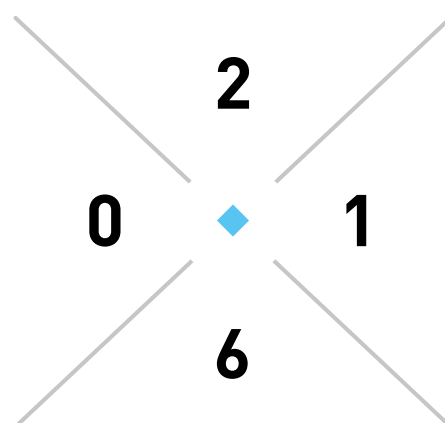



FIRST-HALF FINANCIAL REPORT





≡ 2016 FIRST-HALF FINANCIAL REPORT ≡

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1.1. BUSINESS ANALYSIS

Changes in scope

Foncière des Régions increased its stake in its subsidiary Beni Stabili in the first half of 2016, owning 52.2% of the share capital at 30 June 2016, vs. 48.5% at 31 December 2015. The ownership rate recorded in the income statement for the first half-year came to 50.12%.

Foncière des Régions also increased its stake in its hotel subsidiary Foncière des Murs in early 2016, owning 49.6% of the share capital at 30 June 2016, vs. 43.1% at 31 December 2015. The ownership rate recorded in the income statement was 43.15% for the first quarter of 2016, and 47.49% for the second quarter of 2016.

1.1.1. Rental income recognised: stable at like-for-like scope

(€M)	100%			Group share				
	H1 2015	H1 2016	Change [%]	H1 2015	H1 2016	Change [%]	Change [%] LFL ⁽¹⁾	% of rent
Offices France	125.2	138.4	10.6%	116.5	125.7	8.0%	-0.3%	44%
Paris	43.2	44.2	2.2%	41.0	41.9	2.2%		15%
Paris Region	51.9	65.4	26.1%	45.4	55.0	21.0%		19%
Other French regions	30.1	28.8	-4.1%	30.0	28.9	-3.8%		10%
Offices Italy	110.5	98.9	-10.5%	53.4	49.6	-7.2%	-0.8%	17%
Offices - excl. Telecom Italia	43.1	39.3	-8.9%	20.9	19.7	-5.5%		7%
Offices Telecom Italia	57.0	49.6	-13.0%	27.5	24.8	-9.7%		9%
Retail & others	10.4	10.0	0.0%	5.0	5.0	0.0%		2%
TOTAL OFFICES	235.7	237.3	0.7%	169.8	175.3	3.2%	-0.5%	61%
Hotels and Service sector	98.9	100.9	2.0%	38.9	41.5	6.8%	-2.1%	14%
Hotels	72.9	75.2	3.3%	27.6	29.9	8.1%		10%
Healthcare	7.6	7.2	-5.6%	3.3	3.3	-0.9%		1%
Business premises	18.4	18.5	0.4%	8.0	8.4	5.5%		3%
Residential Germany	91.6	105.9	15.6%	55.3	65.3	18.0%	2.9%	23%
Berlin	24.7	41.1	66.5%	14.7	24.6	67.6%		9%
Dresden & Leipzig	7.7	8.7	12.8%	4.5	5.8	30.2%		2%
Hamburg	N/A	6.1	N/A	N/A	3.4	N/A		0%
NRW	59.2	50.0	-15.6%	36.1	31.4	-13.0%		11%
TOTAL CORE ACTIVITIES	426.2	444.2	4.2%	264.0	282.1	6.8%	0.0%	98%
Other	11.7	8.2	-30.1%	7.2	5.0	-30.1%	N/A	2%
Residential France	11.7	8.2	-30.1%	7.2	5.0	-30.1%		2%
TOTAL RENT ⁽¹⁾	437.9	452.3	3.3%	271.2	287.1	5.9%	0.0%	100%

⁽¹⁾ Excluding Logistics (€10 million in H1-2015 – €3 million in H1-2016) – classified as discontinued operations.

Rental income increased by 5.9% (Group share) over one year, including +6.8% for strategic activities. This €15.9 million increase is due primarily to the following factors:

- an increase in Hotel real estate with a rise in Foncière des Murs' ownership rate in 2016 (+€2.0 million)
- acquisitions (+€19.4 million), especially in Germany Residential (+€13.3 million), where the Group strengthened its position in Berlin through several asset portfolios with high growth potential
- deliveries of new assets (+€8.7 million), mainly in France Offices
- releases of assets intended to be restructured or redeveloped (-€1.1 million)
- non-core asset disposals (-€16.5 million), particularly in Germany Residential (-€6.0 million)
- indexation and the mixed effect from departures and re-lettings (-€0.7 million), of which vacating of France Residential (-€0.6 million).

At like-for-like scope, rental income remained stable in a context of zero inflation. The performance of France Offices was very slightly negative, at -0.3% at like-for-like scope, due to the lack of a general recovery in market rent levels. For Italy Offices, the -0.8% decrease is due to the residual effect of the renegotiation of Telecom Italia leases in Italy in 2015 (extension of the leases to a term of 15 years firm in return for a 6.9% decrease in rental income). Rental income increased by 2.6% for Italy Offices, excluding Telecom Italia.

The drop in rental income at like-for-like scope in the Hotels and Service Sector (-2.1%) is due to the impact of the terrorist attacks in Paris and Brussels on AccorHotels' rental income

(variable depending on the hotels' revenues). Lastly, in Germany Residential, performance at like-for-like scope accelerated (+2.9% vs. +2.4% in 2015), sustained by buoyant market conditions.

1.1.2. Lease expirations and occupancy rates

1.1.2.1. Annualised lease expirations: residual lease term of 7.5 years firm for commercial activities

<i>(years)</i>	By lease end date (1 st break)		By lease end date	
	2015	H1 2016	2015	H1 2016
Group Share				
France	5.4	5.9	6.4	6.5
Italy	9.7	9.5	15.3	15.1
Offices	6.6	6.9	8.9	8.9
Hotels & Services sector	10.7	10.6	11.0	10.9
TOTAL	7.3	7.5	9.3	9.3

The average residual lease term is stable at 9.3 years, and the firm residual term increased slightly, despite six months of additional activity, to a new record of 7.5 years firm. This level has seen a constant increase since the market low of 2012 (at 5.5 years firm). Average maturity improved to 5.9 years firm in

the France Offices segment following leasing agreements in the half-year period, in particular renegotiations with Orange, EDF and asset deliveries. The term stabilised at a particularly high level for Italy Offices and the Hotel and Services Sector after major agreements with Telecom Italia and AccorHotels in 2015.

<i>(€M)⁽¹⁾</i>	By lease end date (1 st break)	% of total	By lease end date	% of total
2016	10.7	2%	5.8	1%
2017	20.1	4%	10.4	2%
2018	35.6	8%	10.9	2%
2019	62.8	14%	36.6	8%
2020	14.2	3%	22.4	5%
2021	38.1	8%	41.0	9%
2022	45.1	10%	37.6	8%
2023	35.2	8%	33.3	7%
2024	13.0	3%	27.6	6%
2025	66.4	15%	70.0	15%
Beyond	114.8	25%	160.5	35%
TOTAL	456.1	100%	456.1	100%

⁽¹⁾ Residential excluded.

Maturities of less than three years on firm residual terms were reduced from 24% of rental income at end-2015 to 14% at 30 June 2016, thereby improving the Group's visibility and securing cash flow in the medium term.



1.1.2.2. Occupancy rate: up at 96.7%

[%]	Occupancy rate	
	2015	H1 2016
Group Share		
France	95.8%	95.8%
Italy	92.8%	95.1%
Offices	94.9%	95.6%
Hotels & Service sector	100.0%	100.0%
Residential Germany	98.0%	98.1%
TOTAL	96.3%	96.7%

The occupancy rate increased slightly by 0.4 points in the first half of 2016, with in particular an increase of 2.3 points for Italy Offices, due to leases signed in the half-year period (+1.6 points) and to the increased development pipeline (positive impact of 0.7 points). The situation is stable on the other segments, with a consistently high level occupancy in Germany Residential and in the Hotels and Service Sector.

1.1.3. Breakdown of rental income – Group share

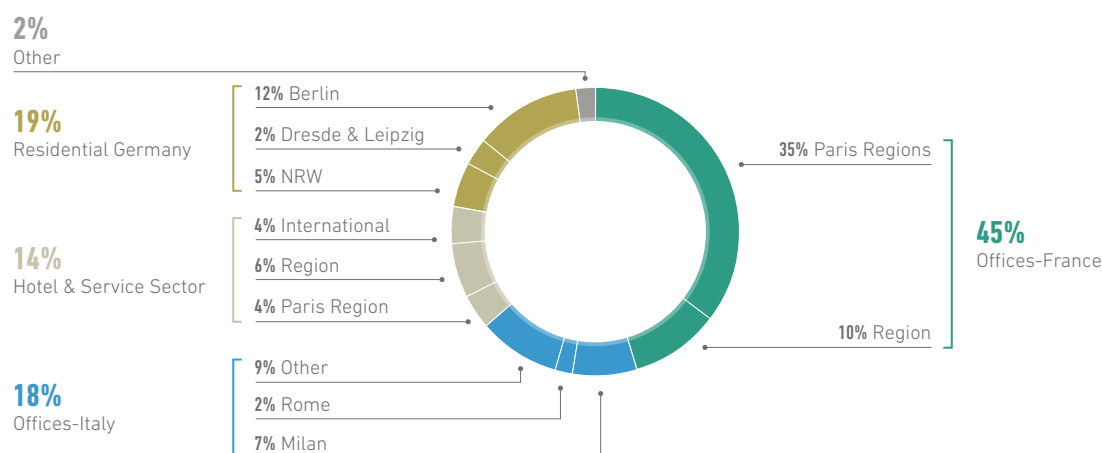
1.1.3.1. Breakdown by major tenants: a strong rental income base

In the first half of 2016, Foncière des Régions actively continued its partnership strategy by signing new leases with some of its Key Account tenants. Exposure to the three major tenants continues to decline (27% vs. 29% at end-2015), in accordance with the strategy pursued by the Group over the last several years.

[€M]	Annualised rental income	
	H1 2016	%
Group Share		
Orange	82.4	14%
Telecom Italia	51.4	8%
AccorHotels	31.4	5%
Suez Environnement	21.5	4%
EDF	18.4	3%
Vinci	16.6	3%
B&B	17.9	3%
Eiffage	11.4	2%
Thales	10.7	2%
Natixis	10.5	2%
Dassault Systèmes	9.8	2%
Quick	8.4	1%
Korian	7.2	1%
Sunparks	6.9	1%
Jardiland	6.7	1%
PSA	5.5	1%
AON	5.4	1%
Cisco System	4.8	1%
Lagardère	4.8	1%
Other tenants < €4 million	135.0	22%
Residential Germany	132.1	22%
Residential France	9.1	2%
TOTAL RENTAL INCOME	607.9	100%

1.1.3.2. Geographic breakdown

IN RENTS (EXCL. LOGISTICS)



The geographic breakdown illustrates a continuous trend towards the concentration of activities in capital cities and the major regional cities, thereby implementing the Group's strategic plan and contributing towards the constant improvement of the portfolio quality. In particular, nearly 60% of assets are located in Greater Paris, Berlin and Milan.

1.1.4. Cost to revenue by business

	Offices France	Office Italy	Hotels & Service Sector	Residential Germany	Other (Residential France)	Total	
	H1 2016	H1 2016	H1 2016	H1 2016	H1 2016	H1 2015	H1 2016
Rental Income	125.7	49.6	41.5	65.3	5.0	271.2	287.1
Unrecovered property operating costs	-3.4	-6.0	0.0	-1.6	-1.1	-11.7	-12.1
Expenses on properties	-1.1	-1.9	-0.0	-4.9	-0.6	-7.4	-8.4
Net losses on unrecoverable receivable	0.3	-0.5	0.0	-0.9	-0.1	-2.1	-1.1
NET RENTAL INCOME	121.5	41.2	41.5	57.9	3.3	250.0	265.5
Cost to revenue ratio ⁽¹⁾	3.4%	16.9%	0.0%	11.3%	33.5%	7.8%	7.5%

⁽¹⁾ Property taxes are spread over the year (cancellation of IFRIC 21 impact).

The cost to revenue ratio is still under control and showed a slight decrease over one year (7.5%). Cost to revenue for Germany Residential dropped to 11.3% (vs. 11.5% at 30 June 2015). The low level in France Offices and the Hotels and Service Sector is due to the triple-net lease structures. In Italy, cost to revenue has remained stable and does not yet reflect the recent improvement in vacancy. Lastly, cost to revenue for Other activities is due to vacancy in France Residential, associated with the policy for the gradual disposal of assets, in particular upon their being vacated.

1.1.5. Disposals and disposal agreements: €399 million Group share

(€M)		Disposals (agreements as of end of 2015 closed)		New disposals H1 2016		New agreements H1 2016		Margin vs H1 2016 value	Yield	Total Realized Disposals = (I + II)
		I	II	III	IV	Total H1 2016	Yield			
Offices – France	100%	81	59	1	44	45	1.5%	8.0%	82	
Offices – Italy	100%	55	3	1	48	48	1.4%	4.0%	56	
	Group Share	29	2	0	25	25	1.4%	4.0%	29	
Residential – Germany	100%	122	6	71	119	190	9.1%	7.2%	193	
	Group Share	74	4	44	73	116	9.1%	7.2%	118	
Hotels & Service sector	100%	256	114	0	306	306	23.5%	5.0%	256	
	Group Share	127	56	0	152	152	23.5%	5.0%	127	
Other	100%	130	128	44	55	89	6.3%	1.2%	174	
	Group Share	119	76	27	33	60	5.7%	1.2%	146	
TOTAL ASSET DISPOSALS	100%	644	310	117	572	689	14.0%	5.2%	761	
	GROUP SHARE	430	197	72	327	399	12.7%	5.3%	502	

During the first half of 2016, Foncière des Régions generated €399 million (Group share) through new disposals (for €72 million) and disposal agreements (for €327 million) to help improve the quality of the portfolio, in particular with the signature of the Healthcare portfolio for a total amount of €301 million (€295 million net of costs).

The total amount of disposals completed represents €502 million Group share, related in particular to housing units in North Rhine-Westphalia and to hotels in the regions.

Disposals continue to be signed with a substantial margin on the most recent appraisal values (12.7% over the half-year period).

1.1.6. Asset acquisitions: secure €1.0 billion Group share

(€M)	Secured Acquisitions			Realized Acquisitions		
	Acquisitions (€M) ID ⁽¹⁾	Acquisitions (€M) ID ⁽¹⁾	Yield ID	Acquisitions (€M) ID ⁽¹⁾	Acquisitions (€M) ID ⁽¹⁾	Yield ID
	100%	Group Share	Group Share	100%	Group Share	Group Share
Offices – France	140	140	7.8%	138	138	7.7%
Offices – Italy	85	44	6.5% ⁽²⁾	0	0	N/A
Reinforcement Beni Stabili	0	147	5.7%	0	147	5.7%
German Residential	260	182	4.9%	260	182	4.9%
Hotels & Service sector	144	69	6.1%	11	6	6.5%
Operating Hotel properties	936	190	N/A	125	25	N/A
Reinforcement FDM	0	208	5.9%	0	208	5.9%
TOTAL	1,565	980	6.0%	534	705	6.0%

⁽¹⁾ ID: including duties.

⁽²⁾ Potential yield on acquisitions – current yield of 6,1% at current occupancy (94%).

With €980 million in secure acquisitions and €705 million Group share achieved across all asset categories, in particular Hotels in leases and Hotel operating properties, Foncière des Régions continued its asset acquisition strategy in strategic markets this half-year, with:

- ♦ the France Offices acquisition of the Rueil-Lesleps building in Rueil-Malmaison, for €129 million
- ♦ the acquisition in Berlin of several asset portfolios for €182 million in Group share
- ♦ the acquisition of four B&B hotel premises in Spain (€6 million in Group share) and of a portfolio of nine hotels in France and Belgium in Hotel operating properties for a total of €25 million in Group share.



1.1.7. Development projects

1.1.7.1. Seven projects delivered in the first half of 2016 in France Offices and Hotels

The growth in rental income in the first half of 2016 was driven by the real estate development strategy, focusing on the development pipeline. Approximately 28,000 m² of France Offices were delivered in the first half of 2016. In Hotel operating properties, three new B&B assets were delivered, including two in Germany.

1.1.7.2. Committed projects: €676 million in Group share, up 10%

The pro-active strategy of renewing the pipeline in France Offices and Italy Offices as well as in Hotels led to a growth of 10% in the committed pipeline in the first half-year, to €676 million Group share. In France Offices, assets under renewal include the Helios project in Lille, for 8,700 m² to be delivered in 2018. In Hotels, the Group signed new developments with MEININGER in Paris and B&B in France and Germany. Lastly, the Italy Offices pipeline increased by €120 million (€63 million Group share) with the entry of three new projects in Milan.

The pre-letting rate for the pipeline stood at 42% at 30 June 2016, including 100% for deliveries in the second half of 2016.

Projects	Type	Location	Project	Surface ⁽¹⁾ (m ²)	Delivery	Target rent (€/m ² / year)	Pre- leased [%]	Total budget ⁽²⁾ (€M)	Target yield	Progress	Capex to be invested (Group share)
Clinique INICEA	Offices France	Saint- Mandé – Greater Paris	Construction	5,700	2016	N/A	100%	25	6%	95%	1
DS Campus Extension 1 [FDR share: 50%]	Offices France	Vélizy – Greater Paris	Construction	13,100	2016	305	100%	39	6%	65%	6
Total 2016				18,800		305	100%	64	6%	77%	6
Euromed Center – Bureaux Hermione [FDR share: 50%]	Offices France	Marseille	Construction	10,400	2017	265	0%	14	> 7%	70%	4
Silex I	Offices France	Lyon	Construction	10,600	2017	280	26%	47	6%	60%	16
Euromed Center – Bureaux Floreal (FDR share: 50%)	Offices France	Marseille	Construction	13,400	2017	265	0%	18	>7%	55%	9
Thaïs	Offices France	Levallois – Greater Paris	Construction	5,500	2017	480	0%	40	6%	50%	14
O'rigin	Offices France	Nancy	Construction	6,300	2017	195	77%	20	6%	40%	11
Edo	Offices France	Issy-les- Moulineaux – Greater Paris	Regeneration- Extension	10,800	2017	450	100%	83	6%	30%	33
Art&Co	Offices France	Paris	Regeneration	13,500	2017	520	5%	131	5%	5%	34
Total 2017				70,500		425	33%	353	6%	31%	122
Riverside	Offices France	Toulouse	Construction	11,000	2018	195	0%	32	7%	5%	26
Hélios	Offices France	Lille – Villeneuve- d'Asq	Construction	8,700	2018	160	0%	21	>7%	5%	20
Total 2018				19,700		181	0%	53	7%	5%	46
Total – Offices France				109,000		381	39%	470	6%	34%	175



Projects	Type	Location	Project	Surface ⁽¹⁾ (m ²)	Delivery	Target rent (€/m ² / year)	Pre- leased [%]	Total budget ⁽²⁾ (€M)	Target yield	Progress	Capex to be invested (Group share)
Milan, via Colonna	Offices Italy	Milan	Regeneration	3,464	2017	260	0%	8	5%	1%	2
Milan, via Cernaia	Offices Italy	Milan	Regeneration	8,316	2017	420	0%	30	5%	4%	7
Milan, P.zza Monte Titano	Offices Italy	Milan	Regeneration	4,816	2017	190	0%	11	5%	1%	4
Turin, corso Ferrucci 112	Offices Italy	Turin	Regeneration	45,600	2017	130	0%	45	6%	10%	15
Total 2017				62,196		241	0%	94	5%	6%	29
Symbiosis A+B	Offices Italy	Milan	Construction	19,000	2018	300	80%	45	7%	8%	26
Total 2018				19,000		300	80%	45	7%	8%	26
Total – Offices Italy				81,196		260	26%	139	6%	7%	55
B&B Potsdam	Hotels	Potsdam – Germany	Construction	101 rooms	2016	N/A	100%	3	>7%	58%	1
B&B Hamburg	Hotels	Hamburg – Germany	Construction	155 rooms	2016	N/A	100%	6	>7%	85%	1
Total 2016				256 rooms			100%	8	>7%	76%	3
B&B Berlin	Hotels	Berlin – Germany	Construction	140 rooms	2017	N/A	100%	5	>7%	32%	1
B&B Nanterre	Hotels	Nanterre – Greater Paris	Construction	150 rooms	2017	N/A	100%	3	6%	10%	2
Total 2017				150 rooms			100%	8	>7%	32%	1
B&B Lyon	Hotels	Lyon	Construction	113 rooms	2018	N/A	100%	2	6%	27%	1
B&B Châtenay-Malabry	Hotels	Châtenay- Malabry – Greater Paris	Construction	255 rooms	2018	N/A	100%	2	6%	0%	2
Motel One Porte Dorée	Hotels	Paris	Construction	173 rooms	2018	N/A	100%	9	6%	42%	6
Meininger Munich	Hotels	Munich – Germany	Conversion	420 rooms	2018	N/A	100%	15	6%	50%	7
Meininger Porte de Vincennes	Hotels	Paris	Construction	249 rooms	2018	N/A	100%	24	6%	0%	16
Total 2018				1,210 rooms		N/A	100%	51	6%	23%	32
Total – Hotels & Service sector				1,616 rooms		N/A	100%	67	6%	30%	36
TOTAL				190,196		N/A	42%	676	6%	28%	266

⁽¹⁾ Surface at 100%.⁽²⁾ Group share, including land cost and financial cost.



1.1.7.3. Managed projects: €2.3 billion

Projects	Type	Location	Project	Surface ⁽¹⁾ (m ²)	Delivery timeframe
Silex II	Offices – France	Lyon	Regeneration – Extension	30,700	2020
Opale	Offices – France	Meudon – Greater Paris	Construction	30,000	2019
Bordeaux Îlot Armagnac (QP FDR 34%)	Offices – France	Bordeaux	Construction	31,600	2018
Bordeaux Cité du Numérique	Offices – France	Bordeaux	Construction	18,600	2018
Cœur d'Orly Commerces (QP FDR 25%)	Offices – France	Orly – Greater Paris	Construction	31,000	> 2019
ERDF Reims	Offices – France	Reims	Construction	10,400	2017
Multiplex Europacorp	Offices – France	Marseille	Construction	2,800 seats	2018
Cap 18	Offices – France	Paris	Construction	50,000	> 2020
Rueil Vinci	Offices – France	Rueil-Malmaison – Greater Paris	Regeneration – Extension	43,000	> 2020
Canopée	Offices – France	Meudon – Greater Paris	Construction	46,900	2020
Omega	Offices – France	Levallois-Perret – Greater Paris	Regeneration – Extension	21,500	> 2020
Citroen PSA – Arago	Offices – France	Paris	Regeneration	19,500	> 2020
Anjou	Offices – France	Paris	Regeneration	11,000	> 2020
Montpellier Majoria	Offices – France	Montpellier	Construction	58,200	2018-2020
Avenue de la Marne	Offices – France	Montrouge – Greater Paris	Construction	18,000	2020
Cœur d'Orly Bureaux (QP FDR 25%)	Offices – France	Orly – Greater Paris	Construction	50,000	> 2019
Orange Gobelins	Offices – France	Paris	Regeneration	4,100	> 2020
Campus New Vélizy Extension (QP FDR 50%)	Offices – France	Vélizy – Greater Paris	Construction	14,000	2019
DS Campus Extension 2 (QP FDR 50%)	Offices – France	Vélizy – Greater Paris	Construction	11,000	> 2020
ERDF Angers	Offices – France	Angers	Construction	4,700	2019
Total Offices – France				504,200	
Principe Amedeo	Offices – Italy	Milan	Regeneration	6,400	2017
Via Schievano	Offices – Italy	Milan	Regeneration	27,153	2019
Symbiosis (other blocks)	Offices – Italy	Milan	Construction	101,500	2022
Total Offices – Italy				135,053	
TOTAL				639,253	

⁽¹⁾ Surface at 100%.

Project growth is also observed in the managed projects sector, with growth of €1.5 billion compared with end-2015, mainly in France Offices. This increase is characterised by the strategy of concentration in Europe's largest cities, with 250,000 additional square meters in Paris and Milan.



1.1.8. Portfolio

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

(€M)	Value 2015 100%	Value H1 2016 100%	Value H1 2016 Group Share	LFL change 6 months	Yield ED ⁽¹⁾ 2015	Yield ED ⁽¹⁾ H1 2016	% of portfolio
Offices – France	5,658	6,047	5,175	4.4%	6.0%	5.8%	44%
Offices – Italy	3,905	3,963	2,070	1.5%	5.7%	5.6%	18%
Total Office	9,563	10,009	7,245	3.5%	5.9%	5.8%	62%
Residential Germany	3,603	3,776	2,334	3.1%	6.0%	5.7%	20%
Hotels & Service sector	3,663	3,686	1,591	2.8%	5.9%	5.7%	14%
Other	772	602	393	0.1%	4.0%	2.6%	3%
Parking facilities	186	186	111	N/A	N/A	N/A	1%
Portfolio	17,788	18,260	11,673	3.2%	5.8%	5.6%	100%
Equity affiliates	41	46	46				
TOTAL – CONSOLIDATED	17,829	18,305	11,719				
TOTAL – GROUP SHARE	11,008	11,719					

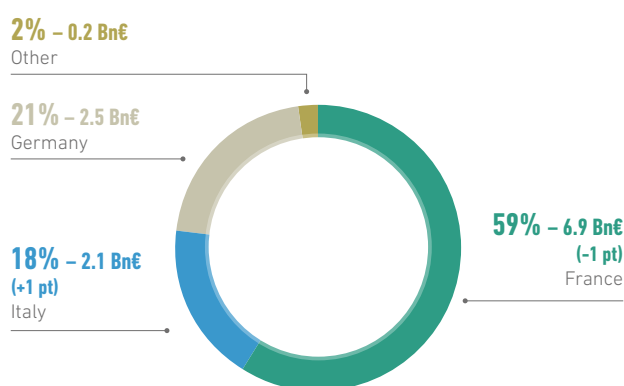
⁽¹⁾ ED: excluding duties.

The Group share of Foncière des Régions' total asset portfolio at 30 June 2016 stood at €11.7 billion (€18.3 billion at 100%) compared to €11.0 billion at end-2015, a like-for-like increase of 3.2% compared to end-2015.

Like-for-like change in value was particularly strong owing to France Offices (+4.4% thanks to committed developments, up 20% like-for-like in 2016) and Germany Residential (+4% in Berlin, Dresden and Leipzig). In Italy, the trend continues to improve with 3% growth like-for-like in asset value in Milan.

1.1.8.2. Geographic breakdown

IN ASSET VALUE





1.1.9. List of major assets

The value of the ten main assets represents almost 16% of the portfolio (GS – Group share).

Top 10 Assets	Location	Tenants	Surface (m ²)	FDR share
Tour CB 21	La Défense (Greater Paris)	Suez Environnement, AIG Europe, Nokia, Groupon	68,077	75%
Natixis Charenton	Charenton-le-Pont (Greater Paris)	Natixis	37,835	100%
Carré Suffren	Paris 15 th	AON, Institut Français, Ministère de l'Éducation	24,864	60%
Dassault Campus	Vélizy-Villacoublay (Greater Paris)	Dassault	56,554	50.1%
Complexe Garibaldi	Milan	Maire Tecnimont	44,650	48.3%
Immeuble – 23, rue Médéric	Vélizy-Villacoublay (Greater Paris)	Orange	46,163	50.1%
New Vélizy	Paris 17 th	Thales	11,182	100.0%
Percier	Paris 8 th	Chloe	8,544	100.0%
Cap 18	Paris 18 th	Genegis, Media Participations	61,097	100.0%
Art&Co (Traversière)	Paris 12 th	SNCF	13,700	100.0%

Excluded assets under commitments.

1.2. BUSINESS ANALYSIS BY SEGMENT

1.2.1. France Offices

France Offices indicators are presented at 100% and as Group share (GS). Assets held partially are the following:

- ♦ Le Ponant (83.5% owned)
- ♦ CB 21 Tower (75% owned)
- ♦ Carré Suffren (60% owned)
- ♦ the Eiffage properties located at Vélizy (head office of Eiffage Construction and Eiffage Campus, head office of Eiffage Groupe) and the DS Campus (50.1% owned and fully consolidated)
- ♦ the New Vélizy property for Thales (50.1% owned and accounted for under the equity method)
- ♦ Euromed Center 50% owned (equity method)
- ♦ Askia, the first office building in the Cœur d'Orly project (25% owned and accounted for under the equity method).

In the first half of 2016, the France Offices segment was mainly marked by:

- ♦ sustained activity in development projects, with in particular the delivery of four buildings, of which three are fully pre-let: their delivery thus generated €2.5 million in gross annualised rental income

- ♦ 22% of annualised nominal rents were impacted by an Asset Management work during the half-year, including the above-mentioned agreements signed with Orange and ERDF/EDF, as well as renegotiations successfully conducted with Key Accounts such as Cisco, Thalès and IBM
- ♦ new leases amounting to €9.1 million in rental income, in particular for projects under development such as EDO in Issy-les-Moulineaux (building fully let), and Silex 1 (26% let to BNP Paribas), and for the operating portfolio, the full rental of CB21 following the lease agreement with Régus, and the signing of a firm 9-year lease with Kering for the Paris Littré premises vacated by Orange
- ♦ ongoing enhancement of the quality of the portfolio *via* sales of non-core assets. Dynamic development policy with an increase in the project pipeline to €2.5 billion. Targeted acquisitions amounting to €138 million, generating €11 million in gross annualised rental income (mainly Rueil Lesseps, Head Office of Vinci in Rueil-Malmaison for €129 million)
- ♦ a 4.4% increase in values on a like-for-like scope, reflecting the rental agreements with Key Accounts, the signing of leases on projects under development and the ongoing strong performance of strategic markets in the portfolio (Greater Paris and Major Regional Cities).

1.2.1.1. Rental income recorded: €126 million, up 8.0%

1.2.1.1.1. Geographic breakdown: strategic locations (Paris region and Major Regional Cities – MRC) generated 89% of rental income

(€M)	Surface (m ²)	Number of assets	Rental income H1 2015 100%	Rental income H1 2015 Group Share	Rental income H1 2016 100%	Rental income H1 2016 Group Share	Change Group Share (%)	Change Group Share [%] LFL	% of rental income
Paris Centre West	91,092	12	17.8	17.9	18.8	18.8	5.0%	0.6%	15.0%
Southern Paris	77,285	11	15.1	12.8	15.7	13.4	4.7%	2.8%	10.6%
North Eastern Paris	121,329	6	10.3	10.3	9.7	9.7	-6.0%	1.6%	7.7%
Wester Crescent and La Défense	231,381	22	28.7	25.2	33.5	29.7	17.9%	-1.7%	23.6%
Inner suburbs	355,422	22	16.8	13.8	26.3	19.6	42.3%	-2.5%	15.6%
Outer suburbs	114,846	48	6.4	6.4	5.6	5.6	-12.3%	-2.6%	4.5%
Total Paris Region	991,355	121	95.1	86.4	109.6	96.9	12.1%	-0.7%	77.0%
MRC	420,488	74	15.2	15.1	15.0	15.1	-0.5%	1.3%	12.0%
Other French regions	479,972	171	14.9	14.9	13.8	13.8	-7.1%	0.2%	11.0%
TOTAL	1,891,816	366	125.2	116.5	138.4	125.7	8.0%	-0.3%	100.0%

The Group share of rental income rose to €126 million (+€9.2 million) over one year. This change is primarily the combined result of:

- ♦ asset disposals particularly in the outer Paris suburbs and in French regions other than the Paris Region (-€3.8 million)
- ♦ asset acquisitions and deliveries (+€11.7 million):
 - ♦ €3.7 million due to acquisitions, in particular Levallois Omega B at end-2015 and the Head Office of Vinci in Rueil-Malmaison in April 2016

- ♦ delivery of pre-let properties accounting for €8 million including:
 - Steel in July 2015, in Paris Centre West, fully rented to One Point (effective 2016)
 - Campus Eiffage in August 2015, a turnkey project leased to Eiffage in Vélizy for 12 years firm



- Green Corner in September 2015, in Saint-Denis, 86% leased to the French Health Authority for a term of ten years firm, effective March 2016, and to Systra
 - turnkey property rented to Bose in January 2016 in Saint-Germain-en-Laye
 - turnkey property rented to Schlumberger in February 2016 in Montpellier
 - the Golden Tulip hotel in Marseille in April 2016
 - the Calypso building in Marseille in April 2016
- ◆ an increase at a like-for-like scope of -0.3% (-€0.8 million) related to:
 - ◆ the positive effect of indexation (+€0.3 million)
 - ◆ rental activity (-€1.1 million), with an unfavourable calendar effect in terms of the rental/vacating of premises and the slightly negative impact of 2015 renewals.

