2017

HALF YEAR REPORT

gecina

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Chapter 01

Declaration by **the responsible party**

I certify that to my knowledge the complete accounts for the half year ended have been drawn up in accordance with current accounting practice and give a fair picture of the assets, financial situation and profits of the company and all companies included in the consolidation, and that the attached half-yearly activity report gives a true picture of the important events occurring during the first six months of the year, their impact on the accounts, the principal transactions between associated parties and a description of the principal risks and uncertainties for the remaining six months of the year.

Méka Brunel

Chief Executive Officer

Chapter 02

Key figures

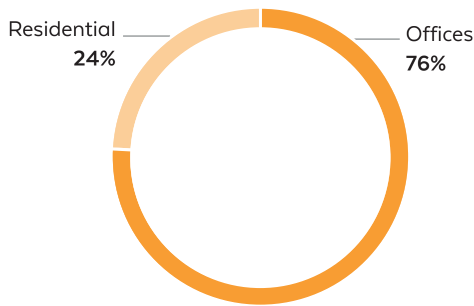
In € million	Change vs June 30, 2016	June 30, 2017	Dec. 31, 2016	June 30, 2016
Gross rental revenue	**-19.5%**	**240.6**	**540.0**	**298.8**
Offices	-8.3%	178.7	372.9	194.9
- Paris CBD - Offices	+0.3%	53.5	106.8	53.3
- Paris CBD - Retail	-4.1%	17.6	35.9	18.4
- Paris excluding CBD	+1.3%	23.5	47.2	23.2
- Western Crescent - La Défense	-20.6%	65.3	147.3	82.2
- Other	+5.4%	18.8	35.7	17.8
Residential	-4.1%	61.9	127.8	64.6
Healthcare and other	-100.0%	0.0	39.4	39.4
Net recurring income[1]	**-22.8%**	**153.2**	**347.6**	**198.4**
Net recurring income - Group share[1]	**-22.9%**	**152.7**	**347.4**	**198.0**
Value in block of property holding[2]	**+2.3%**	**13,338**	**12,078**	**13,041**
Offices	+12.3%	10,185	9,434	9,066
- Paris CBD - Offices	+8.5%	2,851	2,609	2,627
- Paris CBD - Retail	+16.9%	1,412	1,298	1,209
- Paris excluding CBD	+24.0%	1,365	1,218	1,101
- Western Crescent - La Défense	+7.6%	3,567	3,399	3,314
- Other	+21.4%	989	910	815
Residential	+18.2%	3,153	2,644	2,666
Healthcare	-100.0%	0	0	1,309
Net yield on property holding[3]	**-51 bp**	**4.19%**	**4.56%**	**4.70%**

Data per share In €	Change vs June 30, 2016	June 30, 2017	Dec. 31, 2016	June 30, 2016
Net recurring income	-22.0%	€2.47	€5.52	€3.16
Net recurring income - Group share	-22.1%	€2.46	€5.52	€3.16
EPRA NNNAV[4]	+18.2%	€152.0	€132.1	€128.6
Net dividend		-	€5.2	-

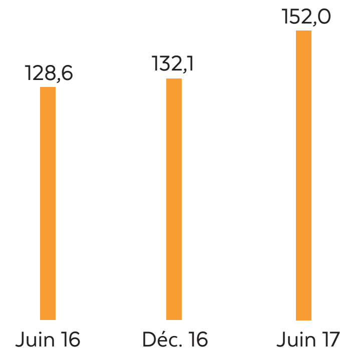
Number of shares	Change vs June 30, 2016	June 30, 2017	Dec. 31, 2016	June 30, 2016
Number of shares comprising share capital	+0.3%	63,434,640	63,434,640	63,262,222
Number of shares excluding treasury stocks	-2.5%	61,237,012	63,062,096	62,833,038
Diluted number of shares excluding treasury stocks	-2.9%	61,556,067	63,402,484	63,370,944
Average number of shares excluding treasury stocks	-1.0%	62,055,134	62,959,735	62,713,386

(1) EBITDA less net financial expenses and recurring tax.
(2) See note 3.5. "Valuation of property holding".
(3) Like-for-like basis June 2017.
(4) See note 3.7 "Triple Net Asset Value".

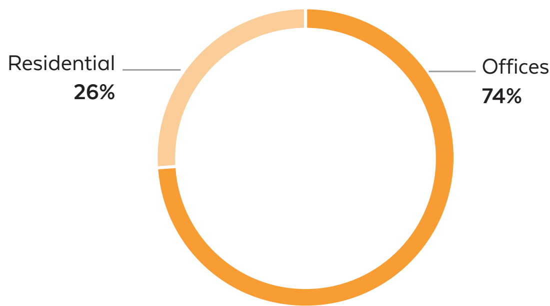
Property holding appraisal by business



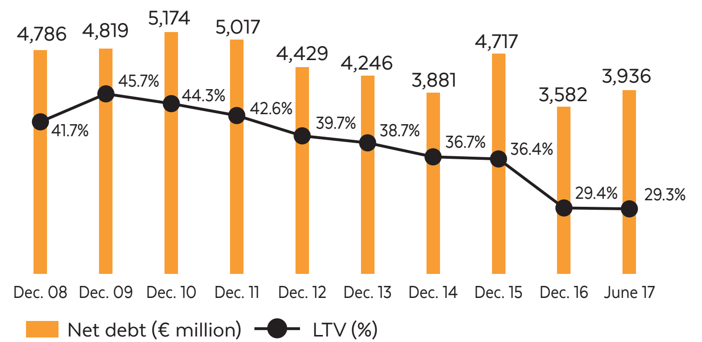
EPRA NNNAV per share (€)



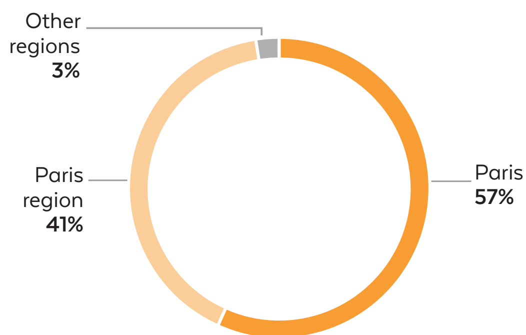
Breakdown of rental revenues by business



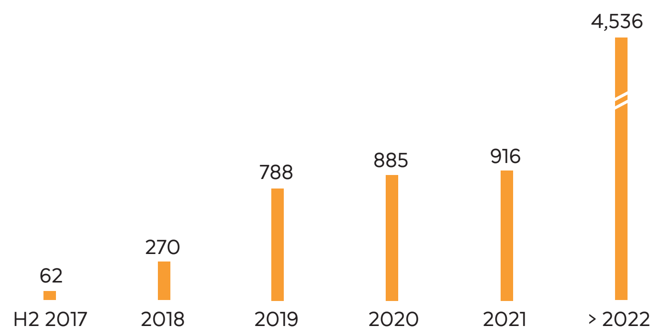
LTV ratio



Répartition des loyers par zone géographique

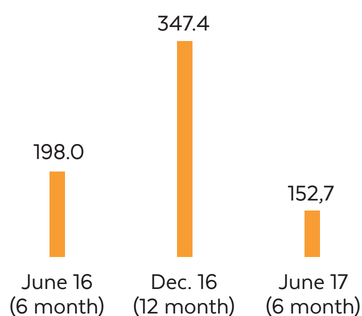


Schedule of authorized financing[1] (including unused credit lines and excluding commercial paper) (€ million)



(1) Financing schedule excluding a €1 billion credit facility undrawn at June 30, 2017 intended to finance the acquisition of Eurosic shares and OSRA.

Net recurring income – Group share (€ million)



Chapter 03

Business Review

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3.1. HISTORICALLY ACTIVE FIRST HALF OF THE YEAR: OPERATIONAL PERFORMANCES AND AMICABLE BUSINESS COMBINATION WITH EUROSIC

Earnings for the first half of 2017 reflect the solid trends for the rental and investment markets in Paris, with **EPRA triple net NAV** up +15% over six months and +2.1% **like-for-like growth in office rental income**.

Alongside this, the positive trends on the Paris markets have supported the major letting successes finalized since the beginning of 2017, with nearly 95,000 sq.m already let, pre-let or renegotiated. These lettings have further strengthened Gecina's confidence in the outlook for growth over the coming years, particularly with its pipeline of projects that are under development.

These results also reflect a **transition phase** between the impact of the major volumes of sales and redevelopments carried out in 2016, which, as expected, explain the temporary contraction in recurrent net income for the first half of this year, and the future impacts that will be generated by Eurosic's acquisition and the deliveries of buildings that are currently under development. These significant scope effects, with a full impact over the first six months of this year, will have a relatively limited impact on the second six months. As a result, **Gecina is able to confirm with confidence its 2017 target** for recurrent net income, excluding the impact of both the healthcare sale and Eurosic's acquisition, to contract by -5% to -6%.

The first half of the year was also marked primarily by the **proposed amicable business combination with Eurosic.** This is a strategically structuring operation for the Group, enabling it to ramp up and accelerate the deployment of its strategy, in line with the ambitions announced at the start of the year. In addition to accelerating the portfolio rotation program, particularly through the sales programs for which processes are already underway, this operation will further strengthen the Group's exposure to the office real estate market's most central sectors, especially in Paris City. The combined structure will have a pipeline that is unrivalled in Europe, focused principally on the market's most buoyant sectors, offering increased visibility in terms of cash flow growth and value extraction. In the short term, this operation **will have an accretive impact representing +10% per share** on a full year basis.

In connection with the financing for this operation, Gecina has already refinanced part of the €2.5 billion bridge, which made it possible to finance the operation, through a **bond issue** in three tranches for a total of €1.5 billion, with an **average maturity of 10 years and an average coupon of 1.3%**. A €1 billion capital increase with subscription rights issue is also planned.

Alongside this operation, Gecina has remained active on the markets with a **share buyback** program that has now been closed, making it possible to buy back €224.5 million of securities at an average price of €121.8 per share. The Group has also finalized its **acquisition of two office buildings** in Paris' central business district and La Défense for a total of €141.5 million. In addition, Gecina has finalized **sales of residential assets** for €83 million, while a further €142 million of **sales were subject to preliminary agreements** at end-June 2017.

Since July 3, 2017, Gecina's teams have been working based on a **new organizational framework**. Two business units have been created for the office portfolio and the residential portfolio, with two executive directors recruited (Valérie Britay and Franck Lirzin respectively). This new organization will help build understanding of and improve the operational and financial performances of the portfolios concerned. Over the coming quarters, this new organization will also facilitate Eurosic's integration. The creation of a dedicated business unit for the residential division reflects Gecina's ambition to focus in priority on optimizing this portfolio's operational management and identifying opportunities for extracting value.

As a result of this reorganization, the composition of the executive committee has been redefined around the following seven executives:

- Thibault Ancely, Executive Director Investments and Development
- Valérie Britay, Executive Director Offices
- Brigitte Cachon, Executive Director R&D, Public Relations and CSR
- Nicolas Dutreuil, Executive Director Finance
- Franck Lirzin, Executive Director Residential
- Philippe Valade, General Secretary
- Frédéric Vern, Executive Director Legal Affairs (from September 2017).

3.1.1. RENTAL INCOME IN LINE WITH THE GROUP'S FORECASTS AND LIKE-FOR-LIKE GROWTH CONFIRMED

On a current basis, the rental performance reported for the first half of 2017 reflects the full impact of the significant changes in scope from 2016 (sale of the healthcare portfolio, transfer of five buildings to the pipeline and sales of various office buildings). This base effect should not impact the second half of 2017.

Total gross rental income came to €240.6 million for the first half of 2017. Restated for the healthcare portfolio's sale, it is down -7.3% on a current basis and up +1.6% like-for-like.

Like-for-like, the first half of the year confirms the **return to rental growth (+1.6%, i.e. +€3.3 million)**. This performance, driven primarily by the office portfolio, factors in the level of indexation, which is still low, but positive (+0.3%), a slightly positive level of reversion, and the letting of buildings that were partially or completely vacant in the first half of 2016.

On a current basis, the -7.3% contraction (excluding healthcare) is linked primarily to the offices and residential assets sold in 2016 (with an average premium of around +15% versus the latest appraisal values), as well as the launch of work to redevelop office buildings with strong potential for creating value when their current tenants leave. In 2016, Gecina incorporated seven new development projects into its pipeline, including five from within the Group's portfolio.

Over the period, the loss of rent resulting from the sales (excluding healthcare) carried out primarily in 2016 (Vinci-Rueil, Dassault-Suresnes, Bourse-Paris and residential properties on a vacant unit basis) represents a total of -€7.0 million. The building redevelopment projects launched, including Octant-Sextant in Levallois, 20 Ville-l'Évêque in Paris and Graviers-Neuilly in 2016, represent a loss of rent of around -€17.8 million, hence -€16.9 million including rental income from assets delivered in the first half. Recent acquisitions contributed as well for €1.7 million of rental income.

(In million euros)	06/30/2017	06/30/2016	Change (%) Current basis	Like-for-like
GROUP TOTAL	**240.6**	**298.8**	**-19.5%**	**+1.6%**
Offices	178.7	194.9	-8.3%	+2.1%
Traditional residential	54.8	57.5	-4.7%	-0.1%
Student residences	7.1	7.0	+0.7%	+0.7%
Healthcare and other	0.0	39.4	-100.0%	n.a.

Offices: positive trends in the most central sectors

Like-for-like, rental income is up +2.1%, in line with the Group's expectations. This increase reflects the improvement in the financial occupancy rate, particularly with Pointe Métro 2 let to CREDIPAR and Le Cristallin to the Renault Group. This growth has also benefited from a slightly positive level of both indexation (+0.4%) and reversion.

With this organic performance, against a backdrop of improvements in market rental conditions, the Group is able to confirm that the **like-for-like change in office rental income is expected to be positive in 2017.**

On a current basis, rental income from offices is down -8.3% in view of the impact of the changes in scope from 2016 (sales and redevelopments), while the impact of deliveries was still limited for the first half of this year.

Gross rental income – Offices (In million euros)	06/30/2017	06/30/2016	Change (%) Current basis	Like-for-like
Offices	**178.7**	**194.9**	**-8.3%**	**+2.1%**
Paris City	94.6	94.9	-0.3%	+1.0%
Paris CBD - Offices	*53.5*	*53.3*	*+0.3%*	*+3.4%*
Paris CBD - Retail units	*17.6*	*18.4*	*-4.1%*	*-3.6%*
Paris excl. CBD	*23.5*	*23.2*	*+1.3%*	*-1.4%*
Western Crescent - La Défense	65.3	82.2	-20.6%	+4.0%
Other	18.8	17.8	+5.4%	+1.0%

3.1.2. OCCUPANCY RATE STABLE AND STILL HIGH

The average financial occupancy rate for the first half of 2017 came to 95.5% excluding healthcare, stable over six months and year-on-year. For offices, this rate shows a slight improvement thanks to the letting of certain assets that were previously vacant in Gennevilliers (Pointe Métro 2) and Boulogne (Le Cristallin) in particular.

Average financial occupancy rate	06/30/2017	06/30/2016
Offices	**95.5%**	**95.4%**
Diversification	**95.5%**	**95.9%**
Traditional residential	96.4%	97.1%
Student residences	90.1%	88.7%
GROUP TOTAL EXCLUDING HEALTHCARE	**95.5%**	**95.5%**
Healthcare	-	100.0%
Reported Group total	**95.5%**	**96.2%**

Rental margin

The rental margin came to 92.0%, stable compared with the first half of 2016 (excluding the healthcare portfolio), with the contraction in the rental margin for the residential portfolio (-110 bp to 81.0%) offset by the increase in the rental margin for offices (+80 bp to 95.9%). This increase reflects the improved occupancy rate for offices and the optimization of certain cost items.

	Group	Offices	Residential	Healthcare
Rental margin for the first half of 2016 - reported	92.9%	95.1%	82.1%	99.0%
Rental margin for the first half of 2016 - excl. healthcare	92.0%	-	-	-
Rental margin for the first half of 2017	**92.0%**	**95.9%**	**81.0%**	**n.a.**

3.1.3. RENTAL ACTIVITY

Lettings ramped up since the start of the year

In line with the ambition mapped out by Gecina at the start of the year to accelerate its strategy's deployment, Gecina has secured a major volume of new lettings (lettings, relettings or renewals) since the start of the year, particularly with projects that are under development. Based on the portfolio of projects under development at end-2016, nearly 45% of the space has already been or is about to be pre-let, compared with just 22% at the end of 2016.

Gecina has let, relet or renegotiated nearly 95,000 sq.m of offices, representing €36.1 million of economic rent, reflecting both the positive trends on the Paris market and the Group's commitment to anticipating its letting challenges.

The 7 largest lettings (accounting for more than 85% of the total transactions achieved in H1-2017, with €31 million of rents) have been achieved on assets which valuations have been raised in average by +18% in the first half representing an increase of around +€169 million.

11,000 sq.m let in anticipation of a tenant departure scheduled for end-2017

Ahead of schedule, Gecina has let 11,000 sq.m of office space in the **Le Valmy** building in eastern Paris (Paris 20th) to an outstanding tenant almost nine months before it is due to be vacated, with a firm six-year period. Alongside this, Gecina has extended an existing lease with this tenant for over 5,000 sq.m of space in this same building.

Almost 9,000 sq.m of vacant space let in Saint-Ouen

Gecina has also signed a lease with a firm nine-year period with Caisse Régionale RSI Île-de-France for the **Dock-en-Seine** building in Saint-Ouen. The building will be fully occupied following this tenant's arrival at the start of 2018.

11,600 sq.m let to the Renault Group in Le Cristallin

In addition, Gecina has signed a lease with a firm 10-year period with the Renault Group for the 11,600 sq.m available in the **Le Cristallin** building, delivered in 2016. This letting represents the final stage in the redevelopment and value extraction process launched by Gecina for this building in 2014.

40% of the space let for 55 Amsterdam, delivered in the first half of 2017

On June 15, 2017, Gecina signed a six-year lease with an operator from the new economy for nearly 40% of the space in the **55 Amsterdam** building, located in Paris' 8th arrondissement. Based on these transactions and the assumptions for letting the remaining space, Gecina now expects this operation's yield on delivery to be higher than the initial expectations for around 7.8%. This performance highlights the level of interest among tenants in a building that is aligned with the real estate industry's highest standards, as well as the positive rental market at the heart of Paris.

20 Ville-l'Évêque pre-let nine months before delivery in Paris' central business district

Gecina has signed a lease for a firm six-year period with an outstanding tenant for **20 rue de la Ville-l'Évêque** at the heart of Paris' central business district (CBD), nine months before it is scheduled to be delivered.

81% of Octant Sextant (Levallois-Perret) pre-let almost one year before delivery

On July 11, Gecina signed a lease with a firm 10-year period with the Lagardère Group for 28,000 sq.m, representing 81% of this project's total space, almost one year before this project, currently under development, is due to be delivered.

3.2. RECURRENT NET INCOME (GROUP SHARE) IN LINE WITH THE GROUP'S TARGETS

Recurrent net income (Group share) is down −11% excluding the impact of the healthcare portfolio's sale (finalized on July 1, 2016), in line with the Group's expectations. This contraction primarily reflects the **high volume of assets being transferred to the pipeline** during 2016 (including Octant-Sextant in Levallois, 20 Ville-l'Évêque in Paris and Neuilly Graviers), as well as the **impact of the properties sold in 2016**, achieving a 15% premium versus the latest appraisal values (Rueil- Malmaison - Vinci, Suresnes- Dassault, Neuilly – Peretti and Paris-Bourse).

Since the first half's contraction in recurrent net income primarily reflects the changes in scope, mainly from the first half of 2016 and the start of the second half of 2016 (sales of office buildings and launch of redevelopment projects), as well as the finalization of the healthcare portfolio disposal (on July 1, 2016), this effect is not expected to be repeated over the second half of the year. **Gecina is therefore confirming that recurrent net income in 2017, excluding the impact of Eurosic's integration and restated for the impact of the healthcare sale, is expected to contract by around -5% to -6%[1].** This expected performance reflects the combined impact of underlying growth, which is expected to reach around +2% to +3%[2], and the start of redevelopment projects, which will be dilutive in the short term, but accretive when they are delivered, scheduled primarily for 2018 and 2019.

In million euros	06/30/2017	06/30/2016	Change (%)
Gross rental income	**240.6**	**298.8**	**-19.5%**
Net rental income	**221.4**	**277.6**	**-20.2%**
Services and other income (net)	1.6	1.0	+61.9%
Salaries and management costs	(31.7)	(31.3)	+1.0%
EBITDA	**191.4**	**247.3**	**-22.6%**
Net financial expenses	(36.6)	(47.0)	-22.1%
Recurrent gross income	**154.7**	**200.2**	**-22.7%**
Recurrent minority interests	(0.5)	(0.3)	NS
Recurrent tax	(1.6)	(1.9)	-16.1%
RECURRENT NET INCOME (GROUP SHARE)	**152.7**	**198.0**	**-22.9%**

(1) These objectives do not include assumptions for any sales or investments and may therefore be revised up or down depending on opportunities for investments and sales during the year.
(2) Including the impact of sales (excluding healthcare) in 2016, deliveries of assets in 2016 and 2017, and organic growth.

3.3. INVESTMENTS AND SALES

Historically active first half of the year in terms of investments

Proposed acquisition of Eurosic: €6.2 billion[1] real estate portfolio (86% offices)

On June 21, 2017, Gecina announced that it had received the support of Eurosic's six main shareholders (representing nearly 95% of the capital) under firm agreements signed to sell blocks and undertakings to tender securities for the public offer that will be submitted once the blocks have been acquired. The portfolio concerned by this transaction is made up primarily of offices (86%), with the majority located at the heart of Paris (59% of the office portfolio in Paris City and 24% elsewhere in the Paris Region).

This operation, in line with the Group's strategy, will make it possible to **accelerate the portfolio rotation** program (with a minimum of €1.2 billion of sales planned within 12 months), while also further **strengthening the prospects for growth and value creation** through an additional **pipeline** representing around €1 billion (at end-2016), located primarily in Paris.

Following the planned asset sales, with part already underway, the percentage of office properties within the combined structure will be **increased to over 80%** (versus 76% for Gecina on its own at June 30, 2017), **while the percentage of offices at the heart of Paris City will be increased to over 60%** (vs. 55% currently).

This operation will significantly improve Gecina's coverage of the heart of Paris, particularly in the key sectors represented by the 6th and 7th arrondissements, as well as the emerging districts in the 9th and 10th arrondissements.

This operation's financing is secured with a €2.5 billion bridge, which has been partially refinanced through bond issues for €1.5 billion (with an average coupon of 1.3% and an average maturity of 10 years). The rest will be refinanced through a capital increase with preferential subscription rights for €1.0 billion[2]. This operation will also enable Gecina to accelerate its real estate portfolio rotation strategy, with a minimum of €1.2 billion of sales[3] expected to be completed within 12 months. As a result, the LTV ratio will be kept below 40%. A further €1 billion of sales could be considered depending on market conditions.

Two office buildings in the CBD and La Défense acquired since the start of the year

Since the start of the year, Gecina has also finalized its acquisition of two office buildings in key sectors for the Paris Region office market.

In this way, the Group acquired a building with nearly 5,000 sq.m on Rue de Courcelles in Paris' CBD for almost €63 million excluding duties. This building is adjacent to an asset with nearly 20,000 sq.m already owned by Gecina (Le Banville), opening up opportunities for extensive real estate synergies.

On July 4, Gecina also finalized its acquisition of a 10,500 sq.m office building in La Défense, based on an immediate net yield of around 5.7%, for €78.5 million. This building is fully let with a residual firm period of three years and is located in the ZAC Danton development zone, close to the T1&B buildings already owned by Gecina.

Share buyback program: 1.8 million securities for €224.5 million, with an average of €121.8 per share

During the first half of 2017, Gecina bought back its own securities in connection with its share buyback program, set up on February 24. This share buyback program was closed on June 21, after making it possible to acquire nearly 1.8 million shares for a total of €224.5 million, with an average of €121.8 per share. The program was therefore carried out for 75% of the maximum authorized amount of €300 million.

€83 million of residential sales finalized during the first half of 2017

During the first half of 2017, Gecina finalized €83 million of residential sales, with €72 million on a unit basis and €12 million on a block basis. The unit sales achieved an average premium of 32.2% compared with the latest appraisals.

At end-June 2017, €142 million of sales were also covered by preliminary agreements (with €122 million concerning residential properties, including €20 million on a unit basis), while preliminary agreements are currently being prepared for €13 million of sales.

(1) Based on the offer price of €51 per share, excluding the diversification portfolios sold to Batipart
(2) Under the authorizations approved at the General Meeting on April 26, 2017.
(3) Excluding the sale of Eurosic's diversification portfolio, sold to Batipart.

3.4. PROJECT PIPELINE (€3.6 BILLION): TWO PROJECTS DELIVERED DURING THE FIRST HALF OF THE YEAR IN PARIS AND LYON

Gecina delivered two office real estate projects during the first half of 2017 in Paris (55 Amsterdam) and Lyon (Gerland-Septen). These two buildings represent a combined total of over 32,000 sq.m of offices and almost 80% of their space has already been let.

Following the delivery of these two projects, the committed pipeline for operations under development represents nearly €1.4 billion (vs. €1.5 billion at end-2016), and is made up primarily of programs with delivery scheduled for 2018, with an expected yield on delivery of around 6.4%.

€1.4 billion of committed projects with deliveries expected primarily for 2018

Nearly half of this committed pipeline is located in Paris City, with more than 40% in the Western Crescent's best business sectors (Levallois, Neuilly and Issy-les Moulineaux), and the remaining 10% concerning the SKY 56 project in Lyon Part-Dieu. Following the deliveries of the 55 Amsterdam and Gerland-Septen buildings, with nearly 80% of their space let on average, Gecina's committed pipeline from end-June 2017 is expected to be pre-let for over 35% (in terms of space) taking into account the negotiations that are currently being finalized.

At end-June 2017, €355 million were still to be invested on committed projects, with €141 million in 2017, €189 million in 2018 and €25 million in 2019.

€0.70 billion of "certain" controlled projects over the short or medium term, exclusively in Paris' CBD

The "certain" controlled pipeline concerns the assets held by Gecina that are currently being vacated and for which a redevelopment project aligned with Gecina's investment criteria has been identified. These projects will therefore be launched over the coming half-year or full-year periods. These "certain" projects that have not yet been committed to represent a combined total of €0.70 billion. The "certain" controlled pipeline is now concentrated exclusively in Paris' CBD, through projects with indicative delivery dates from 2020 to 2021. The "controlled and certain" pipeline notably includes the project located on Avenue de la Grande Armée, with the current tenant (PSA Group) scheduled to leave at the end of 2017.

€1.55 billion of "probable" controlled projects over the longer term, with 87% in Paris City

The "probable" controlled pipeline covers the projects identified and owned by Gecina that may require pre-letting (for greenfield projects in peripheral locations within the Paris Region) or cases when tenant departures are not yet certain over the short term.

