31 December 2016	928,197	4,071,757
Number of bonds redeemed at maturity 2 January 2017	-928,197	0
Number of convertible bonds as at 30 June 2017	0	4,071,757
Number of potential shares (maximum)		4,519,650
Amount of the issue after redemption and conversion (€M)	0	345

On 2 January 2017, the remainder of 928,197 ORNANE-type bonds issued in 2011 entailed a final payment of €79.7 million.

The interest is payable half-yearly on 1 April and 1 October for the ORNANE-type bonds issued in 2013.

Based on the quoted price on 30 June 2017, the fair value of the 2019 ORNANE-type bonds is €97.28, giving a fair value of €396.1 million at 30 June 2017 (4,071,757 bonds).

Bond holders will have the option to convert their bonds either into cash and existing and/or new shares, or only into shares, based on the stock market prices over a determined period, at the Company's discretion.

2.2.5.11.4.2. Italy Offices

In accordance with paragraph 11A of IAS 39, the Italy Offices ORNANE-type bonds are hybrid instruments and are accounted for as a Host contract (debt at amortised cost) and as an embedded derivative (financial instrument at fair value through the income statement).

In February 2017, the 2,700,000 ORNANE-type bonds issued in October 2013 were entirely redeemed for €299.3 million (costs and incentive premium included).

At 30 June 2017, the ORNANE derivative maturing in 2021 of Beni Stabili was valued at €13.8 million.

The characteristic features of these convertible bonds are as follows:

Features	ORNANE-type bonds Italy Offices	ORNANE-type bonds Italy Offices
Issue date	October 2013	August 2015
Issue amount (€M)	270	200
Issue price (€)	100	100
Conversion rate	151.722	101.492
Nominal rate	2.625%	0.875%
Maturity	March 2019	February 2021
Number of convertible bonds issued	2,700,000	2,000,000
Number of convertible bonds as at 31 December 2016	2,700,000	2,000,000
Number of bonds redeemed in February 2017	-2,700,000	
Number of convertible bonds as at 30 June 2017	0	2,000,000
Number of potential shares	0	202,983,863

2.2.5.11.5. Derivatives

Derivative instruments consist mainly of rate hedging instruments put in place as part of the Group's interest rate hedging policy.

FAIR VALUE OF NET DERIVATIVE INSTRUMENTS

(€K)	30/06/2017 Net	31/12/2016 Net
France Offices	155,154	175,618
Italy Offices	16,178	28,913
Hotels and Service sector	62,349	80,816
Germany Residential	31,777	47,391
France Residential	-5	7,422
Total financial instruments	265,453	340,160
France Offices	51,104	58,795
Italy Offices	519	-10,777
Total derivatives of convertible borrowing	51,623	48,018
TOTAL	317,076	388,178
Of which counterparty risk	3,524	8,562

The total impact of the value adjustments on the derivatives on the income statement was €33.7 million. It primarily consists of changes in the value of the cash instruments (+€51.2 million), and the change in the value of the ORNANE-type bonds (-€17.5 million). In accordance with IFRS 13, the fair values include the counterparty default risk (€3.5 million).

The "Unrealised gains and losses relating to changes in fair value" line item in the statement of cash flows (-€572.2 million), which makes it possible to calculate cash flows from operating activities, chiefly incorporates the impact of changes in the value of cash instruments (-€51.2 million), the change in the value of the ORNANE-type bonds (+€17.5 million) and the change in the value of the portfolio (€539.2 million).

BREAKDOWN OF HEDGING INSTRUMENTS BY MATURITY OF NOTIONALS

(€K)	At 30/06/2017	less than 1 year	1 to 5 years	over 5 years
FIXED HEDGE				
Fixed rate payer swap	1,454,000	250,000	745,000	459,000
Fixed rate receiver swap	4,062,147	-462,524	1,000,819	3,523,852
Total swaps	2,608,147	-712,524	255,819	3,064,852
OPTIONAL HEDGE				
Purchase of fixed rate payer swaption	0	-175,000	-345,000	520,000
Sale of fixed rate borrower swaption	0	-350,000	-470,000	820,000
CAP purchase	1,389,397	438,146	568,541	382,710
FLOOR purchase	247,830	150,520	77,080	20,230
FLOOR sale	30,000	-10,000	0	40,000
TOTAL	7,183,374	-158,858	1,576,440	5,765,792

BALANCE AS AT 30 JUNE 2017

(€K)	Fixed rate	Floating rate
Gross borrowings and financial debt (including creditor banks)	5,216,679	4,985,827
NET FINANCIAL LIABILITIES BEFORE HEDGING	5,216,679	4,985,827
Swaps		-2,608,147
Caps		-1,389,397
TOTAL HEDGES		-3,997,544

2.2.5.11.6. Banking covenants

Excluding debts raised without recourse to the Group's property companies, the debts of Foncière des Régions and its subsidiaries generally include bank covenants (interest coverage ratio [ICR] and loan to value [LTV]), applying to the borrower's consolidated financial statements. If these covenants are breached, early debt repayment may be triggered. These covenants were established in Group share for Foncière des Régions and for Foncière des Murs and on a consolidated basis for Foncière Développement Logements and Beni Stabili (if their debts include them).

With respect to Immeo, for which the debt raised is "non-recourse" debt, there are no consolidated covenants associated with portfolio financing.

The most restrictive consolidated LTV covenants at 30 June 2017 were 60% for Foncière des Régions, Foncière des Murs and Foncière Développement Logements. Lastly, a limited portion of Beni Stabili financing included a consolidated LTV covenant (Beni Stabili scope), the most restrictive level of which was also 60%.

The threshold for the consolidated ICR covenants differs from one REIT to another, depending on the type of assets, and may be different from one debt to another even for the same REIT, depending on debt seniority. Lastly, only a portion of the Beni Stabili loans has a consolidated ICR covenant.

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

- ◆ for Foncière des Régions: 200%
- ◆ for Foncière des Murs: 200%
- ◆ for Foncière Développement Logements: 150%
- ◆ for Beni Stabili: 150%.

All of these consolidated LTV and ICR covenants were strictly complied with as at 30 June 2017.

With regard to Foncière des Régions, the consolidated bank ratios as at 30 June 2017 were 47.4% for Group share LTV and 432% for Group share ICR, compared to 49.5% and 360% respectively at 31 December 2016.

Another type of covenant was added to the consolidated LTV and ICR Group share covenants of Foncière des Régions as part of the corporate loans taken out by Foncière des Régions: an asset-secured debt covenant (100% scope), the cap on which is set at 25% (excluding a €75 million credit facility where the covenant is set at 22.5%) and which measures the ratio of secured debt (or debt with guarantees of any nature) to asset value.

This covenant is fully respected at 30 June 2017 and is at a very comfortable level.

No loan has an accelerated payment clause contingent on a rating of Foncière des Régions.