1.2.1.2. Annualised rental income: €273 million

1.2.1.2.1. Breakdown by major tenants

(€M) Group Share	Surface (m ²)	Number of assets	Annualised rental income 2015	Annualised rental income H1 2016	Change (%)	% of rental income
Orange	446,504	153	87.4	82.4	-5.7%	30.2%
Suez Environnement	58,866	2	21.4	21.5	0.4%	7.9%
EDF	158,106	21	19.0	18.4	-3.3%	6.7%
Vinci	61,885	5	6.6	16.6	149.6%	6.1%
Eiffage	141,796	67	11.5	11.4	-0.8%	4.2%
Thalès	88,274	2	10.7	10.7	0.1%	3.9%
Natixis	37,887	3	10.5	10.5	0.0%	3.8%
Dassault	56,192	2	9.8	9.8	0.0%	3.6%
PSA	19,531	1	5.5	5.5	0.3%	2.0%
AON	15,592	1	5.4	5.4	0.0%	2.0%
Cisco	11,291	1	4.8	4.8	0.0%	1.8%
Lagardère	12,953	3	5.3	4.8	-10.6%	1.7%
Other tenants	782,938	105	66.3	71.4	7.8%	26.1%
TOTAL	1,891,816	366	264.3	273.2	3.4%	100%

The biggest 12 tenants account for 74% of annualised rental income.

The main changes in the first half affecting Key Accounts were as follows:

- ◆ Vinci: acquisition of the company's head office in Rueil-Malmaison
- ◆ Orange: lowering of exposure in particular following partial sales of assets and the vacating of premises for their redevelopment
- ◆ EDF: impacts of the renegotiation and vacating of premises rented in the Patio building in Lyon
- ◆ Lagardère: temporary lowering of rent during construction work, as provided for in the Omega A and C leases in Levallois, renegotiated in 2015.

1.2.1.2.2. Geographic breakdown: The Paris region and Major Regional Cities account for 90% of rental income

(€M) Group Share	Surface (m ²)	Number of assets	Annualised rental income 2015	Annualised rental income H1 2016	Change (%)	% of rental income
Paris Centre West	91,092	12	39.8	42.3	6.3%	15%
Southern Paris	77,285	11	21.2	21.2	0.3%	8%
North Eastern Paris	121,329	6	21.1	19.3	-8.5%	7%
Wester Crescent and La Défense	231,381	22	59.8	69.4	15.9%	25%
Inner suburbs	355,422	22	47.2	47.8	1.1%	17%
Outer suburbs	114,846	48	12.3	11.0	-9.9%	4%
Total Paris Region	991,355	121	201.4	211.0	4.8%	77%
MRC	420,488	74	33.2	33.9	2.1%	12%
Other French regions	479,972	171	29.7	28.3	-4.7%	10%
TOTAL	1,891,816	366	264.3	273.2	3.4%	100%

The Paris region remains the area generating the highest annualised rental income, stable vs. 2015. The increase in rental income from the Paris Centre West and Western Crescent areas is mainly due to the delivery of assets in 2015 and the acquisition of the Vinci head office.

1.2.1.3. Indexation

The indexation effect is +€0.3 million over one year. 81% of rental income is indexed to the ILAT, 18% is indexed to the ICC, while the remainder is indexed to the ILC construction cost index or the IRL rental reference index. Rents benefiting from an indexation floor (1%) represent 30% of annualised rental income and are indexed to the ILAT.

1.2.1.4. Rental activity

(€M) 100%	Surface (m ²)	Annualised rental income	Annualised rental income (€/m ²)
Vacating	22,720	1.1	47.2
Letting	15,270	3.8	247.5
Pre-letting Development	13,570	5.7	418.1
Renewal	430,812	54.1	125.5

The first half-year was marked by the signing of numerous agreements and intense asset management work. Concerning the renewal and renegotiation of current leases, 22% of nominal annualised rents were impacted by an asset management procedure during the half-year, including numerous agreements signed with Key Accounts:

- ◆ comprehensive memorandum of understanding signed with Orange covering 61 leases (€17 million in rental income) to extend their average maturity (+4.1 years). At the same time, preliminary purchase agreements were signed by Orange for eight properties totalling €23 million
- ◆ comprehensive memorandum of understanding signed with ERDF/EDF: extension of the average firm lease term on seven properties (€5.4 million in rental income), tacit renewal for seven properties under the same terms and conditions and signing of a lease for nine years firm starting in 2018 for the Lyon Duguesclin building, including work (€1.9 million in rental income)
- ◆ Thales: extension of the New Vélizy and TED leases: +3 years, €15 million in rental income

- ◆ IBM in Montpellier, extended for three years, with rental income of €2.7 million
- ◆ Cisco: renegotiation successfully conducted with a five-year extension of the lease to six years firm in exchange for a works programme.

On average, lease renegotiations and renewals resulted in a 0.9% increase on existing IFRS rents and the extension of the leases by an average of 3.3 years.

The pre-letting of assets under development continued with leases taken out for 13,570 m² over the first half-year, for rental income of €5.7 million and an average term of 8.6 years. In particular, this concerns the full pre-letting of the EDO building in Issy-les-Moulineaux due to be delivered in 2017, for nine years firm, and the signing of agreements for 2,810 m² of office and commercial space in the Silex 1 building in Lyon for six years firm to BNP Paribas.



15,270 m² was leased out during the first half-year for rental income of €3.8 million (Group share), for an average term of 8.1 years:

- ♦ the continuation of the leasing agreements for Euromed in Marseille, concerning the buildings delivered in 2015/2016, with the signing of a lease by RTM for 4,794 m² in the Astrolabe building
- ♦ the full letting of the CB21 tower at La Défense following the leasing of 1,465 m² to Regus

- ♦ the signing of a lease by Kering, for a firm nine-year term on the departure of Orange at the end of the year, for the entire surface area of the Paris Littre building on rue du Cherche-Midi.

22,720 m² was vacated, representing rental income of €1.1 million (mainly in Lyon and Bordeaux).

1.2.1.5. Lease expirations and occupancy rates

1.2.1.5.1. Lease expirations: firm residual duration of leases of 5.9 years

(€M)	By lease end date (1 st break)	% of total	By lease end date	% of total
2016	9.0	3%	5.6	2%
2017	16.4	6%	9.5	3%
2018	28.8	11%	7.1	3%
2019	40.8	15%	27.3	10%
2020	9.7	4%	21.3	8%
2021	27.1	10%	40.0	15%
2022	30.5	11%	31.8	12%
2023	29.1	11%	30.3	11%
2024	10.9	4%	24.3	9%
2025	44.0	16%	43.6	16%
Beyond	26.9	10%	32.3	12%
TOTAL	273.2	100%	273.2	100%

The firm residual duration of leases improved by 0.5 point to 5.9 years, despite the passing of six months, thanks to leasing agreements in particular with Orange and EDF.

1.2.1.5.2. Occupancy rate: 95.8%

(%)	2015	H1 2016
Paris Centre West	100.0%	100.0%
Southern Paris	100.0%	100.0%
North Eastern Paris	97.0%	97.6%
Wester Crescent and La Défense	97.0%	98.1%
Inner suburbs	93.6%	94.0%
Outer suburbs	89.7%	91.8%
Total Paris Region	96.7%	97.3%
MRC	94.8%	91.0%
Other French regions	91.6%	91.1%
TOTAL	95.8%	95.8%

The occupancy rate remained stable compared to the end of 2015, at 95.8%. The positive impact of rental activity (new lets exceeding departures) was offset by the delivery of assets not yet fully rented, such as the Calypso building in Marseille.

1.2.1.6. Reserves for unpaid rent

For France Offices, the level of unpaid rents remains very low, given the quality of the client base.

1.2.1.7. Disposals and disposal agreements: €45 million in new commitments in the first half of 2016

(€M)	Disposals (agreements as of end of 2015 closed) (I)	Agreements as of end of 2015 to close (II)	New disposals H1 2016 (III)	New agreements H1 2016	Total H1 2016	Margin vs 2015 value	Yield	Total Realized Disposals = (I + II)
Total Paris Region	62.3	52.1	0.8	17.9	18.7	14.7%	5.6%	63.1
MRC	7.5	6.3	0.1	6.8	7.0	-14.0%	9.2%	7.6
Other French regions	10.8	0.7	0.4	19.3	19.6	-3.1%	10.1%	11.2
TOTAL	80.6	59.1	1.2	44.0	45.2	1.5%	8.0%	81.9

New commitments (new disposals and new agreements) reflect the will to improve the quality of the portfolio. In terms of volume, 75% of these new commitments are located in non-strategic areas. They mainly consist of the following:

- ♦ 60% of the agreements signed with Orange during the half-year, i.e. €29.7 million: implementation of the 2016 comprehensive memorandum of understanding (€22.7 million) and previous agreements (sale of part of the surface areas for €7 million)
- ♦ the remainder, i.e. €17 million, concerns sales of small assets in the outer Paris suburbs and in French regions other than the Paris region.

Over the period, effective disposals totalled €82 million, including the full sale of 12 assets for €37 million (of which €29 million for the Fontenay-sous-Bois property) and partial sales, in particular to Orange, within the framework of the partnership agreements signed between 2012 and 2013.

1.2.1.8. Acquisitions: €138 million in 2016

Assets	Surface (m ²)	Location	Tenants	Acquisition price ID ⁽¹⁾ (€M)	Yield ID ⁽¹⁾
Rueil-Lesseps	38,000	Rueil-Malmaison	Vinci	128.9	7.8%
VPJ Orange (2)	659	/	Orange	1.4	9.6%
Cap 18 – QP Cicobail (14.29%)	/	Paris	/	4.9	7.1%
Saint-Ouen Victor Hugo – Bâtiment 3	1,400	Saint-Ouen	Le Parisien	3.0	7.4%
TOTAL	40,059			138.2	7.7%

⁽¹⁾ ID: including duties.

The main acquisition of the half-year was the Vinci head office in Rueil-Malmaison: this acquisition will make it possible to redevelop the building complex by 2020-2021, once Vinci has vacated the premises, based on the successful model of the EDO building in Issy-les-Moulineaux. In the meantime, the asset provides a high yield of 7.8%.

In the first half-year, Foncière des Régions also made acquisitions aimed at expanding the scope of its ownership of real estate complexes it already partially owned:

- ♦ acquisition of Cicobail's 15% stake in tranche 1 of Cap 18 for €4.8 million in January 2016: Foncière des Régions now fully owns Cap 18

- ♦ acquisition of the last building in the Victor Hugo business park in Saint-Ouen for €3 million: Foncière des Régions now owns the entire park.

In addition, Foncière des Régions acquired additional space from Orange in certain assets for which Orange reviewed the technical volumetry, for €1.4 million, at the price stipulated in the partnership agreements with the Key Account.

1.2.1.9. Development projects: a pipeline of more than €2.5 billion

The development policy of Foncière des Régions focuses on continuing the asset enhancement work undertaken (improvement of asset quality and creation of value), supporting Key Accounts partners over the long term in the roll-out of their real estate strategy, and managing new value-creating operations in strategic locations.

In the Paris region, this strategy is deployed in areas with good public transport, in established business districts and in prime locations (e.g. the high-speed train station in the district of La Part-Dieu in Lyon, etc.) in Major Regional Cities for which the annual take-up exceeds 50,000 m².



1.2.1.9.1. Projects delivered

Approximately 28,000 m² were delivered in the first half of 2016, including 5,100 m² in established Paris region business areas and 22,900 m² in Major Regional Cities.

For projects delivered in the first half-year, the occupancy rate stood at 73% on 30 June 2016, *versus* 68% at end-2015.

- ♦ The building in Saint-Germain was delivered in January 2016 and has been fully rented to Bose since its delivery.
- ♦ The building built for Schlumberger in Montpellier was delivered in February 2016.

- ♦ The hotel in the Euromed Center, fully rented to Golden Tulip, was delivered in April.
- ♦ The Calypso office building in the Euromed Center was delivered in April with a leasing rate of 29% on delivery. The successful leasing of the building next to Astrolabe (delivered in 2015 and 98% rented) and the appeal of the Euroméditerranée area, which attracts most of the demand for new offices, point to the rapid leasing of the asset.

1.2.1.9.2. Committed projects: €470 million

Projects	Location	Project	Surface ⁽¹⁾ [m ²]	Delivery	Target offices rent [€/m ² / year]	Pre- let [%]	Total budget ⁽²⁾ [€M]	Progress	Yield	Capex to be invested [GS; €M]
Clinique INICEA	Saint-Mandé – Greater Paris	Construction	5,700	2016	N/A	100%	25	95%	6%	0.6
DS Campus Extension 1 (QP FDR: 50%)	Vélizy – Greater Paris	Construction	13,100	2016	305	100%	39	65%	6%	5.6
Euromed Center – Bureaux Hermione (QP FDR 50%)	Marseille	Construction	10,400	2017	265	0%	14	70%	> 7%	4.4
Silex I	Lyon	Construction	10,600	2017	280	26%	47	60%	6%	16.5
Euromed Center – Bureaux Floreal (QP FDR 50%)	Marseille	Construction	13,400	2017	265	0%	18	55%	>7%	8.8
Thaïs	Levallois – Greater Paris	Construction	5,500	2017	480	0%	40	50%	6%	14.3
O'origin	Nancy	Construction	6,300	2017	195	77%	20	40%	6%	10.6
Edo	Issy-les- Moulineaux – Greater Paris	Regeneration – Extension	10,800	2017	450	100%	83	30%	6%	33.4
Art&Co	Paris	Regeneration	13,500	2017	520	5%	131	5%	5%	34.0
Riverside	Toulouse	Construction	11,000	2018	195	0%	32	5%	7%	25.9
Hélios	Lille – Villeneuve- d'Ascq	Construction	8,700	2018	160	0%	21	5%	>7%	20.4
TOTAL			109,000			39%	470	34%	>6%	175

⁽¹⁾ Surface at 100%.

⁽²⁾ In Group share, including land cost and financial cost.

Several projects were launched during the first half-year, including:

- ♦ Riverside in Toulouse, involving the demolition-construction of new offices in a building of 11,000 m². The demolition of the existing building is under way
- ♦ Art&Co located on rue Traversière in Paris (12th *arrondissement*) near the Gare de Lyon, with 13,500 m² of office space undergoing restructuring. The building permit was obtained in April and the work will start this summer

- ♦ Hélios in Villeneuve-d'Ascq, involving the construction of a set of two new buildings of 8,700 m². The building permit was obtained in May 2016.

Work on the Inicea clinic in Saint-Mandé and on the extension of the Dassault Systèmes campus is nearing completion, with deliveries scheduled for the second half of 2016. Work is continuing on the Hermione and Floreal buildings in the Euromed Center, as well as on the Silex 1 (Lyon), Thaïs (Levallois), O'origin (Nancy) and Edo (Issy) buildings, with deliveries scheduled for 2017.

**1.2.1.9.3. Managed projects: €2.0 billion in the pipeline**

Approximately 500,000 m² are managed by Foncière des Régions:

Projects	Location	Project	Surface ⁽¹⁾ (m ²)	Delivery timeframe
Silex II	Lyon	Regeneration – Extension	30,700	2020
Opale	Meudon – Greater Paris	Construction	30,000	2019
Bordeaux Îlot Armagnac (QP FDR 34%)	Bordeaux	Construction	31,600	2018
Bordeaux Cité du Numérique	Bordeaux	Construction	18,600	2018
Cœur d'Orly Commerces (QP FDR 25%)	Orly – Greater Paris	Construction	31,000	> 2019
ERDF Reims	Reims	Construction	10,400	2017
Multiplex Europacorp	Marseille	Construction	2,800 seats	2018
Cap 18	Paris	Construction	50,000	> 2020
Rueil Vinci	Rueil-Malmaison – Greater Paris	Regeneration – Extension	43,000	> 2020
Canopée	Meudon – Greater Paris	Construction	46,900	2020
Omega	Levallois-Perret – Greater Paris	Regeneration – Extension	21,500	> 2020
Citroen PSA – Arago	Paris	Regeneration	19,500	> 2020
Anjou	Paris	Regeneration	11,000	> 2020
Montpellier Majoria	Montpellier	Construction	58,200	2018-2020
Avenue de la Marne	Montrouge	Construction	18,000	2020
Cœur d'Orly Offices (QP FDR 25%)	Orly – Greater Paris	Construction	50,000	> 2019
Orange Gobelins	Paris	Regeneration	4,100	> 2020
Campus New Vélizy Extension (QP FDR 50%)	Vélizy – Greater Paris	Construction	14,000	2019
DS Campus Extension 2 (QP FDR 50%)	Vélizy – Greater Paris	Construction	11,000	> 2020
ERDF Angers	Angers	Construction	4,700	2019
TOTAL			504,200	

⁽¹⁾ Surface at 100%.

The Opale (30,000 m²) and Canopée (47,000 m²) projects in Meudon, as well as the Silex II project (30,700 m²) in Lyon are currently in the pre-letting phase and are liable to be launched, depending on the leasing agreements that may ensue.

A demolition permit was obtained in June 2016 for the asset located on Avenue de la Marne in Montrouge, purchased at the end of 2015.

The launch of the turnkey development of 10,400 m² for ERDF in Reims is scheduled for the second half of the year. The building permit was obtained in January 2016.

At the beginning of July, Foncière des Régions entered into a partnership with another REIT for the off-plan acquisition of a complex of three new office buildings in Bordeaux Armagnac at the foot of the future high-speed rail line.

Several turnkey rental projects are under study in the Pompignane business park in Montpellier, with launches scheduled between end-2016 and 2018, for total office space of nearly 58,000 m².

Lastly, studies have been launched on certain assets in the operating portfolio, with a view to potential redevelopments in the medium/long term, particularly at Omega Levallois, Arago Paris (17th arrondissement) and Cap 18 in Paris (18th arrondissement).



1.2.1.10. Portfolio values

1.2.1.10.1. Change in portfolio values: increase of €335 million (Group share) in the first half of 2016

(€M) Group Share ⁽¹⁾	Value ED ⁽²⁾ 2015	Value adjustment	Acquisitions	Disposals	Invest.	Value creation on Acquis./ Disposals	Transfer	Value ED ⁽²⁾ H1 2016
Assets in operation	4,420	165	138	-83	11	3	40	4,695
Assets under development	420	45	0	0	54	0	-40	480
TOTAL	4,840	211	138	-83	66	3	0	5,175

⁽¹⁾ Including New Vélizy, Euromed and Cœur d'Orly in Group Share.

⁽²⁾ ED: excluding duties.

1.2.1.10.2. Like-for-like change: +4.4%, i.e. +€211 million

Value Group Share (incl. assets under developments)

(€M)	Value ED ⁽¹⁾ 2015 100%	Value ED ⁽¹⁾ H1 2016 100%	Value ED ⁽¹⁾ H1 2016 Group Share	LFL change 12 months	Yield ED ⁽¹⁾ 2015	Yield ED ⁽¹⁾ H1 2016	% of total value
Paris Centre West	854	892	892	4.5%	4.7%	4.7%	17%
Southern Paris	546	585	446	6.5%	5.1%	4.8%	9%
North Eastern Paris	339	334	334	3.8%	6.2%	5.8%	6%
Wester Crescent and La Défense	1,181	1,365	1,206	4.9%	5.8%	5.8%	23%
Inner suburbs	1,258	1,261	836	1.7%	5.6%	5.7%	16%
Outer suburbs	149	148	148	1.5%	8.2%	7.5%	3%
Total Paris Region	4,327	4,585	3,861	4.0%	5.5%	5.5%	75%
MRC	529	623	540	4.5%	6.8%	6.2%	10%
Other French regions	307	294	294	-0.5%	9.7%	9.6%	6%
TOTAL IN OPERATION	5,163	5,502	4,695	3.8%	6.0%	5.8%	91%
Assets under development	495	545	480	10.4%	N/A	N/A	9%
TOTAL	5,658	6,047	5,175	4.4%	6.0%	5.8%	100%

⁽¹⁾ ED: excluding duties.

On a like-for-like basis, values rose 4.4% in the first half-year, mainly due to the rise in values in the Paris region, especially in Paris, as well as the leasing agreements signed over the period.

The yield on the operating portfolio stands at 5.8%, a drop of 20 bps vs. year-end 2015 as a result of the compression of the rates and the improvement in portfolio quality.

Assets under development accounted for 9% of the France Offices portfolio (Group Share). On a like-for-like basis, values rose 10.4%, of which +20% on committed projects.



1.2.1.11. Strategic asset segmentation

- The “Core” portfolio corresponds to a strategic grouping of key assets, consisting of resilient properties providing long-term income. Mature buildings may be disposed of on an opportunistic basis in managed proportions, freeing up resources that can be reinvested in value creating transactions, particularly by the development of our portfolio or new investments.
- The portfolio of “assets under development” consists of assets for which a “committed” (appraised) development project has been initiated, the land reserve that may be undergoing

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

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

	Core Portfolio	Pipeline	No Core Portfolio	Total
Number of assets	84	16	266	366
Value excluding duties Group Share (€M)	4,157	480	538	5,175
Yield	5.4%	N/A	8.7%	5.8%
Residual firm duration of leases (years)	6.2	N/A	4.4	5.9
Occupancy rate	97.0%	N/A	90.1%	95.8%

The “Core” portfolio was up by 5 points over the year and represented, at the end of June 2016, 80% of the portfolio, particularly following the four deliveries in the half-year, acquisitions and the increase in value of the Parisian assets.

With the addition of Montrouge Marne, the portfolio of “assets under development” now amounts to €482 million, accounting for 9% of total assets.

The “Non-core” portfolio continued its downward trend and accounted for 11% of the portfolio (Group share) at the year-end, down 2 points in comparison to year-end 2015, particularly due to disposals.



1.2.2. Italy offices

Listed on the Milan stock exchange since 1999, Beni Stabili is the largest listed Italian property firm and is a 52.2% subsidiary of Foncière des Régions *versus* 48.5% at the end of December 2015. The figures are disclosed as 100%. Beni Stabili is consolidated at 50.12% in the H1 2016 P&L of Foncière des Régions.

Its assets consist largely of offices located in cities in northern and central Italy, particularly Milan. The company has a portfolio of €4.0 billion at 30 June 2016.

1.2.2.1. Accounted rental income: -0.8% at like-for-like scope

(€M)	Surface (m ²)	Number of assets	Rental income H1 2015	Rental income H1 2016	Change (%)	Change [%] LFL	% of total
Offices – excl. Telecom Italia	486,048	52	43.1	39.3	-8.9%	2.6%	39.8%
Offices – Telecom Italia	1,069,917	149	57.0	49.6	-13.0%	-3.7%	50.1%
Retail	98,224	18	10.3	9.9	-3.7%	1.7%	10.1%
Others	4,567	18	0.0	0.0	N/A	N/A	0.0%
Sub-Total	1,658,756	237	110.5	98.8	-10.5%	-0.8%	100.0%
Development portfolio	226,533	6	0.0	0.0	N/A	N/A	0.0%
TOTAL	1,885,288	243	110.5	98.9	-10.5%	-0.8%	100.0%

Between the first half of 2015 and the first half of 2016, rental income decreased by €11.6 million, or -10.5%, primarily due to:

- ♦ Asset disposals: -€8.2 million
- ♦ The impact of the vacating of premises and of the indexation (particularly the impact of the vacating of an asset located in Milan – Via Cernaia in January 2016, which entered in development in 2016): -€4.4 million
- ♦ The signing in Q2 2015 of a major agreement with Telecom Italia for renewal on all of its leases (€117 million in rent) for

15 years firm in return of a decrease in rents of 6.9%. In this first of half 2016 TI renegotiation impact is -€1.9 million

- ♦ The acquisition of Milano – Corso Italia: +€ 1.1 million
- ♦ Re-letting/new contracts for +€3.7 million.

The change at a like-for-like scope of -0.8% is mainly due to the renegotiation with Telecom Italia. Excluding TI Portfolio, the change at like-for-like is +2.3%, thanks to an increase in occupancy.

1.2.2.2. Annualized rental income: €204.9 million

1.2.2.2.1. Breakdown by portfolio

(€M)	Surface (m ²)	Number of assets	Annualised rental income 2015	Annualised rental income H1 2016	Change (%)	% of total
Offices – excl. Telecom Italia	486,048	52	84.5	85.4	1.1%	41.7%
Offices – Telecom Italia	1,069,917	149	102.4	98.4	-4.0%	48.0%
Retail	98,224	18	20.6	21.1	2.2%	10.3%
Others	4,567	18	0.1	0.0	N/A	0.0%
Sub-Total	1,658,756	237	207.6	204.8	-1.3%	100.0%
Development portfolio	226,533	6	0.0	0.1	N/A	N/A
TOTAL	1,885,288	243	207.6	204.9	-1.3%	100.0%

Annualized rental income declined by 1.3% due to the impact of the Telecom Italia disposals mitigated by the increase in new contract/renewals and in acquisition.

1.2.2.2. Geographic breakdown

(€M)	Surface (m ²)	Number of assets	Annualised rental income 2015	Annualised rental income H1 2016	Change (%)	% of total
Milan	577,174	43	84.5	86.2	2.0%	42.1%
Rome	89,371	29	15.6	12.0	-23.3%	5.8%
Turin	159,919	12	11.6	11.7	0.8%	5.7%
North of Italy (other cities)	640,226	94	59.9	59.6	-0.4%	29.1%
Others	418,599	65	36.0	35.4	-1.8%	17.3%
TOTAL	1,885,289	243	207.6	204.8	-1.3%	100.0%

Excluding Development assets.

Nearly 83% of rents come from assets located in the North of Italia and in Rome. Milan, where the Group intends to focus on, represents close to 42% of the rents (vs. 40.7% in December 2015).

1.2.2.3. Indexation

The annual indexation in rental income is usually calculated by taking 75% of the increase in the Consumer Price Index (CPI) applied on each anniversary of the signing date of the agreement. In 2016, the average change in the IPC index was -0.2% over six months, nevertheless, this decrease did not apply as all leases are protected against negative indexation.

1.2.2.4. Rental activity

During the first half of 2016, rental activity can be summarized as follows:

(€M)	Surface (m ²)	Annualised rental income	Annualised rental income (€/m ²)
Vacating	10,647	3.6	342
Letting	19,348	5.1	262
Letting Development	16,000	4.8	300
Renewal	17,196	5.9	342

The main new leases relate to the Via Dante property in Milan, with new tenant – Arav Fashion (topped up rent of €1.28 million) and to Via Durini Mc Donald's – topped up rent €1 million. Another important transaction has been signed for Via Messina, Tower D and Tower B with new tenant Widiba (Topped up rent €1.2 million – 6,530 m²) with start in September and in October 2016.

On the development pipeline side, the company FastWeb signed a 10.5 years lease, pre-letting 16,000 m² of the 19,000 m² of the Symbiosis building in Milan. Fastweb also has an option to let the remaining 3,000 m².

Renewed leases consist mainly of the renewals of Galleria del Corso – Gruppo Coin, in the city-center of Milan. The structure of the rent has been renegotiated, with the fixed part decreasing and the variable part increasing.

The change in vacated premises mainly results from the departure of the Via Cernaia tenant (Intesa) in Milan (7,497 m²) in January 2016 and the Viale Industria asset tenant (CVG Moda; in Vigevano, 1,117 m²). The first asset is now under development and the delivery is envisaged for Q3 2017.



1.2.2.5. Lease expirations and occupancy rates

1.2.2.5.1. Lease expirations: residual lease term of 9.5 years firm

(€M)	By lease end date (1 st break)	% of total	By lease end date	% of total
2016	1.4	1%	0.4	0%
2017	7.0	3%	1.6	1%
2018	7.1	3%	1.2	1%
2019	24.3	12%	1.7	1%
2020	8.3	4%	1.7	1%
2021	20.4	10%	1.2	1%
2022	27.8	14%	10.9	5%
2023	11.6	6%	5.7	3%
2024	4.1	2%	6.3	3%
2025	0.5	0%	6.5	3%
Beyond	92.2	45%	167.6	82%
TOTAL	204.9	100%	204.9	100%

Thanks to the lease renegotiation with Telecom Italia in 2015, the firm lease term remains very long, at 9.5 years vs. 9.7 years at 31 December 2015 (full term of 15.1 years).

1.2.2.5.2. Occupancy rate and type: an improved occupancy rate, at 95.1%

(%)	2015	H1 2016
Offices – Telecom Italia	100.0%	100.0%
Offices – excl. Telecom Italia	85.9%	90.6%
Retail	89.5%	93.4%
Others	11.7%	0.0%
TOTAL	92.8%	95.1%

The spot financial occupancy rate at 30 June 2016 was 95.1% for the operating portfolio, with an increase from year-end 2015 (92.8%) thanks to the new leases (+1.6 pts) and due to assets now in development (0.7 pts positive impact). In particular, the occupancy rate on offices ex-Telecom Italia improves by 4.7 pts to 90.6% (+3.1 pt due to new leases).

1.2.2.6. Reserves for unpaid rent

(€M)	H1 2015	H1 2016
As % of rental income	2.0%	1.1%
In value ⁽¹⁾	2.2	1.1

⁽¹⁾ Net provision / reversals of provision.

Reserves for unpaid rents correspond to charges to reserves net of reversals and write-offs and are slightly down over one year, at a low level of 1.1%.

1.2.2.7. Disposals and disposal agreements: €48.4 million

(€M)	Disposals (agreements as of end of 2015 closed) (I)	Agreements as of end of 2015 to close	New disposals H1 2016 (II)	New agreements H1 2016	Total H1 2016	Margin vs 2015 value	Yield	Total Realized Disposals = (I + II)
Milan	0.0	0.0	0.0	37.8	37.8	1.6%	3.4%	0.0
Rome	50.2	0.0	0.0	0.0	0.0	N/A	N/A	50.2
Other	5.1	3.3	0.9	9.7	10.6	1.0%	6.2%	5.9
TOTAL	55.3	3.3	0.9	47.5	48.4	1.4%	4.0%	56.1

The total value of disposals and disposal agreements in 2016 was €48.4 million. These new commitments in 2016 were entered at 1.4% above the year-end 2015 appraisal values and based on a 4.0% yield.

1.2.2.8. Acquisitions: €85 million secured

At 30 June 2016, €85 million in acquisitions in Milan had been secured with property transfers set to take place during the second half of 2016. Those acquisitions reinforce the focus on Milan and the quality of the portfolio. The Group intends to create value through an active asset management work:

- Acquisition of two towers of 11,800 m² in Via Messina, Milan, for €26.8 million and 6.8% potential yield (6.1% immediate yield at current occupancy level). The Group, which already own the two first towers, is thus owner of the whole complex of 25,000 m².