Projects	Immostat sector	Delivery date	Space	Total invest-ment	Already invested	Still to invest	Est. yield on cost	Exit yield on delivery	Indicative prime rate	Pre-letting Jun 30
			(sq.m)	(€M) (1)	(€M) (2)	(€M)	(net)	(Gecina est.)	(BNPPRE)	(%)
Levallois - Octant Sextant	Western Crescent	Q3-18	37,500	222	181	41	7.6%			81%
20 Ville-l'Évêque	Paris CBD	Q1-18	6,400	63	55	8	5.5%			100%
Paris – Guersant	Paris non-CBD	Q3-18	14,100	127	98	29	6.1%			
Lyon Part Dieu - Sky 56	Lyon	Q3-18	30,700	133	78	54	6.9%			83%
Paris – Ibox	Paris non-CBD	Q3-18	19,400	163	114	49	5.9%			
Be Issy	Western Crescent	Q3-18	25,000	159	109	51	7.0%			
Le France	Paris non-CBD	Q4-18	20,300	182	160	23	5.2%			
Paris – Friedland	Paris CBD	Q2-19	2,000	23	17	6	5.7%			
Neuilly – Graviers	Western Crescent	Q2-19	14,500	118	95	24	5.8%			
Paris - 7. rue de Madrid	Paris CBD	Q3-19	10,500	109	64	45	6.4%			
Total offices			**180,400**	**1,301**	**973**	**327**	**6.3%**	**4.6%**	**3.8%**	**35%**
Marseille – Mazenod	Other regions	Q3-17	3,700	14	14	1	6.7%			na
Puteaux Valmy - Skylights	Western Crescent	Q3-17	4,000	21	21	1	6.4%			na
Puteaux - Rose de Ch.	Western Crescent	Q3-18	7,400	43	17	26	6.9%			na
Total student residential			**15,100**	**79**	**52**	**27**	**6.7%**	**5.0%**	**na**	
TOTAL COMMITTED PROJECTS			**195,500**	**1,380**	**1,025**	**355**	**6.4%**	**4.6%**	**na**	
CONTROLLED AND CERTAIN		**2020-2021**	**44,000**	**698**	**538**	**159**	**4.8%**	**3.9%**	**3.2%**	
CONTROLLED AND PROBABLE		**2019-2024**	**208,547**	**1,554**	**691**	**863**	**6.9%**	**4.9%**	**na**	
TOTAL PIPELINE			**448,047**	**3,632**	**2,254**	**1,377**	**6.3%**	**4.6%**		

(1) Total investment for the committed pipeline = latest appraisal value from when the project started up + total build costs. For the controlled pipeline = latest appraisal to date + operation's estimated costs.

(2) Includes the value of plots and existing buildings for redevelopments.

3.5. PROPERTY PORTFOLIO: FULL CONSOLIDATION OF VALUATIONS

The Group's property portfolio is valued twice a year by independent appraisers. Assets are included in the like-for-like basis if they were in operation at December 31, 2016. Assets entering operation during the half-year are excluded from the like-for-like basis. The change in the value of these assets according to the Group's accounting standards over the last six months is as follows:

Breakdown by segment	Block value			Change on current basis		Change on comparable basis	
€ million	06/30/2017	06/30/2016	12/31/2016	June 2017 vs. Dec. 2016	June 2017 vs. June 2016	June 2017 vs. Dec. 2016	June 2017 vs. June 2016
Offices	**10,185**	**9,066**	**9,434**	**+8.0%**	**+12.3%**	**+5.1%**	**+6.6%**
Paris City	**5,629**	**4,937**	**5,125**	**+9.8%**	**+14.0%**	**+6.5%**	**+8.2%**
Paris CBD	4,264	3,836	3,907	+9.1%	+11.2%	+6.4%	+8.2%
- Paris CBD - Offices	2,851	2,627	2,609	+9.3%	+8.5%	+5.2%	+6.9%
- Paris CBD - Retail	1,412	1,209	1,298	+8.8%	+16.9%	+8.8%	+10.5%
Paris excl. CBD	1,365	1,101	1,218	+12.1%	+24.0%	+6.5%	+8.1%
Western Crescent - La Défense	**3,567**	**3,314**	**3,399**	**+4.9%**	**+7.6%**	**+3.7%**	**+5.3%**
Other	**989**	**815**	**910**	**+8.7%**	**+21.4%**	**+2.2%**	**+2.5%**
Residential	**3,153**	**2,666**	**2,644**	**+19.2%**	**+18.2%**	**+23.0%**	**+24.1%**
Healthcare	**0**	**1,309**	**0**	**+0.0%**	**-100.0%**	**n.a.**	**n.a.**
GROUP TOTAL	**13,338**	**13,041**	**12,078**	**+10.4%**	**+2.3%**	**+8.7%**	**+10.2%**
TOTAL APPRAISED UNIT VALUE	**13,807**	**13,772**	**12,788**	**+8.0%**	**+0.3%**	**+6.3%**	**+7.8%**

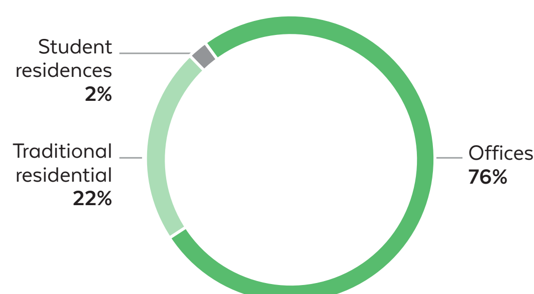
The property portfolio at June 30, 2017 was €13,338 million, an increase of €1,260 million over the six months.

The main items are the following:

- A like-for-like scope representing €11,048 million, an increase of €887 million over the six months (or +8.7 %), including €12 million of costs and upgrade works completed during the half-year;
- €367 million of delivered projects and an acquisition over the six months including €72 million of investment, with delivery of the office assets 55 Amsterdam in the 8th arrondissement of Paris and Septen in Lyon, and the acquisition of 145 rue de Courcelles in the 17th arrondissement of Paris;
- €1,266 million of properties under development (including Octant/Sextant in Levallois-Perret, and Sky 56 in the 3rd arrondissement of Lyon), representing an investment of €98 million during the first half of 2017;
- a head office book value of €61 million;
- €56 million of land reserves;
- €102 million of assets under the block sale process;
- €439 million of assets under unit-by-unit sale as at June 30, 2017 out of which €54 million of units have been sold;

The breakdown of value by segment as at June 30, 2017 was as follows:

Values by asset class at June 30, 2017



The property portfolio value (block) rose by +10.4% on a current basis.

This rise is mainly due to the increase in value of the assets on a like-for-like basis (+€887 million including €12 million of investments) and of assets under development (+€204 million, of which €98 million of investments).

Like-for-like, the property portfolio value is up (+8.7%, or €887 million):

(i) The value of office properties appreciated during the half year (+5.1 % or +€411 million). Capitalization rates (net) dropped on all properties (down -22 bp to 4.39%).

(ii) The residential property portfolio value rose sharply during the half year in line with the market and investor appetite for this asset class: the value of traditional residential properties appreciated during the year by +25.6% or €475 million and the value of student residences appreciated by +0.8% or €2 million. Unit valuations increased by +10.1%.

The value per square meter of traditional residential properties stood at €6,010/sq.m as at June 30, 2017 with a capitalization rate (net) of 3.40%. The value per square meter of student residences was €4,390/sq.m with a capitalization rate (net) of 5.02%;

	Net yield (including duties)			Net capitalization rates (excluding duties)		
€ million	**06/30/2017**	**12/31/2016**	**Change**	**06/30/2017**	**12/31/2016**	**Change**
Offices	**4.12%**	**4.34%**	**-22pb**	**4.39%**	**4.61%**	**-22pb**
Paris CBD	3.37%	3.57%	-20pb	3.59%	3.80%	-21pb
- Paris CBD - Offices	3.98%	4.16%	-18pb	4.24%	4.42%	-19pb
- Paris CBD - Retail	2.25%	2.44%	-19pb	2.42%	2.63%	-21pb
Paris excl. CBD	5.41%	5.87%	-46pb	5.81%	6.31%	-50pb
Western Crescent - La Défense	4.43%	4.61%	-18pb	4.72%	4.91%	-18pb
Other	5.70%	5.81%	-11pb	5.98%	6.10%	-12pb
Residential	**3.32%**	**4.10%**	**-78pb**	**3.54%**	**4.37%**	**-83pb**
TOTAL LIKE-FOR-LIKE BASIS	**3.94%**	**4.29%**	**-35pb**	**4.19%**	**4.56%**	**-37pb**

On a current basis:

(i) Two office assets were delivered in the first half of 2017 and one asset acquired for a total value of €367 million at June 30, 2017 (+€155 million for a capex amount of €72 million) with 55 Amsterdam in the 8th arrondissement of Paris, 145 rue de Courcelles in the 17th arrondissement of Paris and Septen in the 3rd arrondissement of Lyon;

(ii) The balance sheet value of the pipeline as at June 30, 2017 increased by €204 million. This increase in value can be explained by works of €98 million;

(iii) One asset had been block sold for a sale price of €3 million and a value at December 31, 2016 of €2 million.

(iv) €72 million of apartments and car parks (€54 million in book value at December 31, 2016) were sold unit-by-unit in the first half of 2017.

(v) In addition, €102 million of assets are under a block sale process.

The analysis tables below indicate, by asset class, the range of discount rates used by the property appraisers to prepare the Discounted Cash Flow (DCF method) in their appraisals.

Sector-specific premium risks were determined with reference to the French Treasury's 10-year OAT (estimated at 0.80% at June 30, 2017).

	Discount rate June 2017	Specific risk premium June 2017
OFFICES	**3.25% - 11.50%**	**2.45% - 10.70%**
Paris CBD	3.25% - 5.50%	2.45% - 4.70%
Paris excl. CBD	4.00% - 8.75%	3.20% - 7.95%
Western Crescent - La Défense	4.00% - 6.75%	3.20% - 5.95%
Other	3.80% - 11.50%	3.00% - 10.70%

In accordance with the EPRA guidelines[(1)], the table below presents the reconciliation between the book value of buildings on the balance sheet and the total appraisal value of the property portfolio:

	June 30, 2017 (€ million)
Book value	**13,338**
Transaction costs	0
Book value before transaction costs	**13,338**
Operating properties (head office)	109
Under development projects booked at their historic cost	0
APPRAISAL VALUE	**13,447**

(1) European Public Real Estate Association

3.6. FINANCIAL STRUCTURE

In continuity with fiscal year 2016, the first half of 2017 was marked by favorable market circumstances despite a certain volatility linked to political events in France and in Europe, as well as the attention paid to changes in US and European monetary policy. In this environment, Gecina continued to improve the characteristics of its financial structure with a slight improvement in the average cost of debt and the main credit indicators, as well as maintaining significant flexibility.

The main highlights of the first half of 2017 are as follows:

- The completion of the renewal project for the corporate lines maturing in 2017 and 2018 for a total amount of €980 million;
- The repayment of a €19 million bank loan;
- As part of the business combination with Eurosic, the issue on June 30, 2017 of €1.5 billion of bonds in three tranches: €500 million at five years at Euribor three months + 38 basis points, €500 million at 10 years at 1.375% and €500 million at 15 years at 2.0%.

These issues have significantly lengthened the average maturity of the Group's debt, from 6.7 years at year-end 2016 to 8.6 years at June 30, 2017.

In order to secure financing for the business combination with Eurosic, Gecina arranged for a €2.5 billion bridge facility, which rose to €1 billion after the bond issues at the end of June. The balance of the bridge (not drawn at June 30, 2017) will be refinanced by a €1 billion capital increase.

The main covenants are at 29.3% for the LTV excluding duties (-10 bp compared to December 31, 2016) 5.0 x for the ICR (+0.1 x compared to 2016) and 5.8% of secured debt (-70 bp compared to December 31, 2016).

At June 30, 2017, 78% of the debt is fixed rate or hedged by rate hedging instruments. The average maturity of hedges is 7.7 years.

In addition, total liquidity was €5,381 million and mainly covers credit maturities for the next 24 months as well as financing needs linked to the business combination with Eurosic.

3.6.1. DEBT STRUCTURE

Net financial debt amounted to €3,936 million at June 30, 2017, up €354 million compared to year-end 2016. This change is due to the share buyback program launched at the end of February and ended in June 2017 (€224.5 million) as well as the investments as part of the project pipeline and the asset rotation.

The main characteristics of the debt are:

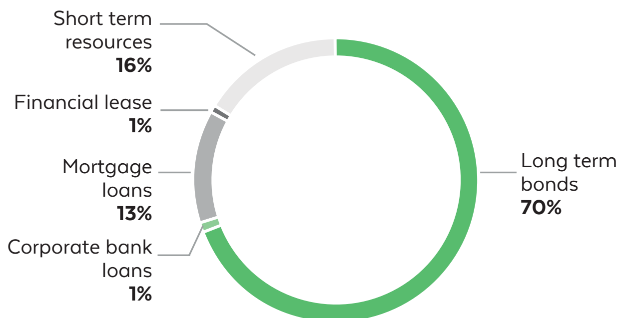
The volume of gross debt includes €1,500 million in income from the bond issue for financing the business combination with Eurosic.

	12/31/2016	06/30/2017
Gross financial debt (€ million) [1]	3,640	5,592
Net financial debt (€ million)	3,582	3,936
Gross nominal debt (€ million) [1]	3,616	5,601
Unused credit lines (€ million) [2]	2,245	2,725
Average maturity of debt (years, adjusted for available credit lines)	6.7	8.6
LTV	29.4%	29.3%
LTV (including transfer taxes)	27.7%	27.6%
ICR	4.9x	5.0x
Secured debt/Properties	6.5%	5.8%

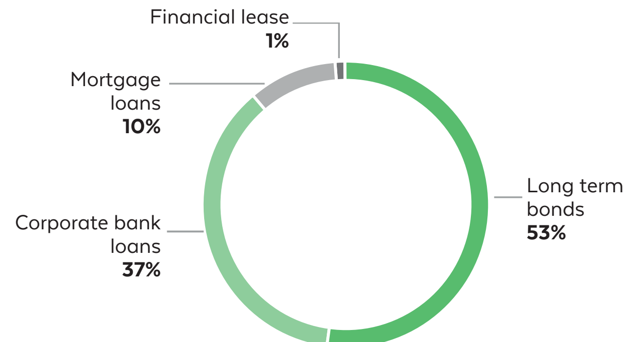
(1) gross financial debt = gross nominal debt + impact of the recognition of bonds at amortized cost + accrued interests not due.
(2) excluding the €1 billion bridge facility linked to the business combination with Eurosic.

Debt by type

Breakdown of gross nominal debt



Breakdown of authorized financing (including €2,725 million of unused credit lines at 06/30/2017) excluding the bridge for the business combination with Eurosic



At June 30, 2017, Gecina's gross nominal debt was €5,601 million and comprised:

- €3,918 million of bonds issued under the EMTN (Euro Medium Term Note) program;
- €770 million of bank loans, of which €740 million of mortgage financing and €30 million of corporate financing;
- €43 million of financial leases;
- €869 million of short term resources hedged by confirmed medium and long-term credit lines, including €759 million of commercial paper and €110 million of short term private placements.

3.6.2. LIQUIDITY

As at June 30, 2017, Gecina had €5,381 million available liquidity (€2,725 million in unused credit lines and €1,656 million in cash and €1 billion in bridge facility linked to the business combination with Eurosic), mainly covering all credit maturities for the next two years and the financing needs linked to the business combination with Eurosic.

During the first half of fiscal year 2017, Gecina completed the renewal of its corporate credit lines maturing in 2017-2018 for a total outstanding of €980 million (including €660 million for the first half of 2017 and 320 million in 2016) with an average initial maturity of 6.3 years.

In addition, Gecina updated its EMTN program with the AMF and changed it from €4 billion to €8 billion. Gecina also updated its commercial paper program with the Banque de France.

As part of the EMTN program, Gecina carried out a triple tranche bond issue of €1.5 billion. On June 30, 2017, the Group issued €500 million at Euribor + 38 basis points, maturity June 2022, €500 million at 1.375% maturity June 2027, kept at fixed rate, and €500 million at 2.0%, maturity June 2032, kept at fixed rate.

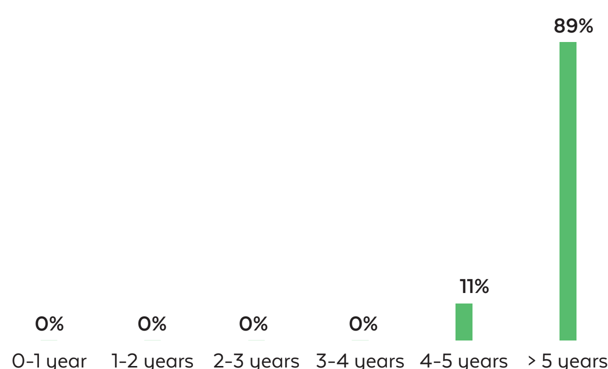
Gecina continues to use short term resources through the issue of commercial paper and private placements with short maturities: the outstanding at end of June 2017 was €869 million, compared to €355 million at the end of 2016. The average outstanding amount in the first half of 2017 was €628 million, compared with an average outstanding amount of €1,094 million in 2016.

Lastly, Gecina's loan maturities due in the next 24 months (€1,648 million) are mainly covered by €4,381 million in liquidity (unused credit lines and cash at June 30, 2017 of €1,656 million including €1,500 million of earnings linked to the bond issue, excluding the bridge facility set up to secure the business combination with Eurosic). The main goals of this liquidity are to cover upstream the refinancing of short-term maturities, to finance future investment projects, to offer the flexibility required to secure the best refinancing opportunities, and to meet the criteria of rating agencies.

3.6.3. DEBT REPAYMENT SCHEDULE

As at June 30, 2017, the average maturity of Gecina's debt is 8.6 years[1], compared to 6.7 years at December 31, 2016.

The chart below presents Gecina's debt maturity breakdown at June 30, 2017 (after allocation of unused credit lines):



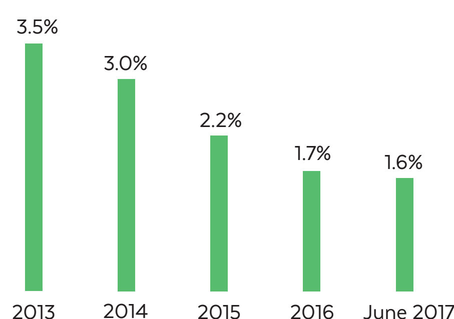
All the credit maturities for the next four years were covered by unused credit lines as at June 30, 2017 or by cash. Furthermore, 89% of the debt has a maturity of more than five years.

3.6.4. AVERAGE COST OF DEBT

The average cost of drawn debt improved slightly to 1.6% in the first half of 2017, from 1.7% in 2016. Remaining at the very low level is due to the Group's continued financial strategy (credit rating, financial structure, hedging policy, loan repayment schedule, etc.) that has been implemented in a favorable market environment.

The average cost of overall debt also slightly improved, falling from 2.2% in 2016 to 2.1% in in the first half of 2017.

The chart below shows the change in average cost of Gecina's drawn debt since 2013:



Capitalized interest on development projects rose to €4.9 million in the first half of 2017.

3.6.5. CREDIT RATING

The Gecina group is monitored by both Moody's and Standard & Poor's. Following the announcement of the business combination with Eurosic:

- Standard & Poor's maintained its BBB+ rating with positive outlook;
- Moody's kept its A3 rating and reviewed the outlook from stable to negative, waiting for the completion of the disposals program announced by the Group that aims to bring the LTV below 40%.

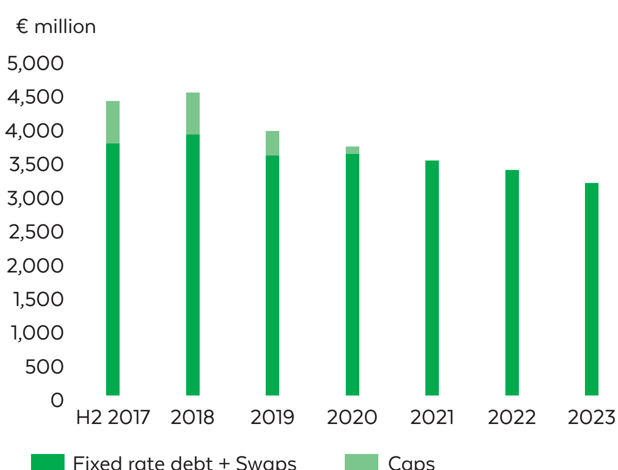
3.6.6. MANAGEMENT OF INTEREST RATE RISK HEDGE

In order to hedge the exposure to rate risk and to manage the change in the cost of debt, Gecina uses fixed-rate debt and derivative products (mainly caps and swaps).

Gecina continued to adjust and optimize its hedging policy in the first half of 2017 with the aim of:

- maintaining an optimal hedging ratio;
- securing the current favorable financing conditions for the long-term.

In addition, during the first half of 2017, Gecina strengthened its hedging by maintaining a fixed rate for a €1 billion bond issue with an average maturity of 12.5 years. At June 30, 2017, the average maturity of hedges (fixed-rate debt and derivative instruments) was 7.7 years compared to 7.3 years at December 31, 2016.



(1) After allocation of unused credit lines.

At June 30, 2017, 78% of the debt is fixed rate or hedged by rate hedging instruments.

Gecina's interest rate hedging policy is implemented mainly at Group level and on the long-term; it is not specifically assigned to certain loans. As a result, it does not meet the accounting definition of hedging instruments and the change in fair value is posted to the income statement.

Measuring interest rate risk

Based on the existing hedging portfolio, contractual conditions and existing debt at June 30, 2017, a 50 basis point increase in the interest rate would generate an additional expense in 2017 of €2.4 million. A 50 basis point fall in interest rates would result in a reduction in interest expense in 2017 of €2.4 million.

3.6.7. FINANCIAL STRUCTURE AND BANKING COVENANTS

Gecina's financial position as at June 30, 2017, meets all requirements that could affect the compensation conditions or early repayment clauses provided for in the various loan agreements.

The table below shows the status of the main financial ratios outlined in the loan agreements:

	Benchmark standard	06/30/2017
LTV		
Net debt/revalued block value of property holding (excluding duties)	Maximum 55%	29.3%
ICR		
EBITDA (excluding disposals)/net financial expenses	Minimum 2.0x	5.0 x
Outstanding secured debt/revalued block value of property holding (excluding duties)	Maximum 25%	5.8%
Revalued block value of property holding (excluding duties, € million)	Minimum 6,000 / 8,000	13,447

The financial ratios shown above are the same as those used in the covenants included in all the Group's loan agreements.

At June 30, 2017, the LTV was 29.3% and remained stable compared to December 31, 2016 (29.4%). The ICR was up slightly to 5.0 x (4.9 x at December 31, 2016).

3.6.8. GUARANTEES GIVEN

The amount of gross nominal debt guaranteed by real sureties (i.e. mortgages, lender's liens, unregistered mortgages) amounted to €740 million at the end of June 2017, compared with €748 million at year-end 2016. Furthermore, outstanding nominal financial leases amounted to €43 million compared with €46 million at December 31, 2016.

Thus, as at June 30, 2017, the total amount of financing secured by mortgage-backed assets or leasing amounted to 5.8% of the total block value of the properties held, versus 6.5 % at 31 December, 2016, for an authorized maximum limit of 25% in the various loan agreements. This continued fall can be explained by agreements arriving at maturity, as well as the disposals or early repayments without renewal or the implementation of new agreements of this type.

3.6.9. EARLY REPAYMENT IN THE EVENT OF A CHANGE OF CONTROL

Some loan agreements to which Gecina is party and bonds issued by Gecina provide for mandatory early repayment and/or cancellation of loans granted and/or a mandatory early repayment liability, if control of Gecina changes.

Based on a total amount of authorizations of €7,457 million as at June 30, 2017 (including drawn debt and available credit lines, excluding the bridge facility linked to the business combination with Eurosic), €2,835 million of bank debt and €3,918 million in bonds (falling due on April 11, 2019, May 30, 2023, July 30, 2021, June 17, 2024, January 20, 2025, January 30, 2029, June 30, 2022, June 30, 2027 and June 30, 2032) are affected by such a clause concerning a change of control of Gecina (in most of the cases, this change must result in a downgrading in the credit rating to "Non-Investment Grade" for this clause to be activated).

Regarding bond issues maturing in April 2019, July 2021, June 2022, May 2023, June 2024, January 2025, June 2027, January 2029 and June 2032, a change of control followed by the downgrading of Gecina's credit rating to Non-Investment Grade, not upgraded to Investment Grade within the next 120 days, may trigger the early repayment of the loan.

3.7. EPRA NNNAV

The EPRA NNNAV is calculated according to the EPRA recommendations[1]. The calculation is based on the Group's shareholders' equity obtained from financial statements, which include the fair value by block, excluding duties, of investment properties, buildings under reconstruction and properties held for sale, as well as financial instruments.

The foregoing elements are restated of the Group's shareholders' equity to calculate EPRA NAV and EPRA NNNAV:

- unrealized capital gains on buildings valued at their historic cost such as operating building and inventory buildings are calculated on the basis of block appraisal values excluding duties, determined by independent appraisers;
- consideration of the deferred tax systems of companies not covered by the SIIC system;
- the fair value of fixed-rate financial debts.

Registration fees are determined by taking into account the most appropriate mode of disposal of the asset: sale of the asset or company shares. When the sale of the company appears to be more advantageous than the sale of the asset, the resultant registration rights replace those deducted from the property appraisals.

The number of diluted shares includes the number of shares likely to be created through the exercise of equity instruments to be issued in the right conditions. The number of diluted shares does not include treasury shares.

The EPRA NNNAV amounted to €9,353.5 million as at June 30, 2017 or €152.0 per share fully diluted. EPRA NAV totaled €9,401.5 million as at June 30, 2017, or €152.7 per share.

The EPRA NNNAV by unit came to €157.8 per share as at June 30, 2017, compared with €141.9 per share as at December 31, 2016.

The table below, compliant with EPRA recommendations, presents the transition between the Group's shareholders' equity derived from financial statements and the EPRA NNNAV.

	06/30/2017		12/31/2016		06/30/2016	
€ million	**Amount/no. of shares**	**€/share**	**Amount/no. of shares**	**€/share**	**Amount/no. of shares**	**€/share**
Fully diluted number of shares	61,556,067		63,402,484		63,370,944	
Shareholders' equity under IFRS	**9,031**		**8,276**		**7,961**	
+ Amounts owed to shareholders	159.2				157.1	
+ Impact of exercising stock options	15.6		17.7		35.2	
DILUTED NAV	**9,205**	**€149.6**	**8,294**	**€130.8**	**8,153**	**€128.7**
+ Fair value reporting of properties, if amortized cost option is adopted	109.1		92.9		87.9	
+ Transfer duties adjustment	66.8		68.9		71.4	
- Fair value of financial instruments	20.1		29.5		62.5	
= EPRA NAV	**9,401**	**€152.7**	**8,485**	**€133.8**	**8,375**	**€132.2**
+ Fair value of financial instruments	(20.1)		(29.5)		(62.5)	
+ Fair value of liabilities	(27.9)		(78.9)		(165.2)	
= EPRA NNNAV	**9,354**	**€152.0**	**8,377**	**€132.1**	**8,147**	**€128.6**

Growth in EPRA triple net NAV per share for the first half of 2017 came to +€19.9, with the following breakdown:

- Interim dividend:	-€2.6
- Impact of recurrent net income:	+€2.4
- Value adjustment on offices assets like-for-like:	+€6.6
- Value adjustment on residential assets like-for-like:	+€8.6
- Net value increase for 2017 acquisitions and pipeline (incl. deliveries):	+€3.1
- Net capital gains from sales completed or underway:	+€0.2
- Fair value adjustment on financial instruments & debt:	+€1.0
- Accretion from share buyback program:	+€0.9
- Other:	-€0.3

(1) European Public Real Estate Association.

3.8. STRATEGY AND OUTLOOK

2017 reflects Gecina's strong choices in terms of value extraction, particularly the sales of mature and non-strategic assets in 2016, as well as the launch of work to redevelop five previously occupied buildings in order to optimize its extraction of value creation potential. In view of the results achieved by Gecina over the first half of this year, the Group is able to confirm that **recurrent net income, restated for the impact of the healthcare sale, is expected to contract by nearly -5% to -6% in 2017**[1]. This expected performance reflects the combined impact of underlying growth, which is expected to reach around +2% to +3%[2] including the impact of sales (excluding healthcare) and the start of work to redevelop buildings from the portfolio after they have been vacated.

3.9. POST-BALANCE SHEET EVENTS

On July 4, 2017, Gecina completed the acquisition in La Défense of an office building with a total area of 10,500 sq.m, on the basis of an immediate net yield in the order of 5.7%, for a value of €78.5 million excluding duties.

On July 11, 2017, Gecina signed a lease for a firm 10-year period with the Lagardère Active Group for 28,000 sq.m, representing nearly 81% of the rental space for the Octant-Sextant project in Levallois-Perret. This pre-letting has been secured nearly one year before the project, currently under development, is scheduled for delivery.