Consolidated LTV	Company	Company scope	Covenant threshold	Ratio
€300 M (2016) – Orange	Foncière des Régions	France Offices	≤ 60%	In compliance
€350 M (2013)	Foncière des Murs	Hotels and Service sector	≤ 60%	In compliance
€447 M (2013)	Foncière des Murs	Hotels and Service sector	< 60%	In compliance
€208 M (2014)	Foncière des Murs	Hotels and Service sector	< 60%	In compliance
€255 M (2012) – Covered bonds	Foncière des Murs	Hotels and Service sector	≤ 65%	In compliance
€200 M (2015) – Private placement	Foncière des Murs	Hotels and Service sector	≤ 60%	In compliance
€279 M (2017) – Roca	Foncière des Murs	Hotels and Service sector	< 60%	In compliance
€350 M (2014)	Foncière Développement Logements	France Residential	≤ 60%	In compliance
€254 M (2015) – Europe	Beni Stabili	Italy Offices	≤ 60%	In compliance
€250 M (2017) – Corporate	Beni Stabili	Italy Offices	< 60%	In compliance

Consolidated ICR	Company	Company scope	Covenant threshold	Ratio
€300 M (2016) – Orange	Foncière des Régions	France Offices	≥ 200%	In compliance
€350 M (2013)	Foncière des Murs	Hotels and Service sector	> 200%	In compliance
€447 M (2013)	Foncière des Murs	Hotels and Service sector	> 200%	In compliance
€208 M (2014)	Foncière des Murs	Hotels and Service sector	> 200%	In compliance
€255 M (2012) – Covered bonds	Foncière des Murs	Hotels and Service sector	≥ 200%	In compliance
€200 M (2015) – Private placement	Foncière des Murs	Hotels and Service sector	≥ 200%	In compliance
€279 M (2017) – Roca	Foncière des Murs	Hotels and Service sector	> 200%	In compliance
€350 M (2014)	Foncière Développement Logements	France Residential	≥ 150%	In compliance
€254 M (2015) – Europe	Beni Stabili	Italy Offices	> 150%	In compliance
€250 M (2017) – Corporate	Beni Stabili	Italy Offices	≥ 150%	In compliance

These covenants, which are based on the Company and consolidated financial statements, most often include specific covenants for the scopes financed. These “Scope” covenants, or to a lesser extent the interest coverage ratios, usually have less restrictive thresholds for the Group’s companies than consolidated covenant thresholds. Their purpose is mainly to supervise the use of financing by correlating it with the value of the underlying assets provided as collateral.

2.2.5.12. Provisions for contingencies and losses

2.2.5.12.1. Accounting principles applicable to provisions for contingencies and losses

3.2.5.12.1.1. 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 balance sheet 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). 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.

2.2.5.12.2. Provisions

(€K)	31/12/2016	Change in scope	Charges	Transfer	Change in actuarial gains and losses	Reversal of provision		30/06/2017
						Used	Unused	
Other provisions for litigation	3,682	0	311	0		-88	-797	3,108
Provisions for guarantees	0	0	0			0	0	0
Provisions for taxes	1,210	0	0	0			0	1,210
Provisions for sustainable development	345	0	0			0	0	345
Other provisions	4,362	0	82	-25		-232	-9	4,178
Provision subtotal – current liabilities	9,599	0	393	-25	0	-320	-806	8,841
Provisions for retirement benefit obligations	48,364	0	1,052	17	0	-1,290	-35	48,108
Provisions for long-service awards	1,233	0	7			-86	-24	1,130
Provision subtotal – non-current liabilities	49,597	0	1,059	17	0	-1,376	-59	49,238
TOTAL PROVISIONS	59,196	0	1,452	-8	0	-1,696	-865	58,079

The provisions for litigation are broken down into €2.5 million for France Offices, €0.3 million for Italy Offices and €0.3 million for France Residential.

Provisions for taxes concern only the Italy Offices segment, in the amount of €1.2 million.

Other provisions consist primarily of the following:

- ◆ other provisions for contingencies and losses: €3.7 million
- ◆ provisions relating to grantor rights (Car Parks): €0.2 million
- ◆ other provisions for losses: €0.3 million.

The provision for retirement indemnities totalled €48.1 million as at 30 June 2017 (of which €45.4 million for the Germany Residential segment).

The main actuarial assumptions used to estimate the commitments of Foncière des Régions in France were as follows:

- ◆ rate of pay increase: managers 4%, non-managers 3%
- ◆ discounting rate: 1.34% (TEC 10 n +50 bps).

The main actuarial assumptions used to estimate the commitments in Germany were as follows:

Assumptions used in calculating provisions for retirement benefit obligations in Germany	30/06/2017	31/12/2016
Discount rate	1.9%	1.9%
Annual wage growth	2.5%	2.5%
Rate of social security charges	1.0%	1.0%
Impact of provisions for retirement benefits on the income statement (€K)		
Cost of services rendered during the year	-336	-623
Financial cost	-424	-1,031
Effects of plan curtailments/settlements		
TOTAL IMPACT ON THE INCOME STATEMENT	-760	-1,654

2.2.5.13. Other short-term liabilities

(€K)	30/06/2017	31/12/2016	Change
Social debt	20,044	19,660	384
Tax debt	65,894	15,172	50,722
Current accounts – liabilities	10,577	3,230	7,347
Dividends to be paid	0	0	0
Others	22,559	14,973	7,586
TOTAL	119,074	53,035	66,039

The change in tax liabilities of €50.7 million (including €29.4 million of change for France Offices and €16.8 million for Hotels and Service) was due principally to the impact of IFRIC 21, in the amount of €43.3 million.

2.2.5.14. Recognition of financial assets and liabilities

IAS 39 categories	Line item in statement of financial position	30/06/2017 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
Assets at amortised cost	Non-current financial assets	24,794	24,794		24,794
Loans and receivables	Non-current financial assets	209,287	209,287		209,287
Subscribed capital not paid up	Non-current financial assets	20,160	20,160		20,160
	Total non-current financial assets	254,241			254,241
Loans and receivables	Trade receivables ⁽¹⁾	218,972	218,972		218,972
Assets at fair value through profit or loss	Derivatives at fair value through profit or loss	37,962		37,962	37,962
Assets at fair value through profit or loss	Cash and cash equivalents	569,481		569,481	569,481
TOTAL FINANCIAL ASSETS		1,080,656	473,213	0	607,443
Liabilities at fair value through profit or loss	ORNANE-type bonds	596,623	186,739	409,884	599,350
Liabilities at amortised cost	Financial debt	9,571,688	9,571,688		9,626,897 ⁽²⁾
Liabilities at fair value through profit or loss	Financial instruments (excluding ORNANE)	303,415		2,532	300,883
Liabilities at amortised cost	Security deposits	17,580	17,580		17,580
Liabilities at amortised cost	Trade payables	212,022	212,022		212,022
TOTAL FINANCIAL LIABILITIES		10,701,328	9,988,029	2,532	710,767

⁽¹⁾ Excluding rent exemptions.