The two towers, located in front of the subway station Cernisio, include one hotel let to B&B (19-year firm) and 6,539 m² of offices (61% let)

- Acquisition of 22,000 m² of offices in Via Scarsellini in Milan, for €58 million and 6.4% yield. The asset, built in 2010 and located nearby Affori Centro subway station, is let at 82% for 6.5 years, mainly to Aviva, and benefit also from two-years rental guarantee on vacant space.

1.2.2.9. Development projects: a € 780 million pipeline

1.2.2.9.1. Committed projects: an increase of €120 million, to €266 million mainly in Milan

Projects	Location	Area	Project	Surface (m ²)	Delivery	Target offices rent (€/m ² /year)	Pre-let (%)	Total budget (€M)	Progress	Target yield	Capex to be invested
Turin, corso Ferrucci 112	Turin	Italy	Regeneration	45,600	June 2017	130	0%	86	10%	6%	30
Milan, via Colonna	Milan	Italy	Regeneration	3,464	July 2017	260	0%	16	1%	5%	4
Milan, via Cernaia	Milan	Italy	Regeneration	8,316	July 2017	420	0%	57	4%	5%	14
Milan, P.zza Monte Titano	Milan	Italy	Regeneration	4,816	Sept. 2017	190	0%	21	1%	5%	8
Symbiosis A+B	Milan	Italy	Construction	19,000	Oct. 2018	300	80%	86	8%	7%	50
TOTAL				81,196			26%	266	7%	6%	106

Five development projects were launched, two of them were started in 2015 and three new projects in Milan were added this last semester:

- the first phase of the Symbiosis development project. The entire project potentially involves 125,000 m² in 12 new commercial buildings located at the southern limit of central Milan, across from the new Prada Foundation. The progressive development of the area should require a total of €250 million in capex. The initial work started in 2015. The Group launched the first phase for 19,000 m² and already pre-let 16,000 m² to Fastweb (+ option to let the remaining 3,000 m²)

- the redevelopment project on the existing Ferrucci asset, located in Turin, with a delivery timeframe of 2020
- the redevelopment project on the existing Piazza Monte Titano asset, located in Milan. The delivery is expected in Q3-2017
- the redevelopment project on the asset located in Milan, Via Colonna, whose delivery is expected in 3Q-2017
- the redevelopment project of Via Cernaia asset (Milan, Brera office district), which will involve the complete refurbishment of the asset and the addition of a luxurious attic. Delivery by Q3-2017.



1.2.2.9.2. Managed projects: €510 million of projects in Milan

Projects	Location	Area	Project	Surface (m ²)	Delivery timeframe
Principe Amedeo	Milan	Italy	Regeneration	6,400	2017
Via Schievano	Milan	Italy	Regeneration	27,153	2019
Symbiosis (other blocks)	Milan	Italy	Construction	101,500	2022
TOTAL				135,053	

Three projects are in the managed pipeline:

- ♦ the Schievano project consists of the construction of three office buildings for a total of 27,000 m², located at the southern limit of central Milan
- ♦ the Symbiosis project in Milan (excluding parts A and B)
- ♦ the Principe Amadeo with the construction of a total of 101,500 m² located in Milan.

1.2.2.10. Portfolio values

1.2.2.10.1. Change in portfolio values

(€M)	Value ED ⁽¹⁾ 2015	Change in value	Acquisitions	Disposals	Invest.	Reclass.	Value ED ⁽¹⁾ H1 2016
Offices – Telecom Italia	1,608	-5		-56	1		1,548
Offices – excl. Telecom Italia	1,693	52	39		4	-66	1,723
Retail	345	7					352
Others	9						9
Subtotal	3,655	54	39	-56	6	-66	3,632
Development portfolio	250	3			12	66	331
TOTAL	3,905	57	39	-56	18	0	3,963

⁽¹⁾ ED: excluding duties.

The portfolio amounted to €3.96 billion at 30 June 2016, an increase of €58 million over the semester mainly due to like-for-like growth in appraisal values and to the acquisition of Corso Italia in Milan CBD. The increase in the development portion of the portfolio is particularly associated with the reclassification of

the Vittorio Colonna asset (€12 million), the Piazza Monte Titano asset (€13 million), the Via Cernaia asset (€43 million), previously part of the Core portfolio. The Via Spalato asset (in Turin) was also reclassified from the development portfolio in the Core portfolio.

1.2.2.10.2. Like-for-like change: +1.5%

(€M)	Value ED ⁽¹⁾ 2015 100%	Value ED ⁽¹⁾ H1 2016 100%	LFL change 6 months	Yield ED ⁽¹⁾ 2015	Yield ED ⁽¹⁾ H1 2016	% of total value
Offices – Telecom Italia	1,608	1,548	-0.3%	6.4%	6.4%	39%
Offices – excl. Telecom Italia	1,693	1,723	3.1%	5.0%	5.0%	43%
Retail	345	352	2.0%	6.0%	6.0%	9%
Others	9	9	0.2%	0.8%	0.0%	0%
Subtotal	3,655	3,632	1.5%	5.7%	5.6%	92%
Development portfolio	250	331	0.8%	N/A	N/A	8%
TOTAL	3,905	3,963	1.5%	5.7%	5.6%	100%

⁽¹⁾ ED: excluding duties.

The portfolio value increased by 1.5% at a like-for-like scope in the first half of 2016, thanks to the increase in Offices ex-TI (+3.1%). The Telecom Italia portfolio shows a slight decrease of

0.3%, mostly due to the increase in the Land Tax for some assets. In Milan, the values increase by +3% like-for-like on average.

1.2.3. Hotels & Service Sector

Foncière des Murs (FDM), a 49.6%-owned subsidiary of Foncière des Régions (43.1% owned at end-2015), is a listed property investment company (SIIC) specialising in the service sector, especially in hotels and retail space. FDM pursues an investment strategy that favours partnerships with leading operators in various business sectors. All figures provided are at 100% and FDM share of affiliates. In the income statement of Foncière des Régions, FDM is consolidated at 43.15% for the first quarter of 2016 and at 47.49% for the second quarter of 2016. In the balance sheet, FDM is consolidated at 49.6%.

1.2.3.1. Recognised rental income: +2.0% year-on-year

Assets not held at 100% by FDM consist of the 167 B&B Hotels properties acquired since 2012 (held at 50.2%), as well as the 22 B&B assets in Germany (held at 93.0%) and two Motel One properties (held at 94.0%), acquired in 2015.

1.2.3.1.1. Breakdown by business sector

(€M)	Number of rooms	Number of assets	Rental income H1 2015 100%	Rental income H1 2015 FDM share	Rental income H1 2016 100%	Rental income H1 2016 FDM share	Change (%) 100%	Change (%) FDM share	Change (%) LFL	% of rental income
Hotels	34,302	350	72.9	64.0	75.2	65.7	3.3%	2.6%	-2.9%	72%
Healthcare	N/A	27	7.6	7.6	7.2	7.2	-5.6%	-5.7%	0.1%	8%
Retail Premises	N/A	185	18.4	18.4	18.5	18.5	0.4%	0.4%	-0.5%	20%
TOTAL	34,302	562	98.9	90.1	100.9	91.4	2.0%	1.4%	-2.1%	100%

At 30 June 2016, consolidated rental income totalled €100.9 million (at 100%), an increase of 2% (€2 million) from 30 June 2015.

This change was partly due to the different movements over the portfolio:

- ♦ acquisitions and deliveries of assets under development, which increased rental income by €6 million
- ♦ additional rental income following works to the Quick portfolio (+€0.1 million)

- ♦ disposals of non-core assets (mainly AccorHotels and Korian properties) that impacted rental income negatively in the amount of €2.1 million.

The 2.1% like-for-like decline in rental income is due to the decrease in performance by AccorHotels properties (down 4.8%, indexed to hotel revenue) following the terrorist attacks in Paris and Brussels. In the AccorHotels portfolio, rental income fell 14% in Paris but rose 4% in the rest of France.

1.2.3.2. Annualised rental income: €174.1 million (FDM share of affiliates)

1.2.3.2.1. Breakdown by business sector

(€M)	Number of rooms	Number of assets	Annualised rental income 2015	Annualised rental income H1 2016	Change (%)	% of rental income
Hotels	30,064	308	135.7	122.7	-9.6%	70%
Healthcare	N/A	26	14.4	14.4	-0.1%	8%
Retail Premises	N/A	185	37.0	37.0	0.0%	21%
TOTAL	30,064	519	187.2	174.1	-7.0%	100%

The breakdown of rental income changed little in the first half of 2016 relative to the end of 2015. In the second half of the year, this breakdown will register the impact of the disposal of the Healthcare portfolio, for which a preliminary sales agreement has been signed.



1.2.3.2.2. Breakdown by tenant

(€M)	Number of rooms	Number of assets	Annualised rental income 2015	Annualised rental income H1 2016	Change (%)	% of rental income
AccorHotels	11,102	81	79.0	63.3	-19.8%	36%
B&B	17,881	219	34.0	36.1	6.2%	21%
Korian	N/A	26	14.4	14.4	-0.1%	8%
Quick	N/A	81	16.9	16.9	0.0%	10%
Jardiland	N/A	49	13.5	13.5	-0.1%	8%
Sunparks	N/A	4	13.9	13.9	0.0%	8%
Courtepaille	N/A	55	6.6	6.6	0.0%	4%
Club Med	392	1	3.4	4.0	15.9%	2%
NH	232	1	3.3	3.3	0.1%	2%
Motel One	457	2	2.1	2.1	N/A	1%
TOTAL	30,064	519	187.2	174.1	-7.0%	100%

Exposure to the AccorHotels group decreased significantly in 2016, from 42% at end-2015 to 36% at 30 June 2016, following the disposal of 42 assets in the first half of 2016.

1.2.3.2.3. Geographic breakdown

(€M)	Number of rooms	Number of assets	Annualised rental income 2015	Annualised rental income H1 2016	Change (%)	% of rental income
Paris	2,347	9	19.7	19.7	0.1%	11%
Inner suburbs	3,012	32	18.2	17.6	-3.6%	10%
Outer suburbs	2,371	50	14.8	12.8	-13.5%	7%
Total Paris Region	7,730	91	52.7	50.1	-5.0%	29%
MRC	6,635	107	37.4	33.1	-11.7%	19%
Other French regions	8,308	254	53.1	44.9	-15.4%	26%
International	7,391	67	43.9	46.0	4.8%	26%
TOTAL	30,064	519	187.2	174.1	-7.0%	100%

In the first half, the Group continued to pursue its investment policy focusing on assets in Europe's largest cities. This resulted in an increase in rental income abroad, linked to acquisitions and deliveries carried out in Germany in 2015 as well as the acquisition of four B&B Hotels properties in Spain in the first half of 2016.

1.2.3.3. Indexation

56% of the rental income is indexed to benchmark indices. Indexation had a limited impact in 2016 given the movement in benchmark indices, (ICC, ILC).

AccorHotels revenues, to which 36% of rental income was indexed, resulted in a €2 million decrease in rents in the first half of 2016. This percentage will continue to decline with the sale of three assets for which a preliminary sales agreement has already been signed, due to be completed by the end of 2016, for €107 million.



1.2.3.4. Lease expirations and occupancy rates

(€M)	By lease end date (1 st break)	% of total	By lease end date	% of total
2016	1.8	0%	0.0	0%
2017	0.0	0%	0.0	0%
2018	6.2	4%	6.2	4%
2019	18.7	12%	17.0	11%
2020	0.3	0%	0.3	0%
2021	0.7	0%	0.7	0%
2022	0.1	0%	0.1	0%
2023	0.0	0%	0.0	0%
2024	0.0	0%	0.0	0%
2025	44.7	29%	46.3	30%
Beyond	80.3	53%	82.1	54%
TOTAL	152.8	100%	152.8	100%

At 30 June 2016, the firm residual term of leases remained very high, at 10.6 years on average (excluding assets for which preliminary sales agreements have been signed), compared with 10.7 years at 31 December 2015, and the occupancy rate was still 100%.

1.2.3.5. Reserves for unpaid rent

No additional amounts were set aside for unpaid rents in the portfolio in the first half of 2016, as was also the case in 2015.

1.2.3.6. Disposals and disposal agreements: portfolio quality improvements

(€M)	Disposals (agreements as of end of 2015 closed) (I)	Agreements as of end of 2015 to close	New disposals H1 2016 (II)	New agreements H1 2016	Total H1 2016	Margin vs 2015 value	Yield	Total Realized Disposals = (I + II)
Hotels	254	108	0	11	11	0.0%	6.8%	254
Healthcare	2	0	0	295	295	24.6%	4.9%	2
Retail Premises	0	6	0	0	0	N/A	N/A	0
TOTAL	256	114	0	306	306	23.5%	5.0%	256

During the first half-year, 43 assets were sold for a value of €256 million. These disposals involved 42 AccorHotels properties and one long-term care facility.

In addition, an agreement relating to the sale of the Healthcare portfolio (26 assets) for €301 million (€295 million net of expenses) was signed during the first half, with a margin of 25% on the appraisal value at end-2015 and a yield (including duties) of 4.6%.

1.2.3.7. Acquisitions

Assets	Number of rooms	Location	Tenants	Acquisition price ID ⁽¹⁾ 100% (€M)	Acquisition price ID ⁽¹⁾ FDM share (€M)	Gross yield ID ⁽¹⁾
B&B Espagne (4 assets)	462	Spain	B&B	11	11	6.5%
Total Acquisitions Investment properties	462			11	11	6.5%
Hermitage (Operating hotel properties)	648	France & international	Multiple tenants	125	51	7.9% ⁽²⁾
Total Acquisitions Hotel Operating properties	648			125	51	7.9%

⁽¹⁾ ID = including duties.

⁽²⁾ EBITDA yield.



In the first half, Foncière des Régions maintained its strategy focusing on assets in Europe's largest cities, thus completing the acquisitions of:

- ♦ four B&B Hotels properties in Spain for €11 million, with firm 15-year leases
- ♦ a portfolio of nine hotels, located in northern France and in Belgium, acquired as hotel operating properties, for €125 million (€51 million FDM share of affiliates).

The Group also secured the acquisition, *via* its autonomous subsidiary FDM Management (40.8% owned by FDM), which invests in hotel properties and business goodwill, of a portfolio of properties located mainly in Berlin, Dresden and Leipzig for €811 million (at 100%). This portfolio consists of nine four- and five-star hotels, with a total of 4,131 rooms, as well as 18,000 m² of street-level retail space, 88% of which is located in Berlin, and 70,000 m² of additional land at Alexanderplatz, Berlin.

1.2.3.8. Development projects: a €135 million pipeline

1.2.3.8.1. Committed projects: €135 million, 100% pre-let

Projects	Location	Area	Project	Number of rooms	Delivery	Pre-let (%)	Total budget (€M) ⁽¹⁾	Progress	Yield	Capex to be invested (FDM share; €M)
B&B Potsdam	Potsdam	Germany	Construction	101	August 2016	100%	6	58%	>7%	3
B&B Hamburg	Hamburg	Germany	Construction	155	August 2016	100%	12	85%	>7%	3
B&B Lyon	Lyon	MRC	Construction	113	December 2017	100%	4	27%	6%	3
B&B Châtenay-Malabry	Châtenay-Malabry	Greater Paris	Construction	255	December 2017	100%	4	0%	6%	4
B&B Berlin	Berlin	Germany	Construction	140	H1 2018	100%	10	32%	>7%	2
B&B Nanterre	Nanterre	Greater Paris	Construction	150	H1 2018	100%	5	10%	6%	3
Motel One Porte Dorée	Paris	Paris	Construction	173	H1 2018	100%	18	42%	6%	11
Meininger Munich	Munich	Germany	Conversion	420	H1 2018	100%	30	50%	6%	15
Meininger Porte de Vincennes	Paris	Paris	Construction	249	H2 2018	100%	48	0%	6%	32
TOTAL						100%	135	30%	6%	77

⁽¹⁾ Costs in a FDM shares basis.

In the first half of 2016, Foncière des Régions supported the development of B&B in France and Germany with the delivery of three new hotels. Two other hotels, located in Hamburg and Potsdam in Germany, will be delivered in the second half of 2016. Lastly, four hotels pre-let to B&B Hotels will be delivered in 2017 and 2018:

- ♦ a 140-room hotel in Berlin
- ♦ three hotels in France, offering a total of 390 rooms.

In addition, Foncière des Régions is maintaining its strategy to support the expansion efforts of its new partners in Europe's largest cities, including the following initiatives:

- ♦ the development of hotels under the Meininger brand in Munich and of a Motel One property at Porte Dorée in Paris, launched in 2015 with deliveries scheduled for the first half of 2018
- ♦ the development of a Meininger hotel at Porte de Vincennes in Paris. This 249-room hotel, which is in keeping with the German hotel group's strategy to build its presence in France, will open its doors in the second half of 2018.

1.2.3.9. Portfolio values

1.2.3.9.1. Change in portfolio values

(€M)	Value ED ⁽¹⁾ 2015 ⁽²⁾ FDM share	Value adjustment	Acquisitions	Disposals	Invest.	Value creation on Acquis./ Disposals	Transfer	Value ED ⁽¹⁾ H1 2016 FDM share
Assets in operation	3,180	95	11	-256	0	0	16	3,047
Assets under development	35	3	0	0	22	0	-16	43
Total	3,215	98	11	-256	22	0	0	3,090
Hotel operating properties	55	4	51	0	0	6	0	116
TOTAL	3,270	102	62	-256	22	6	0	3,205

⁽¹⁾ ED: excluding duties.

⁽²⁾ Including Motel One Porte Dorée Group Share (held at 50%).

At 30 June 2016, the portfolio was valued at €3,205 million, down €65 million due to the disposals carried out in the first half. It was positively impacted by a like-for-like improvement in value of 2.7%.

1.2.3.9.2. Like-for-like change: +2.7%

(€M)	Value ED ⁽¹⁾ 2015 ⁽²⁾ FDM share	Value ED ⁽¹⁾ H1 2016 100%	Value ED ⁽¹⁾ H1 2016 FDM share	LFL change 6 months	Yield ED ⁽¹⁾ 2015	Yield ED ⁽¹⁾ H1 2016	% of total value
Paris	431	452	438	1.4%	4.6%	4.6%	13%
Inner suburbs	334	378	338	4.2%	5.5%	5.2%	11%
Outer suburbs	263	254	226	1.1%	5.8%	5.7%	7%
Total Paris Regions	1,028	1,083	1,001	2.2%	5.2%	5.0%	32%
MRC	628	658	574	2.4%	6.0%	5.8%	19%
Other French Regions	835	861	726	2.9%	6.4%	6.2%	25%
International	725	800	788	3.1%	6.2%	6.1%	24%
Total	3,215	3,401	3,090	2.7%	5.9%	5.7%	100%
Hotel operating properties	55	285	116	7.4%	N/A	N/A	8%
TOTAL INCLUDING HOTEL OPERATING PROPERTIES	3,270	3,686	3,205	2.8%	N/A	N/A	100%

⁽¹⁾ ED: excluding duties.

⁽²⁾ Including Motel One Porte Dorée Group Share (held at 50%).

(€M)	Value ED ⁽¹⁾ 2015 ⁽²⁾ FDM share	Value ED ⁽¹⁾ H1 2016 100%	Value ED ⁽¹⁾ H1 2016 FDM share	LFL change 6 months	Yield ED ⁽¹⁾ 2015	Yield ED ⁽¹⁾ H1 2016	% of total value
Hotels	2,366	2,472	2,170	0.9%	5.7%	5.6%	67%
Healthcare	233	295	295	24.6%	6.2%	4.9%	8%
Retail Premises	582	582	582	0.0%	6.4%	6.3%	16%
Total in operation	3,180	3,349	3,047	2.6%	5.9%	5.7%	91%
Assets under development	35	52	43	11.3%	N/A	N/A	1%
Total	3,215	3,401	3,090	2.7%	5.9%	5.7%	92%
Hotel Operating properties	55	285	116	7.4%	N/A	N/A	8%
TOTAL INCLUDING HOTEL OPERATING PROPERTIES	3,270	3,686	3,205	2.8%	N/A	N/A	100%

⁽¹⁾ ED: excluding duties.

⁽²⁾ Including Motel One Porte Dorée Group Share (held at 50%).

In Hotels, portfolio values grew 0.9% at like-for-like scope compared with end-2015, with continuing compression of rates, particularly for assets located across Germany and in Europe's

largest cities. Hotels held in the Hotel operating properties portfolio saw a like-for-like increase in value of more than 7%.

The Group's Healthcare assets rose 24.6% like-for-like, following the disposal agreement signed.



1.2.4. Germany Residential

Foncière des Régions operates in the Residential sector in Germany via its 60.9%-owned subsidiary, Immeo SE. The Company owns over 42,400 units, located mostly in Berlin, Hamburg, Dresden, Leipzig and North Rhine-Westphalia (NRW).

The strategy pursued by Foncière des Régions for this business is to diversify the geographic distribution of its assets and expand its presence in Berlin as well as other dynamic and attractive cities.

From an operational point of view, the first half of 2016 was marked by dynamic acquisition activity with €260 million in operations signed, with persistently strong organic growth, in a still favourable economic and demographic climate in Germany.

The figures presented are divided into 100% Immeo, and Foncière des Régions Group share.

1.2.4.1. Rental income recognised: +18% year-on-year

1.2.4.1.1. Geographic breakdown

(€M)	Surface (m ²)	Number of units	Rental income H1 2015 100% Immeo	Rental income H1 2015 Group Share FDR	Rental income H1 2016 100% Immeo	Rental income H1 2016 Group Share FDR	Change (%)	Change (%) LFL	% of rental income
Berlin	1,002,590	13,359	24.7	14.6	41.1	24.6	68.3%	5.3%	38%
Dresden & Leipzig	252,333	4,275	7.7	4.5	8.7	5.8	30.2%	3.1%	9%
Hamburg	123,455	2,020	N/A	N/A	6.1	3.4	N/A	2.0%	5%
NRW	1,501,180	22,707	59.2	36.1	50.0	31.4	-13.0%	2.0%	48%
TOTAL	2,879,559	42,361	91.6	55.3	105.9	65.3	18.0%	2.9%	100%

Rental income came to €65.3 million in the first half of 2016, compared to €55.3 million in the first half of 2015 (FDR GS).

This 18% increase is attributable to the impact of disposals, as well as a steady flow of acquisitions in 2015 (€871 million at 100%) and an increase in rents at like-for-like scope, which came to +2.9% over one year, bolstered mainly by the good performance of the Berlin portfolio (+5.3%).

Berlin, Hamburg, Dresden and Leipzig now account for 52% of the rental income recorded, versus 39% at 31 December 2015.

1.2.4.2. Annualised rental income: €132 million Group share

1.2.4.2.1. Geographic breakdown

(€M)	Surface (m ²)	Number of units	Annualised rental income 2015 100% Immeo	Annualised rental income 2015 Group Share FDR	Annualised rental income H1 2016 100% Immeo	Annualised rental income H1 2016 Group Share FDR	Change (%)	Average rent (€/m ² /month)	% of rental income
Berlin	1,002,590	13,359	72.5	44.1	86.4	54.0	22.5%	7.4	41%
Dresden & Leipzig	252,333	4,275	17.1	10.6	17.6	10.5	-0.3%	5.8	8%
Hamburg	123,455	2,020	12.6	8.2	12.4	8.0	-2.3%	8.7	6%
NRW	1,501,180	22,707	110.9	67.7	97.6	59.6	-12.0%	5.6	45%
TOTAL	2,879,559	42,361	213.0	130.5	214.0	132.1	1.2%	6.4	100%

The 1% increase in annualised rental income reflects the portfolio rotation strategy:

- ♦ disposals in North Rhine-Westphalia (-12%)
- ♦ acquisitions in high-growth markets (+15%), particularly Berlin, which accounts for 41% of annualised rental income.

1.2.4.3. Indexation

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

1.2.4.3.1. Rents for re-leased properties

In principle, rents may be increased freely, although not excessively.

As an exception to this principle of freedom in the setting of rents, some cities have introduced caps on rents for re-leased properties. This is the case, in particular, for Berlin (effective 1 June 2015), Hamburg (effective 1 July 2015) and a number of cities in North Rhine-Westphalia where FDR has relatively few or no assets (effective 1 July 2015).

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

1.2.4.4. Occupancy rate

(%)	2015	H1 2016
Berlin	98.1%	98.1%
Dresden & Leipzig	98.2%	97.7%
Hamburg	99.1%	99.1%
NRW	97.7%	98.0%
TOTAL	98.0%	98.1%

In the first half of 2016, the occupancy rate for operating assets remained at the high level of 98.1%, stable by comparison with the end of 2015.

1.2.4.5. Reserves for unpaid rent

Group Share – (€M)	H1 2015	H1 2016
As % of rental income	1.4%	1.2%
In value ⁽¹⁾	1.3	1.2

⁽¹⁾ Net provision / reversals of provision.

The amount of reserves for unpaid rent was equivalent to 1.2% of rental income, down compared to the first half of 2015.

1.2.4.6. Disposals and disposal agreements: €191 million essentially in NRW (€116 million Group Share)

(€M)	Disposals (agreements as of end of 2015 closed) (I)	Agreements as of end of 2015 to close							Total Realized Disposals = (I + II)
			New disposals H1 2016 (II)	New agreements H1 2016	Total H1 2016	Margin vs 2015 value	Yield		
Berlin	4	4	3	7	10	46.2%	4.0%	7	
Dresden & Leipzig	-	-	-	-	-	N/A	N/A	0	
Hamburg	-	-	-	-	-	N/A	N/A	0	
NRW	118	2	69	112	181	7.7%	7.4%	186	
TOTAL	122	6	71	119	190	9.1%	7.2%	193	

The first half of 2016 was particularly active with €190 million (€116 million Group Share) in new commitments signed, of which 46.2% in Berlin, with a total average gross margin of +9.1%.

1.2.4.3.2. For current leases

The current rent may be increased by 15% to 20% depending on the region, although without exceeding the Mietspiegel, the appraisal value or the average rent for a minimum of at least three comparables. This increase may only be applied every three years.

1.2.4.3.3. For current leases with work done

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

- ♦ the works involved must increase the value of the property
- ♦ the tenant must be notified of this rent increase within three months.

At 30 June 2016, asset disposals amounted to €193 million. These disposals mainly involved non-core assets in North Rhine-Westphalia, in line with the portfolio re-allocation strategy.



1.2.4.7. Acquisitions: investments of €260 million in Berlin

Assets	Surface (m ²)	Number of units	Acquisition price ID ⁽¹⁾ 100% Immeo (€M)	Acquisition price ID ⁽¹⁾ Group Share FDR (€M)	Gross yield ID ⁽¹⁾
Berlin	122,477	1,276	260	182	4.9%
Dresden & Leipzig	-	-	-	-	-
Hamburg	-	-	-	-	-
TOTAL	122,477	1,276	260	182	4.9%

⁽¹⁾ ID: including duties.

The Group continued its geographical repositioning in Berlin with €260 million (at 100%) in investments made at 30 June 2016, mainly consisting of centrally located buildings, with a 4.9% yield and a rent reversion potential of around 40%:

- ♦ acquisition of assets for €165 million, consisting of 945 high-quality residential units (86% of the assets in terms of value), fully renovated and mainly located in sought-after districts in the centre of Berlin such as Mitte, Friedrichshain and Prenzlauerberg

- ♦ acquisition of a real estate complex made up of 117 residential units (19% of the value), 10,700 m² of office and commercial premises (40% of the value) and a four-star Novotel hotel with 238 rooms. The €76.4 million asset is located in the heart of the Mitte district (Fischerinsel 12)
- ♦ acquisition of a portfolio of 71 residential units in the districts of Mitte, Steglitz-Zehlendorf, Tempelhof-Schöneberg and Falkensee for €18.3 million.

1.2.4.8. Portfolio values

1.2.4.8.1. Change in portfolio value: 7% growth

Group Share FDR - (€M)	Value ED ⁽¹⁾ 2015	Value adjustment	Acquisitions	Disposals	Invest.	Others	Value ED ⁽¹⁾ H1 2016
Berlin	863	34	182	-4	-	17	1,092
Dresden & Leipzig	160	8	-	-	-	8	176
Hamburg	153	6	-	-	-	-	159
NRW	999	18	-	-111	-	-	906
TOTAL	2,175	66	182	-115	0	25	2,334

⁽¹⁾ ED: excluding duties.

At 30 June 2016, the portfolio was valued at €2,334 million, up from €2,175 million at end-2015. This change was due to the following:

- ♦ the impact of disposals (-€115 million)
- ♦ the impact of acquisitions (+€182 million)
- ♦ value adjustment (+€66 million).

During the half-year, CAPEX amounted to €20 million (€7/m², 60% dedicated to modernisation) while OPEX totalled €7 million (€2.5/m²). By comparison, for the whole of 2015, the Group's CAPEX amounted to €32 million (€18.7/m², more than 70% dedicated to modernisation) while its OPEX totalled €9 million (€5.0/m²), thus improving the quality of the assets and increasing the growth potential of rental income.

1.2.4.8.2. Like-for-like change: +3.1%

(€M)	Value ED ⁽¹⁾ 2015 100% Immeo	Value ED ⁽¹⁾ 2015 Group Share FDR	Value ED ⁽¹⁾ H1 2016 100% Immeo	Value ED ⁽¹⁾ H1 2016 Group Share FDR	LFL change 6 months	Yield ED ⁽¹⁾ 2015	Yield ED ⁽¹⁾ H1 2016	% of total value
Berlin	1,457	863	1,760	1,092	4.0%	5.1%	4.9%	47%
Dresden & Leipzig	273	160	284	176	4.0%	6.4%	6.2%	8%
Hamburg	239	153	248	159	3.6%	5.2%	5.0%	7%
NRW	1,634	999	1,485	906	2.1%	6.8%	6.6%	39%
TOTAL GERMANY	3,603	2,175	3,776	2,334	3.1%	6.0%	5.7%	100%

⁽¹⁾ ED: excluding duties.

At like-for-like scope, values increased 3.1% over six months, driven by the increase in rental income. In particular, increases of 3.6% to 4.0% were recorded in Hamburg, Dresden & Leipzig and Berlin.



1.2.5. Other Activities

1.2.5.1. France Residential

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

1.2.5.1.1. Rental income recognised

(€M)	Rental income H1 2015	Rental income H1 2016	Change (%)	% of rental income
Paris and Neuilly	5.5	3.6	-34%	46%
Greater Paris excl. Paris and Neuilly	2.3	1.7	-28%	21%
Rhône-Alpes	1.1	0.7	-41%	8%
PACA	1.8	1.3	-26%	17%
Great West	0.5	0.4	-20%	5%
East	0.2	0.2	-2%	3%
Total France	11.4	7.9	-30.9%	96%
Total Luxembourg	0.3	0.3	0%	100%
TOTAL	11.7	8.2	-30.1%	100%

Rental income amounted to €8.2 million at 30 June 2016, down from €11.7 million a year earlier. This change was due mainly to:

- ♦ the impact of the continuation of the disposal strategy (-€2.6 million)
- ♦ the impact of vacant properties facilitating unit sales (-€1 million)
- ♦ the impact of indexation (+€0.1 million).

1.2.5.1.2. Annualised rental income

(€M)	Annualised rental income 2015	Annualised rental income H1 2016	Change (%)	% of rental income
Paris and Neuilly	6.8	6.3	-8%	41%
Greater Paris excl. Paris and Neuilly	3.4	3.0	-11%	21%
Rhône-Alpes	1.4	1.3	-12%	9%
PACA	3.0	2.6	-16%	18%
Great West	0.8	0.7	-11%	5%
East	1.1	0.4	-64%	7%
Total France	16.7	14.3	-14.3%	97%
Total Luxembourg	0.6	0.6	0%	100%
TOTAL	17.3	14.9	-13.8%	100%

The 14% decrease in annualised rental income is the result of stepping-up the disposal programme between 2015.