3.10. EPRA REPORTING AS AT JUNE 30, 2017

Gecina applies the EPRA[3] best practices recommendations regarding the indicators listed hereafter. Gecina has been a member of EPRA, the European Public Real Estate Association, since its creation in 1999. The EPRA best practice recommendations include, in particular, key performance indicators to make the financial statements of real estate companies listed in Europe more transparent and more comparable across Europe.

Gecina reports on all the EPRA indicators defined by the "Best Practices Recommendations" available on the EPRA website.

	06/30/2017	06/30/2016	See Note
EPRA Earnings	143	190	3.10.1
EPRA Earnings per share	€2.31	€3.03	3.10.1
EPRA NAV	9,401.5	8,375.1	3.7
EPRA NNNAV	9,353.5	8,147.4	3.7
EPRA Net Initial Yield	3.30%	3.64%*	3.10.3
EPRA « Topped-up » Net Initial Yield	3.72%	4.01%*	3.10.3
EPRA Vacancy Rate	4.5%	3.8%	3.10.4
EPRA Cost Ratio (including direct vacancy costs)	24.8%	20.2%	3.10.5
EPRA Cost Ratio (excluding direct vacancy costs)	23.4%	19.4%	3.10.5
EPRA Property related capex	181	125	3.10.6

* *at December 31, 2016.*

(1) *This target may be revised up or down depending on opportunities for investments and sales during the year. It does not include the impacts of the acquisition of Eurosic, which is underway.*
(2) *Including the impact of sales (excluding healthcare) in 2016, deliveries of assets in 2016 and 2017, and organic growth.*
(3) *European Public Real Estate Association.*

3.10.1. EPRA EARNINGS

The table below indicates the transition between the net recurring income disclosed by Gecina and the EPRA Earnings:

€'000	06/30/2017	06/30/2016
Gecina net recurring income	**153,152**	**198,350**
- IFRIC 21	(7,815)	(7,304)
- Depreciations, net impairments and provisions	(1,740)	(835)
- Minority recurring income	(455)	(334)
+ Recurring income from equity-accounted investments	0	56
EPRA NET RECURRING INCOME	**143,142**	**189,933**
EPRA NET RECURRING INCOME PER SHARE	**€2.31**	**€3.03**

3.10.2. EPRA NAV AND EPRA NNNAV

The calculation for the EPRA NNNAV is explained in Section 3.7. "EPRA NNNAV".

€/share	06/30/2017	06/30/2016
Diluted NAV	€149.55	€128.66
EPRA NAV	**€152.73**	**€132.16**
EPRA NNNAV	**€151.95**	**€128.57**

3.10.3. EPRA NET INITIAL YIELD AND EPRA "TOPPED-UP" NET INITIAL YIELD

The table below indicates the transition between the yield rate disclosed by Gecina and the yield rates defined by EPRA:

%	06/30/2017	12/31/2016
GECINA NET YIELD (1)	**4.19%**	**4.56%**
Impact of estimated duties and costs	-0.26%	-0.27%
Impact of changes in scope	-0.02%	-0.06%
Impact of rent adjustments	-0.62%	-0.58%
EPRA NET INITIAL YIELD (2)	**3.30%**	**3.64%**
Excluding lease incentives	+0.42%	-0.37%
EPRA TOPPED-UP NET INITIAL YIELD (3)	**3.72%**	**4.01%**

(1) Like-for-like basis June 2017.
(2) The EPRA Net Initial Yield rate is defined as the annualized rental income, net of property operating expenses, after deducting rent adjustments, divided by the value of the portfolio, including duties.
(3) The EPRA "topped-up" Net Initial Yield rate is defined as the annualized rental income, net of property operating expenses, excluding lease incentives, divided by the value of the portfolio, including duties.

3.10.4. EPRA VACANCY RATE

The financial occupancy rate disclosed corresponds to (1 – EPRA vacancy rate).

%	06/30/2017	06/30/2016
Offices	4.5%	4.6%
Residential	3.6%	2.9%
Student residences	9.9%	11.3%
Healthcare	n.a.	0%*
GROUP TOTAL	**4.5%**	**3.8%**

* *Until July 1, 2016.*

3.10.5. EPRA COST RATIOS

€'000/%	06/30/2017	06/30/2016
Property expenses	(91,940)	(99,535)
Overheads	(32,011)	(31,738)
Depreciation, net impairments and provisions	(1,740)	(835)
Recharges to tenants	65,324	71,399
Rental expenses recharged in gross rent	0	0
Other income covering G&A expenses	398	89
Share of costs from equity-accounted affiliates	0	0
Land-related expenses	386	408
EPRA COSTS (INCLUDING COST OF VACANCY) (A)	**(59,583)**	**(60,212)**
Cost of vacancy	3,483	2,440
EPRA COSTS (EXCLUDING COST OF VACANCY) (B)	**(56,100)**	**(57,772)**
Gross rental income less land-related expenses	240,208	298,434
Rental expenses recharged in gross rent	0	0
Share of rental income from equity-accounted affiliates	0	0
GROSS RENTAL INCOME (C)	**240,208**	**298,434**
EPRA COST RATIO (INCLUDING COST OF VACANCY) (A/C)	**24.8%**	**20.2%**
EPRA COST RATIO (EXCLUDING COST OF VACANCY) (B/C)	**23.4%**	**19.4%**

3.10.6. CAPITAL EXPENDITURE

€ million	06/30/2017
Acquisitions	63
Development (ground-up/green field/brown field)	106
Like-for-like portfolio	12
CAPITAL EXPENDITURE	**181**

Chapter 04

Report of the Statutory Auditors **on the half year financial information for 2017**

(Period from January 1, 2017 to June 30, 2017)

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with the engagement decided by your General Meeting and in application of article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we have undertaken:

- a limited review of the consolidated half year financial statements of Gecina, covering the period from January 1 to June 30, 2017, as attached to this report;
- the verification of the information given in the half year activity report.

These half year consolidated financial statements have been established on the responsibility of the Board of Directors. Our role is to express an opinion on these financial statements based on our limited review.

I - Opinion on the consolidated financial statements

We conducted our limited review in accordance with the auditing standards applicable in France. A limited review consists essentially of interviews with senior managers in charge of the accounting and financial aspects and the implementation of analytical procedures. This work is less extensive than that required for an audit carried out according to the professional standards applicable in France. As a result, the assurance obtained through a limited review that the financial statements taken overall are free of any material misstatements, is a moderate assurance, which is lower than the assurance obtained through an audit. On the basis of our limited review, we have found no material misstatements likely to cast doubt on the fairness and sincerity of the half year consolidated financial statements with respect to the IFRS as adopted in the European Union, nor on the true and fair view they give of the assets and financial position at the end of the half year, and the earnings of the half year ended for the group constituted by the persons and entities included in the consolidation.

II - Specific verification

We have also verified the information given in the half year activity report commenting on the consolidated half year financial statements covered by our limited review. We have no matters to report as to its fair presentation and its consistency with the consolidated half-year financial statements.

Courbevoie and Neuilly-sur-Seine, July 17, 2017

The Statutory Auditors

Mazars

Julien Marin-Pache
Partner

Baptiste Kalasz
Partner

PricewaterhouseCoopers Audit

Jean-Pierre Bouchart
Partner

Chapter 05

Consolidated financial statements

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5.1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

€'000	Note	06/30/2017 Net	12/31/2016 Net	06/30/2016 Net
Non-current assets		**12,800,066**	**11,546,893**	**11,257,082**
Investment properties	5.5.5.1	11,669,226	10,430,624	10,635,815
Properties under reconstruction	5.5.5.1	1,053,036	1,038,680	539,216
Operating properties	5.5.5.1	60,783	61,139	61,485
Other tangible fixed assets	5.5.5.1	8,431	7,351	6,975
Intangible fixed assets	5.5.5.1	5,801	6,337	5,277
Financial fixed assets	5.5.5.2	2,789	2,762	2,945
Shares in equity-accounted companies	5.5.5.3	0	0	3,413
Non-current derivatives	5.5.5.12.2	0	0	1,956
Deferred tax assets	5.5.5.4	0	0	0
Current assets		**2,436,501**	**798,779**	**760,293**
Properties held for sale	5.5.5.5	554,593	547,406	495,565
Inventories	5.5.5.1	0	0	0
Accounts and notes receivable	5.5.5.6	121,177	105,949	107,808
Other receivables	5.5.5.7	83,983	67,673	125,366
Prepaid expenses	5.5.5.8	20,022	17,641	21,269
Current derivatives	5.5.5.12.2	609	1,537	4,070
Cash and cash equivalents	5.5.5.9	1,656,117	58,573	6,215
Assets classified as held for sale	5.5.5.10	0	0	1,311,099
TOTAL ASSETS		**15,236,567**	**12,345,672**	**13,328,474**

Liabilities

€'000	Note	06/30/2017	12/31/2016	06/30/2016
Shareholders' equity	**5.5.5.11**	**9,054,622**	**8,289,659**	**7,978,000**
Share capital		475,760	475,760	474,467
Additional paid-in capital		1,910,693	1,910,693	1,897,183
Consolidated reserves linked to owners of the parent		5,344,950	5,076,063	5,069,699
Consolidated net income linked to owners of the parent		1,299,260	813,472	519,643
Shareholders' equity linked to owners of the parent		**9,030,663**	**8,275,988**	**7,960,992**
Non-controlling interests		23,959	13,671	17,008
Non-current liabilities		**4,698,306**	**3,230,868**	**3,452,944**
Non-current financial debt	5.5.5.12.1	4,636,832	3,158,817	3,357,151
Non-current derivatives	5.5.5.12.2	20,657	31,013	68,517
Deferred tax liabilities	5.5.5.4	0	0	0
Non-current provisions	5.5.5.13	40,817	41,038	27,276
Non-current tax and social security liabilities	5.5.5.16	0	0	0
Current liabilities		**1,483,639**	**825,145**	**1,809,922**
Current financial debt	5.5.5.12.1	955,484	481,604	1,313,232
Current derivatives	5.5.5.12.2	0	0	0
Security deposits		51,261	49,301	53,117
Trade payables	5.5.5.15	198,886	211,671	164,213
Current tax and social security liabilities	5.5.5.16	72,763	41,229	83,523
Other current liabilities	5.5.5.17	205,245	41,340	195,837
Liabilities classified as held for sale	5.5.5.18	0	0	87,608
TOTAL LIABILITIES AND EQUITY		**15,236,567**	**12,345,672**	**13,328,474**

5.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€'000	Note	06/30/2017	06/30/2016
Gross rental income	**5.5.6.1**	**240,594**	**259,480**
Expenses non billed to tenants	5.5.6.2	(26,616)	(27,738)
Net rental income		**213,978**	**231,742**
Services and other income (net)	5.5.6.3	1,603	911
Overheads	5.5.6.4	(32,011)	(31,357)
EBITDA		**183,570**	**201,296**
Gains or losses on disposals	5.5.6.5	14,505	30,883
Change in value of properties	5.5.6.6	1,142,019	337,260
Depreciation	5.5.5.1	(2,216)	(2,384)
Net impairments and provisions	5.5.5.13	476	1,486
Operating income		**1,338,354**	**568,541**
Financial interest		*(36,756)*	*(47,547)*
Financial revenues		*114*	*1,310*
Net financial expenses	5.5.6.7	(36,642)	(46,237)
Financial impairment and amortization	5.5.5.2	0	0
Change in value of derivatives and debts	5.5.6.8	9,427	(36,541)
Net income from equity-accounted investments	5.5.5.3	0	56
Pre-tax income		**1,311,139**	**485,819**
Tax	5.5.6.9	(1,591)	(1,675)
Net gains or losses from continued operations		**1,309,548**	**484,144**
Net gains or losses from discontinued operations	5.5.6.10	0	36,934
CONSOLIDATED NET INCOME		**1,309,548**	**521,078**
Of which consolidated net income linked to non-controlling interests		10,288	1,435
Of which consolidated net income linked to owners of the parent		**1,299,260**	**519,643**
Consolidated net earnings per share	5.5.6.11	€20.94	€8.29
Consolidated diluted net earnings per share	5.5.6.11	€20.83	€8.22

€'000	06/30/2017	06/30/2016
Consolidated net income	**1,309,548**	**521,078**
Items not to be recycled in the net income	**0**	**(490)**
Actuarial gains (losses) on post-retirement benefit obligations	0	(490)
Items to be recycled in the net income	**148**	**(297)**
Gains (losses) from translation differentials	148	(297)
Comprehensive income	**1,309,696**	**520,290**
Of which comprehensive income linked to non-controlling interests	10,288	1,435
Of which comprehensive income linked to owners of the parent	**1,299,408**	**518,855**

5.3. STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

As at June 30, 2017, the capital was composed of 63,434,640 shares with a par value of €7.50 each.

€'000 (except for number of shares)	Number of shares	Share capital	Additional paid-in capital and consolidated reserves	Shareholders' equity (owners of the parent)	Non-controlling interests	Total shareholders' equity
Balance at January 1, 2016	**63,260,620**	**474,455**	**7,261,326**	**7,735,781**	**15,573**	**7,751,354**
Interim dividend paid in 2016			(156,705)	(156,705)		(156,705)
Amounts owed to shareholders			(157,079)	(157,079)		(157,079)
Assigned value of treasury shares (1)			19,367	19,367		19,367
Impact of share-based payments (2)			645	645		645
Actuarial gains (losses) on post-retirement benefit obligations			(490)	(490)		(490)
Gains (losses) from translation differentials			(297)	(297)		(297)
Group capital increase (3)	1,602	12	114	126		126
Net income at June 30, 2016			**519,643**	**519,643**	**1,435**	**521,078**
Balance at June 30, 2016	**63,262,222**	**474,467**	**7,486,524**	**7,960,992**	**17,008**	**7,978,000**
Interim dividend paid in 2016					(550)	(550)
Assigned value of treasury shares (1)			5,785	5,785		5,785
Impact of share-based payments (2)			981	981		981
Actuarial gains (losses) on post-retirement benefit obligations			(795)	(795)		(795)
Gains (losses) from translation differentials			71	71		71
Group capital increase (3)	172,418	1,293	13,640	14,933		14,933
Changes in consolidation scope			196	196	(196)	0
Net income at December 31, 2016			**293,829**	**293,829**	**(2,591)**	**291,238**
Balance at December 31, 2016	**63,434,640**	**475,760**	**7,800,228**	**8,275,988**	**13,671**	**8,289,659**
Interim dividend paid in 2017			(162,947)	(162,947)		(162,947)
Amounts owed to shareholders			(159,216)	(159,216)		(159,216)
Assigned value of treasury shares (1)			(223,501)	(223,501)		(223,501)
Impact of share-based payments (2)			928	928		928
Actuarial gains (losses) on post-retirement benefit obligations			0	0		0
Gains (losses) from translation differentials			148	148		148
Group capital increase (3)			0	0		0
Changes in consolidation scope			0	0		0
Net income at June 30, 2017			**1,299,260**	**1,299,260**	**10,288**	**1,309,548**
Balance at June 30, 2017	**63,434,640**	**475,760**	**8,554,903**	**9,030,663**	**23,959**	**9,054,622**

(1) Treasury shares:

€'000 (except for number of shares)	At June 30, 2017		At December 31, 2016		At June 30, 2016	
	Number of shares	Net amount	Number of shares	Net amount	Number of shares	Net amount
Shares recorded as a deduction from shareholders' equity	2,197,628	250,385	372,544	27,613	429,184	31,666
Treasury stock in %		3.46%		0.59%		0.68%

(2) Impact of benefits related to shares award plans (IFRS 2).

(3) Creation of shares linked to capital increase reserved for the Group's employees (33,511 shares in 2016 and 39,219 shares in 2015) and the exercise of share subscription options reserved for employees (140,509 shares in 2016 and 39,529 shares in 2015), and the definitive vesting as a result of the performance share award plan of December 13, 2013 (59,162 shares) and December 13, 2013 bis (8,340 shares).

5.4. STATEMENT OF CONSOLIDATED CASH FLOWS

In €'000	Note	06/30/2017	12/31/2016	06/30/2016
Consolidated net income (including non-controlling interests)		**1,309,548**	**812,316**	**521,078**
Net income from discontinued operating activities		**0**	**32,371**	**36,934**
Net income from continued operating activities		**1,309,548**	**779,945**	**484,144**
Net income from equity-accounted investments		0	(61)	(56)
Net depreciations, impairments and provisions		1,740	18,930	898
Changes in fair value and premium and costs paid on the repurchased bonds	5.5.7.1.	(1,151,446)	(442,607)	(300,719)
Calculated charges and income from stock options		928	1,626	645
Tax charges (including deferred tax)	5.5.6.9.	1,591	3,521	1,675
Current cash flow before tax		**162,362**	**361,353**	**186,586**
Capital gains and losses on disposals	5.5.6.5.	(14,505)	(50,669)	(30,883)
Other calculated income and expenses		(13,723)	(18,026)	(13,871)
Net financial expenses	5.5.6.7.	36,642	87,566	46,237
Net cash flow before cost of net debt and tax (A)		**170,775**	**380,225**	**188,070**
Tax paid (B)		(1,736)	(6,159)	(1,925)
Change in operating working capital (C)	5.5.7.2.	34,346	(9,559)	(42,469)
Cash flow from continued operating activities		**203,385**	**364,507**	**143,677**
Net cash flow from discontinued operating activities		**0**	**41,062**	**37,170**
NET CASH FLOW FROM OPERATING ACTIVITIES (D) = (A + B + C)		**203,385**	**405,569**	**180,847**
Acquisitions of tangible and intangible fixed assets	5.5.5.1.2.	(183,790)	(405,089)	(125,564)
Disposals of tangible and intangible fixed assets	5.5.7.3.	79,658	471,521	320,408
Impact of changes in consolidation	5.5.7.4.	0	1,222,547	0
Dividends received (equity-accounted affiliates, non-consolidated securities)		0	215	215
Changes in loans and agreed credit lines		(27)	(3,700)	(60)
Other cash flows from investing activities		(1,893)	(7,046)	(1,455)
Change in working capital from investing activities	5.5.7.5.	(29,096)	(170,239)	(211,847)
Net financing cash flow from continued operating activities		**(135,148)**	**1,108,210**	**(18,304)**
Net financing cash flow from discontinued operating activities		**0**	**(7,146)**	**1,293**
NET CASH FLOW FROM INVESTING ACTIVITIES (E)		**(135,148)**	**1,101,064**	**(17,011)**
Capital provided by non-controlling interests		0	0	0
Amounts received on the exercise of stock options and of the company savings plans (PEE)		1,806	40,211	19,493
Purchases and sales of treasury shares		(225,307)	0	0
Dividends paid to owners of the parent		(162,595)	(313,784)	(156,693)
Dividends paid to non-controlling interests		0	(550)	0
New borrowings	5.5.7.7.	2,628,305	3,352,000	1,838,241
Repayment of borrowings	5.5.7.7.	(660,065)	(4,364,087)	(1,885,042)
Net interests paid		(53,768)	(117,319)	(90,405)
Other cash flows from financing activities		928	(86,831)	0
Net investment cash flow used by continued activities		**1,529,306**	**(1,490,360)**	**(274,406)**
Net investment cash flow used by discontinued activities		**0**	**(104,076)**	**(25,051)**
NET CASH FLOW FROM FINANCING ACTIVITIES (F)		**1,529,306**	**(1,594,436)**	**(299,457)**
NET CHANGE IN CASH AND CASH EQUIVALENTS (D + E + F)		**1,597,544**	**(87,802)**	**(135,621)**
Opening cash and cash equivalents		58,573	146,375	146,375
Closing cash and cash equivalents		**1,656,117**	**58,573**	**10,753**

5.5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.5.1. HIGHLIGHTS

Foreword

Gecina owns, manages and develops property holdings worth €13.3 billion at June 30, 2017, with 96% located in the Paris Region. The Group is building its business around France's leading office portfolio and a diversification division with residential assets and student residences. Gecina has put sustainable innovation at the heart of its strategy to create value, anticipate its customers' expectations and invest while respecting the environment, thanks to the dedication and expertise of its staff.

Gecina is a French real estate investment trust (SIIC) listed on Euronext Paris, and is part of the SBF 120, Euronext 100, FTSE4Good, DJSI Europe and World, Stoxx Global ESG Leaders and Vigeo indices. In line with its commitments to the community, Gecina has created a company foundation, which is focused on protecting the environment and supporting all forms of disability.

1st half 2017

On January 6, 2017, Gecina announced that it had signed a 10-year lease with the Renault Group regarding the entire "Le Cristallin" building (11,600 sq.m), located in Boulogne-Billancourt, with availability of the space from February 1, 2017.

Gecina's Board of Directors, chaired by Mr. Bernard Michel, met on January 6, 2017, decided to appoint Mrs Méka Brunel as Gecina's Chief Executive Officer, replacing Mr. Philippe Depoux. The Board ended the duties of Philippe Depoux as Chief Executive Officer.

On February 22, 2017, Gecina has signed a lease for a firm nine-year period, starting in the early 2018, with the Caisse Régionale RSI Ile-de-France social security agency for all the vacant space in the "Dock-en-Seine" building in Saint-Ouen, representing nearly 8,700 sq.m.

In the context of the implementation of its share buyback program, on decision of the Board of Directors of February 23, 2017, Gecina gave mandate to an independent investment services provider to purchase Gecina shares on its behalf, depending on market conditions, within the limit of a maximum of €300 million starting from February 24, 2017 and over a period of one year. On June 21, 2017, in accordance with the provisions agreed with its financial services provider, Gecina closed the share buyback program, which had allowed the acquisition of 1.8 million securities since February 24, 2017 for an amount of €224.5 million, i.e., an average of €121.8 per share.

On April 20, 2017, Gecina announced that it had signed a preliminary agreement to acquire an office building located at 145 rue de Courcelles, in the Parisian CBD, for €63 million excluding transfer taxes. This asset offers a strong complementarity with the adjacent building "Le Banville" already owned by Gecina, and thus opens up prospects of significant synergies between the two buildings in the future.

On April 25, 2017, Gecina signed a lease for a firm six-year period with an outstanding tenant, for 11,000 sq.m of space in the Le Valmy building located in the 20th arrondissement of Paris. Currently rented by the French Ministry of Finance, this space will be relet immediately following the current tenant's departure expected for end-2017, thereby proving Gecina's capacity and ambition to anticipate the Group's major rental challenges very early. Alongside this, the tenant, which already rented more than 5,000 sq.m in this building, has extended its commitment for this space, in line with this Group's plans to strengthen its presence at this site over the long term.

On May 2, 2017, Gecina signed with a leading tenant, a lease for a firm six-year period, for 20 rue de la Ville l'Évêque at the heart of the Parisian CBD, nine months prior to its delivery. The building, which has a total surface area of 6,400 sq. m, has been under reconstruction since the second quarter of 2016, and will be entirely leased after its scheduled delivery in the first quarter of 2018.

On June 15, 2017, Gecina signed a lease for a firm six-year period with a new web industry firm for nearly 40% of the 55 Amsterdam building, located in Paris in the 8th arrondissement. This next-generation building was delivered in the first quarter of 2017 following an ambitious redevelopment operation.

On June 21, 2017, Gecina announced, following the unanimous approval of its Board of Directors, its proposed acquisition of all the securities of Eurosic. This friendly operation between Gecina and Eurosic is supported by Eurosic's six main shareholders, representing 94.8% of its capital, under firm agreements signed to sell blocks of securities and undertakings to tender securities for the mandatory public offer that will be submitted once the blocks have been acquired. This acquisition is in line with the Group's total return strategy. Eurosic's integration will be facilitated by Gecina's new organization, which will be implemented starting from July.

After the announcement of the business combination with Eurosic, the rating agencies confirmed Gecina's high credit quality, with a rating of BBB+ / positive outlook from Standard and Poor's and A3 from Moody's with however, a change from stable outlook to negative outlook pending the completion of the announced divestment program aimed at bringing LTV below 40%.

On June 27, 2017, as part of its friendly business combination with Eurosic, Gecina successfully placed a bond issue with three tranches for a total amount of €1.5 billion, with an average coupon of 1.3% and average maturity of ten years. Gecina thus placed €500 million for five years (maturing in June 2022) with a variable coupon based on the 3 month Euribor + 38 bp (equivalent to a coupon of 0.5%), €500 million for 10 years (maturing June 2027) offering a coupon of 1.375% and €500 million for 15 years (maturing June 2032) offering a 2.0% coupon.

These issues are effectively aligned with Gecina's overall financing strategy, enabling it to extend the average maturity of its debt, reduce its average cost and optimize its credit maturities, while combining short-term flexibility with long-term security.

5.5.2. GENERAL PRINCIPLES OF CONSOLIDATION

5.5.2.1. Reporting standards

The consolidated financial statements of Gecina and its subsidiaries ("the Group") are prepared in accordance with IFRS as adopted by the European Union on the balance sheet date.

The official standards and interpretations potentially applicable after the closing date (particularly IFRS 15 "Revenue from contracts with customers", IFRS 16 "Leases" and IFRS 9 "Financial instruments") were not applied early and should not have a significant impact on the financial statements.

The preparation of financial statements, in accordance with IFRS, requires the adoption of certain decisive accounting estimates. The Group is also required to exercise its judgment on the application of accounting principles. The areas with the most important issues in terms of judgment or complexity or those for which the assumptions and estimates are material in relation to the Consolidated financial statements are presented in Note 5.5.3.14.

Gecina applies the ethical code for French Real Estate Investment Trusts (SIIC) as established by the Fédération des Sociétés Immobilières et Foncières.

5.5.2.2. Consolidation methods

All companies, in which the Group holds direct or indirect exclusive control and companies in which Gecina exercises a notable or joint influence, are included in the scope of consolidation. The first group of companies are fully consolidated and the second group are consolidated using the equity method.

5.5.2.3. Scope of consolidation

At June 30, 2017, the scope of consolidation included the companies listed below.