⁽²⁾ The difference between the net book value and the fair value of the fixed rate debt is €55,209 thousand.

2.2.5.14.1. Breakdown of financial assets and liabilities at fair value

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		37,962		37,962
Money-market securities available for sale		569,481		569,481
TOTAL FINANCIAL ASSETS	0	607,443	0	607,443
ORNANE-type bonds	599,350			599,350
Derivatives at fair value through profit or loss		303,415		303,415
TOTAL FINANCIAL LIABILITIES	599,350	303,415	0	902,765

2.2.6. Notes to the statement of net income

2.2.6.1. Accounting principles

2.2.6.1.1. Rental income

According to the presentation of the income statement, rental income is treated as revenues. Car park receipts, disposals of assets in inventory and service charges are now shown in specific lines of the income statement below net rental income.

As a general rule, invoicing is quarterly. 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.

2.2.6.2. Operating profit

2.2.6.2.1. Rental income

(€K)	30/06/2017	30/06/2016	Change (€K)	Change (%)
Offices France	135,658	138,447	-2,789	-2.0%
Offices Italy	101,860	98,872	2,988	3.0%
Total Offices rental income	237,518	237,319	199	0.1%
Hotels and Service sector	102,895	100,939	1,956	1.9%
Germany Residential	112,880	105,848	7,032	6.6%
France Residential	6,087	8,182	-2,095	-25.6%
TOTAL RENTAL INCOME	459,380	452,288	7,092	1.6%

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.

Rental income amounted to €459.4 million at 30 June 2017 compared with €452.3 million at 30 June 2016, an increase of €7.1 million.

The changes by type of asset break down as follows:

- ◆ A decrease in rental income at France Offices (-2.0%) attributable primarily to the effect of asset disposals (-€3.2 million) and assets made vacant for rehabilitation (-€3.2 million), less the delivery of assets under development in 2016 and 2017 (+€0.7 million) and acquisitions (+€3.1 million).
- ◆ An increase in Italy Offices rents (+3%) due to the arrival of new tenants (+€1.9 million), renewals of leases (+€0.4 million) and acquisitions (+€3 million) minus the effect of disposals (-€1.3 million) and asset vacancies (-€1 million).

2.2.6.1.2. Share-based payments (IFRS 2)

The application of IFRS 2 has resulted in the recognition of an expense for benefits granted to employees as share-based payments. This expense is recorded in income for the year.

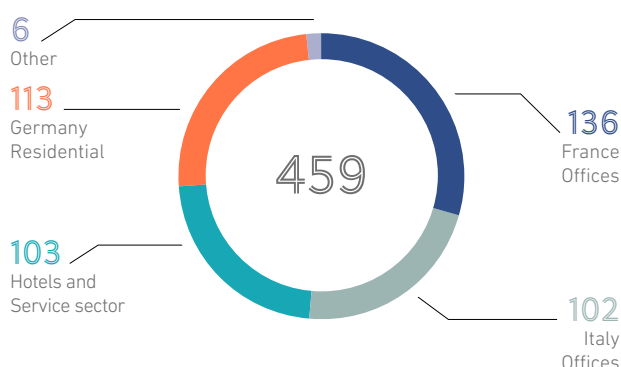
Bonus shares are valued by Foncière des Régions at the date of their award according to a binomial valuation model. This model takes into account the features of the plan (price and exercise period), market data upon award (risk free rate, share price, volatility and expected dividends), and assumptions of beneficiary behaviour. The benefits thus granted are accounted for as expenses over the vesting period, and offset by an increase in the consolidated reserves.

- ◆ An increase in rental income at Hotels and Service (+1.9%) principally as a result of acquisitions (+€17.3 million), rent indexing (+€0.5 million), increased rents at AccorHotels (+€1.1 million) and the deliveries of hotels (+€0.9 million) in France and Germany, less the effect of disposals in the hotel segment (-€10.6 million) and disposals in the healthcare segment (-€7.2 million).
- ◆ An increase in rental income from the Germany Residential segment (+6.6%) following acquisitions (+€11 million), rent indexing (+€3 million), less the impact of disposals (-€7 million).
- ◆ A 25.6% decrease in the France Residential segment due to disposals and assets made vacant for their disposal.

Note that the tenant Telecom Italia accounts for 48% of total revenues in the Italy Offices segment (€49.1 million).

FIRST HALF-YEAR 2017 RENTAL INCOME BY OPERATING SEGMENT

(IN €M)



2.2.6.2.2. Real estate expenses

(€K)	30/06/2017	30/06/2016	Change (€K)	Change (%)
Rental Income	459,380	452,288	7,092	1.6%
Unrecovered rental costs	-26,126	-23,359	-2,767	11.8%
Expenses on properties	-12,323	-13,986	1,663	-11.9%
Net losses on unrecoverable receivables	-1,932	-2,254	322	-14.3%
Net rental income	418,999	412,689	6,310	1.5%
RATE FOR PROPERTY EXPENSES	-8.8%	-8.8%		

◆ Unrecovered rental costs: these expenses are net of re-invoicing to tenants, and basically correspond to charges on vacant premises.

The change in the period (-€2.8 million) is due mainly to the effects of land taxes on the developments of France Offices (-€0.5 million), the reconsolidation of Logistics (-€0.8 million) and the effect of acquisitions in Spain (-€1.6 million).

◆ Expenses on properties: these consist of rental expense that are borne by the owner, expenses related to works and expenses related to property management.

◆ Net losses on unrecoverable receivables: these consist of losses on unrecoverable receivables and net provisions on doubtful receivables. At 30 June 2017, the charges net of reversals essentially stem from the Italy Offices segment (-€0.5 million) and the France Offices segment (-€0.2 million).

2.2.6.2.3. Net cost of operations

These consist of head office expenses and operating costs net of revenues from management and administration activities.

(€K)	30/06/2017	30/06/2016	Change (€K)	Change (%)
Management and administration income	9,567	6,868	2,699	39.3%
Business expenses	-3,120	-2,331	-789	33.8%
Overhead	-56,849	-52,301	-4,548	8.7%
Development costs (not capitalised)	-249	-679	430	N/A
TOTAL NET OPERATING COSTS	-50,651	-48,443	-2,208	4.6%

Management and administration income was up by €2.7 million. They primarily include a commission of €0.6 million earned on the refinancing of a portfolio of hotels in France and the consolidation of Revalo in Italy, a company specialising in the management of real estate portfolios, in the amount of €2.2 million.

Business expenses increased. These consist primarily of appraisal expenses totalling €1.5 million, asset management fees totalling €0.8 million, as well as expenses related to inspections totalling €0.4 million.

Overheads rose by €4 million, particularly for payroll following the increase in headcount in Italy (Revalo) and Germany.