1.2.5.1.3. Indexation

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

1.2.5.1.4. Disposals and disposal agreements: €89 million

(€M)	Disposals (agreements as of end of 2015 closed) (I)	Agreements as of end of 2015 to close	New disposals H1 2016 (II)	New agreements H1 2016	Total H1 2016	Margin vs 2015 value	Yield	Total Realized Disposals = (I + II)
France	29	0	44	45	89	6.3%	0.8%	73
Luxembourg	-	-	-	-	-			0
TOTAL	29	0	44	45	89	6.3%	0.8%	73

The half-year continued to see sustained disposal activity, with €89 million in disposals and agreements for a particularly low average yield of 0.8%, in line with the sale strategy concerning vacant buildings. 75% of the disposals and agreements took place in the Paris region.

1.2.5.1.5. Portfolio value up 0.2% at like-for-like scope

At 30 June 2016, the portfolio of Residential assets in France and Luxembourg is valued at €540 million, showing a slight 0.2% increase at like-for-like scope.

This increase is mainly due to an asset being transferred from a block value to an occupied retail value pursuant to a disposal commitment obtained on this asset. The increase is also due to the compression of the capitalisation rates used by experts on some assets.

(€M)	Value ED ⁽¹⁾ 2015 100%	Value ED ⁽¹⁾ H1 2016 100%	LFL change 6 months	Yield ED ⁽¹⁾ 2015	Yield ED ⁽¹⁾ H1 2016
France + Luxembourg	609	540	0.2%	2.8%	4.0%
TOTAL	609.0	539.8	0.2%	2.8%	4.0%

⁽¹⁾ ED: excluding duties.

1.2.5.2. Logistics

1.2.5.2.1. Rental income recognised: €2.8 million

(€M)	Surface (m ²)	Rental income H1 2015	Rental income H1 2016	Change (%)	Change (%) LFL	% of total
TOTAL	121,648	10.0	2.8	-71.7%	N/A	100%

At the end of June 2016, rental income amounted to €2.8 million, down 72% compared to end of 2015, due to (i) the disposals made in 2015 and 2016 (-€5.6 million), with the sale of the Pantin asset in July 2015, as well as the sale of a portfolio of four leased assets (Dunkirk, Bollène and land, Salon-de-Provence and Chalon), (ii) the vacating of Saint-Martin-de-Crau by Castorama for €1.5 million.

1.2.5.2.2. Annualised rental income: €1.0 million

(€M)	Surface (m ²)	Number of assets	Annualised rental income 2015	Annualised rental income H1 2016	Change (%)	% of rental income
TOTAL	121,648	4	11.0	1.0	N/A	100%

**1.2.5.2.3. Indexation**

In France, the indices used to calculate the indexation are those of the ICC and the ILAT.

1.2.5.2.4. Occupancy rate: 15.4%

The occupancy rate dropped to 15%, compared to 71% at end-2015, due to the sale of leased assets. The strategy is to continue the asset management work on the vacant assets prior to their disposal.

1.2.5.2.5. Reserves for unpaid rent

No impact was recorded in this respect in the Company's financial statements at 30 June 2016.

1.2.5.2.6. Disposals and disposal agreements: €101 million in disposals

(€M)	Disposals (agreements as of end of 2015 closed) (I)	Agreements as of end of 2015 to close	New disposals H1 2016 (II)	New agreements H1 2016	Total H1 2016	Margin vs 2015 value	Yield	Total Realized Disposals = (I + II)
TOTAL	101.0	0.0	0.0	0.0	0.0	-	-	101.0

The sale of four assets (Dunkirk, Bollène and land, Salon-de-Provence and Chalon), signed in 2015, was completed on 31 March 2016, for €101 million.

1.2.5.2.7. Portfolio values**1.2.5.2.7.1. Change in portfolio values from €163 million to €62 million due to disposals**

(€M)	Value ED ⁽¹⁾ 2015	Value adjustment	Acquisitions	Disposals	Invest.	Transfer	Value ED ⁽¹⁾ H1 2016
TOTAL	163	0	0	-101	0	0	62

⁽¹⁾ ED: excluding duties.

1.2.5.2.7.2. Change at like-for-like scope: stability at like-for-like scope

(€M)	Value ED ⁽¹⁾ 2015 100%	Value ED ⁽¹⁾ H1 2016 100%	Value ED ⁽¹⁾ H1 2016 Group Share	LFL change 6 months	Yield ED ⁽¹⁾ 2015	Yield ED ⁽¹⁾ H1 2016	% of total value
TOTAL	163.2	62.2	62.2	0.0%	6.8%	1.6%	100%

⁽¹⁾ ED: excluding duties.



1.3. FINANCIAL INFORMATION AND COMMENTS

The activity of Foncière des Régions consists of the acquisition, ownership, administration and leasing of properties, developed or otherwise, specifically in the Office, Residential, Hotels & Service Sectors, and to a more limited extent, in the Logistics sites and Car Parks sectors.

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

1.3.1. Scope of consolidation

At 30 June 2016, the scope of consolidation of Foncière des Régions included companies in France and in several other European countries (Offices: Italy; Residential: Germany, Austria, Denmark; Hotels & Service Sector: Germany, Portugal, Belgium, Netherlands, Spain and Luxembourg). The main ownership interests in the fully consolidated but not wholly-owned companies are the following:

Subsidiaries	H1 2015	2015	H1 2016
Foncière Développement Logements	61.3%	61.3%	61.3%
Foncière des Murs	43.1%	43.1%	49.6%
Immeo	61.0%	61.0%	61.0%
Beni Stabili	48.3%	48.5%	52.2%
OPCI CB 21 (Tour CB 21)	75.0%	75.0%	75.0%
Urbis Park	59.5%	59.5%	59.5%
Fédérismo (Carré Suffren)	60.0%	60.0%	60.0%
SCI Latécoère (DS Campus)	50.1%	50.1%	50.1%
SCI 11, place de l'Europe (Campus Eiffage)	50.1%	50.1%	50.1%
Lénovilla (New Vélizy)	50.1%	50.1%	50.1%

Foncière des Régions increased its stake in Foncière des Murs following its contribution in kind of shares of FDM in exchange for FDR shares equal to 4.3% of the share capital of FDM. The stake in Foncière des Murs thus increased from 43.15% to 47.45% during the second quarter. This contribution in kind was followed by a mandatory public exchange offer. At the close of the first public exchange offer (28 June 2016), 2.1% of FDM's capital

was acquired, increasing the stake to 49.63%. FDM was thus integrated in the income statement of Foncière des Régions at 43.15% for the first quarter and at 45.3% for the second quarter, and recorded at 49.6% in the balance sheet.

Foncière des Régions increased its stake in Beni Stabili. The average stake in Beni Stabili was 50.12% over the period (used in the income statement) and was 52.24% at 30 June 2016.

1.3.2. Accounting standards

The consolidated financial statements have been prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Union on the date of preparation. These

standards include the IFRS (International Financial Reporting Standards), as well as their interpretations. The financial statements were approved by the Board of Directors on 21 July 2016.

1.3.3. Simplified EPRA income statements Group share

Group Share – (€M)	H1 2015	H1 2016	Var.	%
Net rental income	248.0	261.9	13.9	5.6%
Net operating costs	-29.5	-32.8	-3.3	11.2%
Income from other activities	12.8	7.1	-5.7	-44.5%
Depreciation of operating assets	-4.5	-4.6	-0.1	2.2%
Net change in provisions and other	-1.8	-2.0	-0.2	-
CURRENT OPERATING INCOME	225.0	229.6	4.6	2.0%
Net income from inventory properties	-0.4	0.7	1.1	-
Income from asset disposals	0.0	0.8	0.8	-
Income from value adjustments	158.1	307.7	149.6	-
Income from disposal of securities	0.1	0.0	-0.1	-
Income from changes in scope	0.0	-4.9	-4.9	-
OPERATING INCOME	382.6	533.9	151.3	39.5%
Income from non-consolidated companies	0.2	0.0	-0.2	-
Cost of net financial debt	-79.0	-73.3	5.7	-7.2%
Value adjustment on derivatives	-35.4	-18.5	16.9	-47.7%
Discounting of liabilities and receivables	-2.3	-2.0	0.3	-13.0%
Net change in financial and other provisions	-6.8	-29.7	-22.9	336.8%
Share in earnings of affiliates	22.6	16.4	-6.2	-
INCOME FROM CONTINUING OPERATIONS	281.8	426.7	144.9	-
Deferred tax	-10.5	-11.2	-0.7	6.7%
Corporate income tax	-1.5	-3.1	-1.6	-
NET INCOME FROM CONTINUING OPERATIONS	269.8	412.4	142.6	-
Post-tax profit or loss of discontinued operations	5.0	-1.4	-6.4	-
NET INCOME FOR THE PERIOD	274.8	411.0	136.2	-

Discontinued operations correspond to properties in the process of being sold in the Logistics segment.

1.3.3.1. Net rental income increase of 5.6% in Group share

Net rental income changed owing to the combined effects of increases in the Foncière des Régions' stakes in Foncière des Murs and Beni Stabili, and the acquisitions/disposals and delivery of properties.

Net rental income by operating segment is the following:

Group Share – (€M)	H1 2015	H1 2016	Var.	%
Offices – France	111.2	118.4	7.2	6.5%
Offices – Italy	44.4	41.1	-3.3	-7.4%
NET RENTAL INCOME – OFFICES	155.6	159.5	3.9	2.5%
Hotels & Service sector	38.8	41.5	2.7	7.1%
Residential Germany	48.9	57.9	9.0	18.4%
Residential France	4.7	2.9	-1.8	-38.3%
TOTAL NET RENTAL INCOME	248.0	261.9	13.9	5.6%

France Offices: Increase of €8 million in net rental income due to delivery of assets under development.

Italy Offices: Decrease of €4 million in rental income linked mainly to the disposal of Telecom Italia assets.



Hotels & Service Sector: Increase of €2.2 million in net rental income related to acquisitions.

Germany Residential: Increase of €14 million in rental income related to acquisitions and rental activity, less the impact of disposals (-€4 million).

1.3.3.2. Net operating costs

Net operating costs were €32.8 million as compared to €29.5 million as at 30 June 2015, *i.e.* an increase of €3.3 million primarily related to the staff increases in Germany Residential, following the growth of the portfolio.

1.3.3.3. Income from other activities

The main components of income from other activities are the Car Parks business (€3.5 million), corresponding to car parks owned or under concession, and real estate development activities (fees and margin; €3.6 million).

1.3.3.4. Net allowances to provisions and other

Net allowances to provisions and other had a negative impact of €2 million on the 2016 income statement, primarily linked to the change in provisions.

1.3.3.7. Share in earnings of affiliates

Group Share information	% interest	Value 2015	Contribution to earnings	Value 2016	Change [%]
OPCI Foncière des Murs	9.88%	31.4	2.2	35.2	12.0%
Lénovilla (New Vélizy)	50.10%	36.0	3.6	39.6	10.0%
Euromed	50.00%	27.5	11.7	39.2	42.5%
SCI Latécoère 2 (Extension DS)	50.10%	-0.9	-0.5	-1.4	55.6%
FDM Management	20.17%	7.5	-1.6	15.0	100.5%
Other Equity Interests	N/A	13.4	2.4	17.8	32.3%
TOTAL		115.0	17.8	145.4	20.9%

The change in the value of the investment properties in the New Vélizy and Euromed assets impacted income for the period by +€10.4 million.

FDM Management carried out a €7 million capital increase (in Group share).

1.3.3.8. Tax regime

Taxes determined are for:

- ♦ foreign companies that are not or are only partially subject to a tax transparency regime (Germany, Belgium, the Netherlands)
- ♦ French subsidiaries not having opted for the SIIC regime
- ♦ French SIIC or Italian subsidiaries with taxable activity.

Corporate tax of -€3.1 million consists of -€0.4 million for the France Offices sector (including a 3% dividend tax), -€1.5 million for Italy Offices (related to value adjustment of the ORNANES) and -€1.2 million for the Hotels and Residential sectors abroad.

1.3.3.5. Change in the fair value of assets

The income statement recognises changes in the fair value of assets based on appraisals conducted on the portfolio. For the first half of 2016, the change in the fair value of investment assets is positive and stands at €307.7 million. Change in the fair value of investment assets by operating segment can be broken down as follows:

- ♦ France Offices: +€187.7 million
- ♦ Italy Offices: +€27.3 million
- ♦ Hotels & Service sector: +€37.6 million
- ♦ Germany Residential: +€55.1 million

Operating income thus amounted to €533.9 million compared to €382.6 million at 30 June 2016.

1.3.3.6. Financial aggregates

Changes in the fair value of financial instruments stood at -€18.5 million compared to -€35.4 million at 30 June 2015. These mainly consist of negative changes of -€77 million in the fair value of hedging instruments and positive changes of €58 million in the value of the ORNANES.

It should be noted that the net change of -€29.7 million in financial provisions in the first half of 2016 debt were impacted by the restructuring of the Technical debt (-€5 million) and the redemption of the 2018 bond issue (-€16 million).

1.3.3.9. Recurring net income up by €7 million and 4.2%.

	Net income Group share	Restatements	RNI H1 2016	RNI H1 2015
NET RENTAL INCOME	261.9	2.6	264.5	249.8
Operating costs	-32.8	0.5	-32.3	-28.9
Income from other activities	7.1	-0.1	7.0	13.1
Depreciation of operating assets	-4.6	4.6	0.0	0.0
Net change in provisions and other	-2.0	2.0	0.0	0.0
CURRENT OPERATING INCOME	229.6	9.6	239.3	234.0
Net income from inventory properties	0.7	-0.7	0.0	0.0
Income from asset disposals	0.8	-0.8	0.0	0.0
Income from value adjustments	307.7	-307.7	0.0	0.0
Income from disposal of securities	0.0	0.0	0.0	0.0
Income from changes in scope	-4.9	4.9	0.0	0.0
OPERATING INCOME	533.9	-294.7	239.3	234.0
Income from non-consolidated companies	0.0	0.0	0.0	0.2
COST OF NET FINANCIAL DEBT	-73.3	7.3	-66.0	-78.2
Value adjustment on derivatives	-18.5	18.5	0.0	0.0
Discounting of liabilities and receivables	-2.0	2.0	0.0	0.0
Net change in financial provisions	-29.7	29.7	0.0	0.0
Share in earnings of affiliates	16.4	-11.4	5.0	6.4
PRE-TAX NET INCOME	426.8	-248.6	178.4	162.3
Deferred tax	-11.2	11.2	0.0	0.0
Corporate income tax	-3.1	1.5	-1.6	-0.4
NET INCOME FOR THE PERIOD	412.5	-235.9	176.7	161.9
Profits or losses on discontinued operations	-1.4	1.3	-0.1	7.7
NET INCOME FOR THE PERIOD	411.0	-234.6	176.6	169.6

- ◆ Net rental income was impacted by the application of IFRIC 21, and reflects 12 months of property taxes net of rebilling. The impact of the application of this standard is restated in recurring net income (€2.6 million), so that it only includes six months of non-rebillable taxes.
- ◆ Income from changes in consolidation scope consists exclusively of the acquisition costs for the shares of companies consolidated in accordance with IFRS 3R. These costs are excluded from recurring net income.
- ◆ The cost of debt was impacted by €7.3 million in early debt restructuring costs. These costs are excluded from the recurring net income.
- ◆ Corporate income tax includes taxes on the €1.5 million change in value of the ORNANES in Italy. These taxes are excluded from recurring net income.



1.3.4. Simplified EPRA consolidated income statement

(€M) – 100%	H1 2015	H1 2016	Var.	%
Net rental income	399.2	412.7	13.5	3.4%
Net operating costs	-45.5	-48.4	-2.9	6.4%
Income from other activities	15.3	9.5	-5.8	-37.9%
Depreciation of operating assets	-6.9	-7.0	-0.1	1.4%
Net change in provisions and other	-2.4	-2.8	-0.4	-
CURRENT OPERATING INCOME	359.8	363.9	4.1	1.1%
Net income from inventory properties	-0.9	1.0	1.9	-
Income from asset disposals	-0.3	1.1	1.4	-466.7%
Income from value adjustments	224.5	429.8	205.3	-
Income from disposal of securities	0.0	0.0	0.0	-
Income from changes in scope	0.0	-7.6	-7.6	-
OPERATING INCOME	583.1	788.2	205.1	35.2%
Income from non-consolidated companies	0.2	0.0	-0.2	-
Cost of net financial debt	-123.9	-113.8	10.1	-8.2%
Value adjustment on derivatives	-32.5	-32.9	-0.4	1.2%
Discounting of liabilities and receivables	-2.3	-1.6	0.7	-30.4%
Net change in financial and other provisions	-10.5	-34.7	-24.2	230.5%
Share in earnings of affiliates	25.2	17.8	-7.4	-
INCOME FROM CONTINUING OPERATIONS	439.3	623.0	183.7	-
Deferred tax	-18.8	-22.1	-3.3	17.6%
Corporate income tax	-3.1	-5.6	-2.5	80.6%
NET INCOME FROM CONTINUING OPERATIONS	417.4	595.3	177.9	-
Post-tax profit or loss of discontinued operations	5.0	-1.4	-6.4	-
NET INCOME FOR THE PERIOD	5.0	-1.4	-6.4	-
Non-controlling interests	-147.6	-182.8	-35.2	-
NET INCOME FOR THE PERIOD – GROUP SHARE	274.8	411.0	136.2	-

1.3.4.1. Increase in consolidated net rental income of €13.5 million (3.4%)

Net rental income increased primarily as a result of acquisitions and deliveries of assets under development. This growth is diminished by the disposals and downward lease renegotiations in the Italy Offices sector (renegotiation of Telecom Italia in 2015). Net rental income by operating segment is the following:

(€M) – 100%	H1 2015	H1 2016	Var.	%
Offices – France	119.9	131.0	11.1	9.3%
Offices – Italy	91.8	82.0	-9.8	-10.7%
Net rental income – Offices	211.7	213.0	1.3	0.6%
Hotels & Service sector	98.8	101.0	2.2	2.2%
Residential Germany	81.0	93.9	12.9	15.9%
Residential France	7.7	4.8	-2.9	-37.7%
TOTAL NET RENTAL INCOME	399.2	412.7	13.5	3.4%

1.3.5. Simplified consolidated balance sheet Group share

Group share – (€M)	Assets		Liabilities	
	2015	H1 2016	2015	H1 2016
Fixed assets	9,907	10,625		
Equity affiliates	115	145		
Financial assets	206	219	Shareholders' equity	4,639
Deferred tax assets	10	4	Borrowings	6,389
Financial instruments	47	47	Financial instruments	459
Assets held for sale	551	581	Deferred tax liabilities	202
Cash	853	1,040	Other	424
Discontinued operations	174	73	Discontinued operations	35
Other	286	395		
TOTAL	12,148	13,129		12,148
				13,129

1.3.5.1. Fixed assets

At 31 December 2015, the portfolio by operating segment consisted of the following:

Group share – (€M)	2015	H1 2016	Var.	incl. LFL change
Offices – France	4,399	4,720	321	188
Offices – Italy	1,804	1,997	194	27
Hotels & Service sector	1,219	1,348	129	38
Residential Germany	2,110	2,258	149	55
Residential France	353	280	-73	0
Car parks	23	21	-1	0
TOTAL FIXED ASSETS	9,907	10,625	718	307

The value of fixed assets in France Offices is mainly affected by the change in fair value of investment properties (+€187.7 million) and the acquisition of the Vinci head office in Rueil (€129 million including duties).

The value of fixed assets in Italy Offices was affected by the change in percentage ownership interest (+3.8 points) and by the acquisition of the Corso Italia asset in Milan (€19 million Group Share).

The value of fixed assets in the Hotels and Service sector is mainly linked to the increase in ownership interest and the payment of the option to acquire NH assets in Germany (+€27 million Group Share).

The change in fixed assets in Germany Residential was affected by the acquisitions made in the period through the acquisition of companies.

1.3.5.2. Assets held for sale

Assets held for sale primarily consist of assets for which a preliminary sales agreement has been signed. The change of €13 million between 2015 and the first half of 2016 is mainly linked to the disposal of AccorHotels assets in the Hotels & Service Sector (-€126 million) and to the reclassification of the Healthcare portfolio as an asset held for sale (€146 million including the change in fair value).

1.3.5.3. Total shareholders' equity Group share

Shareholders' equity increased from €4,639 million at the end of 2015 to €4,872 million at 30 June 2016, i.e. an increase of €232.6 million, due mainly to:

- ♦ income for the period: +€411.0 million
- ♦ the capital increase net of expenses, used for the additional acquisition of the FDM shares: +€113.2 million
- ♦ impact of the cash dividend distribution: -€286.6 million
- ♦ financial instruments included in shareholders' equity: +€12.3 million
- ♦ the change in the ownership interest in Beni Stabili and FDM: +€7.4 million.

1.3.5.4. Other assets

The €109 million increase in this line item primarily includes an escrow account (€25 million) related to the disposal of the AccorHotels portfolio and the impact of 12 months of property tax rebilling in accordance with IFRIC 21 (+€37 million).



1.3.5.5. Other liabilities

The change of -€16 million in this line item is mainly related to the decrease in Advances and pre-payments received in 2015 on the disposal of a portfolio of residential assets in Germany (-€58 million) and the recognition of property tax debts pursuant to the application of IFRIC 21 (+€37 million).

1.3.6. Simplified consolidated balance sheet

(€M) – 100%						
Assets	2015	H1 2016	Liabilities	2015	H1 2016	
Fixed assets	15,855	16,247	Shareholders' equity	4,639	4,872	
Equity affiliates	179	209	Non-controlling interests	3,089	2,969	
Financial assets	211	232	Shareholders' equity	7,728	7,841	
Deferred tax assets	19	8	Borrowings	9,492	10,045	
Financial instruments	54	53	Financial instruments	597	620	
Assets held for sale	956	970	Deferred tax liabilities	357	367	
Cash	950	1,140	Discontinued operations	35	33	
Discontinued operations	174	73	Other liabilities	604	589	
Other	414	563				
TOTAL	18,813	19,495		18,813	19,495	

1.3.6.1. Fixed assets

Fixed assets increased by €392 million, mainly as a result of value adjustments (+€433.5 million).

1.3.6.2. Equity affiliates

Investments in equity affiliates are up by €29.4 million. This change is linked to the earnings of the period (+€17.8 million) and the capital increase of FDM Management (+€14.4 million).

1.3.6.3. Discontinued operations (Logistics business)

Following the disposal of an asset portfolio for €101 million, the Discontinued operations line item was €73 million at 30 June 2016 compared to €174 million at 31 December 2015.

1.3.6.4. Deferred tax liabilities

Deferred taxes amounted to €359 million compared to €337 million at 31 December 2015. This €22 million increase is mainly due to acquisitions completed and the increase in the value of the assets in the sectors Germany Residential and Hotels & Service abroad.

1.3.6.5. Other assets

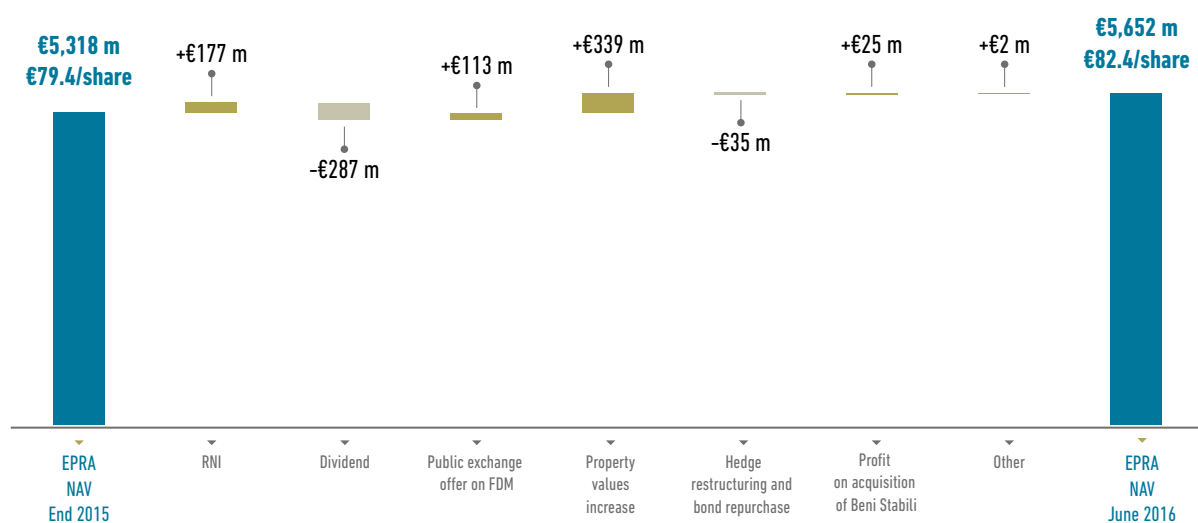
The €149 million increase in this line item primarily includes an escrow account (€50 million) related to the disposal of the AccorHotels portfolio and the impact of 12 months of property tax rebilling in accordance with IFRIC 21 (+€47 million).

1.3.6.6. Other liabilities

The change of -€15 million in this line item is mainly related to the decrease in Advances and pre-payments received in 2015 on the disposal of a portfolio of residential assets in Germany (-€95 million) and the recognition of property tax debts pursuant to the application of IFRIC 21 (+€47 million).

1.4. NET ASSET VALUE (NAV)

	2015	H1 2016	Var. vs 2015	Var. (%) vs 2015
EPRA NAV (€M)	5,318.2	5,651.8	333.6	11.4%
EPRA NAV / share (€)	79.4	82.4	3.0	8.7%
EPRA triple net NAV (€M)	4,609.3	4,848.9	239.6	9.3%
EPRA triple net NAV / share (€)	68.8	70.7	1.9	6.6%
Number of shares	66,947,020	68,612,791	1,665,771	2.5%



Number of share used to calculate NAV/share: 68,612,791 in June 2016 vs. 66,947,020 at end-2015.

	€M	€/share
Shareholders' equity	4,871.9	71.0
Fair value assessment of buildings (operation + inventory)	41.7	
Fair value assessment of parking facilities	25.5	
Fair value assessment of goodwill	5.2	
Fixed debt	-120.6	
Restatement of property transfer duties	25.2	
EPRA triple net NAV	4,848.9	70.7
Financial instruments and fix rate debt	469.0	
Deferred tax	219.2	
ORNANE	114.7	
EPRA NAV	5,651.8	82.4
IFRS NAV	4,871.9	71.0

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

The property portfolio directly held by the Group underwent a complete valuation on 31 December 2016 by independent property experts such as REAG, DTZ Eurexi, CBRE, JLL, BNP Paribas Real Estate, Cushman and Yard Valtech.

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

Car parks were valued by capitalising the EBITDA surplus generated by the business.

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

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

1.4.1. Fair value adjustment for the buildings and business goodwill

In accordance with IFRS standards, properties in operation and in inventory are valued at historical cost. A value adjustment, in order to take into account the appraisal values, is recognised in the NAV for a total amount of €41.7 million.

Since the buildings and business borne by FDM Management (Hotel operating properties) are not valued in the consolidated accounts, a restatement to recognise their fair value (as calculated by the appraisers) was made in the NAV in the amount of €5.2 million at 30 June 2016.

1.4.2. Fair value adjustment for the car parks

Car parks are valued at historical cost in the consolidated accounts. A restatement is made in the NAV to take into account the appraisal value of these assets, as well as the effect of the

farm-outs and subsidies received in advance. The impact on the NAV was €25.5 million at 30 June 2016.

1.4.3. Fair value adjustment for fixed-rate debts

The Group has taken out fixed-rate loans. In accordance with EPRA principles, triple net NAV is adjusted by the fair value of

fixed-rate debts, with an impact of -€120.6 million at 30 June 2016.

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

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

and the transfer duties already deducted from the value of the assets generates a restatement of €25.2 million at 30 June 2016.



1.5. FINANCIAL RESOURCES

1.5.1. Main debt characteristics

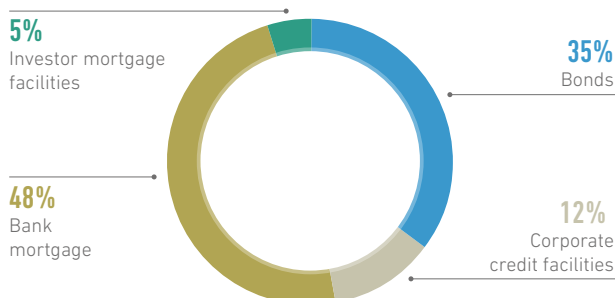
Group share	2015	H1 2016
Net debt, Group share (€M)	5,536	6,047
Average annual rate of debt	2.80%	2.39%
Average maturity of debt (years)	5.0	5.3
Debt active hedging spot rate	88%	84%
Average maturity of hedging	5.4	5.7
LTV including duties	45.4%	46.4%
ICR	3.02	3.39

1.5.1.1. Debt by type

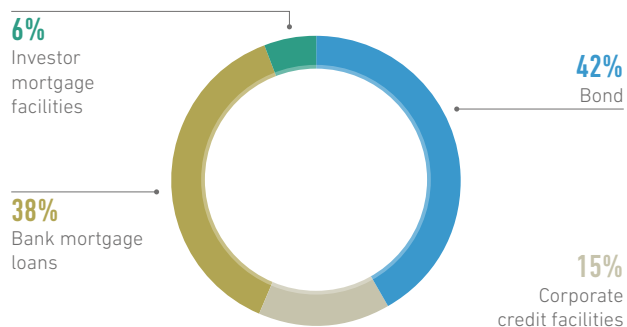
Foncière des Régions' net debt (Group share) amounted to €6.0 billion as at 30 June (€8.9 billion on a consolidated basis). As a share of total debt, corporate debt remains the highest at 57% at 30 June 2016.

In addition, at end-June 2016, the cash and cash equivalents of Foncière des Régions totalled nearly €2.3 billion, Group share (€2.6 billion on a consolidated basis). In particular, Foncière des Régions had €849 million in commercial paper outstanding at 30 June 2016.

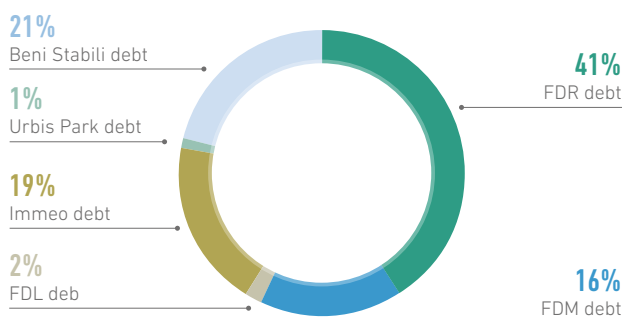
COMMITMENTS (100%)



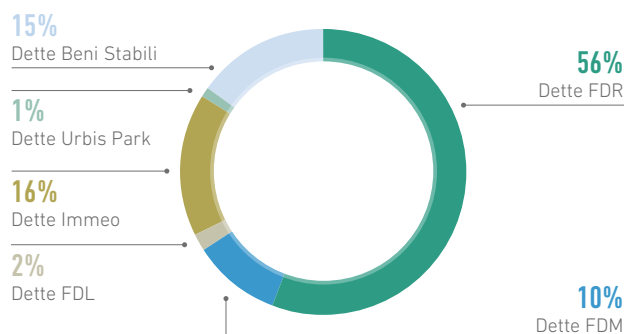
COMMITMENTS (GROUP SHARE)



CONSOLIDATED COMMITMENTS PER COMPANY



COMMITMENTS (GROUP SHARE)



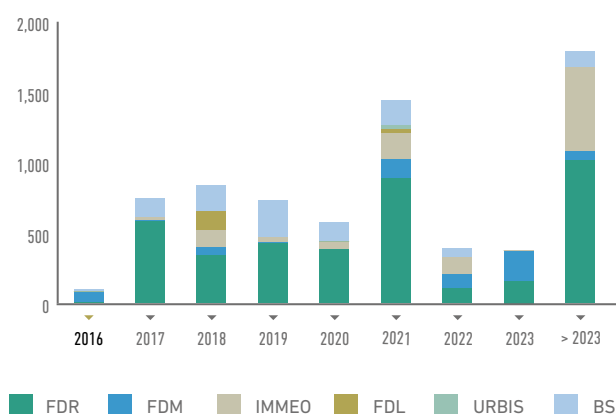


1.5.1.2. Debt maturity

The average maturity of Foncière des Régions' debt increased by 0.3 years, standing at 5.3 years at end-June 2016. The 2016 and 2017 maturities are covered entirely by existing cash and primarily involve corporate debts (particularly the ORNANE maturing in early 2017) in Germany Residential (Immeo) and in Italy Offices (Beni Stabili).