Companies	SIREN	06/30/2017% interest	Method of consolidation	12/31/2016 % interest	06/30/2016 % interest
Gecina	592 014 476	100.00%	Parent company	100.00%	100.00%
5, rue Montmartre	380 045 773	100.00%	FC	100.00%	100.00%
55, rue d'Amsterdam	382 482 065	100.00%	FC	100.00%	100.00%
Anthos	444 465 298	100.00%	FC	100.00%	100.00%
Beaugrenelle	307 961 490	75.00%	FC	75.00%	75.00%
Campusea	501 705 909	100.00%	FC	100.00%	100.00%
Campusea Management	808 685 291	100.00%	FC	100.00%	100.00%
Capucines	332 867 001	100.00%	FC	100.00%	100.00%
Colvel Windsor	477 893 366	100.00%	FC	100.00%	100.00%
GEC 10	529 783 649	100.00%	FC	100.00%	100.00%
GEC 16	751 103 961	100.00%	FC	100.00%	100.00%
GEC 18	799 089 982	60.00%	FC	60.00%	60.00%
GEC 7	423 101 674	100.00%	FC	100.00%	100.00%
Gecina Management	432 028 868	100.00%	FC	100.00%	100.00%
Geciter	399 311 331	100.00%	FC	100.00%	100.00%
Grande Halle de Gerland	538 796 772	100.00%	FC	100.00%	100.00%
Haris	428 583 611	100.00%	FC	100.00%	100.00%
Haris Investycje		100.00%	FC	100.00%	100.00%
Khapa	444 465 017	100.00%	FC	100.00%	100.00%

Companies	SIREN	06/30/2017% interest	Method of consolidation	12/31/2016 % interest	06/30/2016 % interest
Le Pyramidion Courbevoie	479 765 874	100.00%	FC	100.00%	100.00%
Locare	328 921 432	100.00%	FC	100.00%	100.00%
Marbeuf	751 139 163	100.00%	FC	100.00%	100.00%
Michelet-Levallois	419 355 854	100.00%	FC	100.00%	100.00%
Sadia	572 085 736	100.00%	FC	100.00%	100.00%
Saint Augustin Marsollier	382 515 211	100.00%	FC	100.00%	100.00%
Saulnier Square	530 843 663	100.00%	FC	100.00%	100.00%
SCI Le France	792 846 123	100.00%	FC	100.00%	100.00%
Société des Immeubles de France (Espagne)		100.00%	FC	100.00%	100.00%
Société Hôtel d'Albe	542 091 806	100.00%	FC	100.00%	100.00%
Société Immobilière et Commerciale de Banville	572 055 796	100.00%	FC	100.00%	100.00%
SPIPM	572 098 465	100.00%	FC	100.00%	100.00%
SPL Exploitation	751 103 961	100.00%	FC	100.00%	100.00%
Tour City 2	803 982 750	100.00%	FC	100.00%	100.00%
Tour Mirabeau	751 102 773	100.00%	FC	100.00%	100.00%
JOINED CONSOLIDATION 2016					
GEC 23	819 358 201	100.00%	FC	100.00%	100.00%
Secondesk	823 741 939	100.00%	FC	100.00%	
LEFT CONSOLIDATION 2016					
Gecimed	320 649 841	Sold	FC	Sold	100.00%
8, rue de Cheuvreul/Suresnes	352 295 547	Sold	FC	Sold	100.00%
Alouettes 64	443 734 629	Sold	FC	Sold	100.00%
Bordeaux K1	512 148 438	Sold	FC	Sold	100.00%
Eaubonne K1	512 148 974	Sold	FC	Sold	100.00%
Lyon K1	512 149 121	Sold	FC	Sold	100.00%
Suresnes K1	512 148 560	Sold	FC	Sold	100.00%
Clairval	489 924 035	Sold	FC	Sold	100.00%
Clos Saint-Jean	419 240 668	Sold	FC	Sold	100.00%
GEC 9	508 052 008	Sold	FC	Sold	100.00%
GEC 15	444 407 837	Sold	FC	Sold	100.00%
Hôpital Privé d'Annemassse	528 229 917	Sold	FC	Sold	100.00%
SCI Polyclinique Bayonne Adour	790 774 913	Sold	FC	Sold	100.00%
SCI Rhône Orange	794 514 968	Sold	FC	Sold	100.00%
SCIMAR	334 256 559	Sold	FC	Sold	100.00%
Tiers temps Aix les bains	418 018 172	Sold	FC	Sold	100.00%
Tiers temps Lyon	398 292 185	Sold	FC	Sold	100.00%
GEC 8	508 052 149	Merged	FC	Merged	100.00%
Dassault Suresnes	434 744 736	Merged	FC	Merged	100.00%
Labuire Aménagement	444 083 901	Liquidated	EM	Liquidated	59,70%

FC: full consolidation.
EM: accounted for under the equity method.

5.5.2.4. Consolidation adjustments and eliminations

5.5.2.4.1. Restatements to homogenize individual financial statements

The rules and methods applied by companies in the scope of consolidation are restated to make them consistent with those of the Group.

All the companies prepared an accounting statement as at June 30, 2017.

5.5.2.4.2. Intercompany transactions

Intercompany transactions and any profits on disposal resulting from transactions between consolidated companies are eliminated.

5.5.2.4.3. Business combinations (IFRS 3)

To determine if a transaction is a business combination placed under IFRS 3, the Group determines whether an integrated set of activities is acquired in addition to the real estate. The selected criteria may be the number of real estate assets held, the scope of the processes acquired or the autonomy of the target. In this case, acquisition cost corresponds to the fair value on the date of exchange of the contributed assets and liabilities and the equity instruments issued in exchange for the acquired entity. Goodwill is recognized as an asset in respect of the surplus of the acquisition cost over the buyer's share of the fair value of the assets and liabilities acquired net of deferred tax recognized if necessary while an amount for negative goodwill is posted to the income statement. Costs directly attributable to the acquisition process are recognized under expenses. IAS 40 standard is applied (investment property) for acquisitions that do not fall under a business combination.

5.5.2.5. Foreign currency translation

The Group's operating currency is the euro. Transactions conducted by subsidiaries located outside the Eurozone are translated at the closing exchange rate for balance sheet items and at the average exchange rate over the period of the income statement. Exchange differentials recognized in the balance sheet at the beginning of the period and on earnings for the year are recorded on a separate line under shareholders' equity.

5.5.3. ACCOUNTING METHODS

5.5.3.1. Property holdings

5.5.3.1.1. Investment properties (IAS 40)

Properties held for the long term and intended to be leased under operating leases, and/or held for capital appreciation, are considered as investment properties.

On acquisition, investment properties are recorded on the balance sheet at cost, inclusive of duties and taxes.

The time spent by operational teams, directly attributable to disposals, rentals and development projects is monitored and priced, and then, as appropriate:

(i) reported under fixed assets for the portion spent on development projects, studies or marketing actions;

(ii) recognized under gains or losses on disposals if related to pre-sale activities.

The financial costs linked to construction operations as well as eviction allowances, paid in connection with property reconstructions, are capitalized.

Financial lease contracts are recognized as financial leases and recorded as assets on the balance sheet, and the corresponding borrowings are recorded as liabilities under financial debt. Accordingly, the fees are eliminated and the interest expense for financing and the fair value of the asset are recognized in accordance with the Group accounting principles, as if the Group were the owner. In the case of the acquisition of a financial lease contract, if the discrepancy between the fair value of the related debt and its nominal value represents a liability because of more favorable market conditions on the day of the acquisition, it is recorded in the balance sheet as a financial liability. This financial liability is recognized in income over the term of the contract and fully cleared through gain or loss in disposal if the contract is sold.

Gecina has opted for the valuation of its investment properties at fair value as defined by IFRS 13 (cf. Note 5.5.3.1.2). The company has elected, by convention, to retain the block value of properties as the fair value of investment properties in the consolidated financial statements. This block value excludes transfer duties and is determined by independent appraisers (as at June 30, 2017: CBRE Valuation, Cushman & Wakefield and Crédit Foncier Expertise), which value the Group portfolio on the assumption of a long-term holding at June 30 and December 31 of each year and which take into account capitalized construction work. Valuations are conducted in accordance with industry practices using fair value valuation methods to establish market value for each asset, pursuant to the professional real estate valuation charter. All Gecina assets are now appraised by independent appraisers.

The change in fair value of investment properties is recorded on the income statement. These properties are not therefore subject to depreciation or impairment. The income statement records the change in fair value of each property over the year determined as follows:

- current market value – (prior year market value + cost of construction work and expenditure capitalized in the current year).

Investment properties in the course of renovation are recognized at fair value.

Properties under construction or acquired with the intention of reconstruction or in the process of being reconstructed are recognized at fair value where that value can be reliably measured. In cases where fair value cannot be reliably determined, the property is recognized at its last known value plus any costs capitalized during the period. At each balance sheet date, an impairment test is conducted to certify that the booked value does not require impairment. Impact is recognized at variation of fair value.

The fair value is determined by appraisers based on an evaluation of the property realizable value less all direct and indirect future development costs. The Group considers that a property in the process of construction can be reliably appraised at fair value when construction begins and when its marketing is advanced. Whatever the case, the fair value appraisal will be performed when the asset is protected from the rain.

Nevertheless, when the asset is already leased and the signature of works contracts has sufficiently progressed to allow a reliable estimate of the construction cost, the asset under development may then be recognized at fair value.

Valuation methodology

Each property asset is valued separately by an independent appraiser. However, the appraisers use the same valuation methods, described below. When appraising a property, real estate appraisers exclude transfer duties, taxes and fees. They thus comply with the position taken by the French professional body of property appraisers, Afrexim [1] and use the following rates:

- 1.8% of legal fees for properties in VAT;
- from 6.9% to 7.5% of registration fees and expenses for other properties.

The property is assessed at fair value, which corresponds to the price at which it could be sold between informed consenting parties operating under normal market conditions without reference to the financing conditions as at the valuation date. The value used in the consolidated financial statements is the value excluding transfer duties.

a) Office properties

The fair value of each asset is based on the results of the following three methods: through the comparison method, through capitalization of new income and discounting of future flows (DCF). The simple arithmetic mean of these three methods is used. In the event that a difference between the results of the three methods is 10% or more, the appraiser has the option of determining the more relevant valuation.

- Direct comparison method: this method consists of comparing the asset that is the object of the appraisal to transactions made on assets equivalent in type and location, on dates close to the date of appraisal.
- Capitalization of new income method: this method consists of capitalizing recorded or potential income on the basis of a yield expected by an investor for a similar type of asset. The income base is generally constituted either of net annual rent excluding taxes and rental charges or the market rent value. For occupied premises, the appraiser conducts an analysis of the legal and financial conditions of each lease and of the rental market. For vacant premises, the market rent value is used as a reference, taking account of re-letting delays, renovation work and other miscellaneous expenditure.
- Discounted Cash Flow method: the value of the asset is equal to the discounted sum of the financial flows expected by the investor, including the assumed resale at the end of a 10-year holding period. The sale price at the end of the period is determined on the basis of the net cash flow in year 11 capitalized at yield. Discounted cash flow is determined on the basis of a risk-free interest rate (10-year government bond equivalent) plus an appropriate risk premium for the property determined in comparison with standard discounted rates on cash flow generated by similar assets.

b) Residential properties

The block fair value of each asset is determined from the results of the following two methods: direct comparison and capitalization of income. The simple arithmetic mean is used for the comparison and income capitalization methods. In the event that a difference between the results of the two methods is 10% or more, the appraiser has the option of determining the more relevant valuation.

- Direct comparison method: this is identical to the method used for office properties.
- Net income capitalization method: this is identical to the method used for office property applied to gross income pursuant to the recommendations of the French professional body of property appraisers, Afrexim [1].

c) Unit valuation for residential and mixed buildings

Unit valuation is used for buildings on sale by apartments (see Note 5.5.3.1.3.).

The unit value is determined from unit prices per square meter recorded on the market for vacant premises. The appraisal includes discounts to reflect marketing periods, costs and the margin earned on the sale of all the units. These discounts are differentiated according to the size of the property and number of units included. The estimated values of office units and commercial premises situated on the ground floor of buildings are then added based on both methods: direct comparison and net income capitalization.

For properties where the unit-by-unit sale process has been started, the valuation follows the same method, adjusting the allowances applied to the property's actual marketing situation.

(1) *Association française des sociétés d'expertise immobilière.*

5.5.3.1.2. Determination of fair value (IFRS 13)

The Group applies IFRS 13, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard establishes a fair value hierarchy that categorizes into three levels the data used for measurements:

- level 1: price (not adjusted) on an active market for identical assets/liabilities available on the valuation date;
- level 2: valuation model using inputs directly or indirectly observable in an active market;
- level 3: valuation model using inputs not observable in an active market.

The fair value hierarchy is therefore established by reference to the levels of inputs to valuation techniques. When using a valuation technique based on inputs of several levels, the fair value level is then constrained by the lowest level.

Investment properties

The fair value measurement must consider the highest and best use of the asset. Gecina has not identified any high and best use different from the current use.

The fair value measurement of investment properties implies using different valuation methods based on unobservable or observable inputs that have been subject to certain adjustments. Accordingly, the Group's property holdings are considered, in their entirety, as categorized in level 3 with respect to the fair value hierarchy established by IFRS 13, notwithstanding the recognition of certain level 2 observable inputs.

Financial instruments

IFRS 13 requires the recognition of counterparty credit risk (i.e. the risk that a counterparty may breach any of its obligations) in measuring the fair value of financial assets and liabilities.

IFRS 13 retains the disclosure obligations on the 3-level fair value hierarchy of IFRS 7, which requires an entity to establish a difference between the fair values of financial assets and financial liabilities as a function of the observable nature of the inputs used to measure fair value.

As at June 30, 2017, the application of IFRS 13 by the Group does not challenge the fair value hierarchy of financial instruments, until then categorized as level 2 according to IFRS 7 (valuation model based on observable market inputs) to the extent that the adjustment for credit risk is considered as an observable input.

5.5.3.1.3. Assets held for sale (IFRS 5)

IFRS 5, "Non-recurring assets held for sale and discontinued operations", states that a non-recurring asset should be classified as held for sale as for it is a major line of activity if its carrying amount will be recovered principally through a sales transaction rather than through continuing use. In such cases, the sale should be highly probable.

The sale of an asset is thus highly probable if the following three conditions are met:

- a plan to sell the asset has been initiated by an appropriate level of management;
- the asset is being actively marketed at a reasonable price in relation to its current fair value;
- it is probable that the sale will be concluded within one year barring special circumstances.

When the sale pertains to an asset or group of assets only, the assets held for sale are reported separately in the balance sheet under "Properties for sale" and measured at the lower of their carrying amount and fair value less costs to sell.

Buildings recorded in this category are valued as follows:

- properties sold in block: sale value recorded in the sale agreement or in the purchase offer, subject to the deduction of expenses and fees necessary for their sale;
- properties sold unit-by-unit: appraisal value in units (see Note 5.5.3.1.1.). If more than 60% (in value) of the property is sold, the asset is recognized at the fair value of the last recorded transactions for unsold units, after taking account of allowances linked to the achievement of all lots and at the sale value recorded in the preliminary agreement subject to the deduction of expenses and fees for units covered by a preliminary agreement.

When a sale concerns a complete business line, the consolidated assets and liabilities, booked as appropriate under subsidiaries held for sale, are presented separately on the asset side of the balance sheet (Assets held for sale) and on the liabilities side of the balance sheet (Liabilities held for sale). The corresponding net gain or loss is isolated in the income statement on the line "Net gain or loss from discontinued activities".

5.5.3.1.4. Operating properties and other property, plant and equipment (IAS 16)

The head office property at 16, rue des Capucines, Paris is valued at cost. It has been depreciated according to the component method, each component being depreciated on a straight-line basis over its useful life (10 to 60 years).

Other tangible fixed assets are recorded at cost and depreciated under the straight-line method for periods of three to ten years. They are primarily composed of computer hardware and furniture.

In the event of a sign of impairment, the book value of an asset is immediately written down to its recoverable value, which is determined by an independent appraisal conducted under the methods described in 5.5.3.1.1.

5.5.3.1.5. Intangible assets (IAS 38)

Intangible fixed assets correspond primarily to software.

The costs to purchase software licenses are recorded as an asset based on the costs incurred in acquiring and commissioning the software concerned. These costs are amortized over the estimated useful life of the software (three to five years).

5.5.3.2. Equity interests

5.5.3.2.1. Equity-accounted investments

Equity interests in companies in which the Group exercises joint control or significant influence are recorded on the balance sheet at the Group share of their net assets as at the reporting date adjusted to the Group's accounting principles. Adjustments are related to the harmonization of methods.

In the event where the Group's share in the negative equity of a company accounted for under the equity method were to exceed the book value of its investment, the Group considers its share to be nil and it ceases to recognize its share in upcoming losses, unless the Group is obliged or intends to financially support such investment.

5.5.3.2.2. Non-consolidated interests

Non-consolidated interests are valued at fair value pursuant to IAS 39. The changes in fair value are stated as equity until the date of disposal. For long-term impairment, underlying capital losses recognized in shareholders' equity are recorded as expenses.

5.5.3.2.3. Other financial investments

Loans, receivables and other financial instruments are booked according to the amortized cost method on the basis of an effective interest rate. When there is non-recoverability or default risk, this is recognized in the profit and loss statement.

5.5.3.3. Buildings in inventory

Buildings relating to real estate development operations or acquired under the tax system governing properties held for rapid resale by real-estate traders, legally designated as "marchands de biens", are booked under inventories at their acquisition cost. An impairment test is carried out as soon as any indication of impairment is detected. In the event of such an indication and when the estimated recoverable amount is lower than the carrying amount, an impairment loss is recognized based on the difference between those two amounts.

5.5.3.4. Operating receivables

Receivables are recorded for the initial amount of the invoice, after deduction for impairment valued on the basis of the risk of non-recoverability. The cost of non-recoverability risk is posted under property expenses.

Rent receivables are systematically written down according to the due date of the receivables and situation of the tenants.

An impairment rate is applied to the amount excluding tax of the receivable minus the security deposit.

- tenant has left the property: 100 %
- tenant in the property:
  - receivable between three and six months: 25%
  - receivable between six and nine months: 50 %
  - receivable between nine and 12 months: 75 %
  - over 12 months: 100%

Impairment thus determined is adjusted to take account of particular situations.

Receivables relating to the deferral of commercial benefits according to IAS 17 (see Note 5.5.3.13), and recognized by the difference between the economic rent and the paid rent, result in a specific analysis covering the ability of the tenant to go effectively to the end of the signed lease, in order to validate each time their basis is established.

5.5.3.5. Cash and cash equivalents

Cash and money-market UCITS are recorded on the balance sheet at fair value.

5.5.3.6. Treasury shares (IAS 32)

Treasury shares held by the Group are deducted from consolidated shareholders' equity at cost.

5.5.3.7. Share-based payments (IFRS 2)

Gecina has instituted an equity-based remuneration plan (stock options and performance shares). The impact of services rendered by employees in exchange for the award of options or the allocation of performance shares is expensed against shareholders' equity. The total amount expensed over the rights vesting period year is determined by reference to the fair value of equity instruments granted, the discounted value of future dividends paid over the vesting period and the staff turnover rate.

At each balance sheet date, the number of options that may be exercised is reviewed. Where applicable, the impact of revising estimates is posted to the income statement with a corresponding adjustment in shareholders' equity. Amounts received when options are exercised are credited to shareholders' equity, net of directly attributable transaction costs.

5.5.3.8. Financial Instruments (IAS 39)

IAS 39 distinguishes between two types of interest-rate hedge as follows:

- hedging of balance sheet items whose fair value fluctuates with interest rates ("fair value hedge");
- hedging of the risk of future cash flow changes ("cash flow hedge"), which consists of setting future cash flows of a variable-rate financial instrument.

Some derivative instruments attached to specific financing are classified as cash flow hedges pursuant to accounting regulations. Only the change in fair value of the effective portion of these derivatives, measured by prospective and retrospective effectiveness tests, is taken to shareholders' equity. The change in fair value of the ineffective portion of the hedge is posted to the income statement if material.

To a large extent, Gecina's interest rate hedging is covered by a portfolio of derivatives that are not specifically assigned and do not meet hedge accounting eligibility criteria. Furthermore, some derivatives cannot be classified as hedging instruments for accounting purposes. These derivative instruments can

therefore be recorded at fair value on the balance sheet with recognition of changes in fair value on the income statement. The change in the value of derivatives is recognized for the recurring portion and when this is applicable (amortization of options premiums or periodic premiums) within financial expenses in the same capacity as the interest paid or received for these instruments, and for the non-recurring portion (fair value excluding amortization of premiums or periodic premiums) in the changes in value of the financial instruments. Where applicable, terminations of derivative instruments are considered as non-recurring, such that the gain or loss on disposal or termination is recognized in the income statement within changes in value of financial instruments.

Fair value is determined in accordance with IFRS 13 (see Note 5.5.3.1.2) by an external financial organization using valuation techniques based on the discounted forward cash flow method, as well as the Black & Scholes model for optional products integrating the counterparty risks mentioned by IFRS 13. Estimates of probability of default are obtained by using bond spreads on the secondary market. Valuations are also confirmed by banking counterparties and in-house valuations.

Marketable securities are recorded under this heading as assets at fair value and changes in value are posted to the income statement.

5.5.3.9. Financial liabilities (IAS 32 and 39)

Bank borrowings are mostly constituted of repayable borrowings and medium and long-term credit lines that can be used by variable term drawings. Successive drawings are recognized in the financial statements at face value, with the unused portion of the borrowing facility representing an off-balance sheet commitment.

Financial liabilities, including EMTN issues, are stated at their outstanding balance (net of transaction costs) based on the effective interest rate method. Security deposits are considered as short-term liabilities and are not subject to any discounting.

5.5.3.10. Long term non-financial provisions and liabilities

In accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognized when the Group has a present obligation (legal or constructive) to a third party as a result of past events, and when it is probable or certain that this obligation will give rise to an outflow of resources to that third party, without at least the equivalent expected in exchange from that third party.

5.5.3.11. Employee benefit commitments

IAS 19 specifies the accounting rules for employee benefits. This accounting occurs during the rights vesting period. It excludes from its scope share-based payments, which come under IFRS 2.

Short-term benefits

Short-term benefits (i.e. salaries, paid holiday, social security contributions, profit-sharing, etc.), which fall due within twelve months of the end of the year during which members of staff provided corresponding services, are recognized as “accrued expenses” under the heading “Current tax and social security payables” under balance sheet liabilities.

Long-term benefits

Long-term benefits correspond to benefits payable during the employee’s working life (anniversary premiums). They are recognized as non-recurring provisions.

Post-employment benefits

Post-employment benefits, also recognized as non-recurring provisions, correspond to end-of-career payments and supplementary retirement commitments to some employees. The valuation of these retirement commitments assumes the employee’s voluntary departure.

These commitments that are related to the defined-benefit plans for supplementary pensions are paid to external organizations.

No post-employment benefits were granted to executives.

The net commitment resulting from the difference between amounts paid and the probable value of the benefits granted, recognized under salaries and benefits, is calculated by an actuary according to the method known as “projected unit credit method”, the cost of the provision being calculated on the basis of services rendered at the valuation date.

Actuarial variances are booked in equity.

5.5.3.12. Tax

5.5.3.12.1. IFRIC 21 Levies imposed by governments

Since January 1, 2015, the Group has been applying the IFRIC 21 interpretation (Levies imposed by governments) which stipulates the timing for the recognition of a liability as a tax or levy imposed by a public authority. These rules cover both the duties or taxes recognized in accordance with IAS 37 Provisions, contingent liabilities and assets and those for which the timing and amount are certain.

The levies and taxes in question are defined as net outflows of resources (thus excluding VAT collected on behalf of the Government) levied by governments (as defined by IAS 20 and IAS 24) in application of the legal and/or regulatory provisions other than fines or penalties linked to non-compliance with laws or regulations. These include taxes entering into the scope of application of IAS 37 on provisions (excluding those in the scope of IAS 12, such as income tax liabilities) as well as taxes with certain amount and payment date (i.e. liabilities that do not fall within the scope of IAS 37).

Pursuant to the IFRIC 21 interpretation, the following taxes are recognized (and their potential reinvoicing at the same time) at one time in the first quarter of the current year:

- property taxes;
- household garbage removal taxes;
- office taxes.

5.5.3.12.2. Ordinary law tax treatment

For companies not eligible in the SIIC system, deferred taxes resulting from timing differences on taxation or deductions are calculated under the liability method on all timing differences existing in the individual accounts or deriving from consolidation adjustments or eliminations of internal profits and losses. This happens when the book value of an asset or liability is different from its tax value. A net deferred tax asset is only recognized on loss carry-forwards provided that it is likely that it can be charged against future taxable income. Deferred tax is determined using the principles and tax rates of the finance laws in effect at the balance sheet date that are likely to be applied when the various taxes involved crystallize. The same rule applies for assets held abroad.

5.5.3.12.3. SIIC tax treatment

Opting for the SIIC system means an exit tax immediately falls due at the reduced rate of 19% on unrealized capital gains related to properties and investments in entities not subject to income tax.

Profits subject to the SIIC system are tax-exempt subject to certain distribution conditions. However, for newly acquired companies, a deferred tax liability is calculated at a rate of 19% corresponding to the amount of exit tax that these companies have to pay when opting for the SIIC system, this option coming under the acquisition strategy.

The discounting of the exit tax liability due to opting for the SIIC system is only recognized when considered material.

5.5.3.13. Recognition of rental income (IAS 17)

Rent is recorded in the income statement when invoiced. However, pursuant to IAS 17, benefits granted to tenants in the commercial real estate sectors (mainly rent franchises and stepped rents) are amortized straight-line over the probable, firm period of the lease. Consequently, rents shown in the income statement differ from rents paid.

At the sale of an asset, the balance of the receivable arising from the straight-line recognition of benefits granted to tenants (mostly rent franchises and stepped rents) is fully reversed and posted in gain or loss on disposal.

Works carried out on behalf of tenants are capitalized and are not deferred over the probable term of the lease according to IAS 17.

5.5.3.14. Key estimates and accounting judgments

To establish the Consolidated financial statements, the Group uses estimates and formulates judgments which are regularly updated and are based on historic data and other factors, especially forecasts of future events considered reasonable in the circumstances.

The significant estimates made by the Group mainly concern:

- the measurement of the fair value of investment properties;
- the measurement of the fair value of financial instruments;
- the measurement of equity interests;
- the measurement of provisions;
- the measurement of employee benefit commitments (pensions and share plans).

Due to the uncertainties inherent in any measurement process, the Group adjusts its estimates using regularly updated information. Estimates that carry a major risk of leading to a material adjustment in the net book value of assets and liabilities during the following period are analyzed below:

- The fair value of the property portfolio, whether it is held for the long term or for sale, is specifically determined based on the valuation of the portfolio by independent experts according to the methods described in sections 5.5.3.1.1. and 5.5.3.1.2. However, given the estimated nature inherent in these valuations, it is possible that the actual sales value of some properties will differ significantly from the valuation, even in the event of disposal within a few months following the balance sheet date.
- The fair value of the financial instruments that are not traded on an organized market (such as over the counter derivatives) is determined using valuation techniques. The Group uses methods and assumptions that it believes are the most appropriate, based on market conditions at the balance sheet date. The realizable value of these instruments may turn out to be significantly different from the fair value used for the accounting statement.

- The value in use and the fair value of equity investment securities are determined on the basis of estimates based on various data available to the Group as at the balance sheet date. New information obtained subsequent to the balance sheet date may have a material influence on this valuation.

The procedures for determining fair value according to IFRS 13 are detailed in section 5.5.3.1.2.

In addition to the use of estimates, the Group's management formulates judgments to define the appropriate accounting treatment for certain activities and transactions where the IFRS in force do not specifically deal with the issues concerned. This is especially the case for the analysis of leases, whether operating leases or financial leases.

5.5.4. MANAGEMENT OF FINANCIAL AND OPERATIONAL RISKS

5.5.4.1. Description of the major risks and uncertainties

Chapter 1 of Gecina's 2016 Reference Document contains a detailed description of the risk factors to which the Group is exposed. No other risks and uncertainties other than those presented in the 2016 Reference Document or in this document are expected.

5.5.4.2. Real estate market risk

Holding property assets for rent exposes the Group to the risk of fluctuation of the value of property assets and rents as well as to the risk of vacancy.

However, this exposure is limited given that:

- the assets are essentially held with a long-term perspective and valued in the accounts at fair value, even though fair value is based on estimates described in sections 5.5.3.1.1. to 5.5.3.1.3. above;
- invoiced rents come from rental commitments, the term and spread of which contribute to moderating the impact of fluctuations in the rental market.

With respect to development projects, the search for tenants begins once the investment decision is taken and results in the signing of pre-construction leases (Baux en l'État Futur d'Achèvement – BEFA). These leases contain clauses on the definition of completion, the completion time and late penalties.

Certain aspects of this risk are quantified in Note 5.5.6.6

5.5.4.3. Financial market risk

Holding financial instruments for the long term or for sale exposes the Group to the risk of fluctuation in the value of these assets. The analysis and quantification of the risk on hedging financial instruments are stated under Note 5.5.6.8.

In particular, the Group's exposure to equity risk in case of falling stock market indices gives rise to a problem of valuing hedging assets against pension liabilities. This risk is very limited with respect to the amounts of the hedging assets subject to equity risk.

Furthermore, Gecina may be subject to changes in share prices for its financial investments and for its treasury shares. Gecina has set up a share buyback program and therefore holds a certain number of its own shares. A fall in the price of the Gecina share has no impact on the consolidated financial statements, only on the individual company financial statements.

5.5.4.4. The counterparty risk

Since it has a portfolio of clients of around 520 corporate tenants, from a wide variety of sectors, and more than 7,800 individual tenants, the Group is not exposed to significant concentration risks. In the course of its development, the Group aims to acquire assets for which the rental portfolio is closely based on tenant selection criteria and the security provided by them. When a property is rented out, a detailed application is submitted by the tenant and an analysis of the tenant financial soundness is conducted. Tenant selection and rent collection procedures help to maintain a satisfactory rate of losses on receivables.