2.2.6.2.4. Results from other activities

The net income from other activities declined by €5.7 million. This change is attributable to lower earnings in Car Park companies (-€4.6 million) due mainly to the disposal made on 21 December 2016 and by lower earnings from real estate development in the France Offices segment (€2.5 million at 30 June 2017 versus €3.4 million at 30 June 2016).

2.2.6.3. Change in the fair value of assets

(€K)	30/06/2017	30/06/2016	Change (€K)
Offices France	125,695	210,627	-84,932
Offices Italy	44,215	54,442	-10,227
Hotels and Service sector	81,175	75,162	6,013
Germany Residential	286,181	89,585	196,596
France Residential	1,964	-7	1,971
TOTAL CHANGE IN FAIR VALUE OF PROPERTIES	539,230	429,809	109,421

- ♦ At France Offices, the fair value is driven by the assets delivered in the first half of 2017 (+23% on average).
- ♦ In the Hotels and Service sector, value creation was largely driven by the period's acquisitions.
- ♦ At Germany Residential, the asset values benefited from indexing and the compression of present-value discount rates, particularly in Berlin, where the yield rate on the total portfolio for the six months ending 30 June 2017 was 5% versus 5.4% for the same period ended 30 June 2016.

2.2.6.4. Income from changes in scope

A loss of €2.5 million was recognised under income from changes in consolidation scope, primarily due to the acquisition costs for shares in the Germany Residential (-€2.3 million) and Italy Offices (-€0.2 million) segments, which, in accordance with IFRS 3R, must be recognised in profit or loss.

2.2.6.5. Costs of net financial debt

(En milliers d'euros)	30/06/2017	30/06/2016	Change (€K)
Interest income on cash transactions	7,092	6,211	881
Interest expense on financing operations	-118,399	-93,563	-24,836
Net expenses on hedges	-25,997	-26,469	472
NET FINANCING COST	-137,304	-113,821	-23,483

Excluding costs to repurchase fixed-rate debt and penalties (€49.2 million at 30 June 2017 versus €7.8 million at 30 June 2016), the cost of debt declined by €17.9 million, under the effect of refinancings and restructured hedges.

2.2.6.6. Net financial income

(€K)	30/06/2017	30/06/2016	Change (€K)	Change (%)
Cost of net financial debt	-137,304	-113,821	-23,483	20.6%
Positive changes in the fair value of financial instruments	64,381	87,871	-23,490	
Negative changes in the fair value of financial instruments	-30,641	-120,770	90,129	
Change in the fair value of financial instruments	33,740	-32,899	66,639	-202.6%
Financial income from discounting	1,123	969	154	
Financial expenses from discounting	-3,897	-2,536	-1,361	
Discounting	-2,774	-1,567	-1,207	77.0%
Impact of discounting and changes in fair value	30,966	-34,466	65,432	-189.8%
Expenses net of financial provisions and other	-12,080	-34,656	22,576	-65.1%
TOTAL NET FINANCIAL INCOME	-118,418	-182,943	64,525	-35.3%

The net financial provisions and other expenses improved by €22.6 million.

These primarily reflected:

- ♦ the deferral of loan issue costs for -€10.9 million (of which -€3.9 million was extraordinary amortisation after the refinancings) versus -€17.4 million at 30 June 2016
- ♦ the redemption penalties for a bond issue at France Offices of -€15.9 million at 30 June 2016.

2.2.6.7. Taxes payable and deferred taxes (including the Exit Tax)

2.2.6.7.1. Accounting principles applicable to current and deferred taxes

2.2.6.7.1.1. SIIC tax regime (French companies)

Opting for the SIIC tax regime 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
- ♦ 60% 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 with a SIIC corporate purpose 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.

2.2.6.7.1.2. 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 Foncière des Régions' entities that are not eligible for or have not opted for the SIIC tax regime.

A 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.

2.2.6.7.1.3. SIIQ tax regime (Italian companies)

Opting for the SIIQ tax regime triggers immediate liability for exit tax at a reduced 20% tax rate on the unrealised capital gains relating to the assets eligible for SIIQ tax treatment. The exit tax is payable over a maximum of five years.

Note that in 2014, a new decree was enacted (Law Decree No. 133/2014). Previously, the Company was exempted from tax on the SIIQ revenues ("rental" asset rental income and dividends of

subsidiaries subject to the tax regime) on condition of an 85% distribution ceiling. This ceiling has now been lowered to 70%.

Moreover, the decree requires that 50% of the capital gains on the disposal of assets eligible for the SIIQ regime be distributed within two years following their recognition.

In compensation, no tax is payable on capital gains from asset disposals and earnings from this business activity.

2.2.6.7.2. Taxes and theoretical tax rate by geographical area

(€K)	Taxes payable	Deferred tax liabilities	Total	Deferred tax rate
France	-3,287	59	-3,228	28.90%
Italy	-323	294	-29	31.40%
Germany	-1,527	-52,810	-54,337	15.83%
Belgium	-707	-2,011	-2,718	33.99%
Luxembourg	-61	-1,080	-1,141	30.00%
Netherlands	-195	-819	-1,014	25.00%
Portugal	-154	-1,163	-1,317	23.00%
Spain	0	-108	-108	25.00%
TOTAL	-6,254	-57,638	-63,892	

(-) corresponds to a tax expense; (+) corresponds to a tax income.

Taxes payable in France involve a 3% contribution on dividends of €1 million and the withholding tax paid on Beni Stabili dividends of €2 million.

Impact of deferred taxes on income

(€K)	30/06/2017	30/06/2016	Change
Offices France	0	0	0
Offices Italy	294	-4,678	4,972
Hotels and Service Sector	-6,657	-11,120	4,463
Germany Residential	-51,334	-6,271	-45,063
Corporate and not chargeable	59	0	59
TOTAL	-57,638	-22,069	-35,569

- ◆ The deferred tax expense of the Hotels and Service sector mainly relates to increases in the value of assets in Portugal, Belgium and Germany.
- ◆ The deferred tax expense of the Germany Residential segment mainly relates to an increase in the value of assets.
- ◆ Note that the deferred tax expense of the Italy Offices segment for the 2016 fiscal year is mainly due to a decrease in the deferred tax assets following the use of tax credits.

2.2.7. Other information

2.2.7.1. Personnel remuneration and benefits

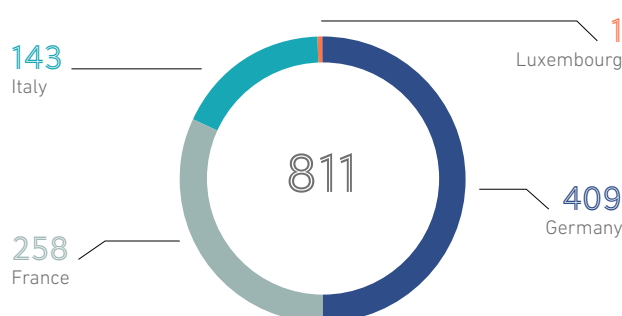
2.2.7.1.1. Personnel expenses

Personnel expenses amounted to €35.9 million as at 30 June 2017, compared with €38.8 million as at 30 June 2016. This reduction was largely attributable to the disposal on 20 December 2016 of the company employing the car park personnel (€5 million payroll expense appearing under “Expenses of other activities” for the period ended 30 June 2016) and to increased payroll expenses at Germany Residential and Italy Offices (due to the consolidation of Revalo in December 2016).