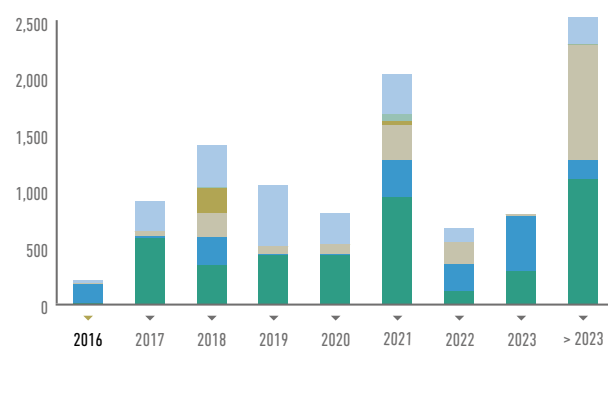
DEBT AMORTISATION SCHEDULE BY COMPANY

(Group share)



DEBT AMORTISATION SCHEDULE BY COMPANY

(On a consolidated basis)



1.5.1.3. Main changes during the period

1.5.1.3.1. Particularly strong financing and refinancing activity: €1.7 billion at 100% (€1.4 billion Group share)

- ◆ Foncière des Régions: €1.03 billion (Group share: €1.03 billion):
 - ◆ During the first half of 2016, Foncière des Régions continued the process of renegotiating its corporate credit facilities to optimise their financial conditions and extend their maturities. A total of €225 million was thus refinanced for a five-year term.
 - ◆ In May 2016, Foncière des Régions launched its first Green Bond issue for €500 million, maturing in 2026, with a fixed coupon of 1.875%, i.e. a spread of 137 bps. The issue was five times oversubscribed. At the same time, the Group redeemed €233.6 million and 47% of the bond issue maturing in 2018 and bearing interest at the rate of 3.875%.
 - ◆ In February 2016, Foncière des Régions secured the refinancing of a portfolio of offices assets rented to Orange by taking out a mortgage of €300 million over ten years.

These refinancing transactions provided a clear extension of the debt maturity under optimised financial terms.

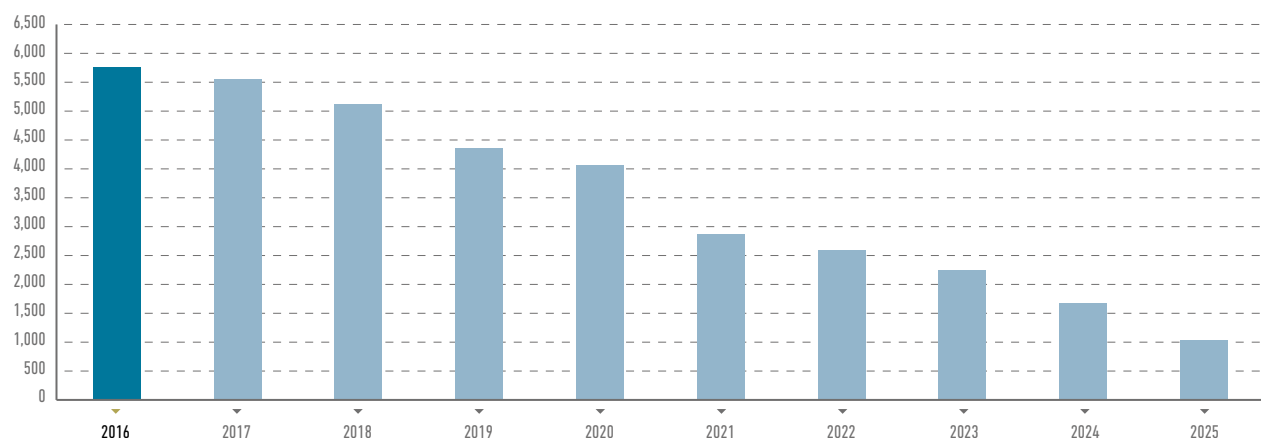
- ◆ France Residential (Foncière Développement Logement): €50 million raised (€30.6 million Group share):
 - ◆ In the first half of 2016, Foncière Développement Logements set up a corporate credit facility of €50 million with a five-year maturity.
- ◆ Hotels & Service Sector (FDM): €20 million (€9.3 million Group share)
- ◆ Germany Residential (Immeo): €600 million (€400 million Group share):
 - ◆ In the first half of 2016, Immeo obtained ten-year refinancing for €56 million of mortgage financing on 886 units located in Berlin and €165 million of mortgage financing with a maturity of 7.8 years for 3,228 units located in Berlin, Dresden, Düsseldorf and Leipzig. These refinancing transactions significantly improved the financial terms and maturity of the loans.
 - ◆ Immeo also raised €132 million in new financing with an average maturity of ten years for acquisitions in the Berlin and Potsdam areas.
 - ◆ Over the same period, Immeo also refinanced loans totalling €285.5 million over ten years, of which €204 million for the Quadriga portfolio in Berlin and €81.5 million for the Berolina portfolio, also in Berlin.

1.5.1.4. Hedging profile

In the first half of 2016, the hedge management policy remained unchanged, with debt hedged at 90% to 100%, at least 75% of which through short-term hedges, and all of which with maturities exceeding the debt maturity.

Based on net debt at the end of June 2016, Foncière des Régions is hedged (Group share) at 84%, compared to 88% at the end of 2015. The average term of the hedges is 5.7 years (Group share).

HEDGING PROFILE



1.5.1.5. Average interest rate on the debt and sensitivity

The average interest rate on Foncière des Régions' debt continued to improve, standing at 2.4% in Group share, compared to 2.8% in 2015. This drop is mainly due to the full-year impact of the refinancing of Foncière des Murs' loans between July and November 2015, the refinancing of the Technical debt in February 2016, Foncière des Régions' ten-year green bond issue in May 2016 at a rate of 1.875%, combined with the partial redemption of the bond issue maturing in 2018, as well as the impact of renegotiations in 2015 and 2016 and hedge restructuring. For information purposes, an increase of 50 basis points in the three-month Euribor rate would have a negative impact of €0.6 million on recurring net income in 2016.

Régions and for FDM and on a consolidated basis for the other subsidiaries of Foncière des Régions (if their debts include them).

- ◆ The most restrictive consolidated LTV covenants amounted to 60% for Foncière des Régions, FDM, FDL and Beni Stabili at 30 June 2016.
- ◆ The threshold for consolidated ICR covenants differs from one REIT to another, depending on the type of assets, and may be different from one debt to another even for the same REIT, depending on debt seniority.

1.5.1.5.1. Financial structure

Excluding debts raised without recourse to the Group's property companies, the debts of Foncière des Régions and its subsidiaries generally include bank covenants (ICR and LTV) applying to the borrower's consolidated financial statements. If these covenants are breached, early debt repayment may be required. These covenants are established in Group share for Foncière des

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

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

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

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

Ratio	Covenant	FY 2016
LTV	60% ⁽¹⁾	51.3%
ICR	200.0%	339.0%
Secural debt ratio	25% ⁽²⁾	7.5%

⁽¹⁾ A single credit facility of €75 million maturing in less than one year is subject to a covenant at 55%.

⁽²⁾ A €75 million credit facility is subject to a covenant at 22.5%.

All covenants were fully complied with at the end of June 2016. No loan has an accelerated payment clause contingent on Foncière des Régions' rating, which is currently BBB, stable outlook (S&P rating).



1.5.1.5.2. LTV calculation details

(€M) – Group share	2015	H1 2016
Net book debt ⁽¹⁾	5,594	6,046
Receivables on disposals	-609	-516
Security deposits received	-15	-53
Finance lease-backed debt	-2	-2
Net debt	4,968	5,475
Appraised value of real estate assets (ID)	11,291	12,013
Preliminary sale agreements	-609	-516
Purchase Debt	-35	-36
Financial assets	13	15
Goodwill	0	0
Receivables linked to associates	162	176
Share of equity affiliates	115	145
Value of assets	10,938	11,797
LTV EXCLUDING DUTIES	48.0%	49.1%
LTV INCLUDING DUTIES	45.4%	46.4%

⁽¹⁾ Adjusted for changes in fair value of convertible bond (-€147.3 million).



1.6. FINANCIAL INDICATORS OF THE MAIN ACTIVITIES

	Foncière des Murs			Beni Stabili		
	H1 2015	H1 2016	Var. (%)	H1 2015	H1 2016	Var. (%)
Recurring net income (€M)	63.4	69.0	8.1%	50.8	51.3	1.0%
EPRA NAV (€M)	1,876.8	1,999.4	6.5%	1,957.60	1,887.50	-3.6%
EPRA triple net NAV (€M)	1,701.7	1,753.0	3.0%	1,818.40	1,762.90	-3.1%
% of capital held by FDR	43.1%	49.6%	+6.5 pts	48.3%	52.2%	+3.9 pts
LTV including duties	40.0%	28.9%	-11.1 pts	48.5%	50.3%	+1.8 pts
ICR	3.73	4.65	+0.92	2.30	2.62	+0.32

	Immeo		
	H1 2015	H1 2016	Var. (%)
Recurring net income (€M)	41.9	51.2	22.2%
EPRA NAV (€M)	1,505.0	1,824.0	21.2%
EPRA triple net NAV (€M)	1,204.0	1,430.0	18.8%
% of capital held by FDR	61.0%	61.0%	-0.1 pt
LTV including duties	45.8%	43.0%	-2.8 pts
ICR	2.82	3.38	+0.56

2

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016

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2.1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016

2.1.1. Statement of financial position

ASSETS

(€K)	Note	30/06/2016	31/12/2015
INTANGIBLE FIXED ASSETS	2.2.6.1.1		
Goodwill		8,194	8,194
Other intangible assets		28,286	29,712
TANGIBLE FIXED ASSETS	2.2.6.1.1		
Operating properties		65,511	65,896
Other tangible fixed assets		8,269	7,760
Fixed assets in progress		64,687	15,171
Investment properties	2.2.6.1.2	16,072,224	15,728,453
Non-current financial assets	2.2.6.2	232,345	210,790
Investments in equity affiliates	2.2.6.3	208,763	179,376
Deferred tax assets	2.2.6.4	7,477	19,376
Long-term derivatives	2.2.6.11.3	31,218	29,419
Total non-current assets		16,726,975	16,294,148
Assets held for sale	2.2.6.1.2 & 2.2.6.1.4	969,465	956,314
Loans and finance lease receivables	2.2.6.5	7,234	6,370
Inventories and work-in-progress	2.2.6.6	42,886	42,663
Short-term derivatives	2.2.6.11.3	22,090	24,656
Trade receivables	2.2.6.7	334,259	266,657
Tax receivables		3,122	4,762
Other receivables	2.2.6.8	153,073	79,355
Accrued expenses		22,778	14,044
Cash and Cash equivalents	2.2.6.9	1,140,236	949,684
Discontinued operations ⁽¹⁾	2.2.5.6.1	73,047	174,215
Total current assets		2,768,190	2,518,720
TOTAL ASSETS		19,495,165	18,812,868

⁽¹⁾ Following its divestment of the Logistics segment, this segment has been presented under "Discontinued operations" since 1 January 2014. The change over the half-year is due to the direct sale of a portfolio of two assets and the sale of three asset-holding companies.



LIABILITIES

(€K)	Note	30/06/2016	31/12/2015
Share capital		204,841	199,889
Share premium account		2,476,538	2,449,065
Treasury shares		-6,799	-4,264
Consolidated reserves		1,786,305	1,513,162
Net income		411,027	481,472
Total shareholders' equity, Group share	2.2.6.10	4,871,912	4,639,323
Minority interests		2,968,841	3,088,884
Total shareholders' equity		7,840,753	7,728,208
Long-term borrowings	2.2.6.11	8,233,454	8,408,151
Long-term derivatives	2.2.6.11.3	542,239	514,316
Deferred tax liabilities	2.2.6.4	367,197	356,948
Pension and other liabilities	2.2.6.12	45,420	45,229
Other long-term liabilities		11,636	7,494
Total non-current liabilities		9,199,946	9,332,138
Liabilities held for sale	2.2.6.1.4	53,937	53,677
Trade payables		123,048	111,103
Short-term borrowings	2.2.6.11	1,811,728	1,083,473
Short-term derivatives	2.2.6.11.3	78,164	83,068
Guarantee deposits		5,789	5,397
Advances and pre-payments		157,917	149,554
Short-term provisions	2.2.6.12	62,550	60,701
Current tax		6,535	7,785
Other short-term liabilities	2.2.6.13	102,433	144,226
Pre-booked income		19,525	18,617
Discontinued operations		32,840	34,921
Total current liabilities		2,454,466	1,752,522
TOTAL LIABILITIES		19,495,165	18,812,868

2.1.2. Statement of net income (EPRA format)

(€K)	Note	30/06/2016	30/06/2015
Rental income	2.2.7.1.1	452,288	437,906
Unrecovered rental costs	2.2.7.1.2	-23,359	-22,007
Expenses on properties	2.2.7.1.2	-13,986	-12,740
Net losses on unrecoverable receivables	2.2.7.1.2	-2,254	-3,970
Net rental income		412,689	399,189
Management and administration income		6,868	7,139
Business expenses		-2,331	-2,008
Overhead		-52,301	-50,001
Development costs (not capitalised)		-679	-609
Net cost of operations	2.2.7.1.3	-48,443	-45,479
Income from other activities		25,927	31,521
Expenses of other activities		-16,380	-16,177
Income from other activities	2.2.7.1.4	9,547	15,344
Depreciation of operating assets		-7,026	-6,850
Net allowances to provisions and other	2.2.6.12	-2,836	-2,390
CURRENT OPERATING INCOME		363,931	359,814
Proceeds from disposals of trading properties		2,653	2,568
Exit value and/or amortisations of trading properties		-1,615	-3,497
Net gain (loss) on disposal from trading properties		1,038	-929
Income from asset disposals		562,091	251,405
Carrying value of investment properties sold		-561,054	-251,716
Net gain (loss) from asset disposals		1,037	-311
Gains in value of investment properties		487,000	314,033
Losses in value of investment properties		-57,191	-89,533
Net valuation gains and losses	2.2.7.2	429,809	224,500
Income from disposal of securities		-17	44
Income from changes in consolidation scope	2.2.7.3	-7,627	0
OPERATING INCOME (LOSS)		788,171	583,118
Net income of non-consolidated affiliates		-1	198
Net cost of financial debt	2.2.7.4	-113,821	-123,869
Fair value adjustment on derivatives	2.2.7.5	-32,899	-32,461
Discounting of liabilities and receivables	2.2.7.5	-1,567	-2,329
Net change in financial and other provisions	2.2.7.5	-34,656	-10,530
Share in income of equity affiliates	2.2.6.3	17,776	25,195
NET INCOME (LOSS) BEFORE TAX		623,003	439,322
Deferred tax liabilities	2.2.7.6.2	-22,069	-18,804
Current income tax	2.2.7.6.1	-5,648	-3,114
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		595,286	417,404
Profit (loss) after tax of discontinued operations		-1,412	4,991
Net income (loss) from discontinued operations		-1,412	4,991
NET INCOME (LOSS) FOR THE PERIOD		593,874	422,395
Minority interest		-182,847	-147,644
NET INCOME (LOSS) FOR THE PERIOD – GROUP SHARE		411,027	274,751
Group net income (loss) per share (€)	2.2.8.2	6.15	4.24
Group diluted net income (loss) per share (€)	2.2.8.2	6.12	4.22



2.1.3. Statement of comprehensive income

<i>(€K)</i>	30/06/2016	30/06/2015
NET INCOME (LOSS) FOR THE PERIOD	593,874	422,395
Other items in the comprehensive income statement recognised directly in shareholders' equity and:		
Destined for subsequent reclassification in the "Net income" section of the income statement		
Actuarial losses on personnel benefits	0	0
Effective portion of gains or losses on hedging instruments	-23,506	19,664
Tax on other items of comprehensive income	0	0
Not destined for subsequent reclassification in the "Net income" section	0	0
Other items of comprehensive income	-23,506	19,664
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	570,368	442,059
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE		
To the owners of the parent company	398,750	284,881
To minority interests	171,618	157,178
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	570,368	442,059
Group net income (loss) per share (€)	5.97	4.40
Group diluted net income (loss) per share (€)	5.93	4.37

2.1.4. Statement of changes in shareholders' equity

(€K)	Share capital	Share premium account	Treasury shares	Non distributed reserves and income	Gains and losses recognised directly in shareholders' equity	Group share of total shareholders' equity	Minority interests	Total shareholders' equity
Position as at 31 December 2014	188,051	2,291,130	-3,632	1,725,159	-42,700	4,158,007	3,141,678	7,299,685
Securities transactions						0		0
Distribution of dividends		-81,773		-187,585		-269,358	-142,819	-412,177
Capital increase	11,753	240,790				252,543		252,543
Allocation to the legal reserve		-1,081		1,081		0		0
Others			1,835	-669		1,166	-15,316	-14,150
Total comprehensive income for the period				274,751	10,130	284,881	157,178	442,059
Of which actuarial gains and losses on employee benefits (IAS 19 revised)						0		0
Of which effective portion of gains or losses on hedging instruments					10,130	10,130	9,534	19,664
Of which net income				274,751		274,751	147,644	422,395
Impact of change in shareholding/ Capital increase				-1,127		-1,127	-90,175	-91,302
Shared-based payments				2,199		2,199	6	2,205
Position as at 30 June 2015	199,804	2,449,066	-1,797	1,813,809	-32,570	4,428,312	3,050,551	7,478,863
Securities transactions	85	-85				0		0
Distribution of dividends		1				1	-16,740	-16,739
Capital increase		84		-253		-169	4,686	4,517
Allocation to the legal reserve						0		0
Others			-2,467	229		-2,238	8,306	6,068
Total comprehensive income for the period				206,721	1,995	208,716	21,534	230,250
Of which actuarial gains and losses on post-employment benefits (IAS 19 revised)					-1,040	-1,040	-653	-1,693
Of which effective portion of gains or losses on hedging instruments					3,035	3,035	-3,009	26
Of which net income				206,721		206,721	25,196	231,917
Impact of change in shareholding / Capital increase				2,464		2,464	20,542	23,006
Shared-based payments				2,238		2,238	4	2,242
Position as at 31 December 2015	199,889	2,449,065	-4,264	2,025,208	-30,575	4,639,323	3,088,884	7,728,207
Securities transactions						0		0
Distribution of dividends		-80,312		-206,254		-286,566	-136,998	-423,564
Capital increase	4,952	108,270				113,222		113,222
Allocation to the legal reserve		-486		486		0		0
Others			-2,535	69		-2,466	26	-2,440
Total comprehensive income for the period				411,027	-12,277	398,750	171,618	570,368
Of which actuarial gains and losses on post-employment benefits (IAS 19 revised)						0		0
Of which effective portion of gains or losses on hedging instruments					-12,277	-12,277	-11,229	-23,506
Of which net income				411,027		411,027	182,847	593,874
Impact of change in shareholding/ Capital increase				7,418		7,418	-154,689	-147,271
Shared-based payments				2,230		2,230		2,230
POSITION AS AT 30 JUNE 2016	204,841	2,476,538	-6,799	2,240,184	-42,852	4,871,912	2,968,841	7,840,753

Dividends paid in cash during the period amounted to €286.6 million, including €80.3 million applied to the share premium and merger premium accounts and €206.3 million to net income and retained earnings.



2.1.5. Statement of cash flows

(€K)	Note	30/06/2016	31/12/2015
Total consolidated net income of continuing operations		595,286	667,295
Total consolidated net income of discontinued operations		-1,412	-12,983
Net consolidated income (including minority interests)		593,874	654,312
Net amortisation, depreciation and provisions (excluding provisions relating to current assets)		12,012	80,447
Unrealised gains and losses relating to changes in fair value	2.2.6.11.3 & 2.2.7.2	-395,943	-303,411
Income and expenses calculated on stock options and related share-based payments		2,280	4,447
Other calculated income and expenses		16,403	23,791
Gains or losses on disposals		-2,737	-5,978
Gains or losses from dilution and accretion		0	-3,900
Share of income from companies accounted for under the equity method		-17,776	-47,376
Dividends (non-consolidated securities)		0	-197
Cash flow from continuing operations after tax and cost of net financial debt		209,525	415,118
Cash flow from discontinued operations after tax and cost of net financial debt		-172	7,260
Cash flow after tax and cost of net financial debt		209,353	422,378
Cost of net financial debt	2.2.7.4	113,821	265,155
Income tax expense (including deferred taxes)	2.2.7.6.1	27,717	42,634
Cash flow from continuing operations before tax and cost of net financial debt		351,063	722,907
Cash flow from discontinued operations before tax and cost of net financial debt		1,920	9,988
Cash flow before tax and cost of net financial debt		352,983	732,895
Taxes paid		-5,284	-28,751
Change in working capital requirements on continuing operations (including employee benefits liabilities)		-26,383	56,021
Net cash flow from operating activities of continuing operations		319,396	750,177
Net cash flow from operating activities of discontinued operations		64,222	-43,346
Net cash flow from operating activities		383,618	706,831
Impact of changes in the scope of consolidation ⁽¹⁾		-298,614	-464,707
Disbursements related to acquisition of tangible and intangible fixed assets	2.2.6.1.1	-422,359	-469,743
Proceeds relating to the disposal of tangible and intangible fixed assets	2.2.6.1.1	487,413	687,876
Disbursements on acquisitions of financial assets (non-consolidated securities)		-14,411	-28,147
Proceeds from the disposal of financial assets (non-consolidated securities)		740	23,085
Dividends received (companies accounted for under the equity method, non-consolidated securities)		106,751	64,123
Change in loans and advances granted		-22,757	-42,644
Investment grants received		0	0
Other cash flow from investment activities		-5,063	2,771
Net cash flow from investing activities of continuing operations		-168,300	-227,386
Net cash flow from investing activities of discontinued operations		70,826	105,795
Net cash flow from investment activities		-97,474	-121,591

(€K)	Note	30/06/2016	31/12/2015
Amounts received from shareholders in connection with capital increases:			
Paid by parent company shareholders		152,720	315,305
Paid by minority shareholders of consolidated companies		0	0
Purchases and sales of treasury shares		-2,440	-1,049
Dividends paid during the fiscal year:			
Dividends paid to parent company shareholders	2.1.4	-286,566	-269,357
Dividends paid to minority shareholders	2.1.4	-136,751	-159,559
Proceeds related to new borrowings	2.2.6.11	1,787,495	3,035,985
Repayments of borrowings (including finance lease agreements)	2.2.6.11	-1,396,992	-3,072,554
Net interest paid (including finance lease agreements)		-139,289	-266,097
Other cash flow from financing activities		-34,277	-139,339
Net cash flow used in financing activities of continuing operations		-56,100	-556,665
Net cash flow used in financing activities of discontinued operations		-133,795	-64,532
Net cash flow used in financing activities		-189,895	-621,197
Impact of changes in accounting policies		0	0
Change in net cash of continuing operations		94,996	-33,874
Change in net cash of discontinued operations		1,253	-2,083
CHANGE IN NET CASH		96,249	-35,957
Opening cash position		890,544	926,502
Closing cash position		986,793	890,544
CHANGE IN CASH AND CASH EQUIVALENTS		96,249	-35,958

(€K)	Note	30/06/2016	31/12/2015
Gross cash flow from continuing operations (A)	2.2.6.9	1,140,236	949,684
Gross cash flow from discontinued operations (A)		1,305	56
Debit balances and bank overdrafts from continuing operations (B)	2.2.6.11	-144,628	-54,135
Debit balances and bank overdrafts from discontinued operations (B)			-4
Net cash and cash equivalents (C) = (A) - (B)		996,913	895,601
Of which available net cash of continuing operations		985,488	890,492
Of which available net cash of discontinued operations		1,305	52
Of which unavailable net cash and cash equivalents		10,120	5,057
Gross debt (D)	2.2.6.11	9,968,451	9,511,194
Amortisation of financing costs (E)	2.2.6.11	-67,897	-73,705
NET DEBT (D) - (C) + (E)		8,903,641	8,541,888

⁽¹⁾ The -€298.6 million impact of changes in the scope of consolidation primarily correspond to:

- disbursements related to the acquisition of additional stakes in Foncière des Murs (-€112.7 million) and Beni Stabili (-€52.2 million) as well as the acquisition of companies in Germany Residential (-€139.1 million) and France Offices (-€2.3 million) segments
- proceeds from the disposal of companies in the Germany Residential segment (+€7.7 million).



2.2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2.1. Accounting principles and methods

2.2.1.1. General principles – Accounting references

The condensed consolidated financial statements of Foncière des Régions Group as at 30 June 2016 were prepared in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”. Since they are condensed statements, they do not include all of the information required by IFRS guidelines and must be read in conjunction with the annual financial statements of the Foncière des Régions group for the year ending on 31 December 2015.

The financial statements were approved by the Board of Directors on 21 July 2016.

Accounting principles and methods used

The accounting principles applied for the consolidated financial statements as at 30 June 2016 are identical to those used for the consolidated financial statements as at 31 December 2015, except for new standards and amendments whose application was mandatory on or after 1 January 2016 and which were not applied early by the Group.

New standards for which application is mandatory on or after 1 January 2016 include:

- ♦ amendments to IAS 19 “Defined Benefit Plans – Employee contributions” published on 9 January 2015; these limited amendments apply to employee contributions to defined benefit plans. The purpose of the amendments is to clarify and simplify the recognition of contributions that are not linked to the number of years of service of employees, for example employee contributions calculated on the basis of a fixed percentage of salary. These contributions can be recognised as a reduction in the cost of service in the period in which the service is rendered, rather than being allocated to the service periods
- ♦ annual improvements to IFRS (2010-2012 cycle), adopted by the European Union on 9 January 2015; the IASB uses this process to make changes deemed necessary, but not urgent, to its standards, when they are not already included in another project
- ♦ amendments to IFRS 11 “Amendments: Accounting for Acquisitions of Interests in Joint Operations”, adopted by the European Union on 25 November 2015. This amendment specifies that the acquisition of an interest in a joint operation, which constitutes a business under IFRS 3, must be recognised according to IFRS 3, unless otherwise specified
- ♦ amendments to IAS 16 and IAS 38 “Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation”, adopted by the European Union on 3 December 2015. For tangible assets, this amendment specifies that the use of depreciation or amortisation methods based on the revenue generated by the use of the asset is inappropriate
- ♦ annual improvements to IFRS (2012-2014 cycle) adopted by the European Union on 15 December 2015; these amendments concern IFRS 5, IFRS 7, IAS 19 and IAS 34
- ♦ amendments to IAS 1 “Presentation of Financial Statements” adopted by the European Union on 18 December 2015. The purpose of these amendments is to encourage companies to use their professional judgement and take account of materiality in determining which information to disclose in their financial statements pursuant to IAS 1.

IFRS standards and amendments published by the IASB but not adopted by the European Union, not yet mandatory for fiscal years beginning on or after 1 January 2016:

- ♦ IFRS 15 “Revenue from Contracts with Customers”; according to the IASB, the standard should come into force on 1 January 2018. Its adoption by the European Union is expected in Q3 2016. In May 2014, the IASB and the FASB published IFRS 15, which changes how revenue is recognised and supersedes IAS 18, Revenue, and IAS 11, Construction Contracts. IFRS 15 establishes a fundamental principle that requires revenues from contracts with customers to be recognised in a way that reflects the amount to which a seller expects to be entitled when transferring control of a good or service to a customer. For the Group, this standard could have an impact on real estate development activities, for which an analysis is underway
- ♦ amendments to IFRS 15, published on 12 April 2016; according to the IASB, the standard should come into force on 1 January 2018. Its adoption by the European Union is expected in Q1 2017. Clarifications have been made to IFRS 15 concerning the following: identification of performance obligations, principal versus agent application, licenses, and transitory provisions
- ♦ IFRS 9 “Financial Instruments: Hedge Accounting”; according to the IASB, the standard should come into force on 1 January 2018; its adoption by the European Union is expected in the second half of 2016. This standard will replace IAS 39 “Financial Instruments” and should have only a limited impact on the financial statements
- ♦ IFRS 16 “Leases”; according to the IASB, the standard should come into force on 1 January 2019. Its adoption by the European Union is expected in 2017. On 13 January 2016, the IASB published IFRS 16, which will supersede IAS 17 Leases, as well as the corresponding interpretations (IFRIC 4, SIC 15 and SIC 27). The most significant change is that all the leases concerned will be recognised on the tenant’s balance sheet, providing better visibility on their assets and liabilities. An analysis of the impacts for the Group is under way
- ♦ amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealised Losses”, published on 19 January 2016; according to the IASB, the standard should come into force on 1 January 2017. Its adoption by the European Union is expected in Q4 2016. The amendment provides clarification on how to estimate the existence of future taxable profit

- ♦ amendments to IAS 7 “Disclosure Initiative”; according to the IASB, the standard should come into force on 1 January 2017. Its adoption by the European Union is expected in Q4 2016. As part of its overall reflection on the presentation of financial statements, the IASB published amendments to IAS 7 “Statement of Cash Flows” on 29 January 2016. Under these amendments, entities must provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, whether or not these changes stem from cash flows
- ♦ amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”, published on 20 June 2016; according to the IASB, the standard should come into force on 1 January 2018. Its adoption by the European Union is expected in the second half of 2017. This amendment covers three aspects that concern the following: the effects of vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

2.2.1.2. Presentation of the financial statements

The Foncière des Régions group has applied the recommendations of the EPRA (European Public Real Estate Association) since its consolidated financial statements for the year ended 31 December 2010.

2.2.1.3. Consolidation principles

2.2.1.3.1. Consolidated subsidiaries and structured entities

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

The Foncière des Régions group has control when it:

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

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

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

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

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

Subsidiaries and structured entities are fully consolidated.

2.2.1.3.2. Equity affiliates

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

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

2.2.1.3.3. Partnerships (or joint control)

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

2.2.1.3.3.1. Joint ventures

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

The results and the assets and liabilities of joint ventures were accounted for in these consolidated financial statements according to the equity method.

2.2.1.3.3.2. Joint operations

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

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

- ♦ its assets, including its proportionate share of assets held jointly, where applicable



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

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

No Group company is considered to constitute a joint operation.

2.2.1.4. Estimates and judgements

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

The significant estimates made by the Foncière des Régions group in preparing the financial statements mainly relate to:

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

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

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

2.2.2. Financial risk management

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

2.2.2.1. Marketing risk for properties under development

The Group is involved in property development. As such, it is exposed to a number of different risks, particularly risks associated with construction costs, completion delays and the marketing of the assets. These risks can be assessed in light of the schedule of properties under development (§ 2.2.6.1.3).