Financial transactions, especially hedging the interest rate risk, are carried out with a broad selection of leading financial institutions. Competitive tenders are conducted for all major financial transactions and the maintenance of a satisfactory diversification of sources of funds and counterparties is one of the selection criteria. Gecina has no material exposure to a single bank counterparty on its portfolio of derivatives. Counterparty risk is now an integral part of fair value as determined under IFRS 13 (see Note 5.5.3.1.2.) The Group's maximum exposure on all its loans (used and unused) to a single counterparty is 12%.

5.5.4.5. Liquidity risk

Liquidity risk is managed by constantly monitoring the maturity of financing facilities, maintaining available credit lines and diversifying finance sources. Liquidity is managed in the medium and long term as part of multi-annual financing plans and, in the short term, by using confirmed undrawn credit lines and asset disposal programs. Details of debt maturity dates are provided in Note 5.5.5.12.1 as well as a description of the various limits that might affect interest conditions or early repayment, as stipulated in the credit agreements.

5.5.4.6 Interest rate risk

Gecina's interest rate risk management policy, which includes the use of hedging instruments, is aimed at limiting the impact of a change in interest rates on the Group's earnings, where a significant portion of the Group's loans is at a floating rate. With respect to the foregoing, a management framework was presented and validated by the company's Audit and Risk Committee. This management framework defines in particular the management horizons, a percentage of coverage required on the time horizons, new hedging targets and the instruments

enabling such management (mostly caps, floors and swaps). The interest rate risk is analyzed and quantified in Note 5.5.5.12.2 and 5.5.6.8, together with an analysis of interest rate sensitivity. Gecina interest rate hedging policy is primarily implemented on a comprehensive basis for all its loans (i.e. not specifically assigned to certain loans). As a result, it does not meet the accounting qualification of hedging instruments and the fair value change therefore appears in the income statement, according to the procedures described in Note 5.5.3.8.

5.5.4.7. Foreign exchange risk

The Group conducts the majority of its business in the Eurozone and almost all its revenues, operating expenses, investments, assets and liabilities are denominated in euros. In this case, the Group is only very marginally exposed to a currency risk only through its logistics subsidiary in Poland, which now has no activity.

5.5.4.8. Operating risks

Gecina is exposed to a wide range of operating risks, the details of which are specified in Note 1.7.2. of Chapter 1 of the 2016 Reference Document.

Until 2009 when Joaquín Rivero was a corporate officer of Gecina or one of its subsidiaries, Gecina carried out a number of transactions, including the acquisition by SIF Espagne of a 49% equity investment in Bami Newco in 2009, and also undertook certain commitments, notably the grant of certain guarantees in relation to said transactions, as mentioned in Notes 5.5.5.13 et 5.5.9.2. When said commitments and transactions were revealed, impairment and provisions were recorded against some of them pursuant to applicable regulations. Some of the guarantees were also granted outside Gecina's internal control framework, despite the specific procedures implemented.

Gecina cannot totally rule out that non-compliance with internal control and risk management procedures, the worsening economic environment in Spain or fraud attempts will not result in further financial, legal or regulatory risks which have not been identified to date. Occurrence of such risks may impact the Group's reputation, results or financial situation.

5.5.5. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

5.5.5.1. Property holdings

5.5.5.1.1. Statement of changes in property holdings

Gross value

€'000	At 12/31/2016	Acquisitions	Disposals	Change in fair value	Change in scope	Transfers between items	At 06/30/2017
Investment properties	10,430,624	78,013	0	872,669	750	287,170	11,669,226
Properties under reconstruction	1,038,680	103,237	0	197,148	1,141	(287,170)	1,053,036
Operating properties	76,830	(6)	0	0	0	0	76,824
Intangible assets	9,276	325	0	0	0	0	9,601
Other tangible assets	17,519	2,085	(3)	0	0	0	19,602
Properties for sale	547,406	135	(65,153)	72,202	2	(0)	554,593
GROSS VALUE	**12,120,335**	**183,790**	**(65,156)**	**1,142,019**	**1,893**	**(0)**	**13,382,882**

Depreciations and impairments

€'000	At 12/31/2016	Allocations	Write backs	Change in fair value	Change in scope	Transfers between items	At 06/30/2017
Operating properties	15,691	350	0	0	0	0	16,041
Intangible assets	2,939	861	0		0	0	3,800
Other tangible assets	10,168	1,005	(3)	0	0	0	11,169
Depreciations	**28,798**	**2,216**	**(3)**	**0**	**0**	**0**	**31,010**
NET VALUE	**12,091,537**	**181,574**	**(65,153)**	**1,142,019**	**1,893**	**(0)**	**13,351,872**

In accordance with the accounting principles defined in Note 5.5.3.1.1, 6 assets under reconstruction are recorded at their historical cost for a combined total of €127.8 million.

The other changes concern marketing fees for €0.5 million and capitalized internal costs for €1.4 million.

5.5.5.1.2. Analysis of acquisitions (including duties and costs)

Acquisitions concerned the following:

€'000	06/30/2017
Rue de Courcelles in Paris 17th arrondissement	63,468
Tour Gamma in Paris 12th arrondissement (one floor)	2,924
Property acquisitions	**66,392**
Construction and reconstruction work	96,948
Renovation work	13,722
Works	**110,670**
Head office	(6)
Capitalized financial expenses	4,323
TOTAL	**181,380**
Other tangible fixed assets	2,085
Intangible fixed assets	325
TOTAL ACQUISITIONS	**183,790**

5.5.5.1.3. Details of income from sales

Disposals are detailed in Note 5.5.6.5.

5.5.5.1.4. Maturity dates of investment properties held on financial lease

The Group holds a floating rate financial lease maturing in the 2nd half of 2017.

€'000	06/30/2017	12/31/2016	06/30/2016
Less than 1 year	42,984	45,729	5,728
1 to 5 years	0	0	43,049
Over 5 years	0	0	0
TOTAL	**42,984**	**45,729**	**48,777**

5.5.5.2. Financial fixed assets

€'000	06/30/2017	12/31/2016	06/30/2016
Non-consolidated investments	109,421	109,421	109,421
Advances on fixed asset acquisitions	65,519	65,519	65,519
Deposits and guarantees	913	1,019	1,270
Other financial investments	1,316	1,183	1,115
TOTAL	**177,169**	**177,142**	**177,325**
Impairment	(174,380)	(174,380)	(174,380)
NET TOTAL	**2,789**	**2,762**	**2,945**

The impairment of €174.4 million is related to the 49% equity interest in the Spanish company Bami Newco, which has been fully written down (€109.3 million) and the advance on property acquisition granted to the Spanish company Bamolo, written down for €65 million (in order to reduce it to the land's latest appraisal value of €0.5 million).

5.5.5.3. Equity-accounted investments

The Group no longer holds any equity-accounted investments.

5.5.5.4. Deferred tax assets and liabilities

Deferred tax arises from temporary differences between the tax base of assets or liabilities and their carrying amounts. They particularly result from the fair value revaluation of investment buildings held by companies who did not opt for the SIIC regime or from the cost related to the adoption of this regime. Deferred tax assets are recognized in respect of tax loss carry-forwards if their future realization is likely.

As at June 30, 2017, there were no deferred tax assets or liabilities.

5.5.5.5. Properties for sale

Movements on properties for sale are included in the overall statement of changes in property holdings (see Note 5.5.5.1.1).

The amount of properties held for sale breaks down as follows:

€'000	06/30/2017	12/31/2016	06/30/2016
Properties for sale (block basis)	101,792	112,624	0
Properties for sale (units basis)	452,801	434,782	495,565
TOTAL	**554,593**	**547,406**	**495,565**

5.5.5.6. Trade receivables

The breakdown of net receivables by sector is indicated in Note 5.5.8.

€'000	06/30/2017	12/31/2016	06/30/2016
Billed clients	**15,945**	**37,117**	**20,291**
Unbilled expenses payable	26,185	3,542	24,700
Balance of amortized rent – free periods and stepped rents (IAS 17)	89,846	76,016	74,549
TRADE RECEIVABLES (GROSS)	**131,976**	**116,675**	**119,540**
Impairment of receivables	(10,799)	(10,726)	(11,732)
TRADE RECEIVABLES (NET)	**121,177**	**105,949**	**107,808**

5.5.5.7. Other receivables

€'000	06/30/2017	12/31/2016	06/30/2016
Value added tax (1)	54,791	42,874	109,693
Income tax	8,780	9,601	1,216
Bami Newco cash advances (fully depreciated)	12,623	12,623	12,623
Receivables on asset disposal	9,549	7,076	4,513
Other (2)	35,805	33,064	32,623
GROSS AMOUNTS	**121,548**	**105,238**	**160,669**
Impairment	(37,565)	(37,565)	(35,303)
NET AMOUNTS	**83,983**	**67,673**	**125,366**
(1) Of which:			
VAT on the acquisitions of City 2, Tour Van Gogh and Be Issy	*11,906*	*1,551*	*68,000*
(2) Of which:			
External agents and managers	*9,770*	*7,704*	*5,313*
Advances on equity investments	*2,300*	*2,300*	*2,300*
Deposit payments for orders	*1,614*	*1,197*	*0*
Bami Guarantee (Eurohypo)	*20,140*	*20,140*	*20,140*

5.5.5.8. Prepaid charges

€'000	06/30/2017	12/31/2016	06/30/2016
Loan application costs [(1)]	11,361	10,668	11,458
10 year warranty insurance	2,802	2,999	2,978
Other [(2)]	5,859	3,973	6,833
NET VALUES	**20,022**	**17,641**	**21,269**

(1) Primarily including arrangement fees and mortgage costs.

(2) The total amount of miscellaneous expenses and fees linked to the business combination with Eurosic, already incurred on June 30, 2017, amounts to €1.7 million.

5.5.5.9. Cash and cash equivalents

€'000	06/30/2017	12/31/2016	06/30/2016
Money-market UCITS	46	46	6,187
Bank current accounts	1,656,071	58,526	28
CASH AND CASH EQUIVALENTS (GROSS)	**1,656,117**	**58,573**	**6,215**
Bank overdrafts	0	0	0
CASH AND CASH EQUIVALENTS (NET)	**1,656,117**	**58,573**	**6,215**

5.5.5.10. Assets classified as held for sale

€'000	06/30/2017	12/31/2016	06/30/2016
Non-current assets	**0**	**0**	**3,824**
Financial fixed assets	0	0	3,824
Current assets	**0**	**0**	**1,307,275**
Properties for sale	0	0	1,293,016
Trade receivables	0	0	3,831
Other receivables	0	0	1,329
Prepaid expenses	0	0	4,561
Cash and marketable securities	0	0	4,538
TOTAL ASSETS	**0**	**0**	**1,311,099**

5.5.5.11. Consolidated shareholders' equity

See the accounting statement preceding this note in Chapter 5, section 3 "Statement of changes in consolidated equity".

5.5.5.12. Loans, debt and financial instruments

5.5.5.12.1. Borrowings and financial debt

Outstanding debt €'000	Outstanding debt 06/30/2017	Repayments < 1 year	Outstanding debt 06/30/2018	Repayments 1 to 5 years	Outstanding debt 06/30/2022	Repayments more than 5 years
Fixed-rate debt	**3,412,786**	**(16,700)**	**3,396,086**	**(672,806)**	**2,723,280**	**(2,723,280)**
Fixed-rate bonds	3,373,328	0	3,373,328	(672,806)	2,700,522	(2,700,522)
Other fixed-rate liabilities	22,758	0	22,758	0	22,758	(22,758)
Accrued interest	16,700	(16,700)	0	0	0	0
Floating-rate debt	**2,179,530**	**(938,784)**	**1,240,745**	**(1,240,745)**	**0**	**0**
Commercial paper	759,000	(759,000)	0	0	0	0
Floating-rate bonds	497,170	0	497,170	(497,170)	0	0
Floating-rate short-term bonds	110,000	(110,000)	0	0	0	0
Floating-rate borrowings	727,025	(24,250)	702,775	(702,775)	0	0
Floating-rate credit lines	43,350	(2,550)	40,800	(40,800)	0	0
Floating-rate finance leases	42,984	(42,984)	0	0	0	0
GROSS DEBT	**5,592,316**	**(955,484)**	**4,636,832**	**(1,913,551)**	**2,723,280**	**(2,723,280)**
Cash (floating rate)						
Open-end investment funds, deposits and income receivable	46	(46)	0	0	0	0
Availabilities	1,656,071	(1,656,071)	0	0	0	0
TOTAL CASH AND EQUIVALENTS	**1,656,117**	**(1,656,117)**	**0**	**0**	**0**	**0**
Net debt						
Fixed rate	3,412,786	(16,700)	3,396,086	(672,806)	2,723,280	(2,723,280)
Floating rate	523,412	717,333	1,240,745	(1,240,745)	0	0
TOTAL NET DEBT	**3,936,199**	**700,633**	**4,636,832**	**(1,913,551)**	**2,723,280**	**(2,723,280)**
Available credit lines	3,725,000	0	3,725,000	(2,945,000)	780,000	(780,000)
Future cash flows on debt	0	(88,102)	0	(269,216)	0	(215,691)

The gross nominal debt amounted to €5,601 millions at June 30, 2017.

The interest that will be paid until maturity of the entire debt estimated on the basis of the interest rate curve at June 30, 2017, amounts to €573.0 million.

The breakdown of the €955.5 million repayment of gross debt within less than one year is as follows:

	3rd quarter 2017	4th quarter 2017	1st quarter 2018	2nd quarter 2018	Total
€'000	601,591	335,485	6,036	12,372	955,484

The fair value of the gross debt used to calculate NAV was €5,620 million at June 30, 2017, of which €28 million corresponding to the fair value adjustment of fixed-rate debt).

Type of bonds	EMTN	EMTN	EMTN	EMTN	EMTN	EMTN	EMTN	EMTN	EMTN	EMTN
Issue date	April 11, 2012	May 30, 2013	July 30, 2014	January 20, 2015	June 17, 2015	December 18, 2015	September 30, 2016	June 30, 2017	June 30, 2017	June 30, 2017
Issue amount (in € million)	650	300	500	500	500	110	500	500	500	500
Outstanding amount (in € million)	439.7	242.6	236.1	500	500	110	500	500	500	500
Issue/conversion price	99.499%	98.646%	99.317%	99.256%	97.800%	100.000%	99.105%	100.000%	99.067%	98.535%
Redemption price	€100,000	€100,000	€100,000	€100,000	€100,000	€100,000	€100,000	€100,000	€100,000	€100,000
Nominal rate	4.75%	2.875%	1.75%	1.50%	2.00%	Euribor 3 months + 0.30%	1.00%	Euribor 3 months + 0.38%	1.375%	2.00%
Maturity date	April 11, 2019	May 30, 2023	July 30, 2021	January 20, 2025	June 17, 2024	July 18, 2017	January 30, 2029	June 30, 2022	June 30, 2027	June 30, 2032

Covenants

The company's main credit facilities are accompanied by contractual clauses relating to compliance with certain financial ratios, determining interest rates charged and early repayment clauses, the most restrictive of which are summarized below:

	Benchmark standard	Balance at 06/30/2017	Balance at 12/31/2016	Balance at 06/30/2016
Net debt/revalued block value of property holding (excluding duties)	Maximum 55%	29.3%	29.4%	36.1%
EBITDA (excluding disposals)/net financial expenses	Minimum 2.0x	5.0x	4.9x	5.1x
Outstanding secured debt/revalued block value of property holding (excluding duties)	Maximum 25%	5.8%	6.5%	6.8%
Revalued block value of property holding (excluding duties, in € million)	Minimum 6,000/8,000	13,447	12,171	13,136

Change of control clauses

For bonds maturing in April 2019, July 2021, June 2022, May 2023, June 2024, January 2025, June 2027, January 2029 and June 2032, a change of control leading to the downgrading of Gecina's credit rating to "Non-investment grade", not raised to "Investment Grade" within 120 days, can lead to early repayment of the loan.

5.5.5.12.2. Financial instruments

The financial instruments (Level 2 instruments as defined by IFRS 7 and IFRS 13) held by the Group are hedging instruments. The financial instruments held by the Group are traded on the over-the-counter market and valued on the basis of valuation models using observable inputs.

Portfolio of derivatives

€'000	Outstanding 06/30/2017	Maturity or effective date < 1 year	Outstanding 06/30/2018	Maturity or effective date 1 to 5 years	Outstanding 06/30/2022	Maturity or effective date More than 5 years
Portfolio of outstanding derivatives at June 30, 2017						
Fixed-rate receiver swaps	150,000	(150,000)	0	0	0	0
Fixed-rate payer swaps	450,000	0	450,000	0	450,000	(450,000)
Selling of puts and calls on fixed rate payer swaps	0	0	0	0	0	0
Purchasing of puts and calls on fixed rate receiver swaps	0	0	0	0	0	0
Caps purchases	625,000	0	625,000	(625,000)	0	0
Caps sales	0	0	0	0	0	0
Floors sales	0	0	0	0	0	0
TOTAL	**1,225,000**	**(150,000)**	**1,075,000**	**(625,000)**	**450,000**	**(450,000)**
Portfolio of derivatives with deferred effect at June 30,2017						
Fixed-rate receiver swaps	0	0	0	0	0	0
Fixed-rate payer swaps	0	0	0	150,000	150,000	(150,000)
Selling of puts and calls on fixed rate payer swaps	0	0	0	0	0	0
Purchasing of puts and calls on fixed rate receiver swaps	0	0	0	0	0	0
Caps purchases	0	0	0	0	0	0
Caps sales	0	0	0	0	0	0
Floors sales	0	0	0	0	0	0
TOTAL	**0**	**0**	**0**	**150,000**	**150,000**	**(150,000)**
Portfolio of outstanding derivatives at June 30, 2017						
Fixed-rate receiver swaps	150,000	(150,000)	0	0	0	0
Fixed-rate payer swaps	450,000	0	450,000	150,000	600,000	(600,000)
Selling of puts and calls on fixed rate payer swaps	0	0	0	0	0	0
Purchasing of puts and calls on fixed rate receiver swaps	0	0	0	0	0	0
Caps purchases	625,000	0	625,000	(625,000)	0	0
Caps sales	0	0	0	0	0	0
Floors sales	0	0	0	0	0	0
TOTAL	**1,225,000**	**(150,000)**	**1,075,000**	**(475,000)**	**600,000**	**(600,000)**
Future interest cash flows on derivatives	0	(6,827)	0	(17,805)	0	5,279

Gross debt hedging

In €'000	06/30/2017
Fixed-rate gross debt	**3,412,786**
Fixed-rate debt converted to floating rate	(150,000)
Residual debt at fixed rate	**3,262,786**
Gross debt at floating rate	**2,179,530**
Fixed-rate debt converted to floating rate	150,000
Gross debt at floating rate after conversion of debt to floating rate	**2,329,530**
Fixed-rate payer swaps and activated caps/floors	(450,000)
Unhedged gross debt at floating rate	**1,879,530**
Caps purchases	(625,000)
Caps sales	0
Floating rate debt	**1,254,530**

The fair value of hedging instruments, as recorded on the balance sheet, breaks down as follows:

€'000	12/31/2016	Acquisitions	Disposals	Transfer between items	Change in value	06/30/2017
Non-current assets	0	0	0	0	0	0
Current assets	1,537	0	0	0	(929)	609
Non-current liabilities	(31,013)	0	0	0	10,356	(20,657)
Current liabilities	0	0	0	0	0	0
TOTAL	**(29,476)**	**0**	**0**	**0**	**9,427**	**(20,048)**

The fair value of financial instruments (current and non-current) has improved by €9 million. This improvement can be explained by the change in rates since the end of 2016 and the time effect.

5.5.5.13. Provisions

€'000	12/31/2016	Allocations	Write backs	Utilizations	Reclassification	06/30/2017
Tax reassessments	9,141	0	0	0	0	9,141
Employee benefit commitments	14,647	255	0	0	0	14,902
Spain commitments	4,800	0	0	0	0	4,800
Other disputes	12,450	0	(326)	(150)	0	11,974
TOTAL	**41,038**	**255**	**(326)**	**(150)**	**0**	**40,817**

Some companies within the consolidation have been the subject of tax audits leading to notifications of tax reassessments, the majority of which are contested. In particular, some tax reassessments were notified after accounting review in respect of 2012 and 2013 fiscal years, essentially. These tax reassessments for a total amount of €86 million are contested by the company and are essentially not accrued as a provision. At June 30, 2017, the total amount accrued as a provision for fiscal risk was €9 million based on the assessment made by the company and its advisers.

Furthermore, the company has several ongoing litigations with the French tax administration, which could result today, in the reimbursement of a maximum amount of nearly €14 million. This amount is related to the corporate income tax paid in 2003 when several Group companies opted for the SIIC tax regime. These amounts, which could be recovered at various dates in light of the various ongoing proceedings, were expensed at the time of payment and therefore no longer appear on the company's balance sheet.

The Group has also, directly or indirectly, been the subject of liability actions and court proceedings instigated by third parties. Based on the assessments of the company and its advisers, there is no risk that is not accrued, which would be likely to significantly impact the company's earnings or financial situation.

Employee benefit commitments (€14.9 million) concern supplementary pensions, lumpsum retirement benefits, and anniversary premiums. They are valued by independent experts.

Commitments for which provisions have been accrued in Spain (€4.8 million) primarily concern guarantees granted by SIF Espagne, then represented by Mr. Joaquín Rivero, on November 13, 2009, concerning Bami Newco's repayment of credit facilities granted to it until November 13, 2019, by Banco Popular for principal amounts of €3.3 million and €1.5 million respectively. As at June 30, 2017, provisions had been fully accrued for the full amount of these guarantees, i.e., €4.8 million.

The resulting contingent receivable was reported under the bankruptcy proceedings of Bami Newco. In June 2014, Banco Popular called in one of its two guarantees and claimed the payment of €3 million from SIF Espagne. In June 2016, MHB Bank claimed the payment of this guarantee in its capacity as the assignee of the guarantee. After studying and analyzing this case, the Company believes that it is not required, to date, to make the payment. Bami Newco was the subject of insolvency proceedings commenced in June 2013. Gecina and SIF Espagne reported their receivables in the context of these bankruptcy proceedings.

In December 2014, the Spanish court declared the commencement of receivership proceedings for Bami Newco. Gecina and SIF Espagne are challenging the conditions for commencing this liquidation phase. Following a claim filed by a Bami Newco senior creditor, in June 2015 the Spanish bankruptcy judge authorized a procedure to sell off the assets of Bami Newco. Despite the various petitions filed by some creditors, including Gecina and SIF Espagne, the Spanish bankruptcy judge authorized, through a firm and final order at the end of July 2015, the sale of the property assets to the senior creditor of Bami Newco. In November 2015, the liquidation plan was sent to the parties. This plan shows a liability significantly higher than the remaining assets of Bami Newco, thereby confirming that it is unlikely for Gecina and SIF Espagne to recover their receivables, considered as subordinated debt. On January 22, 2016, Gecina and SIF Espagne filed pleadings seeking a classification of fraudulent bankruptcy and liability of the de facto and de jure directors of Bami Newco and continue to assert their rights and defend their interests in these proceedings.

The company was informed on July 16, 2012, by Banco de Valencia of the existence of four promissory notes issued in 2007 and 2009, for a total amount of €140 million, in the name of "Gecina S.A. Succursal en España" for three of them, and Gecina S.A. for one of them, in favor of a Spanish company Arlette Dome SL. The latter allegedly gave these promissory notes to Banco de Valencia as a guarantee for loans granted by that bank.

After verification, the company realized that it had no information about these alleged promissory notes or about any business relationship with Arlette Dome SL which could have justified their issue. After also observing the existence of evidence pointing to the fraudulent nature of their issuance if the issue were to be confirmed, the company has filed a criminal complaint in this respect with the competent Spanish authorities. Following a series of decisions and appeals, Gecina was recognized as party to the proceedings on April 19, 2016 before the National Court, where the company continues to assert its rights. No provision was recognized for this purpose.

To date, the company is not in a position to evaluate any potential risks, in particular, regulatory, legal or financial, arising from the facts covered by the ongoing criminal proceedings and cannot, in particular, exclude the possibility that it may be joined as a party in the future, together with the company's officers and representatives.

Spanish bank Abanca, after seeking the payment by Gecina of €63 million (of which €48.7 million in principal) pursuant to the guarantee letters of engagement allegedly signed in 2008 and 2009 by Mr. Joaquín Rivero, former Gecina officer, summoned Gecina to appear before the Court of First Instance of Madrid in order to obtain the payment of the claimed amounts.

Gecina is challenging Abanca's claims, asserting its rights and defending its interests in these proceedings. On June 10, 2016, the Court of First Instance of Madrid declared that it had no jurisdiction to try the dispute. On July 14, 2016, Abanca appealed this decision. On July 4, 2017, the Appeal Court of Madrid declared that the Spanish Courts do have jurisdiction to hear Abanca's claim. The proceedings on the merits are ongoing before the court of First Instance of Madrid. No provision was recognized for this purpose.

Gecina filed a criminal complaint in France against Mr. Rivero and any other party involved, for misuse of authority under letters of endorsement raised by Abanca.

5.5.5.14. Pensions and other employee benefits

The amounts reported in the balance sheet as at June 30, 2017 are as follows:

€'000	06/30/2017	12/31/2016	06/30/2016
Discounted value of the liability	17,839	17,682	17,478
Fair value of hedging assets	(2,937)	(3,035)	(3,109)
Discounted net value of the liability	**14,902**	**14,647**	**14,369**
Non-recognized profits (losses)	0	0	0
Non-recognized costs of past services	0	0	0
NET LIABILITY ON THE BALANCE SHEET	**14,902**	**14,647**	**14,369**

The net commitment recorded in non-recurring provisions amounted to €14.9 million after taking into account hedging assets estimated at €2.9 million at June 30, 2017.

There is no actuarial variance for the period.

Change of bond

In €'000	06/30/2017	12/31/2016	06/30/2016
Discounted net value of bond at beginning of period	**14,647**	**13,058**	**13,058**
Breakdown of expense			
Cost of services rendered during the year	396	722	352
Net interest	78	206	104
Actuarial losses and gains	0	(124)	72
Expense reorganized under payroll expense	**474**	**804**	**529**
Effects of any change or liquidation of the plan	0	292	292
Benefits paid (net)	(219)	(792)	(118)
Contributions paid	0	0	(28)
Actuarial losses and gains not written to income	0	1,285	636
DISCOUNTED NET VALUE OF BOND AT END OF PERIOD	**14,902**	**14,647**	**14,369**

Below are the main actuarial hypotheses used to calculate Group commitments.

	06/30/2017	12/31/2016	06/30/2016
Expected yield rate of hedging assets	3.00%	3.00%	2.50%
Wage increase rate (net of inflation)	0.50%	0.50%	0.50%
Discount rate	0.00% - 1.50%	0.00% - 1.50%	0.00% - 1.50%
Inflation rate	2.00%	2.00%	2.00%

5.5.5.15. Trade payables

Fixed asset trade payables make up the bulk of the balance and relate to debt from the company's projects under development.