2.2.7.1.1.1. Headcount

At 30 June 2017, the headcount of fully consolidated companies was 811.

HEADCOUNT BY COUNTRY IN NUMBER OF EMPLOYEES



The average headcount during the first half of 2017 was 795.6 employees.

2.2.7.1.2. Description of share-based payments

Foncière des Régions awarded bonus shares in the first half of 2017. The following fair-value assumptions were made for the bonus shares:

Plan of 15 February 2017	France without performance condition	France with performance condition – performance scenario	France with performance condition – FDR internal objective	Germany without performance condition
Date awarded	15/02/2017	15/02/2017	15/02/2017	15/02/2017
Number of shares awarded	8,423	12,000	12,000	4,000
Share price on the date awarded	€78.16	€78.16	€78.16	€78.16
Exercise period for rights	3 years	3 years	3 years	3 years
Cost of non-collection of dividends	-€13.74	-€13.74	-€13.74	-€13.74
Actuarial value of the share net of dividends not collected during the vesting period	€64.42	€64.42	€64.42	€64.42
Revenue-related discount:				
in number of shares	1,358	1,411	1,411	645
as percentage of share price on the date awarded	16%	12%	12%	16%
Value of the benefit per share	€51.82	€38.39	€41.42	€51.82

	Italy with performance condition – performance scenario	Italy with performance condition – FDR internal objective
Plan of 15 February 2017		
Date awarded	15/02/2017	15/02/2017
Number of shares awarded	750	750
Share price on the date awarded	€78.16	€78.16
Exercise period for rights	3 years	3 years
Cost of non-collection of dividends	-€13.74	-€13.74
Actuarial value of the share net of dividends not collected during the vesting period	€64.42	€64.42
Revenue-related discount:		
in number of shares	88	88
as percentage of share price on the date awarded	12%	12%
Value of the benefit per share	€31.94	€41.42

In the first half of 2017, a total of 37,923 bonus shares were awarded to certain categories of employees. This expense is recorded under net financial income for the period.

The cost of the bonus share awards recognised at 30 June 2017 amounted to €3,029 thousand, while the related employer contribution was €513 thousand. They are presented in the income statement on the “Discounting of liabilities and receivables” line.

The cost of the bonus share awards includes the impact of the 2013 plan for €28 thousand, the 2014 plan for €880 thousand, the 2015 plan for €808 thousand, the 2016 plan for €1,041 thousand, and the 2017 plan for €272 thousand.

2.2.7.2. Earnings per share and diluted earnings per share

2.2.7.2.1. Earnings per share (IAS 33)

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

In accordance with the rules set out in IAS 33, when shares are issued with preferential subscription rights, the number of

ordinary shares to take into account when calculating basic and diluted earnings per share for all periods prior to the rights issue is the number of ordinary shares outstanding before the issue, multiplied by the following factor:

Fair value per share immediately prior to exercise of the right/
Theoretical fair value per share ex-right.

To calculate the diluted earnings per share, the average number of shares outstanding is adjusted to reflect the conversion of all dilutive potential ordinary shares, including bonus shares being vested and convertible bonds (ORNANE-type).

The impact of the dilution is only taken into account if it is dilutive.

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 Foncière des Régions 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.

	Net income
GROUP SHARE (€K)	489,026
Interest on ORNANE-type bonds	1,497
Change in fair value of ORNANE-type bonds	-7,691
GROUP SHARE AFTER CONVERSION OF ORNANE-TYPE BONDS (€K)	482,832
Average number of undiluted shares	73,292,080
Impact of dilution – bonus shares⁽¹⁾	426,905
<i>Number of bonus shares⁽¹⁾</i>	426,905
Average number of shares diluted by bonus shares	73,718,985
Dilution impact of conversion of France 2019 ORNANE-type bonds	4,519,650
<i>Conversion of ORNANE-type bonds</i>	4,519,650
Average number of fully diluted shares after conversion of ORNANE-type bonds	78,238,635
Net profit (loss) per non-diluted share (€)	6.67
Impact of dilution – bonus shares (€)	-0.04
DILUTED EARNINGS PER SHARE OF BONUS SHARES (€)	6.63
DILUTED EARNINGS PER SHARE OF BONUS SHARES AND ORNANE-TYPE BONDS (€)	6.17

⁽¹⁾ The number of shares being vested is broken down according to the following plans:

2013 plan	5,550
2014 plan	145,112
2015 plan	33,571
2016 plan	204,749
2017 plan	37,923
Total	426,905

In accordance with IAS 33 § 49 “Earnings per share”, the impact from the dilution related to the conversion of the France ORNANE-type bonds maturing in 2019 as at 1 January 2017 is taken into account, because the latter is dilutive.

2.2.7.3. Related-party transactions

The information mentioned below concerns the main related-parties, namely equity affiliates.

DETAILS OF RELATED-PARTY TRANSACTIONS (IN €K)

Partner	Type of partner	Operating income	Net financial income	Balance sheet	Comments
Cœur d'Orly	Equity affiliates	51	124	16,614	Monitoring of projects and investments, Loans
Euromed	Equity affiliates	444	179	63,162	Monitoring of projects and investments, Loans, Asset and property fees
Lenovilla	Equity affiliates	168	0	27,102	Monitoring of projects and investments, Loans, Asset and property fees
Latécoère 2	Equity affiliates	2,404	0	19,398	Monitoring of projects and investments, Loans
SCI Factor E and SCI Orianz	Equity affiliates	0	28	7,604	Monitoring of projects and investments, Loans

2.2.8. Segment reporting

2.2.8.1. Accounting principles as regards operating segments – IFRS 8

The Foncière des Régions group holds a wide range of real estate assets to collect rental income and benefit from appreciation in the assets held. Segment reporting is organised by asset type.

The operating segments are as follows:

- ♦ France Offices: office real estate assets located in France
- ♦ Italy Offices: office real estate assets located in Italy held by Beni Stabili
- ♦ Hotels and Service sector: commercial buildings in the hotel and retail segment held by Foncière des Murs
- ♦ Germany Residential: real estate assets in Germany held by Foncière des Régions through its subsidiary Immeo SE

- ♦ France Residential: residential real estate assets in France held by Foncière Développement Logements.

These segments are reported on and analysed regularly by Group management in order to make decisions on what resources to allocate to the segment and to evaluate their performance.