2.2.1.5. Operating segments

The Foncière des Régions group holds a wide range of real estate assets to collect rental income and benefit from appreciation in the assets held. Segment reporting is organised by asset type.

The operating segments are as follows:

- ♦ France Offices: office property assets located in France
- ♦ Italy Offices: office and commercial property assets located in Italy
- ♦ Hotels & Service: commercial buildings in the hotel, retail and health sectors held by Foncière des Murs
- ♦ German Residential: residential real estate assets in Germany held by Immeo SE
- ♦ France Residential: residential real estate assets in France and Luxembourg held by Foncière Développement Logements
- ♦ Car Parks: parking facilities leased by Urbis Park, and related business activities.

These segments are reported on and analysed regularly by Group management in order to make decisions on what resources to allocate to the segment and to evaluate their performance.

Since 1 January 2014, Logistics no longer appears under operating segments. In accordance with the application of IFRS 5, the Logistics business activity, which is being sold, is presented in the financial statements as discontinued operations.

The summary financial statements are presented after adjustment for discontinued operations.

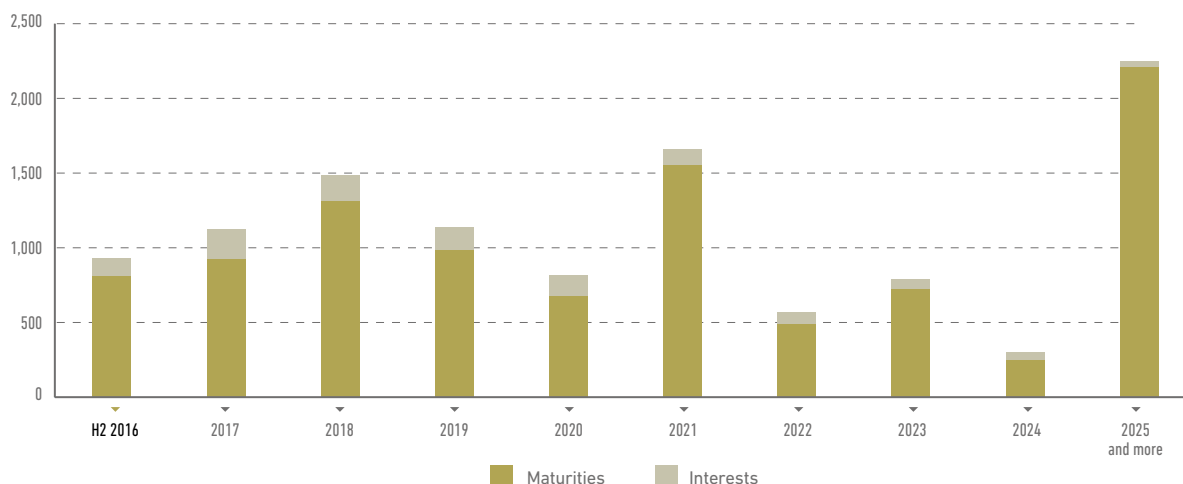
2.2.1.5.1. IFRS 7 – Reference table

♦ Liquidity risk	§ 2.2.2.2
♦ Financial expense sensitivity	§ 2.2.2.3
♦ Credit risk	§ 2.2.2.4
♦ Market risk	§ 2.2.2.6
♦ Sensitivity of the fair value of investment properties	§ 2.2.6.1.2
♦ Covenants	§ 2.2.6.11.4

2.2.2.2. Liquidity risk

Liquidity risk is managed in the medium and long term with multi-year cash management plans and, in the short term, by using confirmed and undrawn lines of credit. At 30 June 2016, Foncière des Régions' available cash and cash equivalents amounted to €2,590 million, including €1,272 million in usable unconditional credit lines, €1,140 million in investments and €177 million in unused overdraft facilities.

The graph below summarises the maturities of borrowings in € millions, including Treasury bills existing as at 30 June 2016:



2016 maturities include €547 million in treasury bills.

The amount of interest payable up to the maturity of the debt, estimated on the basis of the outstanding amount at 30 June 2016 and the average interest rate on the debt, totalled €1,132 million.

Details concerning debt maturities are provided in Note 2.2.6.11.1, and a description of banking covenants and accelerated payment clauses included in the loan agreements is presented in Note 2.2.6.11.4.

In the first half of 2016, the Group set up or negotiated financing facilities to cover its liquidity risk. These renegotiations brought about an extension of the maturities and the optimisation of the financial terms and conditions of these loans.

2.2.2.3. Interest rate risk

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

To the extent possible, bank debt is almost always hedged *via* financial instruments (see 2.2.6.11.3). At 30 June 2016, after taking interest rate swaps into account, around 84% of the Group's debt was hedged, and most of the remainder was covered by interest rate caps, which resulted in the following sensitivity to changes in interest rates:

- ♦ the impact of an increase of 100 bps on rates as at 30 June 2016 was -€2,044,000 on net recurring income, Group share, in 2016
- ♦ the impact of an increase of 50 bps on rates as at 30 June 2016 was -€609,000 on net recurring income, Group share, in 2016
- ♦ the impact of a decrease of 50 bps on rates as at 30 June 2016 was -€513,000 on net recurring income, Group share, in 2016.

2.2.2.4. Financial counterparty risk

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

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

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

Counterparty risk is included in the measurement of cash instruments. For the first half of 2016, this amounted to €15,470,000.

2.2.2.5. Lease counterparty risk

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

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

The Group has not recorded any significant overdue payments.



2.2.2.6. Risks related to changes in the value of the portfolio

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

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

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

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

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

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

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

The investment policy of Foncière des Régions is to minimise the impact of various stages of the cycle by choosing investments that:

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

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

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

The sensitivity of the fair value of investment properties to changes in capitalisation rates is analysed in § 2.2.6.1.2.

2.2.2.7. Exchange rate risk

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

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

The Group is exposed to risks for two classes of shares (see § 2.2.6.2).

This risk primarily involves listed securities in companies consolidated using the equity method, which are valued according to their value in use. Value in use is determined based on independent assessments of property assets and financial instruments and there is no goodwill attached to these companies.

In addition, Foncière des Régions and Beni Stabili issued bonds (ORNANE) valued at their fair value in the income statement at each closing. The fair value corresponds to the monthly closing price of the bond, exposing the Group to changes in the value of the bond. The specific features of the ORNANE are described in Note 2.2.6.11.2.

2.2.2.9. Tax environment

2.2.2.9.1. Changes in the French tax environment

Changes in the French tax environment may affect the Group's tax situation, particularly with regard to registration fees, as of 1 January 2016:

- ◆ the introduction of an additional 0.6% tax on conveyancing of office, commercial and storage buildings in the Paris region completed more than five years ago
- ◆ the 0.7% increase in registration fees in Paris.

2.2.2.9.2. Changes in the Italian tax environment

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

2.2.2.9.3. Changes in the German tax environment

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

2.2.2.9.4. Tax risk

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

2.2.2.9.4.1. Foncière des Régions tax inspection

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

- ♦ a €9.7 million tax impact on the principal, relating to (i) corporation tax, with a correlative increase in deficits on the taxable segment in the amount of €36.6 million and (ii) CVAE. The Group is disputing this reassessment and, based on the analysis by the Company's legal counsels, no provision was recorded to that effect as at 30 June 2016. The reassessment proposal concerning a reduction in deficits in the taxable segment of €1 million on a total of €240 million was accepted
- ♦ a new reassessment proposal concerning the 2014 corporation tax was received as a follow-up to the reassessment made for 2012 and 2013, generating a financial impact of €3.9 million in principal. On the same basis as for the 2012 and 2013 financial years, this reassessment proposal is being contested and, based on the analysis by the Company's legal counsels, no provision was recorded to that effect as at 30 June 2016.

2.2.2.9.4.2. Foncière Europe Logistique tax audit

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

Since 2009 was required, a final abatement of €0.8 million was obtained. The case was referred to the Administrative Court, which rejected Foncière Europe Logistique's application in December 2015. Foncière Europe Logistique maintains its position and has submitted an appeal to the Paris Administrative Appeals Court. The Administrative Court's ruling is being appealed and, based on our legal counsels' analysis, no provision was recorded to that effect as at 30 June 2016.

An accounting audit pertaining to the 2010 and 2011 fiscal years took place during the 2013 fiscal year, which ended in a reassessment proposal on the corporate tax for €3.5 million on the same grounds as the previous adjustment proposal for 2007 and 2008. This rectification was followed by a tax collection procedure and payment. The case was referred to the Administrative Court, which rejected Foncière Europe Logistique's request in June 2016. Foncière Europe Logistique maintains its position and will submit an appeal to the Paris Administrative Appeals Court.

The Administrative Court's ruling is being appealed and, based on our legal counsels' analysis, no provision was recorded to that effect as at 30 June 2016.

The accounts of Foncière Europe Logistique for fiscal years 2012 and 2013 were audited. In April 2015, this audit concluded with a corporate income tax reassessment proposal that generated:

- ♦ a financial impact of €1.3 million in principal with a consequential increase in the deficits of the taxable segment of €7 million, on the same basis as previous reassessment proposals for financial years 2007 to 2011. The Group is disputing this reassessment and, based on the analysis by the Company's legal counsels, no provision was recorded to that effect as at 30 June 2016
- ♦ a reduction of deficits in the taxable segment of €11 million on a total of €81 million. This reassessment proposal was accepted.

2.2.2.9.4.3. Foncière des Murs tax audit

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

Foncière des Murs' accounts were also audited for the 2012, 2013 and 2014 fiscal years. This resulted in a reassessment proposal for CVAE in December 2015, in the amount of €2 million on the same basis as the previous reassessment proposal concerning the 2010 and 2011 fiscal years. This reassessment proposal was confirmed in May 2016 following administrative reviews. It is still being contested and, based on the analysis by the Company's legal counsels, no provision was recorded to that effect as at 30 June 2016.

2.2.2.9.4.4. SNC Otello (Foncière des Murs subsidiary) tax audit

SNC Otello's accounts were audited for the 2011, 2012 and 2013 fiscal years, which resulted in a reassessment proposal for the CVAE in the amount of €0.5 million. This reassessment proposal was confirmed in April 2015 following administrative reviews. It gave rise to a tax collection procedure and payment in the first half of 2016. This proposal is being contested in its entirety, and, based on analysis by the Company's legal counsel, it was not provisioned at 30 June 2016.

2.2.2.9.4.5. Urbis Park tax audit

Urbis Park underwent a tax audit for the 2008, 2009 and 2010 financial years. A tax reassessment proposal for 2008, which has no impact on the corporate tax owed, was submitted at the end of December 2011. Claims have been filed in this matter.



2.2.2.9.4.6. Tax audits of the Italy Offices segment

Comit Fund tax dispute – Beni Stabili

On 17 April 2012, following a court decision, the Italian Tax Administration refunded the debt borne by Beni Stabili for the Comit Fund dispute (principal: €58.2 million and interest: €2.3 million). In April 2012, the Tax Administration appealed this decision. The Court of Appeal ruled in favour of the Tax Administration on 18 December 2015. Beni Stabili maintains its position and continues to contest the ruling. However, a provision of €55.3 million was set aside for this dispute as at 31 December 2015 and subsequently increased to €56.2 million as at 30 June 2016.

Tax audits

A tax audit of Beni Stabili began during the first half of 2013 (covering 2009 and 2010). The administration issued a tax adjustment of €3.7 million for these fiscal years, which the Company disputed in its entirety. The dispute was ongoing at 30 June 2016 and no provision has been recorded for the adjustment.

In 2015, the audit was extended to the 2011 fiscal year, with a resulting tax adjustment of €3.4 million. However, Beni Stabili and its advisors believe that this reassessment is unfounded and the Company is contesting the entire adjustment, which has not been provisioned at 30 June 2016.

Furthermore, the tax audit for the 2008 fiscal year, for which the Tax Administration had proposed an adjustment on the non-deductibility of interest expenses on mortgage loans, was reconsidered by the administration and the amount that was revised downward to €3.7 million then €2.7 million. However, Beni Stabili and its counsel believe that this reassessment is unfounded and the Company is contesting the entire adjustment. At 30 June 2016, the procedure was still under way.

2.2.2.9.5. Deferred tax liabilities

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

2.2.3. Scope of consolidation

2.2.3.1. Additions to the scope of consolidation

2.2.3.1.1. France Offices segment

- ♦ Set-up of SCI Rueil B2 and SCI Rueil B3 B4 for the acquisition of two office properties in Rueil. These companies are fully consolidated and wholly owned.
- ♦ Acquisition of GFCR which holds an asset in Saint-Ouen. This company is fully consolidated and wholly owned.

2.2.3.1.2. Hotels & Service Sector

- ♦ Set-up of H Invest Lux, which acquired five purchase options on NH hotels in Germany at the beginning of the year. This company is fully consolidated and 49.63% owned.
- ♦ Set-up of Foncière B4 Hôtel Invest SAS to acquire a portfolio of B&B hotels in France. This company is fully consolidated and 24.91% owned.
- ♦ Set-up of SAS Samoens for the construction of a Club Med hotel in Samoens in partnership with Assurances du Crédit Mutuel.
This company is fully consolidated and 24.86% owned.
- ♦ Set-up of two companies in Spain: Murdespaigne S.L.U and B&B Invest Espagne S.L.U., which hold four B&B hotels. These companies are fully consolidated and 49.63% owned.

- ♦ Set-up of Hermitage Holdco as a holding company for six companies (of which three in France and three in Belgium) that hold seven assets in France and two in Belgium.

In France, the three companies are: SLIH Société Lilloise d'Investissement Hôtelier SA, Résidence du Cloître SA and Alliance et Compagnie SAS.

In Belgium, the three companies are: Spiegelrei holding SA, Spiegelrei SA M&F and Résidence Cour Saint-Georges SA.

These companies are consolidated under the equity method and 20.18% owned.

- ♦ Set-up of Rock Lux as a holding company for companies which hold nine hotels in Germany.

The company is consolidated under the equity method; percentage held: 20.18%

2.2.3.1.3. Germany Residential segment

- ♦ Acquisition of Immeo Quadriga 2 ApS, fully consolidated, 60.96% owned.
- ♦ Set-up of Dixblue Muscari Property GmbH, fully consolidated, 60.96% owned.
- ♦ Set-up of FDR Lux SARL, fully consolidated and wholly owned.
This company holds an option to buy the shares of Kronberg, which holds 5.1% of Residenz Berolina GmbH & Co KG.
- ♦ Acquisition of Immeo Fischerinsel GmbH as a holding company for Immeo Berolina Fischerinsel GmbH & Co KG, which holds a mixed real estate portfolio (residential, offices and hotels). These companies are fully consolidated and 64.22% owned.

- ♦ Acquisition of Immeo Berolina Verwaltungs GmbH, fully consolidated and 62.61% owned and Residenz Berolina GmbH & Co KG, fully consolidated and 64.52% owned.
- ♦ Acquisition of Fünfte CM Real Estate GmbH as a holding company for four asset-holding companies. This company is fully consolidated and 64.22% owned.

2.2.3.2. Deconsolidations

2.2.3.2.1. Germany Residential segment

Following the sale of equity investments resulting in the transfer of a portfolio of assets on 1 January 2016 (deposit of €95 million received in 2015), the following companies have been deconsolidated:

- ♦ Luna Immobilien Beteiligungs GmbH
- ♦ Johannismarkt Grundstücksgesellschaft mbh
- ♦ Rheinweg Zweite Grundstücksgesellschaft mbh.

2.2.3.2.2. Discontinued operations

Sale, on 31 March 2016, of two assets (located in Salon de Provence and Chalon) and three asset-holding companies:

- ♦ Immopora
- ♦ Bollène Logistique
- ♦ SCI Bollène Logistique T4.

2.2.4. Evaluation of control

2.2.4.1. Foncière des Murs (consolidated structured entity)

Foncière des Murs SCA is 49.63% owned by Foncière des Régions at 30 June 2016 (compared to 43.1% at 31 December 2015) and is fully consolidated.

The limited partner, FDM Gestion, which manages Foncière des Murs SCA, is 100% owned by Foncière des Régions. The Articles of Association of Foncière des Murs give the manager the authority to direct financial and operational policies. Consequently, Foncière des Régions has control of Foncière des Murs SCA and the subsidiaries, which are in turn controlled by Foncière des Murs.

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

SCI 11 place de l'Europe is 50.1% owned by Foncière des Régions at 30 June 2016 and is fully consolidated. The partnership with the Crédit Agricole Assurances group (49.9%) was established as of 18 December 2013 as part of the Campus Eiffage project. Considering the rules of governance that confer on Foncière des Régions powers that give it the ability to affect asset yields, the Company is fully consolidated.

2.2.3.3. Change in holding and/or in consolidation method

2.2.3.3.1. Acquisition of Beni Stabili shares – Impact on the percentage held

Foncière des Régions acquired 85,197,610 Beni Stabili shares for a total of €52.2 million. The average acquisition price comes to €0.61 per share. At 30 June 2016, Foncière des Régions held a 52.24% stake in Beni Stabili *versus* 48.49% at 31 December 2015.

2.2.3.3.2. Takeover bid on Foncière des Murs – Impact on percentage held

In keeping with the decisions made by the Board of Directors on 17 February 2016, Foncière des Régions resolved to increase its stake in Foncière des Murs. To this effect, contribution-in-kind agreements were signed with Assurances Crédit Mutuel (ACM Vie) and BMO Global Asset Management concerning respectively 2,473,242 and 745,527 Foncière des Murs shares.

On completion of these contributions in kind on 27 April 2016, Foncière des Régions' stake in Foncière des Murs rose to 47.45%, compared to 43.15% at 31 December 2015.

Following Foncière des Régions' first public exchange offer targeting 2.1% of the share capital of Foncière des Murs, on 28 June 2016, Foncière des Régions held 36,777,103 Foncière des Murs shares, *i.e.* 49.63% of its share capital.

A second public exchange offer took place from 4 to 15 July inclusive.

2.2.4.3. Lenovilla (joint venture)

Lenovilla is 50.09% owned by Foncière des Régions at 30 June 2016 and is consolidated using the equity method. The partnership with the Crédit Agricole Assurances group (49.91%) was established in January 2013 as part of the New Vélizy (Campus Thales) project. The shareholder agreement stipulates that decisions be made unanimously. The parties that exercise joint control have rights to the net assets of the partnership arrangement. The partnership meets the criteria for joint ventures and is consolidated using the equity method.

2.2.4.4. Latécoère (consolidated structured entity)

Latécoère is 50.1% owned by Foncière des Régions at 30 June 2016 and has been fully consolidated since 1 April 2015, whereas it was consolidated using the equity method at 31 December 2014. The partnership with the Crédit Agricole Assurances group (49.90%) was established starting in October 2012 as part of the Dassault Systèmes Campus project. The shareholder agreement was amended during the first half of the year. Considering the rules of governance that confer on Foncière des Régions powers that give it the ability to affect asset yields, the company is fully consolidated.



2.2.4.5. Latécoère 2 (joint venture)

Latécoère 2 is 50.1% owned by Foncière des Régions at 30 June 2016 and is consolidated using the equity method. The partnership with the Crédit Agricole Assurances group (49.90%) was established starting in June 2015 as part of the Extension Dassault project. The shareholder agreement stipulates that decisions be made unanimously. The parties that exercise joint control have rights to the net assets of the partnership arrangement. The partnership meets the criteria for joint ventures and is consolidated using the equity method.

2.2.4.6. SAS FDM Management (equity affiliate)

FDM Management was 40.66% owned by SCA Foncière des Murs at 30 June 2016 and is consolidated using the equity method.

Strategic decisions are adopted by a two-thirds majority, and major decisions are made by a three-quarters majority. Foncière des Régions holds a 20.18% stake in this company.

2.2.4.7. SCI Porte Dorée (joint venture)

SCI Porte Dorée was 50% owned by Foncière des Murs at 30 June 2016 and is consolidated using the equity method. The partnership with the Caisse des Dépôts et Consignations group (50%) was established starting in December 2015 as part of the Motel One development project. The shareholder agreement stipulates that decisions be made unanimously. The parties that exercise joint control have rights to the net assets of the partnership arrangement. The partnership meets the criteria for joint ventures and is consolidated using the equity method. Foncière des Régions holds a 24.81% stake in this company.

2.2.4.8. SAS Samoëns (consolidated structured entity)

SAS Samoëns was 50.1% held by Foncière des Murs at 30 June 2016 and is fully consolidated. The partnership with the Assurances du Crédit Mutuel group was set up in May 2016 within the scope of a Club Med development project in Samoëns. Considering the rules of governance that confer on Foncière des Murs powers that give it the ability to affect asset yields, the company is fully consolidated.

2.2.5. Significant events during the period

In addition to the increase in Foncière des Régions' stake in Foncière des Murs, which rose from 43.15% to 49.63%, and its stake in Beni Stabili, which rose from 48.49% to 52.24%, the significant events of the period by segment are as follows:

2.2.5.1. France Offices segment

2.2.5.1.1. Disposals and assets under preliminary agreement

During the first half of 2016, Foncière des Régions sold assets for a total sales price of €82.6 million, including Orange technical premises (€40.4 million) and the Fontenay Carnot asset (€29 million).

At 30 June 2016, the amount of assets under agreement totalled €103.2 million.

2.2.5.1.2. Acquisitions

Foncière des Régions acquired 14.29% of the CAP 18 tenancy in common for €4.9 million, increasing its stake to 100% at 30 June 2016.

In April 2016, it acquired two assets in Rueil (€129 million including duties) leased to Vinci. It also acquired the shares of GFCR, a company which holds a 1,400 m² building in Parc Victor Hugo in Saint-Ouen (€2.9 million). Foncière des Régions now fully owns the park.

2.2.5.1.3. Assets under development

The first half of 2016 saw the delivery of four developments:

- ◆ Bose's head office in Saint-Germain-en-Laye was delivered in January 2016. This 5,057 m² building comprises communal

spaces and service areas (138 parking spaces and 250 m² of accessible terraces).

- ◆ The office building designed for Schlumberger in Montpellier, with usable floor space of 3,133 m², was delivered in February 2016.
- ◆ In Marseille, the Calypso office building (9,627 m²) and a Golden Tulip hotel (9,929 m²) were delivered in April 2016. These assets belong to companies consolidated using the equity method.

The asset development programme continued in 2016 with two new projects in France presented in Note 2.2.6.1.3.

2.2.5.1.4. Refinancing

In January and February 2016, Foncière des Régions set up two new corporate credit facilities (€125 million with HSBC in January 2016 and €100 million with BECM in February 2016) to replace two former facilities.

In February 2016, Technical refinanced its 10-year debt of €300 million (termination cost: €4.7 million).

In May 2016, Foncière des Régions placed its first Green Bond issue of €500 million with interest of 1.875% and maturing in 2026. This issue was used for the redemption of a bond issue of €233.6 million (cash payment of €15.9 million).

2.2.5.1.5. Foncière des Régions increases its stake in Foncière des Murs

In April 2016, Assurances du Crédit Mutuel and BMO tendered Foncière des Murs shares, respectively amounting to 3.3% and 1% of FDM's share capital, at the ratio of one Foncière des Régions share for 3 Foncière des Murs shares. Following the transaction, Foncière des Régions's stake in Foncière des Murs rose to 47.45% (versus 43.15% at 31 December 2015).

Following the increase in Foncière des Régions' stake by over 1%, beyond a 30% stake in Foncière des Murs' capital, a mandatory public exchange offer was launched for Foncière des Murs shares at the ratio of 1 Foncière des Régions share for 3 Foncière des Murs shares.

Following Foncière des Régions' first public exchange offer targeting 2.1% of the share capital of Foncière des Murs, on 28 June 2016, Foncière des Régions held 36,777,103 Foncière des Murs shares, *i.e.* 49.63% of its share capital.

A second public exchange offer took place from 4 to 15 July inclusive.

2.2.5.1.6. Acquisition of Beni Stabili shares – increase in percentage held

Foncière des Régions acquired 85,197,610 Beni Stabili shares for €52.2 million. At 30 June 2016, Foncière des Régions held a 52.24% stake in Beni Stabili (*versus* 48.49% at 31 December 2015).

2.2.5.2. Italy Offices segment

2.2.5.2.1. Disposals and assets under preliminary agreement

In the first half of 2016, disposals were made for a total sales price of €56.1 million, including an asset located in Rome (Tor Pagnotta) for €50.2 million.

2.2.5.2.2. Acquisitions

In the first half of 2016, the Corso Italia asset located in Milan was acquired for €38.8 million, after deduction of the €5 million deposit paid in 2015.

Note that a preliminary sale/purchase agreement had been signed in 2015 for a €41 million asset located in Milan (Principe Amadeo). The property transfer has not yet been completed and only the €5 million deposit paid in 2015 has been recognised as an asset in the balance sheet.

A deposit of €3 million was made for the acquisition of the "Light Building" in Milan.

2.2.5.3. Hotels & Service sector

2.2.5.3.1. Disposals and assets under preliminary agreement

In the first half of 2016, Foncière des Murs sold assets for a total of €256 million, including 42 AccorHotels assets for €254 million and one healthcare asset (Korian) in Olivet for €2 million.

As at 30 June 2016, preliminary sales agreements had been signed for a total of €419.5 million, of which €107.5 million concerning three AccorHotels assets and €295.1 million concerning the Korian healthcare assets.

2.2.5.3.2. Acquisitions

In Germany, purchase options on five four-star hotels leased to NH were acquired in the first half of 2016 for €52 million (€55.6 million in discounted value). The property transfer is due to take place between February 2017 and February 2018.

A building located in Munich was acquired for €14.7 million (MEININGER hotel project).

In Spain, the Company acquired four B&B hotels in April 2016 for €11.2 million including duties.

In France, under a joint venture, Foncière B2 Hôtel Invest acquired two B&B assets off-plan in Lyon and Nanterre in May 2016.

2.2.5.4. Germany Residential segment

2.2.5.4.1. Asset disposals

Note that a deposit of €95 million had been received at end-December 2015 on the selling price of a portfolio of assets. The property transfer took place on 1 January 2016.

2.2.5.4.2. Acquisitions

In the first half of 2016, Immeo SE acquired several companies holding assets in Berlin for €226 million.

It also acquired Berlin assets directly for €27.4 million.

2.2.5.5. France Residential segment

2.2.5.5.1. Asset disposals

In France, Foncière Développement Logements continued its sales plan and made disposals for a sales price of €69.7 million (net of costs).

At 30 June 2016, the amount of assets under agreement totalled €79.7 million (net of costs).

2.2.5.6. Car Parks segment

2.2.5.6.1. Transfer agreement

A preliminary transfer agreement was signed for the sale of Urbis Park Service, a company which holds the workforce dedicated to car park activities. The property transfer should take place at the end of 2016.

2.2.5.7. Discontinued operations

2.2.5.7.1. Asset disposals

On 31 March 2016, a portfolio of two logistics platforms and three asset-holding companies was sold for €101 million.



2.2.6. Notes to the statement of financial position

2.2.6.1. Portfolio

2.2.6.1.1. Table of changes in the portfolio

(€K)	31/12/2015	Change in scope and interest rates	Increase/Charge	Disposal/Reversal of provisions	Change in fair value	Transfers	30/06/2016
Goodwill	8,194	0	0	0	0	0	8,194
Intangible fixed assets	29,712	0	-3,916	50	0	2,440	28,286
Gross amounts	100,289	0	1,314	-35	0	-335	101,233
Depreciation	-70,577	0	-5,230	85	0	2,775	-72,947
Tangible fixed assets	88,827	91	57,650	-43	0	-8,058	138,467
Operating properties	65,896	5	-869	1	0	478	65,511
Gross amounts	81,839	0	114	0	0	504	82,457
Depreciation	-15,943	5	-983	1	0	-26	-16,946
Other tangible fixed assets	7,760	534	-177	0	0	152	8,269
Gross amounts	19,444	534	702	-89	0	90	20,681
Depreciation	-11,684	0	-879	89	0	62	-12,412
Fixed assets in progress	15,171	-448	58,696	-44	0	-8,688	64,687
Gross amounts	15,171	-448	58,696 ⁽¹⁾	-44	0	-8,688	64,687
Depreciation	0	0	0	0	0	0	0
Investment properties	15,728,453	128,949	340,635	-4,792	365,570	-486,591	16,072,224
Operating properties	15,135,857	128,949 ⁽²⁾	254,423 ⁽³⁾	-4,792	320,566	-515,088	15,319,915
Properties under development	592,596	0	86,212	0	45,004	28,497	752,309
Operating assets held for sale	956,314	0	5,266	-549,370	65,337	491,918	969,465
Operating assets held for sale	956,314	0	5,266	-549,370 ⁽⁴⁾	65,337	491,918	969,465
TOTAL	16,811,500	129,040	399,635	-554,155	430,907	-291	17,216,636

⁽¹⁾ Of which €55.6 million for the acquisition of purchase options on five NH hotels and a €3 million deposit paid for the acquisition of a 17,000 m² building in Milan (Light Building, total price €58 million).

⁽²⁾ Corresponds to:

- the acquisition of companies holding assets in Berlin for €224.6 million (Fischer Island portfolio for €74 million, Home portfolio for €18 million and Berolina portfolio for €133 million)
- sale of shares (LEG III) following the property transfer on 1 January 2016 (-€98.5 million)
- acquisition of GFCR, which holds an asset in Saint-Ouen, for €2.9 million.

⁽³⁾ Correspond to the acquisition of:

- three buildings in Rueil for €129 million
- the Corso Italia building in Milan for €38.8 million after deduction of the €5 million deposit paid in 2015
- assets in Berlin (Lotte portfolio) for €25.8 million
- four B&B hotels in Spain for €11.3 million
- 10% of the CAP 18 tenancy in common for €4.9 million
- Orange technical premises for €1.4 million
- and construction work in the amount of €48.2 million.

⁽⁴⁾ Of which €254 million for AccorHotels assets and €50.2 million for an asset located in Rome (Tor Pagnotta).

The amount of the "Disbursements related to acquisition of tangible and intangible assets" line item in the Statement of Cash Flows totalled €422.4 million. It corresponds to increases in the table of changes in the portfolio excluding the effect of depreciation (€406.7 million), to changes in inventories of the property dealer (€0.5 million) and adjusted for change in trade payables for fixed assets (€15.2 million).

The "Proceeds relating to the disposal of tangible and intangible fixed assets" line item in the Statement of Cash Flows (€487.4 million) primarily corresponds to income from disposals as presented in the net income statement (€562.1 million), proceeds from the disposal of assets in inventory (€2.4 million), less assets disposal costs (-€6.3 million), and restated for increases in receivables from asset disposals (-€69.6 million).