€'000	06/30/2017	12/31/2016	06/30/2016
Trade payables	2,766	3,293	306
Trade payables (invoices not received)	41,501	27,136	24,361
Fixed asset trade payables[1]	83,887	86,466	81,771
Fixed asset trade payables (invoices not received)[1]	70,731	94,775	57,775
TRADE PAYABLES	**198,886**	**211,671**	**164,213**
(1) Of which:			
City 2 asset acquisition	*0*	*2,288*	*5,052*
Van Gogh asset acquisition	*84,606*	*88,032*	*85,857*

5.5.5.16. Tax and social security payables

€'000	06/30/2017	12/31/2016	06/30/2016
Social security liabilities (short term)	16,043	23,995	16,453
Other tax liabilities (representing VAT payable and local taxes)	56,720	17,234	67,070
TAX AND SOCIAL SECURITY PAYABLES	**72,763**	**41,229**	**83,523**
of which non-current liabilities	*0*	*0*	*0*
of which current liabilities	*72,763*	*41,229*	*83,523*

5.5.5.17. Other payables

€'000	06/30/2017	12/31/2016	06/30/2016
Client credit balances	32,323	28,017	26,421
Other payables	170,370	10,423	166,605
Deferred income	2,552	2,899	2,811
OTHER PAYABLES	**205,245**	**41,340**	**195,837**

5.5.5.18. Liabilities classified as held for sale

€'000	06/30/2017	12/31/2016	06/30/2016
Non-current payables and debt	**0**	**0**	**74,208**
Financial payables and debt	0	0	74,208
Current payables and debt	**0**	**0**	**13,400**
Share short-term of financial debt	0	0	4,817
Security deposits	0	0	1,015
Trade payables	0	0	3,251
Tax and social security payables and debt	0	0	3,723
Other debts	0	0	155
Deferred income	0	0	439
TOTAL LIABILITIES	**0**	**0**	**87,608**

5.5.5.19. Off balance sheet commitments

€'000	06/30/2017	12/31/2016	06/30/2016
Commitments given			
Off balance sheet commitments given linked to operating activities			
Deposits and guarantees (in favor of subsidiaries and equity investments)	1,020	1,020	1,020
Asset-backed liabilities (1)	740,375	747,695	809,197
Works amount to be invested (including sales of property for future completion)	310,041	340,232	400,673
Preliminary sale agreements for properties	163,356	180,630	1,411,904
Preliminary agreements to purchase properties	0	1,620	0
Acquisition of blocks of securities (4)	2,814,249	0	0
Other (2)	27,520	27,520	15,029
TOTAL COMMITMENTS GIVEN	**4,056,561**	**1,298,717**	**2,637,823**
Commitments received			
Off balance sheet commitments received linked to financing			
Unused lines of credit (4)	3,725,000	2,245,000	2,410,000
Off balance sheet commitments received linked to operating activities			
Preliminary sale agreements for properties	115,178	140,599	1,358,910
Preliminary agreements to purchase properties	0	1,800	50,250
Acquisition of blocks of securities (4)	2,814,249	0	0
Mortgage-backed receivables	480	480	480
Financial guarantees for management and transactions activities	915	1,264	1,264
Other (3)	1,244,471	1,247,057	1,244,775
TOTAL COMMITMENTS RECEIVED	**7,900,293**	**3,636,200**	**5,065,679**

(1) List of main mortgaged properties:
148 and 152 rue de Lourmel (75015 Paris)
4-16, avenue Léon Gaumont (93105 Montreuil)
Zac Charles de Gaulle (92700 Colombes)
418-432 rue Estienne d'Orves and 25-27 and 33 rue de Metz (92700 Colombes)
10/12 place Vendôme (75002 Paris)
9 to 11bis avenue Matignon, 2 rue de Ponthieu, 12 to 14 rue Jean Mermoz, 15 avenue Matignon (75008 Paris)
37 rue du Louvre, 25 rue d'Aboukir (75002 Paris)
ZAC Danton, 34 avenue Léonard de Vinci (92400 Courbevoie)
101 avenue des Champs Elysées (75008 Paris)

(2) Of which €10 million and €16 million for liability guarantee granted in the GEC 4 and Gecimed subsidiaries' equities disposal.

(3) Of which €1,240 million guarantee received as part of acquisition of ADD and AGA equities.

(4) In the context of the business combination with Eurosic, Gecina recognized as of June 30, 2017:
(i) a commitment received and a counter entry for commitment given of €2,814 million corresponding to the commitment made by Gecina and the six main shareholders of Eurosic to acquire / assign Eurosic shares and subordinated bonds redeemable in shares (OSRA).
(ii) a commitment received of €1 billion corresponding to the outstanding available amount of the undrawn credit agreement intended to finance the acquisition in cash of Eurosic shares and OSRA bonds.

During the course of its normal business operations, Gecina made certain commitments to be fulfilled within a maximum of ten years, and which do not appear in the table of commitments given because their cost is not yet known. Based on the assessments of the Group and its advisers, there are currently no commitments likely to be called and which would materially impact Gecina's earnings or financial position.

The outstanding amounts for future development costs (including sales of property for future completion) correspond to reciprocal guarantees with the developer who undertakes to complete the works.

5.5.5.20. Recognition of financial assets and liabilities

€'000	Assets/ liabilities valued at fair value through the income statement	Assets/ liabilities held to maturity	Assets available for sale	Loans and receivables	Liabilities at amor-tized cost	Historic cost	Fair value through sharehold-ers' equity	Total	Fair value
Financial fixed assets [1]	0	2,228	0	480	0	81	0	2,789	2,789
Equity-accounted investments	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	1,656,117	0	0	0	0	0	0	1,656,117	1,656,117
Current and non-current derivatives [2]	609	0	0	0	0	0	0	609	609
Other assets [1]	0	0	0	0	0	205,160	0	205,160	205,160
TOTAL FINANCIAL ASSETS	**1,656,726**	**2,228**	**0**	**480**	**0**	**205,241**	**0**	**1,864,675**	**1,864,675**
Non-current financial debts	0	766,333	0	0	3,870,499	0	0	4,636,832	4,636,832
Current and non-current derivatives [2]	20,657	0	0	0	0	0	0	20,657	20,657
Current financial debts	0	955,484	0	0	0	0	0	955,484	955,484
Other liabilities [1]	0	0	0	0	0	525,603	0	525,603	525,603
TOTAL FINANCIAL LIABILITIES	**20,657**	**1,721,817**	**0**	**0**	**3,870,499**	**525,603**	**0**	**6,138,576**	**6,138,576**

(1) Due to the short-term nature of these receivables and debts, the book value represents a good estimate of fair value, as the discount effect is immaterial.

(2) According to IFRS 7 and IFRS 13, the fair value of financial instruments is level 2 which means that the valuation is based on published market data.

5.5.6. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

5.5.6.1. Gross rental income

In its revenues, Gecina distinguishes rental income by type of lease while the analysis by sector (Note 5.5.8) is based on the Group's internal management.

Minimum future rents receivable until the next possible termination date under the operating leases of commercial properties are as follows:

In €'000	06/30/2017	06/30/2016
Less than 1 year	336,872	326,208
1 to 5 years	845,104	902,617
Over 5 years	254,634	341,869
TOTAL	**1,436,610**	**1,570,694**

5.5.6.2. Direct operating expenses

These are composed of:

- rental charges that are payable by the owner, charges related to construction work, cost of disputes if any and property management fees;
- the portion of rechargeable rental charges by nature, which remain the Group's expense, mainly on vacant premises;
- the rental risk consisting of net impairments plus the amount of losses and profits on unrecoverable debts for the period.

The cost of rental risk, which has been included in property expenses, amounted to €0.3 million at June 30, 2017 versus €0.2 million at June 30, 2016.

Recharges to tenants consist of rental income from recharging tenants for costs payable by them. They include as at June 30, 2017, any rental and technical management fees that may be invoiced, i.e. €2.3 million (versus 2 million at June 30, 2016).

€'000	06/30/2017	06/30/2016
Other external expenses	(39,207)	(42,750)
Taxes and other payables	(49,839)	(49,548)
Salaries and fringe benefits	(2,426)	(2,378)
Other expenses	(468)	(244)
Property expenses	**(91,940)**	**(94,920)**
Rental expenses to be regularized	25,983	23,256
Vacant premises' expenses	(3,483)	(2,440)
Miscellaneous recovery	11,971	10,648
Provisions on costs	30,853	33,748
Rental and technical management fees	0	1,970
Recharges to tenants	**65,324**	**67,182**
NET DIRECT OPERATING EXPENSES	**(26,616)**	**(27,738)**

5.5.6.3. Services and other income (net)

These largely comprise the following items:

€'000	06/30/2017	06/30/2016
Income from service activities	318	351
Reversals of investment subsidies	148	306
Other	1,581	670
TOTAL GROSS	**2,047**	**1,327**
Expenses	(444)	(416)
TOTAL NET	**1,603**	**911**

5.5.6.4. Overheads

Overheads break down as follows:

€'000	06/30/2017	06/30/2016
Salaries and fringe benefits	(24,580)	(24,751)
Internal costs	2,294	2,212
Share-based payments (IFRS 2)	(928)	(645)
Net management costs	(8,797)	(8,173)
TOTAL	**(32,011)**	**(31,357)**

Payroll costs relate to the company's administrative staff, since the salaries of building staff are included in rental margins.

Depending on their nature, a portion of payroll costs has been reclassified to the income statement or balance sheet where appropriate for a total amount of €2.3 million at June 30, 2017. Personnel expenses costs attributable to disposals are recorded under gains or losses on disposal. Those attributable to projects under development and marketing actions are recognized as fixed assets. Lastly, payroll costs attributable to ongoing studies are booked as prepaid expenses.

Share-based payments concern stock options for new or existing shares and performance shares (see Note 5.5.9.4) and are booked in accordance with IFRS 2 (see Note 5.5.3.7).

Management costs primarily include fees paid by the company and head office operating costs (computer maintenance, insurance, advertising, etc.).

5.5.6.5. Gains or losses on disposals

Disposals represented:

€'000	06/30/2017	06/30/2016
Block sales	2,500	261,280
Units sales	80,938	65,734
Proceeds from disposals	**83,438**	**327,014**
Block sales	(1,715)	(239,994)
Units sales	(63,438)	(49,530)
Net book value	**(65,153)**	**(289,524)**
Block sales	(512)	(1,912)
Units sales	(3,268)	(4,695)
Cost of sales	**(3,780)**	**(6,607)**
Block sales	273	19,374
Units sales	14,232	11,509
CAPITAL GAINS ON DISPOSAL	**14,505**	**30,883**

Payroll costs directly attributable to disposals and to a lesser extent management costs recorded under "Gains or losses on disposal" for the first half of 2017 amounted to €0.8 million versus €1.0 million at June 30, 2016.

5.5.6.6. Change in value of properties

Changes in the fair value of property holdings break down as follows:

€ million	12/31/2016	06/30/2017	Change	%
Offices	8,300,250	8,712,380	412,130	5.0%
Residential	2,073,520	2,549,817	476,298	23.0%
Investment properties (1)	**10,373,770**	**11,262,197**	**888,428**	**8.6%**
Change in value of projects delivered and acquisitions (2)			88,063	
Change in value of projects in progress(2)			109,085	
Change in value of assets held for sale(3)			72,202	
Change in value			**1,157,778**	
Capitalized works on investments properties (1)			(15,009)	
Capitalized salaries and fringe benefits on investments properties(1)			(375)	
Acquisition costs, translation differentials and other(1)			(375)	
CHANGE IN VALUE RECORDED IN INCOME STATEMENT AS AT JUNE 30, 2017			**1,142,019**	
(1) Change in value of investment properties (note 5.5.5.1.1.)			*872,669*	
(2) Change in value of properties under reconstruction (note 5.5.5.1.1.)			*197,148*	
(3) Change in value of properties for sale (note 5.5.5.1.1.)			*72,202*	

Pursuant to IFRS 13 (see Note 5.5.3.1.2.), the tables below break down, by activity sector, ranges of the main unobservable inputs (level 3) used by property appraisers:

Offices	Yield rate	Discount Rate (DCF method)	Rental market value (in €/sq.m)
Paris CBD	2.75% - 5.20%	3.25% - 5.50%	440 - €800/sq.m
Paris excl. CBD	3.25% - 7.65%	4.00% - 8.75%	320 - €600/sq.m
Paris	**2.75% - 7.65%**	**3.25% - 8.75%**	**320 - €800/sq.m**
1st rim	3.75% - 5.65%	4.00% - 6.75%	240 - €540/sq.m
2nd rim	6.40% - 9.50%	6.25% - 11.50%	70 - €200/sq.m
Paris Region	**3.75% - 9.50%**	**4.00% - 11.50%**	**70 - €540/sq.m**
Rest of France	4.00% - 6.05%	3.80% - 5.95%	200 - €260/sq.m
OFFICES	**2.75% - 9.50%**	**3.25% - 11.50%**	**70 - €800/sq.m**

Residential	Units sales price (in €/sq.m)	Yield rate
Paris	6,330 - €11,080/sq.m	2.80% - 3.80%
1st rim	4,390 - €6,590/sq.m	3.65% - 4.50%
RESIDENTIAL	**4,390 - €11,080/sq.m**	**2.80% - 4.50%**

An unfavorable situation on the real estate market could have a negative impact on the valuation of Gecina's property portfolio as well as its operating income. For instance, a downturn on the real estate market, resulting in an increase of 50 basis points (0.5%) in capitalization rates, could bring about a decrease of around 11.1% of the appraised value of the entire property portfolio (on the assumption that such a downturn would affect all of the different segments of Gecina's real estate business), representing roughly €1,491 million based on the block valuation of appraised assets as at June 30, 2017, and would have a similar unfavorable impact on Gecina's consolidated earnings.

Sensitivity to changes in the capitalization rate

Sector	Change in capitalization rate	Valuation of assets In €m	Variation of assets In %	Impact on consolidated income In €m
All sectors	**0.50%**	**11,956**	**-11.1%**	**(1,491)**
Offices	0.50%	9,158	-11.0%	(1,136)
Residential	0.50%	2,798	-11.3%	(355)

5.5.6.7. Net financial expenses

Net financial expenses specifically include (i) interest, coupons or dividends, received or paid, to be received or to be paid, on financial assets and liabilities including hedge financial instruments; (ii) net gains and losses on assets held for trading (UCITS and other shares held for the short term) and (iii) straight line depreciation of premiums on option and periodic premiums on option; (iv) the straight line depreciation of the cost of arranging these loans and credit lines.

€'000	06/30/2017	06/30/2016
Interests and expenses on bank loans	(9,590)	(11,721)
Interests and expenses on bond borrowings	(29,101)	(37,073)
Interests on finance leases	(137)	(248)
Interest expenses on hedge instruments	(2,821)	(625)
Other financial costs	(26)	(0)
Losses from translation differentials	(23)	(24)
Capitalized interests on projects under development	4,942	2,143
Financial costs	**(36,756)**	**(47,547)**
Interest income on hedging instruments	0	0
Other financial income	114	1,003
Gains from translation differentials	0	307
Financial income	**114**	**1,310**
NET FINANCIAL EXPENSES	**(36,642)**	**(46,237)**

The average cost of the drawn debt amounted to 1.6% in the first half of 2017.

5.5.6.8. Change in value of derivatives and debts

The fair value of the financial instruments (current and non-current) has improved by €9 million.

Based on the portfolio at June 30, 2017, the fair value change of the derivatives portfolio, as a result of a 0.5% increase in the interest rate, would generate an additional + €21 million recorded in income. A 0.5% interest rate cut would lead to a fair value decrease of income - €21 million recorded in income.

The Group holds all financial instruments to hedge its debt. None of them is held for speculative purposes.

5.5.6.9. Tax

In €'000	06/30/2017	06/30/2016
Corporate income tax	0	0
Additional contribution to corporate income tax	0	(9)
CVAE	(1,613)	(1,666)
Tax credits	22	0
Recurring taxes	**(1,591)**	**(1,675)**
Exit tax	0	0
Non-recurring taxes	0	0
Tax credits	0	0
Deferred taxes	0	0
TOTAL	**(1,591)**	**(1,675)**

The business real estate tax (Cotisation Foncière des Entreprises - CFE), which mainly pertains to the corporate head office, is recognized under operating charges.

The tax on wealth generated by businesses (Cotisation sur la Valeur Ajoutée des Entreprises - CVAE) is considered as income tax.

€'000	06/30/2017	06/30/2016
Consolidated net income	1,309,548	484,144
Tax (incl. CVAE)	1,591	1,675
CVAE	(1,613)	(1,666)
Consolidated net income, before tax excl. CVAE	**1,309,526**	**484,153**
Theoretical tax rate	**34.43%**	**34.43%**
Theoretical tax in value	**450,870**	**166,710**
Impact of tax rate differences between France and other countries	17	0
Impact of permanent and timing differences	(414)	(875)
Companies accounted for under the equity method	0	(19)
Impact of the SIIC regime	(450,538)	(165,806)
Tax disputes	0	0
CVAE	1,613	1,666
TOTAL	**(449,322)**	**(165,034)**
Effective tax charge per income statement	1,591	1,675
Effective tax rate	**0.12%**	**0.35%**

The theoretical tax rate of 34.4% corresponds to the ordinary law tax rate of 33.3% and to the corporate income tax social contribution of 3.3%.

€'000	Note	06/30/2017	06/30/2016
Consolidated net income	5.2.	1,309,548	484,144
Non-SIIC companies		(1,090)	(2,569)
Income of companies accounted for under the equity method		0	(55)
2016 corporate income tax		(22)	9
Consolidated net accounting income		**1,308,436**	**481,528**
Theorical tax in %		34.43%	34.43%
SIIC REGIME EFFECT	**5.5.6.9.**	**450,538**	**165,806**

5.5.6.10. Net income from discontinued operating activities

€'000	06/30/2017	06/30/2016
Gross rental income	**0**	**39,362**
Property expenses	0	(4,615)
Recharges to tenants	0	4,217
Net rental income	**0**	**38,964**
Services and other income (net)	0	80
Overheads	0	(381)
EBITDA	**0**	**38,663**
Net impairments	0	0
Gains or losses on disposals	0	(14)
Change in value of properties	0	(831)
Operating income	**0**	**37,818**
Net financial expenses	0	(779)
Change in value of financial instruments and debt	0	117
Pre-tax income	**0**	**37,156**
Tax	0	(222)
CONSOLIDATED NET INCOME	**0**	**36,934**

5.5.6.11. Earnings per share

Earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of ordinary shares in circulation during the year. Diluted earnings per share are calculated by dividing net income for the year attributable to shareholders by the average weighted number of shares outstanding during the year, adjusted for the impact of equity instruments to be issued when the issue conditions are met and the dilutive effect of the benefits granted to employees through the allocation of stock options and performance shares.

	06/30/2017	06/30/2016
Net income linked to owners of the parent (€'000)	1,299,260	519,643
Weighted average number of shares before dilution	62,055,134	62,713,386
Undiluted earnings per share, linked to owners of the parent (€)	**20.94**	**8.29**
Earnings per share, after effect of dilutive securities, linked to owners of the parent (€'000)	1,299,429	519,992
Weighted average number of shares after dilution	62,374,189	63,251,292
Diluted earnings per share, linked to owners of the parent (€)	**20.83**	**8.22**

	06/30/2017	06/30/2016
Net income linked to owners of the parent before dilution (€'000)	1,299,260	519,643
Impact of dilution on net income (securities allocations effect)	170	349
Net income linked to owners of the parent, after effect of dilutive securities (€'000)	**1,299,430**	**519,992**
Weighted average number of shares before dilution	62,055,134	62,713,386
Impact of dilution on weighted number of shares	319,055	537,906
Weighted average number of shares after dilution	**62,374,189**	**63,251,292**

	Note	06/30/2017	06/30/2016
Net income from discontinued operating activities (€'000)		0	36,934
Weighted average number of shares before dilution		0	62,713,386
Net come from discontinued operating activities, per share, undiluted (€)		**0.00**	**0.59**
Net income from discontinued operating activities, after effect of dilutive securities (€'000)		0	36,934
Weighted average number of shares after dilution		0	63,251,292
Net come from discontinued operating activities, per share, diluted (€)		**0.00**	**0.58**

5.5.7. NOTES TO THE STATEMENT OF CONSOLIDATED CASH FLOWS

5.5.7.1. Change in value

€'000	Note	06/30/2017	12/31/2016	06/30/2016
Change in value of properties	5.5.5.1.1.	(1,142,019)	(532,964)	(337,259)
Change in value of derivatives	5.2.	(9,427)	26,126	36,541
Premium and costs paid on the repurchased bonds			64,230	
CHANGE IN VALUE AND COSTS PAID ON THE REPURCHASED BONDS		**(1,151,446)**	**(442,607)**	**(300,719)**

5.5.7.2. Change in operating working capital

€'000	06/30/2017	12/31/2016	06/30/2016
Balance sheet assets:			
Clients change	1,398	11,532	9,440
Change of other receivables [(1)]	16,249	(29,939)	35,041
Change of prepaid charges	2,380	(2,575)	868
Total of the balance sheet assets	**20,027**	**(20,982)**	**45,349**
Balance sheet liabilities:			
Change of tenants' security deposits	1,960	(2,881)	(80)
Change of trade payables	13,838	7,504	1,299
Change of tax and social payables and debt	34,091	4,162	46,000
Change of other debts [(2)]	4,683	(38,836)	(43,832)
Change of prepaid expenses	(199)	(490)	(507)
Total of the balance sheet liabilities	**54,373**	**(30,541)**	**2,880**
TOTAL OF CHANGE IN OPERATING CAPITAL	**34,346**	**(9,559)**	**(42,469)**
(1) VAT	*11,917*	*(36,950)*	*32,869*
(1) Tax	*(821)*	*8,422*	
(2) Client credit balance	*4,306*	*(37,255)*	*(26,421)*

5.5.7.3. Proceeds from disposals of tangible and intangible fixed assets

In €'000	06/30/2017	06/30/2016
Block sales	2,500	268,405
Units sales	80,938	65,734
Proceeds from disposals	**83,438**	**334,139**
Block sales	(512)	(1,912)
Units sales	(3,268)	(4,694)
Cost of sales	**(3,780)**	**(6,606)**
Impacts of the application of IFRS 5	0	(7,125)
CASH IN LINKED TO DISPOSALS	**79,658**	**320,408**

5.5.7.4. Incidence of scope variation

Acquisitions and disposals of consolidated subsidiaries

€'000	06/30/2017	12/31/2016	06/30/2016
Equities price acquisition	0	0	0
Acquired cash	0	0	0
Net acquisitions acquired cash	**0**	**0**	**0**
Equities sale and debt reimbursement	0	(1,226,880)	0
Transferred cash	0	4,333	0
Net disposals transferred cash	**0**	**(1,222,547)**	**0**
Incidence of scope variation	**0**	**(1,222,547)**	**0**

€'000	06/30/2017	12/31/2016	06/30/2016
Heathcare business disposal	0	1,233,361	0
Disposal costs	0	(14,099)	0
La Buire equities sale	0	3,419	0
Miscellaneous	0	(134)	0
INCIDENCE OF SCOPE VARIATION	**0**	**1,222,547**	**0**

5.5.7.5. Change in working capital from investing activities

€'000	06/30/2017	12/31/2016	06/30/2016
Balance sheet assets:			
Change of other receivables (fixed assets buyers)	2,473	3,255	147
Balance sheet liabilities:			
Change of trade payables fixed assets	(26,623)	(166,984)	(211,699)
CHANGE IN WORKING CAPITAL FROM INVESTING ACTIVITIES	**(29,096)**	**(170,239)**	**(211,847)**

5.5.7.6. Dividends paid to shareholders of the parent company

After paying an interim dividend of €2.60 per share on March 8, 2017, the Combined General Meeting of April 26, 2017 approved the payment of a dividend of €5.20 per share for the 2016 financial year. The outstanding balance of €2.60 per share was paid out on July 7, 2017. For 2015, the Group distributed a dividend per share of €5 for a total amount paid of €313.8 million.

5.5.7.7. New loans and repayments of loans

€'000	06/30/2017	12/31/2016	06/30/2016
New loans	2,628,305	3,352,000	1,838,241
Repayments of loans	(660,065)	(4,364,087)	(1,885,042)
CHANGE OF LOANS	**1,968,240**	**(1,012,087)**	**(46,801)**

Change of loans – Notes (note 5.5.5.12.1.)

In €'000	06/30/2017	12/31/2016	06/30/2016
Debts at June 30, 2017	5,592,316	3,640,421	4,670,383
Debts at December 31, 2016	(3,640,421)	(4,761,055)	(4,761,055)
Accrued interests at June 30, 2017	(16,700)	(35,075)	(19,999)
Accrued interests at December 31, 2016	35,074	66,188	66,188
Change of scope heathcare disposal		79,023	
Bonds IAS 39 at June 30, 2017	(2,029)	(1,290)	(2,319)
2016 Accrued interests (santé)		(299)	
CHANGE OF LOANS – NOTES	**1,968,240**	**(1,012,087)**	**(46,801)**

5.5.7.8. Closing cash and cash equivalents

In €'000	06/30/2017	12/31/2016	06/30/2016
Money-market UCITS	46	46	6,187
Cash and cash equivalents	1,656,071	58,527	4,567
Closing cash and cash equivalents	**1,656,117**	**58,573**	**10,753**
Cash and cash equivalents of the Healthcare sector (IFRS 5)	0	0	(4,538)
CASH AND CASH EQUIVALENTS (IFRS 5)	**1,656,117**	**58,573**	**6,215**

5.5.8. SEGMENT REPORTING

The Group only operates in France (except for minimal operations in other European countries). It is structured into various business lines, as follows.

Income statement for business segments at June 30, 2017

€'000	Offices	Residential	Student residences	Total continued operations	Discontinued operations	Segments total
Operating income						
Rental revenues on offices properties	176,416	4,205	-	180,621	-	180,621
Rental revenues on residential properties	2,280	50,625	-	52,905	-	52,905
Rental revenues on healthcare properties	-	-	-	-	-	-
Rental revenues on students residences	-	-	7,069	7,069	-	7,069
Turnover: gross rental income	**178,696**	**54,829**	**7,069**	**240,594**	**-**	**240,594**
Expenses not billed to tenants	11,564	12,919	2,133	26,616	-	26,616
Net rental income	**167,132**	**41,910**	**4,936**	**213,979**	**-**	**213,979**
Margin on rents	**93.5%**	**76.4%**	**69.8%**	**88.9%**		**88.9%**
Services and other income (net)	1,150	293	159	1,602	-	1,602
Salaries and fringe benefits				(23,214)	-	(23,214)
Net management costs				(8,797)	-	(8,797)
EBITDA				**183,570**	**0**	**183,570**
Net gains on disposals of properties	(376)	14,881	-	14,505	-	14,505
Change in value of properties	594,963	540,223	6,833	1,142,019	-	1,142,019
Amortization				(2,216)	-	(2,216)
Net impairments				476	-	476
Operating income				**1,338,354**	**-**	**1,338,354**
Net financial expenses				(36,642)	-	(36,642)
Financial provisions and amortization				-	-	-
Change in value of derivatives				9,427	-	9,427
Net income from equity-accounted investments				-	-	-
Pre-tax income				**1,311,139**	**-**	**1,311,139**
Tax				(1,591)	-	(1,591)
Consolidated net income linked to non-controlling interests				(10,288)		(10,288)
Consolidated net income linked to owners of the parent				**1,299,260**	**-**	**1,299,260**
Assets and liabilities by segments as at June 30, 2017						
Property holdings (except headquarters)	10,135,343	2,871,215	281,298	13,287,855	-	13,287,855
- of which acquisitions	66,500	-	-	66,500	-	66,500
- of which properties for sale	14,260	540,333	0	554,593	-	554,593
Amounts due from tenants	118,906	12,111	959	131,976	-	131,976
Impairments of tenants' receivables	(3,639)	(6,671)	(488)	(10,799)	-	(10,799)
Security deposits received from tenants	39,511	10,358	1,393	51,261	-	51,261

Including IFRIC 21 (Levies imposed by governments) effects.