As of 1 January 2017, following the merger of FEL with Foncière des Régions, the residual logistics operations, not material at the Group level, are no longer included under discontinued operations and have been reclassified under France Offices in the financial statements.

2.2.8.2. Intangible fixed assets

2017 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Concessions and other fixed assets	1,467	2,111	0	438	1	22,214	26,231
NET	1,467	2,111	0	438	1	22,214	26,231

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Concessions and other fixed assets	1,564	2,142	0	433	1	21,842	25,982
NET	1,564	2,142	0	433	1	21,842	25,982

The “Corporate and not chargeable” column includes the intangible fixed assets of the remaining Car Park companies.

2.2.8.3. Tangible fixed assets

2017 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Operating properties	41,473	20,541	2	5,280	0	0	67,296
Other fixed assets	1,176	2,977	432	3,707	14	186	8,492
Fixed assets in progress	2,446	20,086	42,722	993	0	0	66,247
NET	45,095	43,604	43,156	9,980	14	186	142,035

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Operating properties	42,037	19,348	2	5,371	0	52	66,810
Other tangible fixed assets	1,230	3,188	442	3,066	18	1,026	8,970
Fixed assets in progress	1,562	5,000	58,054	9,365	0	780	74,761
NET	44,829	27,536	58,498	17,802	18	1,858	150,541

Tangible fixed assets declined in the Hotels and Service sector by €15.3 million after the exercise of options on 3 NH hotels in Germany and in Germany Residential (-€7.8 million) after the acquisition of buildings in Germany (-€8.9 million). The

€16.1 million increase in Italy Offices was due to the €19.2 million deposit made in the conditional acquisition of an asset in Milan, less the use of the deposit (-€5 million) for the acquisition of Via Principe Amedeo in Milan.

2.2.8.4. Investment properties/Assets held for sale

2017 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Investment properties	5,115,860	3,669,487	3,629,862	4,614,677	333,456	0	17,363,342
Operating assets held for sale	136,215	155,268	88,900	64,731	35,513	0	480,627
Properties under development	378,261	429,130	158,471	0	0	0	965,862
TOTAL	5,630,336	4,253,885	3,877,233	4,679,408	368,969	0	18,809,831

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Investment properties	4,891,390	3,612,251	2,999,592	3,968,790	387,614	0	15,859,637
Operating assets held for sale	140,110	76,601	19,417	23,749	38,017	0	297,894
Properties under development	434,859	355,370	113,579	0	0	0	903,808
TOTAL	5,466,359	4,044,222	3,132,588	3,992,539	425,631	0	17,061,339

The total of investment properties rose sharply at Germany Residential (+€646 million), largely due to the acquisitions of asset-holding companies (+€325.1 million), the acquisitions of assets (+€63.4 million), changes in asset values (+€278.8 million) and construction (+€25.5 million).

The same applies to the Hotels and Service sector (+€630 million), an increase due primarily to acquisitions of asset-holding companies (+€185.2 million), direct acquisitions of assets (+€375 million), the exercise of three purchase options on NH hotels in Germany (+€36.8 million) and construction (+€17.7 million).

At Italy Offices, the increase (+€57 million) resulted from asset acquisitions (+€123.3 million), reclassification as assets held for sale (-€114.4 million), a change in the fair value (+€43.5 million) and to construction (+€6.3 million).

At France Offices, the increase (€5,115 million in 2017 versus €4,891 million in 2016) resulted from acquisitions (+€3 million), construction during the period (+€20 million), deliveries of assets under development (+€155.7 million) and the reclassification of assets held for sale (-€16.4 million).

The decrease at France Residential resulted mainly from disposals made in 2017 (-€56 million).

2.2.8.5. Financial assets

2017 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Loans	134,216	0	66,276	1,065	154	214	201,925
Current accounts	0	0	0	0	0	0	0
Other financial assets	651	7,521	20,161	16,017	2	602	44,954
Finance lease receivables	0	0	0	0	0	0	0
Receivables on financial assets	0	6,897	0	465	0	0	7,362
Investments in equity affiliates	124,118	18,214	221,764	0	0	0	364,096
NET	258,985	32,632	308,201	17,547	156	816	618,338

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Loans	128,466	0	63,945	4	144	94	192,653
Current accounts	0	0	0	0	0	0	0
Other financial assets	651	7,746	20,161	24,743	2	2	53,305
Finance lease receivables	0	0	0	0	0	2	2
Receivables on financial assets	0	8,667	0	465	0	0	9,132
Investments in equity affiliates	103,803	19,042	222,547	0	0	0	345,392
NET	232,920	35,455	306,653	25,212	146	98	600,484

The increase in financial assets at France Offices resulted primarily from loans granted to equity affiliates (+€5.6 million).

The decrease in the financial assets of Germany Residential resulted from the use of advances given in 2016 (-€13.4 million) to acquire shares of companies in Germany (the Ferdinand and Golddust transactions) and the payment in the first half of 2017 of €5.4 million to acquire the shares of unconsolidated companies in Germany.

2.2.8.6. Inventories and work-in-progress

2017 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Inventories and work-in-progress	110	26,390	0	4,560	1,855	0	32,915
TOTAL	110	26,390	0	4,560	1,855	0	32,915

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Inventories and work-in-progress	631	27,465	0	4,765	1,822	0	34,683
TOTAL	631	27,465	0	4,765	1,822	0	34,683

2.2.8.7. Contribution to shareholders' equity

2017 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Group shareholders' equity before elimination of securities	5,611,819	953,145	1,040,074	1,271,494	235,164	926,557	10,038,253
Elimination of securities	0	-1,242,708	-918,276	-952,416	-166,868	-887,412	-4,167,680
Shareholders' equity GS	5,611,819	-289,563	121,798	319,078	68,296	39,145	5,870,573
Minority interests	309,015	1,165,996	1,309,942	778,739	125,648	29,238	3,718,578
SHAREHOLDERS' EQUITY	5,920,834	876,433	1,431,740	1,097,817	193,944	68,383	9,589,151

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Discontinued operations	Total
Group shareholders' equity before elimination of securities	5,403,809	966,105	926,584	1,069,877	265,422	857,247	163,475	9,652,519
Elimination of securities	0	-1,242,708	-760,954	-891,433	-166,868	-856,014	-432,170	-4,350,147
Shareholders' equity GS	5,403,809	-276,603	165,630	178,444	98,554	1,233	-268,695	5,302,372
Minority interests	300,638	899,354	1,134,720	656,568	144,742	29,582		3,165,604
SHAREHOLDERS' EQUITY	5,704,447	622,751	1,300,350	835,012	243,296	30,815	-268,695	8,467,976

2.2.8.8. Financial liabilities

2017 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Total interest-bearing loans	977,439	1,852,789	1,691,606	2,089,490	86,412	1,739,890	8,437,626
Total short-term interest-bearing loans	14,341	413,259	20,021	29,954	16,667	1,226,579	1,720,821
TOTAL LT AND ST LOANS	991,780	2,266,048	1,711,627	2,119,444	103,079	2,966,469	10,158,447