2.2.6.1.2. Investment properties

(€K)	31/12/2015	Change in scope and interest rates	Increase	Disposal	Change in fair value	Transfers	30/06/2016
Investment properties	15,728,453	128,949	340,635	-4,792	365,570	-486,591	16,072,224
Operating properties	15,135,857	128,949	254,423	-4,792	320,566	-515,088	15,319,915
Change France Offices	4,525,730	2,860 ⁽¹⁾	146,571 ⁽³⁾	-3,902	172,487	-42,652	4,801,094
Italy Offices	3,470,730	0	42,073 ⁽⁴⁾	-890	52,268	-69,208	3,494,973
Hotels & Service sector	3,100,133	0	18,750 ⁽⁵⁾	0	13,514	-206,520	2,925,877
Germany Residential	3,462,631	126,089 ⁽²⁾	46,142 ⁽⁶⁾	0	80,786	-75,108	3,640,540
France Residential	576,633	0	887	0	1,511	-121,600	457,431
Properties under development	592,596	0	86,212	0	45,004	28,497	752,309
Change France Offices	344,575	0	46,112	0	40,225	-15,984	414,928
Italy Offices	219,390	0	11,998	0	2,313	66,099	299,800
Hotels & Service sector	28,631	0	28,102	0	2,466	-21,618	37,581
Germany Residential	0	0	0	0	0	0	0
France Residential	0	0	0	0	0	0	0
Operating assets held for sale	956,314	0	5,266	-549,370	65,337	491,918	969,465
Operating assets held for sale	956,314	0	5,266	-549,370	65,337	491,918	969,465
Change France Offices	147,905	0	199	-80,067	-987	58,636	125,686
Italy Offices	161,345	0	20	-54,717	-139	7,610	114,119
Hotels & Service sector	386,172	0	5,047	-256,000	59,182	228,860	423,261
Germany Residential	129,604	0	0	-89,104	8,799	75,529	124,828
France Residential	29,141	0	0	-69,482	-1,518	121,600	79,741
Car Parks	102,147	0	0	0	0	-317	101,830
TOTAL	16,684,767	128,949	345,901	-554,162	430,907	5,327	17,041,689

⁽¹⁾ Acquisition of GFCR, which holds an asset in Saint-Ouen, for €2.9 million.

⁽²⁾ Acquisition of companies that hold assets in Berlin for €224.6 million and -€98.5 million, following the sale of Leg III securities.

⁽³⁾ Corresponds to acquisitions of Office assets for €135.3 million (of which €129 million in Rueil) and building work amounting to €11.2 million.

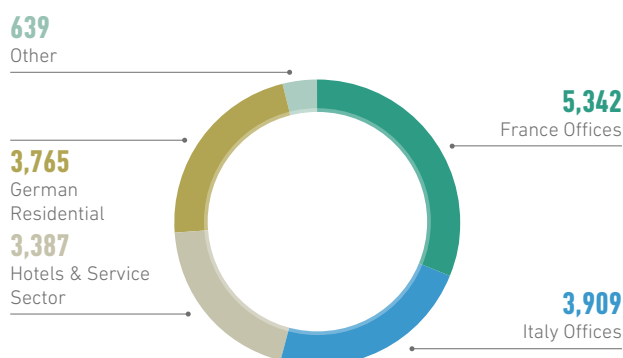
⁽⁴⁾ Acquisition of the Corso Italia asset in Milan for €33.8 million and building work amounting to €8.3 million.

⁽⁵⁾ Acquisition of four B&B hotels in Spain for €11.3 million and building work amounting to €7.5 million over the period.

⁽⁶⁾ Acquisition of assets in Berlin for €25.8 million and building work amounting to €20.3 million over the period.

The total increase of €345.9 million for the period mainly consists of building work amounting to €125.3 million (of which €72 million in assets under development), the incorporation of the capitalised financial expense of the development projects for €14.4 million and the acquisitions made during the year for €206.2 million.

The amounts of disposals correspond to the appraisal figures published as at 31 December 2015.


PORTFOLIO OF ASSETS AT 30 JUNE 2016 BY BUSINESS SECTOR (€M)


The Group has not identified the best use of an asset as being different from the current use, and as such, the implementation of IFRS 13 did not lead to a modification in the assumptions used for the valuation of assets.

In accordance with IFRS 13, the tables below provide details of the ranges of unobservable inputs by business segment (level 3) used by real estate appraisers:

FRANCE OFFICES, ITALY OFFICES AND HOTELS & SERVICE

Grouping of similar assets	Level	Portfolio (€M)	Yield rate (excluding duties) (min.-max.)	Yield rate (excluding duties) (weighted average)	Discount rate
Paris Centre West	Level 3	816	4.0% – 8.2%	4.8%	4.5% – 7.0%
Paris North East	Level 3	334	4.3% – 8.2%	5.8%	4.8% – 6.0%
Paris South	Level 3	675	3.0% – 6.2%	4.6%	4.5% – 6.5%
Western Crescent	Level 3	1,493	5.1% – 7.9%	5.7%	4.8% – 8.0%
Inner suburbs	Level 3	1,039	4.5% – 7.1%	5.8%	4.8% – 6.8%
Outer suburbs	Level 3	147	5.8% – 11.6%	8.0%	4.8% – 9.5%
Total Paris regions		4,503	3.0% – 11.6%		4.5% – 9.5%
Major Regional Cities	Level 3	535	5.0% – 8.6%	6.5%	4.8% – 9.0%
Regions	Level 3	303	7.2% – 14.3%	9.8%	4.8% – 13.0%
Total Regions		838	5.0% – 14.3%		4.8% – 13.0%
TOTAL FRANCE OFFICES		5,342	3.0% – 14.3%		4.5% – 13.0%
Milan	Level 2	398	3.3% – 5.7%	4.5%	4.7% – 5.6%
Milan	Level 3	1,273	2.4% – 7.8%	4.4%	4.7% – 7.0%
Rome	Level 3	221	3.1% – 17.7%	5.4%	4.0% – 7.8%
Others	Level 2	159	3.6% – 9.0%	5.5%	6.1% – 6.5%
Others	Level 3	1,558	2.1% – 13.9%	6.7%	3.1% – 15.4%
Total in operation		3,609	2.1% – 17.7%		3.1% – 15.4%
Assets under development	Level 3	300			5.8% – 6.6%
TOTAL ITALY OFFICES		3,909			3.1% – 15.4%
Hotels	Level 3	2,472	4.2% – 7.2%	5.7%	5.7% – 7.5%
Service sector	Level 3	582	5.4% – 6.9%	6.4%	6.3% – 7.5%
Healthcare	Level 3	295	N/A	N/A	N/A
Total in operation		3,349	4.2% – 7.2%		5.7% – 7.5%
Assets under development	Level 3	38			6.2% – 6.8%
TOTAL HOTELS & SERVICE SECTOR		3,387			5.7% – 7.5%

GERMANY RESIDENTIAL AND FRANCE RESIDENTIAL

Grouping of similar assets	Level	Portfolio (€M)	Yield rate ⁽¹⁾			Average value (€/m ²)
			Total portfolio	Block valued properties	Discount rate	
Great East	Level 3	6	5.0% – 6.4%	N/A	N/A	1,515
Luxembourg	Level 3	11	6.0%	6.0%	N/A	4,954
Provence-Alpes-Côte d'Azur region	Level 3	95	3.7% – 5.4%	3.8% – 5.4%	N/A	2,351
Paris – Neuilly	Level 3	278	2.2% – 6.1%	5.2%	N/A	8,046
Rest of Paris Region	Level 3	95	3.3% – 5.3%	N/A	N/A	5,112
Rhône-Alpes region	Level 3	36	3.4% – 5.8%	N/A	N/A	3,176
South West – Great West	Level 3	16	4.1% – 7.1%	N/A	N/A	2,218
Total France Residential	Level 3	537	2.2% – 7.1%	3.8% – 6.0%	N/A	4,532
Duisburg	Level 3	414	4.3% – 6.8%	4.3% – 6.8%	4.9% – 10.8%	864
Essen	Level 3	458	3.8% – 6.8%	3.8% – 6.8%	4.1% – 8.0%	1,132
Mülheim	Level 3	173	4.0% – 6.5%	4.0% – 6.5%	2.1% – 8.6%	1,053
Oberhausen	Level 3	142	4.5% – 7.0%	4.5% – 7.0%	5.3% – 8.0%	886
Datteln	Level 3	112	3.8% – 6.3%	3.8% – 6.3%	2.0% – 7.9%	815
Berlin	Level 3	1,760	3.0% – 6.3%	3.0% – 6.3%	1.2% – 7.9%	1,751
Dusseldorf	Level 3	39	3.5% – 5.5%	3.5% – 5.5%	3.9% – 6.2%	2,091
Dresden	Level 3	236	4.3% – 6.8%	4.3% – 6.8%	5.0% – 8.0%	1,188
Leipzig	Level 3	48	4.5% – 6.3%	4.5% – 6.3%	5.2% – 7.5%	890
Hamburg	Level 3	248	3.8% – 5.5%	3.8% – 5.5%	4.3% – 6.3%	2,009
Others	Level 3	136	4.3% – 6.3%	4.3% – 6.3%	2.0% – 9.1%	1,090
Total Germany Residential	Level 3	3,765	3.0% – 7.0%	3.0% – 7.0%	1.2% – 10.8%	1,300

⁽¹⁾ Yield rate:

- France Residential: Potential yield rate excluding taxes (potential rents calculated by the appraiser/appraisal values excluding taxes determined by the appraiser)
- German Residential: Potential yield rate assumed excluding taxes (actual rents/appraisal values excluding taxes) across the portfolio held by Immeo in Germany.

IMPACT OF FLUCTUATIONS IN THE RATE OF RETURN ON CHANGES IN THE FAIR VALUE OF PROPERTY ASSETS, BY OPERATING SEGMENT

(€ M)	Yield ⁽²⁾	Yield rate -50 bps	Yield rate +50 bps
France Offices ⁽¹⁾	5.8%	463.4	-390.1
Italy Offices	5.6%	351.1	-293.9
Hotels & Service ⁽¹⁾	5.7%	292.5	-245.4
Germany Residential	5.7%	362.1	-303.7
France Residential	2.8%	118.6	-82.3
TOTAL	5.6%	1,587.7	-1,315.4

⁽¹⁾ Including assets held by equity affiliates.

⁽²⁾ Return on operating portfolio – excluding duties.

- ♦ If the yield rate excluding taxes drops 50 bps (-0.5 points), the market value excluding taxes of real estate assets will increase by €1,587.7 million.
- ♦ If the yield rate excluding taxes increases 50 bps (+0.5 points), the market value excluding taxes of real estate assets will decrease by €1,315.4 million.



2.2.6.1.3. Properties under development

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

(€K)	31/12/2015	Works	Capitalised interest	Change in fair value	Transfers & disposals	30/06/2016
Change France Offices	344,575	38,352	7,760	40,225	-15,984 ⁽¹⁾	414,928
Italy Offices	219,390	5,665	6,333	2,313	66,099 ⁽²⁾	299,800
Hotels & Service sector	28,631	27,820 ⁽⁴⁾	282	2,466	-21,618 ⁽³⁾	37,581
TOTAL	592,596	71,837	14,375	45,004	28,497	752,309

⁽¹⁾ The Majoria Schlumberger asset in Montpellier and the Bose asset in Saint-Germain-en-Laye were delivered (-€30.1 million) and a new project under development (Montrouge) generated a transfer (+€14.1 million).

⁽²⁾ Three new projects under development in Milan (+€68 million) and reclassification of the company's share of a rented asset as investment property (-€1.9 million).

⁽³⁾ Delivery of the Torcy B&B hotel (-€8.8 million) and two B&B hotels in Germany (-€13.5 million).

A new project under development in Munich for the construction of a hotel generated a transfer (+€0.7 million).

⁽⁴⁾ Corresponds to the following disbursements:

- €4.6 million concerning two new projects in France (B&B Lyon and B&B Nanterre) and €14.7 million concerning a new project in Munich
- building work concerning the Torcy B&B hotel delivered (€1 million)
- building work on the five development projects in Germany (€7.5 million).

2.2.6.1.4. Assets and liabilities held for sale

In June 2015, a preliminary sale agreement for four car park companies had been signed. Discussions are under way to expand the scope of the sale (inclusion of Metz).

In accordance with IFRS 5, all of the recorded assets and liabilities of these companies as at 30 June 2016 are presented on a single line (assets or liabilities held for sale):

- ♦ assets held for sale: €101.8 million
- ♦ liabilities held for sale: €53.9 million.

The other assets consist of buildings held for sale for €867.6 million at 30 June 2016 (of which €107.5 million concerning three AccorHotels assets and €295.1 million concerning Korian retirement homes), compared to €854 million at 31 December 2015.

2.2.6.2. Financial assets

(€K)	31/12/2015	Increase	Decrease	Change in fair value	Change in scope	Transfers	30/06/2016
Ordinary loans ⁽¹⁾	177,079	22,930	-31,762	0	0	28,636	196,883
Current accounts	0	0	-464,963	0	0	464,963	0
Total loans and current accounts	177,079	22,930	-496,725	0	0	493,599	196,883
Securities at fair value through net income	674	0	-668	-6	0	0	0
Securities at historic cost	43,874	12	-89	0	4,540	0	48,337
Dividend to be distributed	0	286	-2,523	0	0	2,523	286
Total other financial assets⁽²⁾	44,548	298	-3,280	-6	4,540	2,523	48,623
Outstanding amount of leases (LT)	2,041	0	-116	0	0	-1,923	2
Total finance-lease receivables	2,041	0	-116	0	0	-1,923	2
Receivables on disposals of financial assets	12,278	0	1,610	0	0	0	13,888
Total receivables on financial assets	12,278	0	1,610	0	0	0	13,888
TOTAL	235,946	23,228	-498,511	-6	4,540	494,199	259,396
Depreciation and amortisation ⁽³⁾	-25,156	-1,531	0	0	0	-364	-27,051
NET TOTAL	210,790	21,697	-498,511	-6	4,540	493,835	232,345

⁽¹⁾ Ordinary loans include specifically:

- receivables from equity investments held in equity-accounted companies. The change in the period was (+€2.3 million)
- the €29.8 million debenture loan to finance FDM Management (new subscription for the period: €20.5 million).

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

- Securities at fair value through profit or loss: up until 31 December 2015, the securities from the OPCl Technical Fund were accounted for on the balance sheet at the OPCl's net asset value as an offset to the income statement. The OPCl was dissolved in June 2016.
- Securities at historic cost: Investments held by Beni Stabili in property funds are valued at their historical cost. Potential impairments are accounted for in the income statement.
This line item also includes 5.1% of the shares of Leg III, a non-consolidated company based in Germany (+€4.5 million).

⁽³⁾ Including impairments on securities at historic cost (€22.8 million) and on financial asset receivables (€4.2 million).



2.2.6.3. Investments in equity affiliates

(€K)	% held	Operating segment	Country	31/12/2015	30/06/2016	Changes	Of which share of net income	Of which distribution and change in scope
Latécoère 2 (Extension DS Campus)	50.10%	Offices France (Assets under development)	France	-945	-1,419	-474	-474	0
Lenovilla (New Vélizy)	50.10%	Change France Offices	France	35,999	39,617	3,618	3,618	0
Euromarseille (Euomed)	50.00%	Change France Offices	France	27,490	39,196	11,706	11,706	0
Cœur d'Orly (Askia)	25.00%	Change France Offices	France	1,739	4,507	2,768	245	2,523
Investire Immobiliare et autres		Italy Offices	Italy	20,322	20,203	-119	992	-1,111
Iris Holding France	19.90%	Hotels & Service sector	Belgium, Germany	10,717	11,410	694	980	-286
OPCI IRIS Invest 2010	19.90%	Hotels & Service sector	France	27,120	26,644	-476	891	-1,368
OPCI Camp Invest	19.90%	Hotels & Service sector	France	18,353	17,755	-598	518	-1,116
Dahlia	20.00%	Hotels & Service sector	France	16,739	15,133	-1,605	-156	-1,449
SCI Porte Dorée	50.00%	Hotels & Service sector	France	4,446	5,455	1,009	1,009	0
FDM Management	40.66%	Hotels & Service sector	France & Germany	17,397	30,262	12,865	-1,552	14,418
TOTAL				179,376	208,763	2,387	17,776	11,611

Investments in equity affiliates as at 30 June 2016 amounted to €208.8 million, compared to €179.4 million as at 31 December 2015. The change in the period involved the following:

- ♦ Latécoère 2 (DS Campus extension): 50.1% interest held by Foncière des Régions in partnership with Crédit Agricole Assurances group (49.9%). The shareholders' agreement was signed on 18 June 2015 under the Dassault Extension project. Net income for the period was affected by the change in the value of cash instruments.
- ♦ Investire Immobiliare and others: Investire Immobiliare securities accounted for €19.0 million at 30 June 2016. The -€0.1 million change stems from net income of €1 million and distributions of dividends for -€1.1 million.
- ♦ SCI Porte Dorée (Motel One Porte Dorée): 50% interest held by Foncière des Régions in partnership with the Caisse des Dépôts et Consignations. The shareholders' agreement was signed on 23 December 2015 under the Motel One Porte Dorée project. Net income for the period was affected by the change in the fair value of the asset.
- ♦ FDM Management: 40.66% interest held by Foncière des Murs and in partnership with Cardif, ACM, Crédit Agricole Assurances, Sogecap, Caisse des Dépôts et Consignations and Marolux. FDM Management's business consists of acquiring hotels, services and funds. The +€12.9 million change corresponds to the €14.4 million investment and to the -€1.5 million in net income.

Note that this company made investments of nearly €160 million in the first half of 2016.

2.2.6.3.1. Breakdown of shareholding of principal equity affiliates

Shareholding at 30 June 2016	Cœur d'Orly	Euromed Group	Latécoère 2 (DS Campus extension)	SCI Lenovilla (New Vélizy)
Foncière des Régions	25%	50%	50.10%	50.09%
Non-Group third parties	75%	50%	49.90%	49.91%
Altaréa	25%			
Crédit Agricole assurances		50%	49.90%	49.91%
Aéroports de Paris	50%			
TOTAL	100%	100%	100%	100%

Indirect shareholding at 30 June 2016	Iris Holding France	OPCI Iris Invest 2010	OPCI Campinvest	SCI Dahlia	FDM Management	SCI Porte Dorée
Foncière des Murs	19.9%	19.9%	19.9%	20.0%	40.66%	50.00%
Non-Group third parties	80.1%	80.1%	80.1%	80.0%	59.34%	50.00%
Crédit Agricole Assurances	80.1%	80.1%	68.8%	80.0%	11.64%	
Pacifica			11.3%			
Cardif Assurance Vie					11.64%	
Assurances du Crédit Mutuel Vie					11.64%	
SOGECAP					11.64%	
Caisse des Dépôts et Consignations					11.64%	50.00%
Maro Lux					1.16%	
TOTAL	100%	100%	100%	100%	100%	100%

2.2.6.3.2. Key financial information on equity affiliates

(€K)	Asset name	Total balance sheet	Total noncurrent assets	Treasury	Total non-current liabilities excluding financial debt	Total current liabilities excluding financial debt	Financial debt	Rental income	Net cost of financial debt	Consolidated net income
Cœur d'Orly	Cœur d'Orly	131,397	99,363	18,539	0	17,056	92,443	1,020	-486	996
Latécoère 2	Dassault extension	75,607	72,374	1,671	0	10,124	68,316	0	0	-946
Lenovilla	New Vélizy and extension	282,697	257,044	4,675	0	9,958	193,647	5,695	-959	7,223
Euromed	Euromed Center	248,723	228,368	8,770	616	13,320	156,395	1,254	0	23,412
IRIS Holding France	Hotels AccorHotels	181,525	177,355	396	12,655	5,832	105,637	5,921	-1,430	4,923
OPCI Iris Invest 2010	Hotels AccorHotels	252,047	242,262	8,325	3,976	3,055	111,128	7,532	-1,986	4,479
OPCI Campinvest	Campanile Hotels	174,374	165,425	5,363	0	1,767	83,383	5,637	-1,579	2,603
SCI Dahlia	Hotels AccorHotels	162,630	158,443	2,699	0	2,644	84,319	3,598	-812	-782
FDM Management	Hotels & Service segment	351,724	293,552	38,772	50,109	21,436	205,008	19,660	-876	-3,818
SCI Porte Dorée	Motel One Porte Dorée hotel	17,399	14,563	2,759	0	15	6,475	0	0	2,017



2.2.6.4. Deferred taxes at the end of the period

(€K)	Balance sheet at 31/12/2015	Increases			Decreases			Balance sheet at 30/06/2016
		First time consolidations	Net income for the year	Shareholder's Equity	Other changes and transfers	Net income for the year	Shareholder's Equity	
DTA								
Losses carried forward	31,465	195	10,525			-1,134		41,051
Fair value of properties	1,309		9			-138		1,180
Derivatives	11,720		4,520			-873		15,367
Temporary differences	22,621	142	6,339		-1,476	-11,709		15,917
	67,115							73,515
DTA/DTL offset	-47,739							-66,038
TOTAL DTA	19,376	337	21,393	0	-1,476	-13,854	0	7,477

(€K)	Balance sheet at 31/12/2015	Increases			Decreases			Balance sheet at 30/06/2016
		First time consolidations	Net income for the year	Shareholder's Equity	Other changes and transfers	Net income for the year	Shareholder's Equity	
DTL								
Fair value of properties	392,382	463	24,004		3,245	-9,102		410,992
Derivatives	573		52			-201		424
Temporary differences	11,732	-47	15,320		-4,721	-465		21,819
	404,687							433,235
DTA/DTL offset	-47,739							-66,038
TOTAL DTL	356,948	416	39,376	0	-1,476	-9,768	-8	367,197
NET TOTAL	-337,572	-79	-17,983	0	0	-4,086	8	-359,720
TOTAL IMPACT ON THE INCOME STATEMENT:					-22,069			

As at 30 June 2016, the consolidated unrealised tax position showed a deferred tax asset of €7 million (*versus* €19 million as at 31 December 2015) and a deferred tax liability of €367 million (*versus* €357 million as at 31 December 2015).

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

- ♦ Germany Residential: €262 million
- ♦ Hotels & Service Sector: €90 million
- ♦ Italy Offices: €14 million
- ♦ France Offices: €1 million.

The impact on net income is detailed in 2.2.7.6.2.

In accordance with IAS 12, deferred tax assets and liabilities are offset for each tax entity when they involve taxes paid to the same tax authority.

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

(€K)	31/12/2015	Change in scope	Increase	Decrease	Transfers	30/06/2016
Short-term loans	6,121	0	4,960	-6,073	54	5,062
Finance-lease receivables	262	0	0	0	1,923	2,185
Total	6,383	0	4,960	-6,073	1,977	7,247
Amortisations and provisions	-13	0	0	0	0	-13
NET TOTAL	6,370	0	4,960	-6,073	1,977	7,234

2.2.6.6. Inventories

Inventories primarily consist of assets dedicated to the trading business within Italy Offices (€34.0 million), assets dedicated to the trading business and real estate development within the Germany Residential segment (€5.2 million), the trading business within the France residential segment (€2.5 million) and land in Orléans (€1.2 million).

2.2.6.7. Trade receivables

(€K)	30/06/2016	31/12/2015	Value
Trade receivables	363,208	298,109	65,099
Impairment of receivables	-28,949	-31,452	2,503
NET TOTAL TRADER RECEIVABLES	334,259	266,657	67,602

The balance of net trade receivables includes mainly expenses to be invoiced to tenants for €178.4 million, net trade receivables for €37.3 million and receivables related to the linearisation of relief granted on rent for €118.6 million. Note that, in the first half-year, the change in trade receivables was heavily impacted by the application of IFRIC 21. This standard requires recognition of a liability for 12 months' property tax, along with recognition of an asset for the re-invoicing of this tax to tenants in accordance with the terms of the lease.

2.2.6.8. Other receivables

(€K)	30/06/2016	31/12/2015	Value
Government receivables	42,609	42,614	-5
Other receivables	14,512	11,459	3,053
Security deposits received	93,097	22,492	70,605
Current accounts	2,855	2,790	65
TOTAL	153,073	79,355	73,718

- ♦ Government receivables of €42.6 million are broken down into €13.1 million for France Offices, €17.7 million for Italy Offices, €8.7 million for Hotels & Service and €2.3 million for Car Parks. The receivables mainly consist of VAT and tax claims following the tax audits (€13.5 million for Italy Offices and €2.9 million for Hotels & Service).
- ♦ The change in receivables on disposals breaks down as follows: €49.9 million for Hotels & Service (sale of AccorHotels assets), €13.8 million for Germany Residential, €5.8 million for France Residential and €1.1 million for France Offices.

2.2.6.9. Cash and cash equivalents

(€K)	30/06/2016	31/12/2015
Money-market securities available for sale	847,906	736,465
Cash at bank	292,330	213,219
TOTAL	1,140,236	949,684

As at 30 June 2016, the portfolio of money-market securities available for sale consists mainly of level 2 standard money-market collective investment vehicles (SICAV).

- ♦ The level 1 portfolio corresponds to instruments whose price is listed on an active market for an identical instrument.
- ♦ Level 2 corresponds to instruments whose fair value is determined using data other than the prices mentioned for level 1 and observable directly or indirectly (*i.e.* price-related data).

Foncière des Régions holds no investments subject to capital risk.



2.2.6.10. Changes in shareholders' equity

The capital of Foncière des Régions totalled €204.8 million as at 30 June 2016.

In the first half of 2016, Foncière des Régions conducted several capital increases totalling €113.9 million (€113.2 million net of costs) with the issue of 1,650,622 new shares including 1,600,994 shares in compensation for the Foncière des Murs shares tendered and the mandatory public exchange offer that followed.

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

As at 30 June 2016, the share capital broke down as follows:

Number of authorised shares	68,280,354
Number of shares issued and fully paid up	68,280,354
Number of shares issued and not fully paid up	0
Par value of the shares	€3.00
Share class	none
Restriction on payment of dividends	none
Shares held by the Company or its subsidiaries	86,542

CHANGES IN THE NUMBER OF SHARES DURING THE PERIOD

Date	Transaction	Shares issued	Treasury shares	Shares outstanding
31/12/2015		66,629,732	52,319	66,577,413
	Capital Increase – delivery of bonus share plan	31,624		
	Capital Increase – following FDM public exchange offer	1,600,994		
	Capital increase reserved for employees – PEE	18,004		
	Treasury shares – liquidity agreement		-15,748	
	Treasury shares – employee award		50,000	
	Treasury shares – awaiting allocation		-29	
30/06/2016		68,280,354	86,542	68,193,812

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

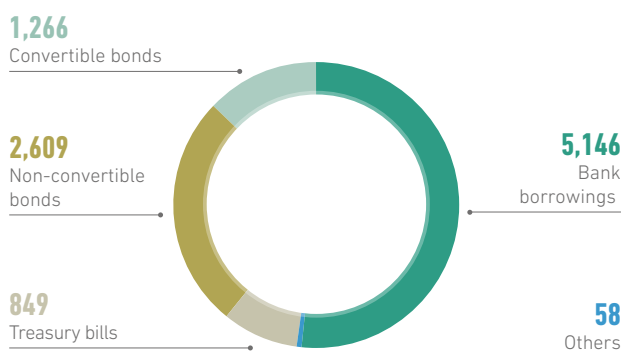
2.2.6.11. Indebtedness

(€K)	31/12/2015	Increase	Decrease	Change in scope	Other changes	30/06/2016
Bank borrowings	4,970,181	1,255,101	-1,116,222	36,338	539 ⁽¹⁾	5,145,937
Other borrowing	53,909	0	-46,219	46,179	0	53,869
Treasury bills	805,000	44,000	0	0	0	849,000
Securitised loans	3,978	0	0	0	0	3,978
Non-convertible bonds	2,343,229	500,000	-234,522	0	153	2,608,860
Finance leases	0	0	0	0	0	0
Convertible bonds	1,266,084	0	-29	0	0	1,266,055
Subtotal interest-bearing loans	9,442,381	1,799,101	-1,396,992	82,517	692	9,927,699
Accrued interest	68,813	40,245	-68,305	0	-1	40,752
Deferral of loan expenses	-73,705	17,435	-10,296	0	-1,331	-67,897
Creditor banks	54,135	0	0	0	90,493	144,628
Total loans (LT/ST) excl. JV of ORNANE-type bonds	9,491,624	1,856,781	-1,475,593	82,517	89,853	10,045,182
Of which Long-term	8,408,151					8,233,454
Of which Short-term	1,083,473					1,811,728
Valuation of financial instruments	363,656	0	0	0	104,112	467,768
Convertible bond derivatives	179,653	0	0	0	-80,326	99,327
Total derivatives	543,309	0	0	0	23,786	567,095
Of which Assets	-54,075					-53,308
Of which Liabilities	597,384					620,403
TOTAL BANK DEBT	10,034,933	1,856,781	-1,475,593	82,517	113,639	10,612,277

⁽¹⁾ Transfer of €0.5 million in borrowings by car park companies recognised as liabilities held for sale.

The new financings taken out during the year are presented in 2.2.6.11.1 – Bank borrowings.

DEBT BY TYPE AS AT 30 JUNE 2016 (€M)



The "Receipts relating to new borrowings" line of the Cash Flow Statement (+€1,787.5 million) corresponds to:

- increases in interest-bearing borrowings (+€1,799.1 million)
- less new debt issuance costs (-€10.3 million).

The "Repayments of borrowings" line of the Cash Flow Statement (-€1,396.9 million) corresponds to decreases in interest-bearing borrowings.

2.2.6.11.1. Bank borrowings

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

(€K)	Outstanding debt (> or < €100 M)	Debt	Total appraisal value for block of assets 30/06/2016	Outstanding debt 30/06/2016	Date of signature	Nominal at inception	Maturity
Offices France	> €100 M	€280 M (2015) & €145 M (2015) – Tour CB21 & Carré Suffren		422,175	29/07/2015 and 01/12/2015	280,000 and 145,000	29/07/2025 and 30/11/2023
	> €100 M	€167.5 M (2015) – DS Campus		165,825	23/03/2015	167,500	20/04/2023
		€300 M (2016) – Orange		300,000	18/02/2016	300,000	18/02/2026
	> €100 M		1,923,654	888,000			
	< €100 M		210,500	86,281			
		Total France Offices	2,134,154	974,281			
Italy Offices	> €100 M	€266 M (2014) – Refi 2 Babel		266,204	10/09/2014	300,000	29/07/2020
	> €100 M	€110 M (2014) – Faithful 2		110,000	16/04/2014	110,000	20/01/2021
		€254 M (2015) – Europe		253,621	09/06/2015	255,000	09/06/2025
	> €100 M		1,362,640	629,826			
	< €100 M		225,591	111,763			
		Total Italy Offices	1,588,231	741,589			
Hotels & Service sector	> €100 M	€447 M (2013)	658,188	244,748	25/10/2013	447,000	31/01/2023
	> €100 M	€255 M (2012) – Covered bond	425,748	239,053	14/11/2012	255,000	16/11/2021
	> €100 M	€235 M (2013) – OPCI B2 HI (B&B)	555,720	235,000	20/12/2013	235,000	20/12/2018
	> €100 M	€350 M (2013)	496,376	156,798	15/07/2013	350,000	31/07/2022
	> €100 M	€208 M (2014)	251,294	117,227	07/05/2014	208,640	23/11/2021
	> €100 M		2,387,326	992,826			
	< €100 M		440,969	216,456			
		Total Hotels & Service sector	2,828,295	1,209,282			
France Residential	> €100 M	€350 M (2014)	414,771	157,563	15/01/2014	350,000	31/10/2018
	> €100 M		414,771	157,563			
		Total France Residential	414,771	157,563			
Germany Residential	> €100 M	Lyndon Immeo 02	218,548	153,234	07/12/2011	196,000	14/12/2021
	> €100 M	Lyndon Immeo 01	246,440	140,085	12/12/2011	184,720	12/12/2021
	> €100 M	Lyndon Immeo 04	554,097	263,978	09/03/2012	485,000	14/03/2022
	> €100 M	Indigo	244,550	116,803	13/12/2013	120,530	19/12/2018
	> €100 M	Lego	287,329	141,006	01/10/2014	145,000	30/09/2024
	> €100 M	Refinancing Wohnbau/Dümpfen/Aurélia/Duomo	276,949	141,362	20/01/2015	177,000	30/01/2025
	> €100 M	Refinancing Amadeus/Herbstlaub/Valore/Valartis	312,174	150,519	28/10/2015	157,576	30/04/2026
	> €100 M	Quadriga	363,870	198,552	23/03/2016	220,000	31/01/2024
	> €100 M		2,503,957	1,305,539			
	< €100 M		1,229,469	618,891			
			Total Germany Residential	3,733,426	1,924,430		
		Total Residential	4,148,197	2,081,993			
Car Parks	< €100 M	Total Car Parks	161,290	63,590			
		Total collateralised	10,860,167	5,070,735			

(€K)	Outstanding debt (> or < €100 M)	Debt	Total appraisal value for block of assets 30/06/2016	Outstanding debt 30/06/2016	Date of signature	Nominal at inception	Maturity
Change France Offices		€550 M (2011) – Orname		451,055	24/05/2011	550,000	01/01/2017
		€345 M (2013) – Orname		345,000	20/11/2013	345,000	01/04/2019
		€500 M (2012) – Other bonds		266,400	16/10/2012	500,000	16/01/2018
		Treasury bills BT/BMTN		849,000			
		€180 M (2013) – Private placement		180,000	28/03/2013	180,000	30/04/2020
		€500 M (2014) – Bonds		498,406	10/09/2014	500,000	10/09/2021
		€500 M (2016) – Green Bond		500,000	20/05/2016	500,000	20/05/2026
		> €100 M			3,089,861		
	< €100 M			0			
		Total France Offices	3,289,231	3,089,861			
Italy Offices		€270 M (2013) – Convertible Bonds		270,000	17/10/2013	270,000	17/04/2019
		€350 M (2014) – Bonds		350,000	22/01/2014	350,000	22/01/2018
		€250 M (2014) – Bonds		250,000	31/03/2014	250,000	01/04/2019
		€125 M (2015) – Bonds		125,000	30/03/2015	125,000	30/03/2022
		€200 M (2015) – Convertible Bonds		200,000	03/08/2015	200,000	31/01/2021
		> €100 M			1,195,000		
	< €100 M			203,978			
		Total Italy Offices	2,374,302	1,398,978			
Hotels & Service sector	> €100 M	€200 M (2015) – Private placement		200,000	29/05/2015	200,000	29/05/2023
		€110 M (2016) – Bridging loan		108,000	22/04/2016	300,000	31/12/2016
		Total Hotels & Service sector	558,427	308,000			
France Residential	< €100 M	Total France Residential	125,075	50,000			
Germany Residential	< €100 M	Total Germany Residential	31,706				
Car Parks		Total Car Parks	23,798	0			
	Total unencumbered		6,402,539	4,846,839			
		Other debt		49,667			
		Reclassification of Car Parks to liabilities held for sale		-126,900			
TOTAL			17,135,806	9,927,699			

Borrowings are valued after their initial recognition at cost, amortised based on the effective interest rate. The average interest rate on Foncière des Régions' consolidated debt stood at 2.39% as at 30 June 2016.