Income statement for business segments at June 30, 2016

€'000	Offices	Residential	Student residences	Total continued operations	Discontinued operations	Segments total
Operating income						
Rental revenues on offices properties	192,333	4,041	-	196,374	-	196,374
Rental revenues on residential properties	2,585	53,498	-	56,083	-	56,083
Rental revenues on healthcare properties	-	-	-	-	39,362	39,362
Rental revenues on students residences	-	-	7,022	7,022	-	7,022
Turnover: gross rental income	**194,918**	**57,540**	**7,022**	**259,480**	**39,362**	**298,842**
Expenses not billed to tenants	13,059	12,618	2,061	27,738	398	28,136
Net rental income	**181,859**	**44,922**	**4,961**	**231,742**	**38,964**	**270,706**
Margin on rents	**93.3%**	**78.1%**	**70.6%**	**89.3%**	**99.0%**	**90.6%**
Services and other income (net)	530	381	(1)	911	80	991
Salaries and fringe benefits				(23,184)	-	(23,184)
Net management costs				(8,173)	(381)	(8,554)
EBITDA				**201,296**	**38,663**	**239,959**
Net gains on disposals of properties	19,313	11,570	0	30,883	(14)	30,869
Change in value of properties	298,940	38,471	(151)	337,260	(831)	336,429
Amortization				(2,384)	-	(2,384)
Net impairments				1,486	-	1,486
Operating income				**568,541**	**37,818**	**606,359**
Net financial expenses				(46,237)	(779)	(47,016)
Financial provisions and amortization				-	-	-
Change in value of derivatives				(36,541)	117	(36,424)
Net income from equity-accounted investments				56	-	56
Pre-tax income				**485,819**	**37,156**	**522,975**
Tax				(1,675)	(222)	(1,897)
Consolidated net income linked to non-controlling interests				(1,435)		(1,435)
Consolidated net income linked to owners of the parent				**482,709**	**36,934**	**519,643**
Assets and liabilities by segments as at June 30,2016						
Property holdings (except headquarters)	9,004,523	2,431,635	234,437	11,670,596	1,293,016	12,963,612
- of which acquisitions	60,045	-	-	60,045	-	60,045
- of which properties for sale	-	495,565	-	495,565	1,293,016	1,788,581
Amounts due from tenants	104,405	13,985	1,151	119,540	3,831	123,371
Impairments of tenants' receivables	(4,177)	(7,107)	(448)	(11,732)	-	(11,732)
Security deposits received from tenants	40,933	10,872	1,312	53,117	1,015	54,132

Including IFRIC 21 (Levies imposed by governments) effects.

5.5.9. OTHER INFORMATION

5.5.9.1. Shareholding structure of the Group

At June 30, 2017, Gecina's shareholding was structured as follows:

Shareholders	Number of shares	% of share capital
Ivanhoé Cambridge	14,529,973	22.91%
Crédit Agricole Assurances – Predica	8,349,232	13.16%
Norges Bank	6,139,377	9.68%
Other resident institutional shareholders	3,913,282	6.17%
Individual shareholders	2,593,198	4.09%
Non-resident shareholders	25,711,950	40.53%
Treasury shares	2,197,628	3.46%
TOTAL	**63,434,640**	**100.00%**

5.5.9.2. Related parties

A co-exclusive sale mandate for a building located in Neuilly-sur-Seine (Hauts-de-Seine) was concluded in May 2011, between Locare, subsidiary of Gecina, and Resico, subsidiary of Predica, shareholder and director of the Company. In this respect, Locare billed the sum of €27 thousand for the first half of 2017.

Bami Newco was the subject of insolvency proceedings commenced in June 2013. Gecina and SIF Espagne reported their receivables in the context of these bankruptcy proceedings.

Bami Newco is neither consolidated nor booked under the equity method by Gecina since the Group has no control over that entity and significant influence.

In December 2014, Bami Newco asked for the commencement of receivership proceedings that was agreed by the Spanish court. Gecina and SIF Espagne are challenging the conditions for commencing this liquidation phase (see Section 5.5.5.13).

Following a claim filed by a Bami Newco senior creditor, the Spanish Bankruptcy judge authorized in June 2015, a procedure to sell off the property assets of Bami Newco. Despite the various petitions filed by some creditors, including Gecina and SIF Espagne, the Spanish Bankruptcy judge authorized, through a firm and final order at the end of July 2015, the sale of the property assets to the Bami Newco senior creditor.

In November 2015, the liquidation plan was sent to the parties and is currently being executed by the court-ordered liquidation administrator. This plan shows a liability significantly higher than the remaining assets of Bami Newco, thereby confirming that it is unlikely for Gecina and SIF Espagne to recover their receivables, considered as subordinated debt. On January 22, 2016, Gecina and SIF Espagne filed pleadings seeking a classification of fraudulent bankruptcy and liability of the de facto and de jure directors of Bami Newco and they continue to assert their rights and defend their interests in these proceedings.

On December 14, 2007, Gecina advanced €9.85 million to Bami Newco in connection with the acquisition by Gecina group of a plot of land in Madrid. This agreement was approved by the Shareholders' General Meeting of April 22, 2008. As a result of the repayments made, the balance on this advance that stood at €2.7 million was subject to a ruling on September 10, 2012, instructing Bami Newco to repay SIF Espagne. Bami Newco has appealed this ruling. A decision handed down by the Madrid Appeals Court on January 18, 2013, confirmed the September 10, 2012, ruling. The resulting debt was reported under the bankruptcy proceedings of Bami Newco.

A joint bond of €5 million involving SIF Espagne was granted to FCC Construcción for the development by Bami Newco of a corporate office in Madrid on behalf of FCC Construcción. The latter went to a Spanish court to demand the payment of this bond. On September 12, 2014, the Madrid Appeals Court ordered Bami Newco and its guarantors (SIF Espagne and Inmopark 92 Alicante) to pay jointly to FCC Construcción the sum of €5 million in principal, in addition to late penalties and court costs.

In November 2014, FCC Construcción requested the enforcement of the aforementioned ruling against SIF Espagne, which made the corresponding payment. Bami Newco and SIF Espagne appealed the merits of the case but their appeal was rejected by a ruling handed down on January 11, 2017, thus making the Appeals Court ruling firm and final. The corresponding provision of €5 million has been written back in the accounts of SIF Espagne and a debt has been recognized to Bami Newco and Inmopark 92 Alicante, on the assets side of the balance sheet, immediately written down for impairment due to the financial position of these two companies and their ongoing bankruptcy proceedings. The ensuing statements of claims were confirmed in the bankruptcy proceedings of Bami Newco and Inmopark 92 Alicante.

In 2012, the company was informed of the existence of several guarantees granted by SIF Espagne, then represented by Mr. Joaquín Rivero:

- on January 14, 2010, concerning Bami Newco's repayment of a loan taken out the same day in connection with a renewal with Caja Castilla La Mancha for a principal total of €9 million, alongside Inmopark 92 Alicante, also a shareholder in Bami Newco and controlled by Joaquín Rivero. Through a payment of €5.2 million to Caja Castilla La Mancha in June 2012, the company definitively paid the balance of the guarantee granted to Bami Newco. SIF Espagne demanded the repayment of the €5.2 million from Bami Newco; this debt has been reported in the context of Bami Newco's bankruptcy proceedings. It remains fully written down on Gecina's consolidated balance sheet;
- on November 13, 2009, concerning Bami Newco's repayment of credit facilities granted to it until November 13, 2019 by Banco Popular for principal amounts of €3.3 million and €1.5 million respectively. The resulting contingent receivable was reported under the bankruptcy proceedings of Bami Newco. Pursuant to a letter dated June 17, 2014, Banco Popular called in one of its two guarantees and claimed the payment of €3 million from SIF Espagne. In June 2016, MHB Bank claimed the payment of this guarantee in its capacity as the assignee of the guarantee. After studying and analyzing this case, the Company believes that it is not required, to date, to make the payment.

In connection with the contemplated acquisition by Gecina of the shares and securities giving access to the share capital of Eurosic, Gecina entered into the three following agreements on June 20, 2017:

- A share purchase agreement for the shares of Eurosic, amounting to € 449 million, was entered into with Predica as part of the acquisition of blocks of shares from Eurosic's main shareholders;
- A commitment to tender was entered into between Predica and Gecina pursuant to which Predica commits to tender its remaining Eurosic shares that were not sold to Gecina pursuant to the above-mentioned share purchase agreement, i.e. 1,099,807 Eurosic shares, to the exchange offer of the public offer;
- A memorandum of understanding was entered into between Gecina and Eurosic, aimed in particular at organizing the terms and conditions of the cooperation between both companies.

Taking into account the shareholding ties between Predica and Gecina, these agreements were unanimously approved by Gecina's Board of Directors on June 20, 2017 (with the exception of Predica, which did not take part in the vote, in accordance with the procedure for related-party agreements and the Board of Directors' bylaws). These agreements will be submitted to the next general shareholders' meeting approval in line with the procedure for related-party agreements.

5.5.9.3. Group employees

Average headcount	06/30/2017	12/31/2016	06/30/2016
Managers	191	194	193
Employees and supervisors	166	166	164
Building staff	70	76	76
TOTAL	**427**	**436**	**433**

5.5.9.4. Stock options and performance shares

Stock options

Grant date	Start date of exercise of options	Number of options advanced	Subscription or purchase price	Total to exercise at 12/31/2016	Options exercised in 2017	Options cancelled, expired or transfered	Total to exercise at 06/30/2017	Residual life (in years)
12/13/2007	12/13/2009	230,260	€103.52	38,040	17,450		20,590	0.5
12/18/2008	12/18/2010	331,875	€36.80	35,868			35,868	1.5
04/16/2010	04/16/2012	252,123	€78.08	59,790			59,790	2.8
12/27/2010	12/27/2012	210,650	€83.55	88,260		506	87,754	3.5

Performance shares

Grant date	Vesting date	Number of shares advanced	Stock price when granted	Balance at 12/31/2016	Shares vested in 2017	Shares cancelled in 2017	Balance at 06/30/2017
02/19/2015	02/19/2018	58,120	€116.45	55,740		966	54,774
04/21/2016	04/21/2019	60,990	€125.00	59,690		2,411	57,279
07/21/2016	04/21/2019	3,000	€128.65	3,000			3,000

5.5.9.5. Compensation for administrative and Governance bodies

Compensation for management bodies concerns Gecina's corporate officers.

In €'000	06/30/2017	12/31/2016
Short-term benefits	2,562	1,390
Post-employment benefits	N.A	N.A
Long-term benefits	N.A	N.A
End-of-contract benefits (ceiling for 100% of criteria)	N.A	N.A
Share-based payment	N.A	300

5.5.9.6. Disputes

Each of the known legal disputes, in which Gecina or the Group's companies are involved, was reviewed at the close of the accounts and the provisions deemed necessary have, where called for, been created to cover the estimated risks (see also Note 5.5.5.13 in the Notes to the Consolidated financial statements).

The main disputes in which the Gecina group is involved are described below:

5.5.9.6.1. Pending criminal court disputes

To date, the company is not in a position to evaluate any potential risks, in particular, regulatory, legal or financial, arising from the facts covered by the ongoing criminal proceedings and cannot, in particular, exclude the possibility that it may be joined as a party in the future, together with the company's officers and representatives.

- In 2009, a complaint was filed in France pertaining to certain transactions involving in particular the former Chairman of Gecina's Board of Directors, Mr. Joaquín Rivero.

  The company fully assisted the investigations and joined the proceedings as a civil party in 2010 to safe-guard its interests. During the investigations, the examining magistrate, Mr. Van Ruymbeke, ordered the seizure of the sums representing the dividends owed to Mr. Joaquín Rivero and to the companies that he controls by virtue of the General Meetings of April 17, 2012, and April 18, 2013 (around €87 million). Mr. Joaquín Rivero was referred to the Criminal Court (Tribunal Correctionnel) on various counts as a result of the aforementioned complaint and, in a ruling handed down on March 11, 2015, he was convicted of misuse of corporate assets and money laundering and sentenced to four years' imprisonment, with a one-year suspended sentence. He was also ordered to pay around €209 million to Gecina in damages and a fine of €375,000. The Court ordered the confiscation of all the sums seized during the investigation (around €87 million).

  The Court also indicated that a portion of the damages would have to be paid directly by the AGRASC to Gecina, first on the assets that were confiscated which the AGRASC managed and up to this amount.

  Lastly, Mr. Joaquín Rivero was acquitted on the counts of failure to report threshold crossings and circulation of false or misleading information. As the parties have appealed this decision, the ruling is not enforceable.

  Joaquín Rivero died on September 18, 2016. By a ruling handed down on March 22, 2017, the Paris Court of Appeals noted, in particular, the termination of the public prosecution's case against Mr. Joaquín Rivero following his death, and the continuation of Gecina's civil suit against Mr. Rivero's heirs. Gecina thus continues to defend its rights in the context of the ongoing appeal procedure.

  On October 28, 2016, the Court of Cassation ruled the forfeiture of the appeal filed by Joaquín Rivero and the companies he controlled against the judgment of the Paris Court of Appeals of December 8, 2014, which upheld the seizure of the dividends (around €43 million) reverting to them for fiscal 2012 as approved by the General Meeting of April 18, 2013.

  Following the judgment of March 11, 2015, Gecina proceeded to the seizure of the 8,839 shares held personally by Joaquín Rivero and the 2014 and 2015 dividends attached to those shares.

- On September 11, 2014, the Spanish bank Abanca requested the payment by Gecina of €63 million pursuant to the guarantee letters of endorsements that were allegedly signed in 2008 and 2009, by Mr. Joaquín Rivero, former Gecina officer.

  Gecina, which had no knowledge of these letters of endorsement, considered, after talking to its legal advisers, that they represent a fraudulent arrangement since they are in breach of its corporate interest and of applicable rules and procedures.

  For these reasons, Gecina informed Abanca that it contested the fact that it owed the sum being claimed and that as a result, it would not respond to its claim. On October 24, 2014, the company filed a criminal complaint against Mr. Rivero and any other person involved, for misuse of authority under these letters of endorsement. Abanca, for its part, brought a suit against Gecina before the Madrid District Court, which declared that it had no jurisdiction to try the case through a decision issued on June 10, 2016 (see Section 5.5.9.6.2).

- On July 16, 2012, the company was informed by the banking institution Banco de Valencia of the existence of four promissory notes, issued in 2007 and 2009, for a total of €140 million, in the name of "Gecina S.A. Succursal en España" for three of them, and Gecina S.A. for one of them, in favor of a Spanish company Arlette Dome SL.

The latter allegedly gave these promissory notes to Banco de Valencia as a guarantee for loans granted by that bank.

After verification, the company realized that it had no information about these alleged promissory notes or about any business relationship with Arlette Dome SL which could have justified their issue. After also observing the existence of evidence pointing to the fraudulent nature of their issuance if the issue were to be confirmed, the company has filed a criminal complaint in this respect with the competent Spanish authorities. Following a series of decisions and appeals, Gecina was recognized as third party to the proceedings on April 19, 2016, before the National Court, where the company continues to assert its rights. No provision was recognized for this purpose.

5.5.9.6.2. Pending civil and commercial court disputes

- The Spanish bank Abanca, after seeking the payment by Gecina of €63 million (of which €48.7 million in principal) pursuant to the guarantee letters of engagement allegedly signed in 2008 and 2009 by Mr. Joaquín Rivero, former Gecina officer (see Section 5.5.9.6.1.), summoned Gecina to appear before the Court of First Instance of Madrid in order to obtain the payment of the claimed amounts.

  Gecina is challenging Abanca's claims, asserting its rights and defending its interests in these proceedings. On June 10, 2016, the Court of First Instance of Madrid declared that it had no jurisdiction to try the dispute. On July 14, 2016, Abanca appealed this decision. On July 4, 2017, the Appeal Court of Madrid declared that the Spanish Courts do have jurisdiction to hear Abanca's claim. The proceedings on the merits are ongoing before the court of First Instance of Madrid. Gecina filed a criminal complaint in France against Mr. Rivero and any other party involved, for misuse of authority under letters of endorsement raised by Abanca (see Section 5.5.9.6.1.).

No provision was recognized for this purpose.

- Bami Newco was the subject of insolvency proceedings commenced in June 2013. Gecina and SIF Espagne reported their receivables in the context of these bankruptcy proceedings.

  In December 2014, Bami Newco asked for the commencement of receivership proceedings, which was granted by the Spanish court. Gecina and SIF Espagne are challenging the conditions for commencing this liquidation phase. Following a claim filed by a Bami Newco senior creditor, the Spanish bankruptcy judge authorized in June 2015 a procedure to sell off the property assets of Bami Newco. In spite of the various petitions filed by some creditors, including Gecina and SIF Espagne, the Spanish bankruptcy judge authorized, through a firm and final order at the end of July 2015, the sale of the property assets to the Bami Newco senior creditor. In November 2015, the liquidation plan was sent to the parties. This plan shows a liability significantly higher than the remaining assets of Bami Newco, thereby confirming that it is unlikely for Gecina and SIF Espagne to recover their receivables, considered as subordinated debt.

  On January 22, 2016, Gecina and SIF Espagne filed pleadings seeking a classification of fraudulent bankruptcy and liability of the de facto and de jure directors of Bami Newco.

  Gecina and SIF Espagne continue, however, to assert their rights and defend their interests in these proceedings.

- The Spanish company Bamolo, to which Gecina granted in 2007 a €59 million loan, which matured in October 2010, filed for bankruptcy in 2011. Gecina has reported this loan refund receivable as a loss, under the Spanish proceedings. Having gained knowledge of a loan at the same time as the Gecina loan, granted by Bamolo, for an equivalent amount to a company known as Eusko Levantear Eraikuntzak II (ELE), also in receivership, Gecina is asserting its rights and defending its interests in these two bankruptcy proceedings. Following the liquidation phase of Bamolo, on March 10, 2015, Gecina filed, before the Spanish courts, a liability action against the de jure and de facto directors of Bamolo, including Mr. Joaquín Rivero, for fraudulent bankruptcy. The proceedings are ongoing.

- A joint bond of €5 million involving SIF Espagne was granted to FCC Construcción for the development by Bami Newco of a corporate office in Madrid on behalf of FCC Construcción. The latter went to a Spanish court to demand the payment of this bond. On September 12, 2014, the Madrid Appeals Court ordered Bami Newco and its guarantors (SIF Espagne and Inmopark 92 Alicante) to pay jointly to FCC Construcción the sum of €5 million in principal, in addition to late penalties and court costs.

  In November 2014, FCC Construcción requested the enforcement of the aforementioned ruling against SIF Espagne, which made the corresponding payment. Bami Newco and SIF Espagne appealed the merits of the case but their appeal was rejected by a ruling handed down on January 11, 2017, thus making the Appeals Court ruling firm and final. The corresponding provision of €5 million has been written back in the accounts of SIF Espagne and a debt has been recognized to Bami Newco and Inmopark 92 Alicante, on the assets side of the balance sheet, immediately written down for impairment due to the financial position of these two companies and their ongoing bankruptcy proceedings.

  The ensuing statements of claims were confirmed in the bankruptcy proceedings of Bami Newco and Inmopark 92 Alicante.

There are no other government, judicial or arbitration proceedings pending, including any proceeding of which the company is aware, or with which it is threatened, which may or have had in the last twelve months material impacts on the financial position or profitability of the company and/or the Group.

5.5.9.7. Post-balance sheet events

On July 4, 2017, Gecina finalized the acquisition of a 10,500 sq.m office asset in La Défense, for €78.5 million excluding duties and an immediate net yield of around 5.7% .

Chapter 06

Executive Management **and Board of Directors**

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6.1. EXECUTIVE MANAGEMENT

The Executive Management is represented by Ms. Méka Brunel, appointed by the Board of Directors on January 6, 2017 as Chief Executive Officer to replace Mr. Philippe Depoux. Ms. Méka Brunel remains a director.

The Board of Directors is chaired by Mr. Bernard Michel.

6.2. BOARD OF DIRECTORS AND BOARD OF DIRECTORS' COMMITTEES

The composition of the Board of Directors and the Board of Directors' Committees changed during the first half of 2017. They are now comprised as follows.

6.2.1. BOARD OF DIRECTORS

As at June 30, 2017, the Gecina Board of Directors is comprised of the following 10 members, 50% of whom are independent directors and 50% are women:

- Mr. Bernard Michel, Chairman of the Board of Directors;
- Ms. Méka Brunel, Chief Executive Officer;
- Ms. Isabelle Courville [(1)];
- Ms. Laurence Danon [(1)];
- Ms. Dominique Dudan [(1)];
- Mr. Claude Gendron;
- Ivanhoé Cambridge Inc., represented by Mr. William Tresham;
- Mr. Jacques-Yves Nicol [(1)];
- Predica, represented by Mr. Jean-Jacques Duchamp;
- Ms. Inès Reinmann Toper [(1)].

During the first half of 2017, the following movements occurred in the structure of the Board of Directors:

Director's name	Renewal	Appointment	Departure	Comments
Mr. Rafael Gonzalez de la Cueva			X	Expiry of his directorship at the end of the Annual General Meeting of April 26, 2017.
Ms. Laurence Danon [(2)]		X		Appointment by the Annual General Meeting of April 26, 2017 for a four-year term, i.e., until the end of the Annual General Meeting convened to approve the financial statements for the year ending December 31, 2020.
Ivanhoé Cambridge Inc., represented by Mr. William Tresham	X			Renewal by the Annual General Meeting of April 26, 2017 for a four-year term, i.e., until the end of the Annual General Meeting convened to approve the financial statements for the year ending December 31, 2020.

It should be noted that since the total number of employees of the company and its subsidiaries is lower than the thresholds fixed by Article L. 225-27-1 of the French Commercial Code, there is no director representing employees on the Board of Directors. However, in accordance with Article L. 2323-62 of the French Labor Code, members of the Works Council attend Board of Directors' meetings in an advisory capacity.

(1) Independent director.

(2) Laurence Danon joined the École Normale Supérieure Paris in 1977, graduating as a qualified physics teacher in 1980. After two years of research in the French national center for scientific research (CNRS) laboratories, she entered the École Nationale Supérieure des Mines in 1981 and graduated as a Corps des Mines engineer in 1984. After five years with the French Ministry for Industry and the Hydrocarbons Division, Laurence Danon joined the ELF group in 1989.
From 1989 to 2001, she held various positions in the TOTAL FINA ELF group's chemicals branch, notably as CEO of BOSTIK, the world number two for adhesives, from 1996 to 2001.
In 2001, Laurence Danon was appointed Chairman and CEO of Printemps and a member of the Executive Committee of PPR (KERING). Following the repositioning and successful sale of Printemps in 2007, she moved to the world of finance. Initially, from 2007 to 2013, as Chairwoman of the Executive Committee of Edmond de Rothschild Corporate Finance, then from 2013 as Chairwoman of the investment bank Leonardo & Co. SAS (subsidiary of the Italian Banca Leonardo group). After Leonardo & Co. SAS was sold to NATIXIS in 2015, she has devoted herself to her family office, PRIMROSE SAS.
Laurence Danon has been a Director of Amundi since 2015 and is Chairwoman of its Strategic Committee. She has also been a member of the Board of Directors of TF1 since 2010, chairing its Audit Committee. In addition, she has served on other boards of directors of companies such as the UK firm Diageo (2006-2015), Plastic Omnium (2003-2010), Experian Plc (2007-2010), Rhodia (2008-2011) and the Supervisory Board of BPCE (2009-2013), where she chaired its Appointments and Compensation Committee.
From 2005 to 2013, Laurence Danon chaired the Medef Commission. From 2000 to 2003, she was Chairwoman of the Board of Directors of École des Mines de Nantes, and, from 2004 to 2006, Chairwoman of the École Normale Supérieure Paris Foundation.

6.2.2. BOARD OF DIRECTORS' COMMITTEES

The Board of Directors' Meeting held after the Annual General Meeting of April 26, 2017, changed the composition of its Committees. The Committees are now comprised as detailed below.

Committees	Composition as at June 30, 2017	Comments
Strategic and Investment Committee (previously called "Strategic Committee")	**4 members:** - Ivanhoé Cambridge Inc., represented by Mr. William Tresham, Chairman of the Committee - Ms. Méka Brunel - Mr. Bernard Michel - Predica, represented by Mr. Jean-Jacques Duchamp	The Board of Directors' Meeting of April 26, 2017, held after the Annual General Meeting of the same day, decided to: - rename the Strategic Committee as the Strategic and Investment Committee - remove the right to a casting vote from the Chairman of the Committee - appoint Ivanhoé Cambridge Inc., represented by Mr. William Tresham, as Chairman of the Committee, replacing Mr. Bernard Michel, who remains a member.
Audit and Risk Committee	**6 members, 4 of whom are independent:** - Mr. Jacques-Yves Nicol, Chairman of the Committee (1) - Ms. Isabelle Courville (1) - Ms. Dominique Dudan (1) - Mr. Claude Gendron - Predica, represented by Mr. Jean-Jacques Duchamp - Ms. Inès Reinmann Toper (1) No executive corporate officer. The Chairman has the casting vote in the event of a tie.	Concurrently with her appointment as Chief Executive Officer of the Company on January 6, 2017, Ms. Méka Brunel resigned as a member of the Audit and Risk Committee. The Board of Directors' Meeting of April 26, 2017, held after the Annual General Meeting of the same day, decided to appoint Ms. Inès Reinmann Toper and Mr. Claude Gendron as members of this Committee, for an indefinite period that shall be no longer than their terms of office as directors.
Governance, Appointment and Compensation Committee	**3 members, 2 of whom are independent:** - Ms. Inès Reinmann Toper, Chairwoman of the Committee (1) - Ms. Laurence Danon (1) - Mr. Claude Gendron No executive corporate officer. The Chairman has the casting vote in the event of a tie.	The Board of Directors' Meeting of April 26, 2017, held after the Annual General Meeting of the same day, decided to appoint Ms. Laurence Danon as a member of this Committee, for an indefinite period that shall be no longer than her term of office as a director. Ms. Danon replaces Mr. Rafael Gonzalez de la Cueva, whose term of office as a director expired at the end of said Annual General Meeting.

(1) Independent director.

Chapter 07

Proposed Eurosic **Acquisition**

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7.1. OVERVIEW OF THE PROPOSED EUROSIC ACQUISITION

Overview of the Transaction

On June 21, 2017, after unanimous approval from its Board of Directors, Gecina announced its plan to acquire all Eurosic securities. This friendly transaction is supported by the six main Eurosic shareholders (representing 94.8% of the capital[(1)]) via the establishment of Block Acquisition fixed contracts[(2)] (as defined below) (representing 85.3% of the capital[(3)]) allowing control of Eurosic to be taken in the short term and commitments of contributions to the securities portion of the Public Offer (as defined below) (representing 9.5% of the capital[(4)]) which will be filed after the Block Acquisition. The planned Eurosic acquisition constitutes a major acceleration in Gecina's growth by strengthening its positioning as a specialist in prime office space in Paris, the leading real estate market in continental Europe. It is perfectly in line with the company's strategy to create value.

Within this context, a memorandum of understanding was signed between the company and Eurosic (the "**Memorandum of Understanding**"), on June 20, 2017, with the particular aim of organizing the terms and conditions for cooperation between the two companies as part of the Transaction (as defined below).

In parallel, the discussions between the Company on one hand and the main Eurosic shareholders on the other resulted, on June 20, 2017, in the successful signing of purchase agreements for marketable securities relating to the Block Acquisition (as described in more detail in Section 7.1.2) under the terms of which the Company, subject to the fulfillment of the Conditions Precedent (as defined below) or to the waiver of these conditions, if applicable, will acquire in cash a total of 38,122,108 Eurosic shares representing 77.16% of Eurosic's capital[(5)] and 17,126,902 subordinated bonds redeemable in shares (OSRA) (as defined below). The same day, concurrently with the conclusion of the purchase agreements for marketable securities, some of the main Eurosic shareholders entered into Contribution Commitments (as defined below) with the Company for the mandatory public offer (as described in more detail in Section 7.1.5) that will be initiated by the Company following the effective execution of the Block Acquisition (as defined below). The Contribution Commitments involve a total of 6,138,778 Eurosic shares, i.e., 12.43%[(6)] of Eurosic's capital at June 20, 2017.

Furthermore, following the effective execution of the Block Acquisition (as defined below) by the Company, it is expected that (i) Eurosic will carry out the Sale of the Diversification Assets (as defined below) to Batipart Immo Europe S.à.r.l. (or any subsidiary of Batipart Immo Europe S.à.r.l. that it may substitute and for which it would remain guarantor of obligations), these Diversification Assets (as defined below) do not correspond to the strategy pursued by the Company; and (ii) the Company will launch a Public Offer (as defined below) on Eurosic.

Finally, in order to secure financing for the acquisition of the shares and securities providing access to Eurosic's capital, the Company signed a Bridge Facility Agreement which has already been partially refinanced on the bond market (for more detail, see Section 7.3) and for which the balance will be refinanced through the income from a capital increase with pre-emptive subscription rights, with the balance of the Eurosic acquisition price being financed by the Company's available cash and/or the bank credit facilities it has available (the "**Financing**") (for more detail, see Section 7.3).

The Block Acquisition, the Sale of the Diversification Assets, the Public Offer, the Contribution Commitments, the Memorandum of Understanding (all as defined below) and the Financing are hereinafter known as the "**Transaction**."