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Total interest-bearing loans	979,305	2,179,732	1,273,103	1,832,476	119,230	2,000,330	8,384,176
Total short-term interest-bearing loans	10,301	106,255	45,510	25,499	-478	1,166,018	1,353,105
TOTAL LT AND ST LOANS	989,606	2,285,987	1,318,613	1,857,975	118,752	3,166,348	9,737,281

2.2.8.9. Derivatives

2017 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Financial instruments – assets	449	0	5,486	3,353	5	28,669	37,962
Financial instruments – liabilities	64,496	16,697	67,835	35,130	0	170,880	355,038
NET FINANCIAL INSTRUMENTS	64,047	16,697	62,349	31,777	-5	142,211	317,076

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Financial instruments – assets	514	0	7,523	3,336	16	29,303	40,692
Financial instruments – liabilities	19,648	18,136	88,339	50,727	7,438	244,582	428,870
NET FINANCIAL INSTRUMENTS	19,134	18,136	80,816	47,391	7,422	215,279	388,178

2.2.8.10. Income statement by operating segment

In accordance with IFRS 12, paragraph B11, inter-segment transactions (in particular management fees) are indicated separately in this presentation.

2017 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Intercos Inter-sector	30/06/2017
Rental Income	136,140	101,860	102,895	112,880	6,087	0	-482	459,380
Unrecovered rental costs	-7,604	-12,471	-1,814	-2,014	-2,238	-32	47	-26,126
Expenses on properties	-4,785	-2,769	-1,775	-7,574	-658	-28	5,266	-12,323
Net losses on unrecoverable receivables	-248	-746	-6	-816	-116	0	0	-1,932
Net rental income	123,503	85,874	99,300	102,476	3,075	-60	4,831	418,999
Management and administration income	7,150	2,288	3,468	2,663	67	5,370	-11,439	9,567
Business expenses	-1,219	-332	-2,768	-340	-206	1	1,744	-3,120
Overhead	-13,259	-14,532	-5,649	-20,940	-1,292	-6,043	4,866	-56,849
Development expenses	-249	0	0	0	0	0	0	-249
Net cost of operations	-7,577	-12,576	-4,949	-18,617	-1,431	-672	-4,829	-50,651
Income from other activities	2,528	0	0	1,735	0	9,774	-2	14,035
Expenses of other activities	-117	-301	0	-1,425	0	-8,347	0	-10,190
Income from other activities	2,411	-301	0	310	0	1,427	-2	3,845
Depreciation of operating assets	-1,191	-699	-10	-775	-4	-1,729	0	-4,408
Net allowances to provisions and other	-27	-1,064	-410	-50	23	739	0	-789
OPERATING PROFIT	117,119	71,234	93,931	83,344	1,663	-295	0	366,996
Proceeds from disposals of trading properties	0	14	0	3,568	0	0	0	3,582
Net change in trading properties	-51	-1,555	0	-2,543	33	0	0	-4,116
Net income from inventory properties	-51	-1,541	0	1,025	33	0	0	-534
Income from asset disposals	104,997	39,157	5,232	24,870	61,273	15	0	235,544
Carrying value of investment properties sold	-105,895	-39,337	-5,376	-24,099	-61,436	-16	0	-236,159
Income from asset disposals	-898	-180	-144	771	-163	-1	0	-615
Gains in value of investment properties	142,611	74,314	100,583	294,857	2,152	0	0	614,517
Losses in value of investment properties	-16,916	-30,099	-19,408	-8,676	-188	0	0	-75,287
Net valuation gains and losses	125,695	44,215	81,175	286,181	1,964	0	0	539,230
Income from disposals of securities	0	-5,927	0	0	0	-388	0	-6,315
Income from changes in scope	0	0	55	-2,345	0	-187	0	-2,477
OPERATING INCOME	241,865	107,801	175,017	368,976	3,497	-871	0	896,285
Income from non-consolidated companies	0	0	0	0	0	0	0	0
Cost of net financial debt	-27,994	-34,417	-16,937	-35,815	-747	-21,394	0	-137,304
Fair value adjustment on derivatives	6,455	-26,186	14,508	15,807	-112	23,268	0	33,740
Discounting of liabilities and receivables	-3,371	0	640	0	-9	-34	0	-2,774
Net change in financial and other provisions	-3,535	-3,738	-2,702	-1,776	-329	0	0	-12,080
Share in income of equity affiliates	15,033	-225	7,471	0	0	0	0	22,279
PRE-TAX NET INCOME	228,453	43,235	177,997	347,192	2,300	969	0	800,146
Deferred tax	0	294	-6,657	-51,334	0	59	0	-57,638
Recurrent Tax	-2,990	-323	-1,336	-1,306	-3	-296	0	-6,254
NET INCOME FROM CONTINUING OPERATIONS	225,463	43,206	170,004	294,552	2,297	732	0	736,254
Net income (loss) from discontinued operations								0
NET INCOME FOR THE PERIOD	225,463	43,206	170,004	294,552	2,297	732	0	736,254
Minority interest	-13,515	-21,970	-98,521	-112,660	-890	329	0	-247,227
NET INCOME FOR THE PERIOD – GROUP SHARE	211,947	21,236	71,483	181,892	1,407	1,061	0	489,026

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2017

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Notes to the condensed consolidated financial statements