It is noted that the Company's Works Council was informed of the Transaction and on June 20, 2017, gave its approval to the Transaction.

(1) On a fully diluted basis of subordinated bonds redeemable in shares (OSRA), excluding treasury shares, i.e. a total of 64,732,509 shares.
(2) Batipart (75% in cash and 25% in securities), Covéa (100% in cash), Predica (90% in cash and 10% in securities), ACM (100% in cash), Debiopharm (90% in cash and 10% in securities), and Latricogne (48% in cash and 52% in securities)
(3) On a fully diluted basis of subordinated bonds redeemable in shares (OSRA), excluding treasury shares, i.e. a total of 64,732,509 shares
(4) On a fully diluted basis of subordinated bonds redeemable in shares (OSRA), excluding treasury shares, i.e. a total of 64,732,509 shares
(5) Share capital at June 20, 2017, on an undiluted basis
(6) Share capital at June 20, 2017, on an undiluted basis

Overall schedule of the Transaction, for information purposes

June 20, 2017	- Signing of the Memorandum of Understanding - Signing of the purchase agreements for marketable securities under Conditions Precedent - Signing of the Contribution Commitments for the Public Offer under condition precedent - Signing of the Bridge Facility Agreement
June 27, 2017	- Announcement by the Company of a €1.5 billion bond issue
June 30, 2017	- Settlement-delivery of the bond issue
August 2017 (subject to lifting of the Conditions Precedent, mainly authorization of the Transaction by the Competition Authority and the unqualified conclusions of the independent appraiser)	- Execution of the Block Acquisition - Sale of the Diversification Assets
August/October 2017	- Completion of the Public Offer and contribution of the Eurosic shares in accordance with the Contribution Commitments

7.1.1. THE MEMORANDUM OF UNDERSTANDING

The Memorandum of Understanding was signed on June 20, 2017, between the Company and Eurosic. It details the terms and conditions of the cooperation between the two companies until the completion of the Transaction and in particular:

- the commitment of the Company, subject to prior execution of the Block Acquisition (as defined below), to file the draft Public Offer (as defined below) by October 30, 2017;
- the main terms and conditions of the Public Offer (as defined below);
- the commitment of the Company to offer a liquidity mechanism to beneficiaries of the Eurosic bonus shares allocation;
- Eurosic's commitment to management in the normal course of business, subject to certain exceptions concerning ongoing transactions, until the execution of the Block Acquisition (as defined below);
- Eurosic's commitment not to provide to the Public Offer (as defined below) the 2,162,375 treasury shares that it held at the Memorandum date; and
- Eurosic's commitment to collaborate with the Company particularly in (i) relations with French Competition Authority, (ii) management of change of control clauses contained in some contracts entered into Eurosic and/or its subsidiaries and that will be triggered by the Transaction, (iii) relations with the independent appraiser, (iv) relations with the AMF, and (v) preparation of the documents related to the Public Offer (as defined below).

7.1.2. BLOCK ACQUISITION

The discussions between the Company and the main Eurosic shareholders resulted in the signing on June 20, 2017, of:

- a purchase agreement for marketable securities entered into between the Company and Batipart Immo Europe S.à.r.l. ("**Batipart**") under the terms of which the Company, subject to the fulfillment of the Conditions Precedent (as defined below) or to the waiver of these conditions, if applicable, will acquire in cash (i) 7,861,926 shares of the 11,528,031 Eurosic shares held by Batipart and (ii) all the subordinated bonds redeemable in shares issued by Eurosic in June 2015 (the "**OSRA 2015**") held by Batipart, i.e., 3,280,158 OSRA 2015 (the "**Batipart Acquisition**");
- a purchase agreement for marketable securities entered into between the Company and ACM Vie SA and ACM Vie SAM (together "**ACM**") under the terms of which the Company, subject to the fulfillment of the Conditions Precedent (as defined below) or to the waiver of these conditions, if applicable, will acquire in cash (i) all the 8,356,215 Eurosic shares held by ACM and (ii) all the OSRA 2015 held by ACM, i.e., 839,160 OSRA 2015 (the "**ACM Acquisition**");
- a purchase agreement for marketable securities entered into between the Company and Prédica, Pacifica, Spirica and La Médicale de France (together "**Prédica**") under the terms of which the Company, subject to the fulfillment of the Conditions Precedent (as defined below) or to the waiver of these conditions, if applicable, will acquire in cash (i) 7,940,230 of the 9,040,037 Eurosic shares held by Prédica and (ii) all the OSRA 2015 held by Prédica, i.e., 1,958,041 OSRA 2015 (the "**Prédica Acquisition**");
- a share purchase agreement entered into between the Company and Debiopharm Holding SA ("**Debiopharm**") under the terms of which the Company, subject to the fulfillment of the Conditions Precedent (as defined below) or to the waiver of these conditions, if applicable, will acquire in cash 2,455,794 of the 2,728,660 Eurosic shares held by Debiopharm (the "**Debiopharm Acquisition**");
- a share purchase agreement with Latricogne SCI ("**Latricogne**") under the terms of which the Company, subject to the fulfillment of the Conditions Precedent (as defined below) or to the waiver of these conditions, if applicable, will acquire in cash 1,000,000 of the 2,100,000 Eurosic shares held by Latricogne (the "**Latricogne Acquisition**"); and

- a purchase agreement for marketable securities with GMF Vie, MMA Vie, MAAF Vie, MAAF Assurances and GMF Assurances (together "**Covéa**") under the terms of which the Company, subject to the fulfillment of the Conditions Precedent (as defined below) or to the waiver of these conditions, if applicable, will acquire in cash (i) all the 10,507,943 Eurosic shares held by Covéa and (ii) all the subordinated bonds redeemable in shares issued by Eurosic in September and November 2016 (the "**OSRA 2016**," together with the OSRA 2015, the "**OSRA**") held by Covéa, i.e., 2,325,183 OSRA 2015 and 8,724,360 OSRA 2016 (the "**Covéa Acquisition**," together with the Batipart Acquisition, ACM Acquisition, Prédica Acquisition, Latricogne Acquisition, and the Debiopharm Acquisition, the "**Block Acquisition**").

The purchase price of the securities in cash from the main Eurosic shareholders is €51.0 per share (coupon attached) and per OSRA (OSRA 2015 coupon payable on June 29, 2017, ex-dividend and OSRA 2016 coupon payable pro rata temporis up to the Completion Date of the Block Acquisition, subject to cases of adjustment provided for in each of the Block Acquisition agreements.

The offer price represents a 2.5% premium on the valuation excluding rights and a 1.5% discount on the valuation of rights included for the Eurosic assets, as planned at the end of June 2017, i.e., an increase of around €325 million on the basis of the preliminary reports by Eurosic appraisers and a 5.6% premium on the adjusted NAV[1]. The exchange ratio proposed as part of the Public Offer of Exchange takes into account the revaluation of Gecina's portfolio in the order of +€1.1 billion[2], as planned at the end of June 2017 on the basis of the preliminary reports by Gecina appraisers and since confirmed on the basis of conclusive reports.

The purchase agreement for marketable securities entered into as part of the Block Acquisition are subject, however, to the fulfillment or the waiver, if applicable, of certain conditions precedent (the "**Conditions Precedent**") including (i) obtaining authorization from the French Competition Authority for the takeover of Eurosic by the Company, (ii) obtaining consent for the Transaction from certain parties to certain agreements agreed by Eurosic that are impacted by the Transaction, (iii) unqualified confirmation by the independent appraiser of the equitable nature of the terms of the Sale of the Diversification Assets, of the absence of any failure to treat Eurosic shareholders equally, and of the equitable nature of the terms of the Public Offer including any mandatory squeeze-out (*retrait obligatoire*), (iv) the effective concurrent acquisition by the Company of blocks of shares representing at least 50.1% of the capital, (v) approval by the Eurosic Board of Directors of the conclusions of the independent appraiser's report and of the confirmation of support for the Transaction announced by the Eurosic Board of Directors during its meeting of June 20, 2017.

Each of the purchase agreements for marketable securities provides that if the Conditions Precedent are not met or deemed to be met due to waiver of all or part of the said Conditions Precedent by the party or parties concerned at the latest by October 30, 2017, the following working day, the purchase agreement for marketable securities concerned will become automatically null and void without compensation on either side, except in the case of failure by one of the parties to fulfill its obligations under the purchase agreement for marketable securities concerned.

To date, none of the Conditions Precedent has been met or lifted.

Summary table for the Block Acquisition

	Number of Eurosic shares subject to the Block Acquisition	
Identity of Eurosic shareholder sellers	**Shares**	**OSRA**
Batipart	7,861,926	3,280,158
ACM	8,356,215	839,160
Prédica	7,940,230	1,958,041
Latricogne	1,000,000	-
Debiopharm	2,455,794	-
Covéa	10,507,943	11,049,543
TOTAL	**38,122,108**	**17 126 902**
	(I.E., 77.16% OF EUROSIC'S CAPITAL AT JUNE 20, 2017, ON AN UNDILUTED BASIS)	**17,126,902**

(1) *EPRA NNNAV at December 31, 2016, ex-dividend (€42.0 per share), taking into account the estimated cash flow of the first half (+€1.3 per share) and the revaluation of the portfolio on the basis of the elements provided by Eurosic contained in the preliminary reports of appraisers appointed by Eurosic (+€5.0 per share).*
(2) *5.2% increase on the office portfolio and 25.6% increase on the residential portfolio on a like-for-like basis.*

7.1.3. CONTRIBUTION COMMITMENTS

Concurrently with the signature of the contracts to purchase securities relating to the Block Acquisition, Batipart, Debiopharm, Prédica and Latricogne and the Company on June 20, 2017, signed commitments to contribute in the Public Offer, under the terms of which said shareholders agreement, subject to certain conditions, to contribute to the exchange portion of the Public Offer the balance of the Eurosic shares they respectively hold which have not been sold in the context of the Block Acquisition.

Thus:

- Batipart signed with the Company an agreement to contribute the balance of the Eurosic shares that it holds, and that will not be sold to the Company in the context of the Batipart Acquisition, i.e., 3,666,105 shares of Eurosic, in the exchange portion of the Public Offer (the "**Batipart Contribution Commitment**");
- Prédica signed with the Company an agreement to contribute the balance of the Eurosic shares that it holds, and that will not be sold to the Company in the context of the Prédica Acquisition, i.e., 1,099,807 shares of Eurosic, in the exchange portion of the Public Offer (the "**Prédica Contribution Commitment**");
- Latricogne signed with the Company an agreement to contribute the balance of the Eurosic shares that it holds, and that will not be sold to the Company in the context of the Latricogne Acquisition, i.e., 1,100,000 shares of Eurosic, in the exchange portion of the Public Offer (the "**Latricogne Contribution Commitment**"); and
- Debiopharm signed with the Company an agreement to contribute the balance of the Eurosic shares that it holds, and that will not be sold to the Company in the context of the Debiopharm Acquisition, i.e., 272,866 shares of Eurosic, in the exchange portion of the Public Offer (the "**Debiopharm Contribution Commitment**" and together with the Batipart Contribution Commitment, the Prédica Contribution Commitment, the Latricogne Contribution Commitment, and the Debiopharm Contribution Commitment, constitute the "**Contribution Commitments**").

These Contribution Commitment are subject to the condition precedent that the Company files the Public Offer no later than October 30, 2017. They cover a total of 6,138,778 shares of Eurosic stock, which is 12.43% of the capital of Eurosic as of June 20, 2017.

Summary table of the Contribution Commitments

Identity of the Eurosic shareholders contributing shares	Number of Eurosic shares covered by the Contribution Commitments
Batipart	3,666,105
Prédica	1,099,807
Latricogne	1,100,000
Debiopharm	272,866
TOTAL	**6,138,778 (I.E., 12.43% OF EUROSIC'S CAPITAL AT JUNE 20, 2017, ON AN UNDILUTED BASIS)**

7.1.4. SALE OF THE DIVERSIFICATION ASSETS

The terms of the securities purchase agreement signed by Batipart and the Company stipulate that Eurosic will sell to Batipart (or to any Batipart subsidiary that it substitutes and for which it remains the guarantor of its obligations) all its stakes in (i) Eurosic Lagune ("**Lagune**"), (ii) Eurosic Investment Spain Socimi SA ("**EIS**"), (iii) Eurosic Management Spain SL ("**EMS**" and (iv) SNC Nature Hébergements 1 ("**SNC NH**," which together with Lagune, EIS and EMS, constitute the "**Diversification Assets**") (the "**Sales of the Diversification Assets**"). Batipart has agreed to sign, on the date of the effective execution of the Block Acquisition (the "**Execution Date**"), the sale contracts for the Sale of the Diversification Assets.

The total sale price of the Diversification Assets agreed on by the parties is €462,800,001, which breaks among the Diversification Assets as follows: (i) €370,979,000 for the stake in Lagune, (ii) €78,642,000 for the EIS holding, (iii) €1 for the stake in EMS, and (iv) €13,179,000 for the stake in SNC NH, subject to adjustments stipulated by the securities purchase agreement signed by Batipart and the Company (the "**Sale Price of the Diversification Assets**"). The Sale Price of the Diversification Assets has been calculated on the basis of the same implicit premium on the value of the portfolio as that offered by the Company, and takes into consideration the transfer taxes that will be borne by Batipart.

7.1.5. PUBLIC OFFER

At the end of the effective execution of the Block Acquisition by the Company, it is planned that the Company will launch a mandatory public offer targeting all the capital and the securities giving rights to capital and to Eurosic voting rights not yet held by the Company on that date (the "**Public Offer**"). It is planned that this Public Offer will include a cash portion

(public tender offer) on the basis of a price per Eurosic share (coupon attached) or OSRA (subordinated bonds redeemable for common shares) (OSRA 2015 interest coupon attached, the OSRA 2015 interest coupon was paid on June 29, 2017; OSRA 2016 interest coupon detached, the OSRA 2016 interest coupon must be paid September 26, 2017) of €51, and a portion for exchange for shares (public exchange offer) on the basis of a ratio of 7 shares of the Company (coupon attached; the balance of the dividend of €2.60 per share for the year 2016 was detached on July 5, 2017) for 20 shares of Eurosic (coupon attached) or OSRA (OSRA 2015 interest coupon attached, the OSRA 2015 interest coupon was paid on June 29, 2017; OSRA 2016 interest coupon detached, the OSRA 2016 interest coupon must be paid September 26, 2017); it is specified that this exchange ratio shall be adjusted at the time of the Public Offer in order to take into account the impact of the planned capital increase of the Company and in the cases described below.

It is specified that:

- The purchase price per share of Eurosic tendered in the Public Offer shall be reduced by an amount equal to any dividend or any other distribution per share detached by Eurosic before the date of settlement/delivery of the Public Offer, and the exchange ratio of the Public Offer will be adjusted accordingly. The purchase price per OSRA 2015 or per OSRA 2016 shall be reduced by an amount equal to any dividend or any other distribution per share detached by the Company before the date of settlement/delivery of the Public Offer, as long as said dividend or distribution has resulted in an adjustments of the terms and conditions of the OSRA 2015 or OSRA 2016 designed to preserve the economic rights of the holders of OSRA 2015 or OSRA 2016 and the exchange ratio of the Public Offer will be adjusted accordingly.
- The purchase price or the exchange ratio per share per OSRA 2015 or per OSRA 2016 will also be adjusted in order to take into account and neutralize the changes that may affect the shares, OSRA 2015 or OSRA 2016 occurring before the date of settlement/delivery of the Public Offer (for example, in the event of a stock split, a stock reverse split, the distribution of bonus shares for shares or any other transaction on the capital of Eurosic) or that may affect the exchange ratio, for example in the event of a transaction on the equity of Eurosic or the Company.

7.2. STRATEGIC INTEREST OF THE PROPOSED EUROSIC ACQUISITION

Eurosic is a Listed Real Estate Investment Company (Société d'Investissement Immobilier Cotée-SIIC), listed for trading on the Euronext regulated market in Paris (compartment A). Eurosic filed its 2016 Reference Document with the French Autorité des marchés financiers on April 7, 2017, under number D.17-0355.

The proposed acquisition of Eurosic constitutes a major acceleration in the growth of Gecina by strengthening its positioning as a specialist in prime office space in Paris, the leading real estate market in continental Europe. It is perfectly in line with the company's strategy to create value. The new Gecina organization implemented as of July, organized around two business segments, offices and residential, will ensure rapid integration of Eurosic's operational teams.

Eurosic represents holdings valued at €6.2 billion[(1)] a major portion of which consists of prime office space, located primarily in Paris and in the Western Crescent. The new entity will reach €19.5 billion in total holdings (including the pipeline of committed developments), which makes it the fourth-largest European real estate company. With €15.5 billion in office assets, Gecina is strengthening its leadership as the top European office real estate company.

The Gecina offer values the Eurosic office portfolio in Paris at around €9,900/sq.m and the Eurosic portfolio in the Paris region at around €6,600/sq.m. This acquisition reflects an implicit average yield estimated at approximately 5.1% for the office portfolio.

The combined pipeline of committed developments will total €2.5 billion. 44% will be pre-let[(2)], thus offering the Group additional potential for creating value and growth in its cash flow in the coming years.

In addition, this Transaction will allow Gecina to accelerate its turnover strategy for its property portfolio, with a minimum of €1.2 billion in sales[(3)] that is expected to be recorded within 12 months. As a result, the LTV ratio will be maintained below 40%. Additional sales for €1 billion could be planned depending on market conditions.

The Transaction will result in an expansion of nearly 10% in the Gecina float[(4)] and will be accretive at 10% in Net Recurring Income per share on a full year basis. It will enhance the positioning of the Group in urban office real estate, particularly in Paris, and will perfectly meet the Group's investment criteria. The end of this Transaction and the planned sales, the weight of the office segment is expected to be greater than 80% and the portion of offices located in Paris should exceed 60%. Gecina shareholders will benefit from the strong potential for creation of value from the Transaction, at a property, operational and financial level, with an immediate accretion of 10% in Net Recurring Income per share expected on a full year basis[(5)]. The Transaction will be NAV-neutral on the basis of the asset-by-asset valuation performed by Gecina.

(1) On the basis of the price offered at €51.0 per share, excluding the Eurosic diversification portfolio sold to Batipart.
(2) Including negotiations that are currently in the final stages.
(3) Excluding the sale of the Eurosic diversification portfolio sold to Batipart.
(4) Float rising from 51% to around 55%, after capital increase with pre-emptive subscription rights (DPS) and contribution to the securities portion of the mandatory public offer.
(5) On the basis of the 2017 guidance from Gecina, after capital increase and €1.2 billion in sales in the short term.

The Transaction will also include a reduction in the Eurosic structural costs of €12 million transferred to Batipart in the context of the sale of the diversification activities, and €5 million to €10 million in additional potential synergies per year for the combined entity.

The Eurosic development pipeline, estimated at €1.0 billion, including 11 office projects in Paris, will also advantageously round out Gecina's pipeline, and will offer the group an additional potential for value creation in the coming years. The combined pipeline of committed projects will be raised to around €2.5 billion with an expected yield of around 6%.

7.3. FINANCING CONDITIONS FOR THE PROPOSED EUROSIC ACQUISITION

In order to secure the financing for the proposed Eurosic Acquisition, the Company has signed a bridge loan agreement, which was partially refinanced on the bond market and which is also intended to be refinanced by the proceeds of a capital increase with pre-emptive subscription rights. The Company will also use €400 million in existing available credit lines[1].

7.3.1. BRIDGE LOAN AGREEMENT

On June 20, 2017, the Company signed a bridge loan agreement with Morgan Stanley Bank International Limited composed of a term line for a maximum total of €2.5 billion that can be used by draws for six months after the signing date. This loan, which may be syndicated, finances the acquisition of the shares and the OSRAs (as applicable) held in Eurosic by Batipart, Covéa, the ACM, Debiopharm, Crédit Agricole Assurances and Latricogne. It has an initial maturity of one year that can be extended by two six-month periods at the Company's option.

On June 30, 2017, €1.5 billion of this bridge loan was canceled, which corresponds to the proceeds from the bond issue executed the same day (see Section 7.3.2); thus the usable term was reduced to €1.0 billion. It is planned for this bridge loan to also be canceled for the amount of the net proceeds from the capital increase.

7.3.2. BOND ISSUE

On February 23, 2017, the Board of Directors approved the issue of bonds by the Company.

At its meeting on June 20, 2017, the Board of Directors decided to raise the maximum nominal amount of the issue, set initially at one billion euros (€1,000,000,000) to two billion five hundred million euros (€2,500,000,000) for the issuance of bonds or any other securities representing claims against the Company, whatever the maturities; this amount may be increased by an additional maximum nominal amount of five hundred million euros (€500,000,000) for the issuance of bonds or any other marketable securities representing claims on the Company with an initial maturity less than or equal to twenty-four (24) months.

Also on June 20, 2017, the Board unanimously authorized the Company to increase the size of its Euro Medium Term Notes (EMTN) program, set initially at an issue amount of four billion euros (€4,000,000,000) maximum, raising it to eight billion euros (€8,000,000,000) maximum.

On June 26, 2017, the Company received AMF approval of supplement No. 1 to the base prospectus for the EMTN program. This supplement incorporated the recent events relating to the Group and increased the size of the EMTN program to eight billion euros (€8,000,000,000), pursuant to the authorization given by the Board of Directors on June 20, 2017.

On June 27, 2017, the Company announced a bond issue for a total of €1.5 billion, comprised of three series of senior bonds issued as part of its EMTN program and listed for trading on Euronext. The financial terms of this issue were as follows: a series of bonds totaling €500 million bearing interest at the variable rate indexed to the three-month Euribor plus a margin of 0.38% and maturing in June 2022; a series of bonds for a total of €500 million bearing interest at the fixed rate of 1.375% and maturing on June 30, 2027; and a series of bonds for a total of €500 million bearing interest at a fixed rate of 2.0% and maturing on June 30, 2032. The settlement/delivery of this issue took place on June 30, 2017. The proceeds from this issue will be allocated to payment of a portion of the Eurosic acquisition price, and allowed the cancellation of the bridge loan for the same amount (see Section 7.3.1).

(1) Assuming a contribution at 50% from minority shareholders to the securities portion and 50% in the cash portion of the Public Offer.

7.3.3. CAPITAL INCREASE WITH SHAREHOLDERS' PRE-EMPTIVE SUBSCRIPTION RIGHTS

On June 21, 2017, the Company announced its intention to finance a portion of the acquisition price for Eurosic using the proceeds from a capital increase of €1 billion with pre-emptive subscription rights for shareholders.

The capital increase maintaining pre-emptive subscription rights must be the subject of a prospectus approved by the French Autorité des marchés financiers.

7.3.4. SUMMARY OF THE FINANCING

As of July 17, 2017, the financing for the proposed Eurosic Acquisition was secured as follows:

Financing source	Amount available
Bond issue (see Section 7.3.2)	1.5 billion
Existing credit lines	0.4 billion(1)
Bridge loan agreement(2) (see Section 7.3.1)	1.0 billion
TOTAL	**2.9 BILLION**

(1) Assuming a 50% contribution from minority shareholders to the securities portion, and 50% to the cash portion of the Public Offer.
(2) The bridge loan agreement is intended to be canceled in the amount of the net proceeds from the capital increase described in Section 7.3.3.

The amount of the Eurosic Acquisition is €2.9 billion(1).

7.4. RISKS RELATED TO THE EUROSIC ACQUISITION PROJECT

The principal risk factors related to the Eurosic Acquisition project are as follows:

7.4.1. THE ACQUISITION OF EUROSIC MAY FAIL TO ACHIEVE THE EXPECTED BENEFITS

The success of the acquisition of Eurosic will depend on the Group's ability to effectively integrate Eurosic into its business. Among other things, the success of the integration will depend on the Group's capacity to effectively capitalize on Eurosic's expertise in order to deliver the expected benefits of the combined business. Any difficulties encountered in the integration of Eurosic could result in lower benefits or revenues than anticipated, which could have a material adverse effect on the Group's business, results, financial condition or its ability to meet its objectives.

7.4.2. THE COMPANY HAS ONLY HAD LIMITED CONTACT WITH EUROSIC AND IT MAY BE REQUIRED TO RECORD RESTRUCTURING AND IMPAIRMENT OR OTHER CHARGES AS A RESULT OF LIABILITIES RESULTING FROM LEGACY ISSUES OR IF IT DISCOVERS LIABILITIES OR OTHER ISSUES FOLLOWING THE ACQUISITION OF EUROSIC

In order to determine its estimate of the value of the Eurosic group (and thus the prices that the Group offered to pay to Eurosic shareholders), the Group relied (without verifying) on the public information that Eurosic, as a listed company, had made public and the limited contact it had with Eurosic. No assurance can be given that those contacts enabled the Group to identify all material issues, risks, difficulties or potential liabilities related to Eurosic or that factors outside the control of Eurosic or outside of the Group's control will not later arise. If the Group has failed to identify material issues, risks, difficulties or potential liabilities it may be forced to write-down or write-off assets, restructure its operations or incur impairment or other charges that could result in reporting losses. The above-mentioned issues could result in lower operational performance than anticipated, or additional difficulties in implementing integration of the Eurosic group within its group, which could have a material adverse effect on the Group's ability to meet its objectives and on its financial condition.

(1) Assuming a 50% contribution from minority shareholders to the securities portion, and 50% to the cash portion of the Public Offer.

7.4.3. THE PRO FORMA FINANCIAL INFORMATION MAY NOT BE REPRESENTATIVE OF THE FUTURE PERFORMANCE OF THE COMBINED GROUP RESULTING FROM THE ACQUISITION OF EUROSIC

In preparing the *pro forma* financial information included in the *Actualisation n°1 du document de référence 2016* (the "**First Update to the 2016 Registration Document**") relating to the acquisition of Eurosic, Gecina has made adjustments to historical financial information, in particular to the goodwill recognized by Eurosic as of December 31, 2016 and to the real estate asset value of Eurosic as of December 31, 2016, based upon currently available information and upon assumptions that its management believes are reasonable in order to reflect, on a *pro forma* basis (i) the impact of the acquisition of Eurosic and (ii) the financing package for the acquisition. The estimates and underlying assumptions used in the calculation of the *pro forma* financial information may be materially different from the Group's actual experience. Accordingly, the *pro forma* financial information provided is illustrative only and does not purport to indicate the results that would have actually been achieved had the transactions been completed on the contemplated dates or within the contemplated periods, nor does it reflect future performance of the Group. In addition, the *pro forma* financial information is unaudited and does not purport to reflect the impact of any event other than those contemplated in the non-audited *pro forma* financial information and the notes relating to it.

7.4.4. THE COMPLETION OF THE ACQUISITION OF EUROSIC IS SUBJECT TO THE SATISFACTION OR WAIVER OF SEVERAL CONDITIONS PRECEDENT, AND A DELAY OR FAILURE TO MEET THEM COULD HAVE AN ADVERSE IMPACT ON THE PLANNED ACQUISITION AND THE GROUP

The acquisition of 94.8% of the share capital of Eurosic (on a fully diluted basis) described in this section is subject to the satisfaction or waiver of specified conditions precedent. No assurance can be given with respect to the satisfaction of all those conditions precedent and, in particular, whether all the required authorizations will be obtained under favorable conditions for the Group or at all. The failure or the delay in the satisfaction of one of the conditions precedent or the imposition of conditions or obligations disadvantageous for the Group could prevent the fulfillment of or hamper the acquisition, which could have a material adverse effect on the business of the Group, its financial condition or its operating results.

7.4.5. SOME OF EUROSIC'S FINANCING CONTRACTS ARE SUBJECT TO CHANGE OF CONTROL PROVISIONS

Some of Eurosic's financing contracts are subject to change of control provisions that permit the lenders or bondholders to demand early repayment upon a change of control. As the acquisition of Eurosic will trigger a change of control of Eurosic, waivers must be obtained from the lenders and bondholders. If Gecina and Eurosic fail to obtain such waivers and the lenders or bondholders request early repayment, the Group will have to obtain other sources of financing to fund the repayments, which may not be available on terms comparable to those of the existing financings.

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