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany residential	France Residential	Car Parks	Corporate	Intercos Inter-sector	30/06/2016
Rental Income	139,041	98,872	100,939	105,848	8,182	0	0	-594	452,288
Unrecovered rental costs	-6,350	-12,049	57	-2,657	-2,366	-85	-5	95	-23,359
Expenses on properties	-3,898	-3,736	-1,538	-7,900	-912	-150	-1	4,149	-13,986
Net losses on unrecoverable receivables	309	-1,053	14	-1,426	-98	0	0	0	-2,254
Net rental income	129,102	82,034	99,472	93,865	4,806	-235	-6	3,650	412,689
Management and administration income	6,073	18	3,343	2,515	60	0	5,182	-10,323	6,868
Business expenses	-1,281	0	-2,397	-226	-154	0	-15	1,742	-2,331
Overhead	-9,539	-8,742	-5,112	-19,645	-1,412	-6	-12,301	4,456	-52,301
Development expenses	-634	0	-100	0	0	0	0	55	-679
Net cost of operations	-5,381	-8,724	-4,266	-17,356	-1,506	-6	-7,134	-4,070	-48,443
Income from other activities	3,469	0	6	665	0	21,743	53	-9	25,927
Expenses of other activities	-46	-10	0	-435	0	-15,878	-11	0	-16,380
Income from other activities	3,423	-10	6	230	0	5,865	42	-9	9,547
Depreciation of operating assets	-1,120	-564	-8	-514	-4	-4,812	-4	0	-7,026
Net allowances to provisions and other	-861	-1,764	102	-72	38	-634	-74	429	-2,836
OPERATING PROFIT	125,163	70,972	95,306	76,153	3,334	178	-7,176	0	363,931
Proceeds from disposals of trading properties	161	0	0	2,040	452	0	0	0	2,653
Net change in trading properties	0	-170	0	-927	-467	-51	0	0	-1,615
Net income from inventory properties	161	-170	0	1,113	-15	-51	0	0	1,038
Income from asset disposals	82,586	56,120	256,000	94,888	72,497	0	0	0	562,091
Carrying value of investment properties sold	-82,448	-56,518	-256,669	-92,675	-72,728	-16	0	0	-561,054
Income from asset disposals	138	-398	-669	2,213	-231	-16	0	0	1,037
Gains in value of investment properties	228,364	66,010	86,799	103,808	2,019	0	0	0	487,000
Losses in value of investment properties	-17,737	-11,568	-11,637	-14,223	-2,026	0	0	0	-57,191
Net valuation gains and losses	210,627	54,442	75,162	89,585	-7	0	0	0	429,809
Income from disposals of securities	0	0	0	-17	0	0	0	0	-17
Income from changes in scope	-507	0	-103	-7,017	0	0	0	0	-7,627
OPERATING INCOME	335,582	124,846	169,696	162,030	3,081	111	-7,174	0	788,171
Income from non-consolidated companies	-1	0	0	0	0	0	0	0	-1
Cost of net financial debt	-13,290	-23,205	-24,983	-23,830	-2,784	-1,361	-24,368	0	-113,821
Fair value adjustment on derivatives	-13,799	39,203	-27,908	-28,277	-1,707	-411	0	0	-32,899
Discounting of liabilities and receivables	-2,375	0	810	0	-2	0	0	0	-1,567
Net change in financial and other provisions	-24,632	-3,324	-2,726	-2,899	-1,036	-39	0	0	-34,656
Share in income of equity affiliates	15,095	992	1,689	0	0	0	0	0	17,776
PRE-TAX NET INCOME	296,580	138,512	116,578	107,024	-2,448	-1,700	-31,542	0	623,003
Deferred tax	0	-4,678	-11,120	-6,271	0	0	0	0	-22,069
Recurrent Tax	-399	-2,972	-1,307	-1,051	-52	133	0	0	-5,648
NET INCOME FROM CONTINUING OPERATIONS	296,181	130,862	104,151	99,702	-2,500	-1,567	-31,542	0	595,286
Net income (loss) from discontinued operations									-1,412
NET INCOME FOR THE PERIOD	296,181	130,862	104,151	99,702	-2,500	-1,567	-31,542	0	593,874
Minority interest	-23,721	-65,230	-56,188	-39,270	969	593	0	0	-182,847
NET INCOME FOR THE PERIOD – GROUP SHARE	272,460	65,632	47,963	60,432	-1,531	-974	-31,542	0	411,027

2.2.9. Subsequent events

2.2.9.1. Germany Residential segment

On 12 July, Foncière des Régions signed €148 million in preliminary sales agreements that will go through in the third quarter of 2017.

2.2.9.2. Italy Offices segment

On 3 July 2017, the asset Milan Piazza San Nicolao, classified as held for sale, was sold for €114.6 million.

2.2.9.3. Hotels and Service sector

On 13 July 2017, the 17 Quick assets classified as held for sale were sold for a preliminary agreement of €38 million excluding duties.

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STATUTORY AUDITORS' REPORT



STATUTORY AUDITORS' REVIEW ON THE HALF-YEARLY

For the period from January 1 to June, 30, 2017

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders general meeting and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code ("Code monétaire et financier"), we hereby report to you on:

- ♦ the review of the accompanying condensed half-yearly consolidated financial statements of Foncière des Régions, for the period from January 1st, 2017 to June 30th, 2017;
- ♦ the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Courbevoie and Paris-La Défense, July 26, 2017

The Statutory Auditors
French original signed by

MAZARS

Gilles Magnan

ERNST & YOUNG et Autres

Jean-Roch Varon



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CERTIFICATION OF THE PREPARER



CERTIFICATION OF THE PREPARER

I certify that, to my knowledge, the abridged accounts for this past semi-annual period have been prepared in accordance with the applicable accounting standards and give a faithful image of the assets, of the financial position and of the results of the company as well as of all of the companies included in the consolidation, and that the attached semi-annual business report presents a faithful picture of the important events occurring during the first six months of the financial year, of their impact on the accounts, of the major transactions between related parties, as well as a description of the main risks and main uncertainties for the remaining six months of the financial year.

31 July 2017,

Monsieur Christophe Kullmann
Chief Executive Officer
Person in Charge of the Financial Information

DEFINITIONS, ACRONYMS AND ABBREVIATIONS USED

Cost of development projects

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

Debt interest rate

◆ Average cost:

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

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

Definition of the acronyms and abbreviations used:

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

Firm residual term of leases

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

Green Assets

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

Like-for-Like change in rent

This indicator compares rents recognised from one financial year to another without accounting for changes in scope: acquisitions, disposals, developments including the vacating and delivery of properties. The change is calculated on the basis of rental income under IFRS for strategic activities. Given specificities and common practices in German residential, the Like-for-Like change is computed based on the rent in €/m² spot N *versus* N-1 (without vacancy impact) on the basis of accounted rents.

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

The current scope includes all portfolio assets except assets under development.

Like-for-Like change in value

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

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

The current scope includes all portfolio assets.



Loan To Value (LTV)

The LTV calculation is detailed in Part 7 “Financial Resources”.

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

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

Occupancy rate

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

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

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

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

Operating assets

Properties leased or available for rent and actively marketed.

Portfolio

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

Projects

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

Recurring Net Income

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

♦ Calculation:

(+) Net Rental Income

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

(+) Income from other activities

(+) Costs of the net financial debt

(+) RNI from non-consolidated affiliates

(-) Recurrent Tax

(+) RNI from discontinued operations

(=) Recurring Net Income

Rental activity

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

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

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

Rental income

- ♦ **Recorded rent** corresponds to gross rental income accounted for over the year by taking into account deferment of any relief granted to tenants, in accordance with IFRS standards.
- ♦ **The Like-for-Like rental income** posted allows comparisons to be made between rental income from one year to the next, before taking changes to the portfolio (e.g. acquisitions, disposals, building works and development deliveries) into account. This indicator is based on assets in operation, i.e. properties leased or available for rent and actively marketed.
- ♦ **Annualised “topped-up” rental income** corresponds to the gross amount of guaranteed rent for the full year based on existing assets at the period end, excluding any relief.



Surface

- ◆ **SHON:** Gross surface
- ◆ **SUB:** Gross used surface

Unpaid rent (%)

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

Yields/return

- ◆ **The portfolio returns** are calculated according to the following formula:

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

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

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



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