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

(€K)	Amount as at 30/06/2016	Maturity at -1 year	Amount as at 30/06/2017	Maturity from 2 to 5 years	Amount as at 30/06/2021	Maturity +5 years
Fixed-rate long-term financial liabilities	5,627,405	1,281,484	4,345,921	2,042,534	2,303,388	2,303,388
France Offices – Bank borrowings	151,475	1,025	150,450	6,663	143,788	143,788
France Offices – ORNANE ⁽¹⁾	796,055	451,055	345,000	345,000	0	0
France Offices – Other	32,438	0	32,438	32,438	0	0
Italy Offices – Convertible bonds ⁽¹⁾	470,000	0	470,000	470,000	0	0
Hotels & Service sector – Bank borrowings	20,000	0	20,000	20,000	0	0
Hotels & Service sector – Other	17,230	0	17,230	15,936	1,294	1,294
Germany Residential – Bank borrowings	764,167	14,379	749,788	105,455	644,333	644,333
Germany Residential – Other	4,203	2,163	2,039	1,864	175	175
Total borrowings and convertible bonds	2,255,567	468,622	1,786,945	997,356	789,589	789,589
France Offices – Bonds	1,444,807	0	1,444,807	445,178	999,629	999,629
France Offices – Treasury bills	759,000	759,000	0	0	0	0
Italy Offices – Bonds	725,000	0	725,000	600,000	125,000	125,000
Italy Offices – Securitisation	3,978	3,978	0	0	0	0
Hotels & Service sector – Bonds	439,053	49,884	389,169	0	389,169	389,169
Total debts represented by securities	3,371,838	812,862	2,558,976	1,045,178	1,513,798	1,513,798
Floating-rate financial debt	4,300,294	356,374	3,943,920	1,441,586	2,502,334	2,502,334
France Offices – Bank borrowings	822,804	6,592	816,212	105,812	710,400	710,400
Italy Offices – Bank borrowings	941,588	213,468	728,120	443,283	284,837	284,837
Hotels & Service sector – Bank borrowings	1,058,229	121,450	936,779	268,848	667,931	667,931
France Residential – Bank borrowings	207,563	0	207,563	207,563	0	0
Germany Residential – Bank borrowings	1,156,061	14,129	1,141,932	302,767	839,165	839,165
Car parks – Bank borrowings	24,049	735	23,314	23,314	0	0
Total borrowings and convertible bonds	4,210,294	356,374	3,853,920	1,351,586	2,502,334	2,502,334
France Offices – Treasury bills	90,000	0	90,000	90,000	0	0
Total debts represented by securities	90,000	0	90,000	90,000	0	0
TOTAL	9,927,699	1,637,858	8,289,841	3,484,120	4,805,721	4,805,721

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

DEBT BY BUSINESS SEGMENT AS AT 30 JUNE 2016 (€M)

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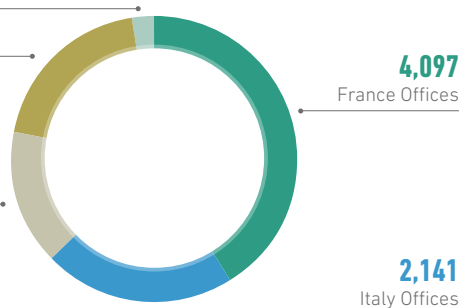
Other

1,924

German
Residential

1,535

Hotels & Service
Sector



2.2.6.11.2. Convertible bonds

2.2.6.11.2.1. France Offices

The characteristic features of bonds are as follows:

Features	ORNANE-type bonds Change France Offices	ORNANE-type bonds Change France Offices
Issue date	24/05/2011	20/11/2013
Issue amount (€M)	550	345
Issue price (€)	85.86	84.73
Conversion rate	1.18	1.09
Nominal rate	3.34%	0.88%
Maturity	01/01/2017	01/04/2019
Number of convertible bonds issued	6,405,776	4,071,757
Number of convertible bonds as at 31 December 2015	5,253,714	4,071,757
Number of convertible bonds	-338	
Number of convertible bonds as at 30 June 2016	5,253,376	4,071,757
Number of potential shares	6,198,984	4,438,215
Amount of the issue after redemption and conversion (€M)	451	345

Interest is payable half-yearly on 1 January and 1 July for the ORNANE issued in 2011 and on 1 April and 1 October for the ORNANE issued in 2013.

Based on the quoted price on 30 June 2016, the fair value of ORNANE bonds is as follows:

- €95.06 for the ORNANE issued in 2011, *i.e.* a fair value of €499.4 million as at 30 June 2016 (5,253,376 outstanding bonds)
- €98.92 for the ORNANE issued in 2013, *i.e.* a fair value of €402.8 million as at 30 June 2016 (4,071,757 bonds).

The fair value of Foncière des Régions' ORNANE bonds totals €902.2 million.

Bond holders will have the option to convert their bonds either into cash and existing and/or new shares, or only into shares, based on the stock market prices over a determined period, at the Company's discretion. During the first half of 2016, 338 bonds (ORNANE issued in 2011) were converted into shares.

2.2.6.11.2.2. Italy Offices

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

As at 30 June 2016, the derivatives of Beni Stabili's ORNANE were valued at €23.6 million.

The characteristic features of these convertible bonds are as follows:

Features	ORNANE-type bonds Italy Offices	ORNANE-type bonds Italy Offices
Issue date	01/10/2013	01/08/2015
Issue amount (€M)	270	200
Issue price (€)	100	100
Conversion rate	151.722	99.990
Nominal rate	2.625%	0.875%
Maturity	01/03/2019	01/02/2021
Number of convertible bonds issued	2,700,000	2,000,000
Number of convertible bonds as at 31 December 2015	2,700,000	2,000,000
Number of convertible bonds as at 30 June 2016	2,700,000	2,000,000
Number of potential shares	409,649,522	199,980,002



2.2.6.11.3. Derivatives

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

Fair value of net derivative instruments:

(€K)	31/12/2015 Net	30/06/2016 Net
Change France Offices	160,166	198,132
Italy Offices	30,408	61,447
Hotels & Service sector	109,146	117,450
Germany Residential	46,984	71,582
France Residential	7,463	9,299
Car Parks	9,489	9,858
Total financial instruments	363,656	467,768
Change France Offices	140,694	106,097
Italy Offices	38,959	-6,770
Total derivatives of convertible borrowing	179,653	99,327
TOTAL	543,309	567,095
OF WHICH COUNTERPARTY RISK	11,895	15,470

The total impact of value adjustments on derivatives on the income statement was -€32.9 million. It primarily consists of changes in value of cash instruments (-€114.2 million), and the change in value of the ORNANE (+€81.3 million). In accordance with IFRS 13, the fair values include counterparty default risk.

The line "Unrealised gains and losses relating to changes in fair value" in the cash flow statement (-€395.9 million), which makes it possible to calculate cash flows from operating activities, chiefly incorporates the impact of changes in the value of cash instruments (€114.2 million), the change in the value of ORNANE bonds (-81.3 million) and the change in the value of the portfolio (-€429.8 million).

BREAKDOWN OF HEDGING INSTRUMENTS BY MATURITY OF NOTIONALS

(€K)	At 30/06/2016	Less than one year	One to five years	More than 5 years
FIXED HEDGE				
Fixed rate payer swap	3,746,877	-49,182	1,382,188	2,413,871
Fixed rate receiver swap	1,684,000	305,000	840,000	539,000
OPTIONAL HEDGE				
ORNANE-type bonds	0	-100,000	-345,000	445,000
Sale of fixed rate borrower swaption	0		-525,000	525,000
CAP purchase	1,411,668	141,671	901,603	368,394
Floor purchase	23,350	-224,480	227,080	20,750
Floor sale	90,000	60,000		30,000
TOTAL	6,955,895	133,009	2,480,871	4,342,015

BALANCE AS AT 30 JUNE 2016

(€K)	Fixed rate	Floating rate
Gross loans and borrowings (including creditor banks)	5,627,405	4,444,922
NET FINANCIAL LIABILITIES BEFORE HEDGING	5,627,405	4,444,922
Swaps		-2,062,877
Caps		-1,411,668
TOTAL HEDGES		-3,474,545

2.2.6.11.4. Bank covenants

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

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

The most restrictive consolidated LTV covenants at 30 June 2016 were 60% for Foncière des Régions, Foncière des Murs and Foncière Développement Logements. Lastly, a limited portion of Beni Stabili financing included a consolidated LTV covenant (Beni Stabili scope), the most restrictive level of which was also 60%.

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

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

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

All of these consolidated LTV and ICR covenants were strictly complied with as at 30 June 2016.

With regard to Foncière des Régions, consolidated bank ratios as at 30 June 2016 were 51.3% for Group share LTV and 339% for Group share ICR, compared to 50.9% and 302% respectively at 31 December 2015.

Two types of covenants were added to the consolidated LTV and ICR Group share covenants of Foncière des Régions as part of the corporate loans taken out by Foncière des Régions:

- ♦ Mainly an asset-secured debt covenant (100% scope), the cap on which is set at 25% (excluding a €75 million credit facility where the covenant is set at 22.5%) and which measures the ratio of secured debt (or debt with guarantees of any nature) to asset value.

This covenant is fully respected is at a very comfortable level.

- ♦ Secondly, unencumbered asset covenants, for which the ceiling is 50%, that assess the relationship between the debt of Foncière des Régions and that of its fully-owned subsidiaries and the portfolio value. As at 30 June 2016, this covenant only applied to a historical corporate credit with a short maturity.

This covenant was also complied with as at 30 June 2016.

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



Consolidated LTV	Company	Scope	Covenant threshold	Ratio
€350 M (2013)	Foncière des Murs	Hotels & Service sector	≤ 60%	In compliance
€447 M (2013)	Foncière des Murs	Hotels & Service sector	< 60%	In compliance
€208 M (2014)	Foncière des Murs	Hotels & Service sector	< 60%	In compliance
€255 M (2012) – Covered bond	Foncière des Murs	Hotels & Service sector	≤ 65%	In compliance
€200 M (2015) – Private placement	Foncière des Murs	Hotels & Service sector	≤ 60%	In compliance
€350 M (2014)	Foncière Développement Logements	France Residential	≤ 60%	In compliance
€266 M (2014) – Refi 2 Babel	Beni Stabili	Italy Offices	≤ 60%	In compliance
€110 M (2014) – Faithful 2	Beni Stabili	Italy Offices	≤ 60%	In compliance
€254 M (2015) – Europe	Beni Stabili	Italy Offices	≤ 60%	In compliance

Consolidated ICR	Company	Scope	Covenant threshold	Ratio
€350 M (2013)	Foncière des Murs	Hotels & Service sector	> 200%	In compliance
€447 M (2013)	Foncière des Murs	Hotels & Service sector	> 200%	In compliance
€208 M (2014)	Foncière des Murs	Hotels & Service sector	> 200%	In compliance
€255 M (2012) – Covered bond	Foncière des Murs	Hotels & Service sector	≥ 200%	In compliance
€200 M (2015) – Private placement	Foncière des Murs	Hotels & Service sector	≥ 200%	In compliance
€350 M (2014)	Foncière Développement Logements	France Residential	≥ 150%	In compliance
€266 M (2014) – Refi 2 Babel	Beni Stabili	Italy Offices	> 140%	In compliance
€110 M (2014) – Faithful 2	Beni Stabili	Italy Offices	> 140%	In compliance
€254 M (2015) – Europe	Beni Stabili	Italy Offices	> 150%	In compliance

These covenants, which are based on the Company and consolidated financial statements, most often include specific covenants for the scopes financed. These “Scope” covenants, or to a lesser extent the interest coverage ratios, usually have less restrictive

thresholds for the Group’s companies than consolidated covenant thresholds. Their purpose is mainly to supervise the use of financing by correlating it with the value of underlying assets provided as collateral.

2.2.6.12. Provisions for contingencies and losses

(€K)	31/12/2015	Charges	Transfer	Reversal of provision		30/06/2016
				used	unused	
Other provisions for litigation	1,720	1,466	5		-186	3,005
Provisions for guarantees	0	0		0	0	0
Provisions for taxes	56,735	1,028	0		0	57,763
Provisions for sustainable development	345	0		0	0	345
Provisions for property charges	0	466	-147	0	0	319
Other provisions	1,901	0			-783	1,118
Subtotal Provisions – current liabilities	60,701	2,960	-142	0	-969	62,550
Provisions for retirement benefit obligations	44,519	1,348			-1,271	44,596
Provisions for long-service awards	710	140		0	-26	824
Subtotal Provisions – non-current liabilities	45,229	1,488	0	0	-1,297	45,420
TOTAL PROVISIONS	105,930	4,448	-142	0	-2,266	107,970

Provisions for litigation are broken down into €2.4 million for France Offices, €0.4 million for Italy Offices and €0.2 million for the Car Parks segment.

Provisions for taxes solely concern the Italy Offices segment in the amount of €57.8 million, €56.2 million of which relates to the Comit Fund dispute. This dispute is described in Note 2.2.2.9.4.

Provisions for property charges in the Car Parks segment (provisions for work renewal) were transferred to liabilities held for sale (€0.2 million transferred in the first half of 2016).

Other provisions consist primarily of the following:

- ◆ other provisions for contingencies and losses: €0.5 million
- ◆ provisions relating to grantor rights (Car Parks): €0.3 million
- ◆ other provisions for losses: €0.3 million

The provision for retirement indemnities totalled €44.6 million as at 30 June 2016 (of which €42.2 million for the Germany Residential segment).

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

- ◆ rate of pay increase: managers 4%, non-managers 3%
- ◆ discounting rate: 1.00% (TEC 10n+50 bps).

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

Assumptions used in calculating provisions for retirement benefit obligations in Germany	30/06/2016	31/12/2015
Discount rate	2.5%	2.5%
Annual wage growth	2.5%	2.5%
Rate of social security charges	1.0%	1.0%
IMPACT OF PROVISIONS FOR RETIREMENT BENEFITS ON THE INCOME STATEMENT (€K)		
Cost of services rendered during the year	-312	-546
Financial cost	-517	-995
Effects of plan curtailments/settlements		
TOTAL IMPACT ON THE INCOME STATEMENT	-829	-1,541

2.2.6.13. Other short-term liabilities

(€K)	30/06/2016	31/12/2015	Value
Social debt	21,322	19,282	2,040
Tax debt	61,158	14,691	46,467
Current accounts – liabilities	3,251	721	2,530
Dividends to be paid	210	0	210
Other debt	16,492	109,532	-93,040
TOTAL	102,433	144,226	-41,793

The change of -€41.8 million in other debt is due to the completion of the payment of the deposit (-€95.2 million) received in 2015 on the sale of a portfolio of assets in the Germany Residential segment (Leg III) and to the impact of property tax liabilities (IFRIC 21: +€47 million).

2.2.6.14. Recognition of financial assets and liabilities

IAS 39 categories	Line item in statement of financial position	30/06/2016	Amount shown in the statement of financial position measured at:			
		Net (€K)	Amortised cost	Fair value through shareholders' equity	Fair value through profit or loss	Fair Value (€K)
Assets at fair value through profit or loss	Non-current financial assets	0			0	0
Assets at amortised cost	Non-current financial assets	25,839	25,839			25,839
Loans & receivables	Non-current financial assets	206,506	206,506			206,506
Total non-current financial assets		232,345				232,345
Loans & receivables	Trade receivables ⁽¹⁾	215,702	215,702			215,702
Assets at fair value through profit or loss	Assets at fair value through profit or loss	53,308			53,308	53,308
Assets at fair value through profit or loss	Cash and cash equivalents	847,906			847,906	847,906
TOTAL FINANCIAL ASSETS		1,349,261	448,047	0	901,214	1,349,261
Liabilities at fair value through profit or loss	ORNANE-type bonds	1,365,382	439,661		925,721	1,390,423
Liabilities at amortised cost	Borrowings (excl. ORNANE-type bonds)	8,661,644	8,661,644			8,854,508 ⁽²⁾
Liabilities at fair value through profit or loss	Financial instruments (excluding ORNANE)	521,076		48,807	472,269	521,076
Liabilities at amortised cost	Guarantee deposits	13,714	13,714			13,714
Liabilities at amortised cost	Trade payables	123,048	123,048			123,048
TOTAL FINANCIAL LIABILITIES		10,684,864	9,238,067	48,807	1,397,990	10,902,769

⁽¹⁾ Excluding Rent exemptions.

⁽²⁾ The difference between the net book value and the fair value of fixed rate debt is €167,315,000.

2.2.6.14.1. Breakdown of financial assets and liabilities at fair value

The table below presents financial instruments at fair value broken down by level:

- ♦ level 1: financial instruments listed in an active market
- ♦ level 2: financial instruments whose fair value is evaluated through comparisons with observable market transactions on

similar instruments or based on an evaluation method whose variables include only observable market data

- ♦ level 3: financial instruments whose fair value is determined entirely or partly by using an evaluation method based on an estimate that is not based on market transaction prices on similar instruments.

(€K)	Level 1	Level 2	Level 3	Total
Derivatives at fair value through profit or loss		53,308		53,308
Money-market securities available for sale		847,906		847,906
TOTAL FINANCIAL ASSETS	0	901,214	0	901,214
ORNANE-type bonds	1,390,423			1,390,423
Derivatives at fair value through profit or loss		521,076		521,076
TOTAL FINANCIAL LIABILITIES	1,390,423	521,076	0	1,911,499

2.2.7. Notes to the statement of net income

2.2.7.1. Operating income (loss)

2.2.7.1.1. Rental income

(€K)	30/06/2016	30/06/2015	Value (€K)	Change (%)
Change France Offices	138,447	125,165	13,282	10.6%
Italy Offices	98,872	110,505	-11,633	-10.5%
Total Offices rental income	237,319	235,670	1,649	0.7%
Hotels & Service sector	100,939	98,934	2,005	2.0%
Germany Residential	105,848	91,594	14,254	15.6%
France Residential	8,182	11,708	-3,526	-30.1%
TOTAL RENTAL INCOME	452,288	437,906	14,382	3.3%

Rental income consists of rental and similar income (e.g.: occupancy fees and entry rights) invoiced for investment properties during the period. Rent exemptions, common areas and entry rights are spread out over the fixed term of the lease.

Rental income amounted to €452.3 million at 30 June 2016 compared with €437.9 million at 30 June 2015, an increase of €14.4 million.

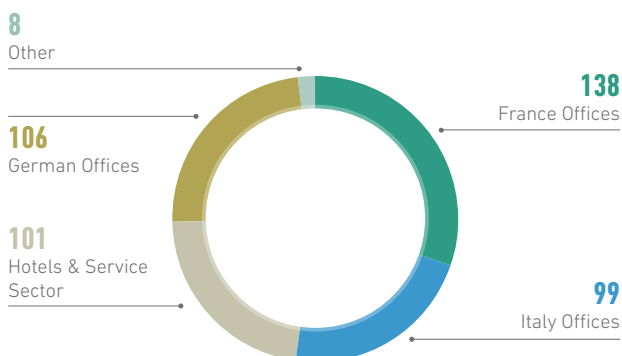
The changes by type of asset break down as follows:

- a 10.6% increase in rental income from France Offices due in particular to the delivery of assets under development (+€8 million) and acquisitions (+€2.5 million), less asset disposals, assets vacated for their redevelopment, and lease renewals
- a 10.5% decrease in rental income from Italy Offices due to disposals (-€8 million) and rent reductions on new leases for -€4.4 million (including the impact of the Telecom Italia agreement). These impacts were partially offset by new tenants and acquisitions (+€1.6 million)
- a 2% increase in rental income from the Hotels & Service sector, which is due in particular to the impact of acquisitions and deliveries of hotels in France, Germany and Spain (+€6 million), less the impact of disposals in the health sector (-€0.4 million) and hotel sector (-€1.6 million), and the drop in rental income from AccorHotels (-€2 million)

- an increase in rental income from the Germany Residential segment following acquisitions (+€24 million), less the impact of disposals (-€10 million)
- a 30.1% decrease in the France Residential segment, which is due to sales and assets made vacant for their disposal.

The tenant accounting for more than 10% of total revenue is Telecom Italia in the Italy Offices segment (€49.6 million).

RENTAL INCOME BY BUSINESS SECTOR FOR THE FIRST HALF OF 2016 (€M)





2.2.7.1.2. Real estate expenses

(€K)	30/06/2016	30/06/2015	Value (€K)	Change (%)
Rental income	452,288	437,906	14,382	3.3%
Unrecovered rental costs	-23,359	-22,007	-1,352	6.1%
Expenses on properties	-13,986	-12,740	-1,246	9.8%
Net losses on unrecoverable receivables	-2,254	-3,970	1,716	-43.2%
Net rental income	412,689	399,189	13,500	3.4%
RATE FOR PROPERTY EXPENSES	-8.8%	-8.8%		

- ◆ Unrecovered rental costs: These expenses are net of re-invoicing to tenants, and basically correspond to charges on vacant premises.
- ◆ Expenses on properties: These consist of rental expenses that are borne by the owner, expenses related to works and expenses related to property management.
- ◆ Net losses on unrecoverable receivables: These consist of losses on unrecoverable receivables and net provisions on doubtful receivables. As at 30 June 2016, charges essentially stem from the Germany Residential segment (-€1.5 million) and the Italy Offices segment (-€1 million).

2.2.7.1.3. Net operating costs

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

(€K)	30/06/2016	30/06/2015	Value (€K)	Change (%)
Management and administration income	6,868	7,139	-271	-3.8%
Business expenses	-2,331	-2,008	-323	16.1%
Overhead	-52,301	-50,001	-2,300	4.6%
Development costs (not capitalised)	-679	-609	-70	N/A
TOTAL NET OPERATING COSTS	-48,443	-45,479	-2,964	6.5%

A slight drop of -€0.3 million was recorded in management and administration income.

Business expenses increased slightly. They consist primarily of appraisal expenses totalling €1.1 million, asset management fees totalling €0.7 million, as well as expenses related to inspections totalling €0.4 million.

Overheads rose by €2 million, mainly due to an increase in payroll expenses following the bolstering of the teams in the Germany Residential segment.

2.2.7.1.4. Income from other activities

Net income from other activities declined €5.8 million. It includes in particular:

- ◆ net income (excluding depreciation and financial net income) for the Car Parks segment of €5.9 million as at 30 June 2016, compared to €5.7 million as at 30 June 2015. Note that this figure includes personnel expenses of €5 million (see 2.2.8.1.1)
- ◆ €3.5 million in income from real estate development in the France Offices segment at 30 June 2016 (versus €8.2 million at 30 June 2015) recognised by reference to the stage of completion, in accordance with IAS 11 – Construction Contracts.

2.2.7.2. Change in the fair value of assets

(€K)	30/06/2016	30/06/2015	Change (€K)
Change France Offices	210,627	99,313	111,314
Italy Offices	54,442	10,360	44,082
Hotels & Service sector	75,162	57,255	17,907
Germany Residential	89,585	53,284	36,301
France Residential	-7	4,288	-4,295
TOTAL CHANGE IN FAIR VALUE OF PROPERTIES	429,809	224,500	205,309

2.2.7.3. Income from changes in consolidation scope

A loss of €7.6 million was recognised under income from changes in consolidation scope, primarily due to acquisitions of shares in the Germany Residential segment (-€7 million). In accordance with IFRS 3R, this must be recognised in profit or loss.

2.2.7.4. Net cost of financial debt

(€K)	30/06/2016	30/06/2015	Value (€K)	Value (%)
Interest income on cash transactions	6,211	7,367	-1,156	-15.7%
Interest expense on financing operations	-93,563	-101,740	8,177	-8.0%
Net expenses on hedges	-26,469	-29,496	3,027	-10.3%
NET FINANCING COST	-113,821	-123,869	10,048	-8.1%

The cost of net financial debt improved by €10 million due to refinancing and the restructuring of hedges.

2.2.7.5. Net financial income

(€K)	30/06/2016	30/06/2015	Change (€K)	Change (%)
Net cost of financial debt	-113,821	-123,869	10,048	-8.1%
Positive changes in fair value of financial instruments	87,871	59,059	28,812	
Negative changes in fair value of financial instruments	-120,770	-91,520	-29,250	
Changes in the fair value of financial instruments	-32,899	-32,461	-438	1.3%
Financial income from discounting	969	12	957	
Financial expenses from discounting	-2,536	-2,341	-195	
Discounting	-1,567	-2,329	762	-32.7%
Impact of discounting and changes in fair value	-34,466	-34,790	324	-0.9%
Expenses net of financial provisions and other	-34,656	-10,530	-24,126	229.1%
TOTAL NET FINANCIAL INCOME	-182,943	-169,189	-13,754	8.1%

In the first half of 2016, expenses net of financial and other provisions mainly consisted of the redemption of a bond issue in the France Offices segment (-€15.9 million). They also included deferred debt issue costs [-€17.4 million of which -€9.3 million in exceptional amortisation as a result of refinancing].



2.2.7.6. Taxes

2.2.7.6.1. Taxes and theoretical tax rate by geographical area

(€K)	Taxes payable	Deferred tax liabilities	Total	Tax rate
France	-266	86	-180	34.43%
Italy	-2,972	-4,678	-7,650	31.40%
Germany FC	-1,327	-9,440	-10,767	15.83%
Belgium	-756	-2,229	-2,985	33.99%
Luxembourg	-56	0	-56	30.00%
Netherlands	-227	-5,742	-5,969	25.00%
Portugal	-44	-66	-110	23.00%
TOTAL	-5,648	-22,069	-27,717	

(-) corresponds to a tax expense; (+) corresponds to tax income.

Taxes payable in Italy (-€3 million) mainly relate to the increase in the value of the ORNANE bond.

2.2.7.6.2. Deferred tax impact on income

(€K)	30/06/2016	30/06/2015	Value
Change France Offices	0	0	0
Italy Offices	-4,678	555	-5,233
Hotels & Service sector	-11,120	-4,379	-6,741
Germany Residential	-6,271	-14,980	8,709
France Residential	0	0	0
Car Parks	0	0	0
TOTAL	-22,069	-18,804	-3,265

The deferred tax expense of the Hotels & Service sector mainly relates to increases in the value of assets in the Netherlands, Belgium and Germany.

The deferred tax expense of the Germany Residential segment mainly relates to an increase in the value of assets.

The deferred tax expense of the Italy Offices segment for the first half of 2016 is mainly due to a decrease in deferred tax assets following the use of tax credits.

2.2.8. Other information

2.2.8.1. Personnel remuneration and benefits

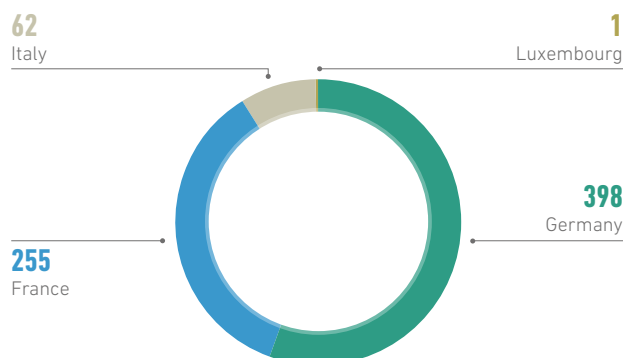
2.2.8.1.1. Personnel expenses

Personnel expenses amounted to €38.8 million as at 30 June 2016, compared with €35.8 million as at 30 June 2015. Given the presentation of the Statement of Net Income in the EPRA format, personnel expenses are posted under "Overheads" in the amount of €33.8 million and in the "Expenses on other activities" line item in the amount of €5 million for the Car Parks segment.

2.2.8.1.1.1. Workforce

The actual headcount at 30 June 2016 for fully consolidated companies, excluding the Car Parks segment, was 716 people.

HEADCOUNT BY COUNTRY IN NUMBER OF EMPLOYEES



The average headcount during the first half of 2016 was 708.6 employees.

The average headcount in the Car Parks segment in the first half of 2016 was 245.2.

2.2.8.1.2. Description of share-based payments

Foncière des Régions awarded bonus shares in the first half of 2016. The following fair-value assumptions were made for the bonus shares:

April 2016 Plan	France without performance condition	France with a performance condition	France with a performance condition – internal objectives	Germany, without performance condition
Date awarded	27/04/2016	27/04/2016	27/04/2016	27/04/2016
Number of shares awarded	51,086	11,725	11,725	15,300
Share price on the date awarded	€82.67	€82.67	€82.67	€82.67
Exercise period for rights	3 years	3 years	3 years	3 years
Cost of non-collection of dividends	-€13.7	-€13.7	-€13.7	-€13.7
Actuarial value of the share net of dividends not collected during the vesting period	€69.0	€69.0	€69.0	€69.0
Forward price method – non-transferability discount	€0.0	€0.5	€0.3	€0.0
Actuarial value of the share net of dividends not collected during the vesting period and non-transferability discount	€69.0	€68.5	€68.5	€69.0
Actuarial value of the share net of dividends not collected during the vesting period, non-transferability discount, turnover rate and any performance conditions	€59.2	€41.1	€44.0	€59.2

April 2016 Plan	France, Italy, Germany with performance condition – performance scenario	France, Italy, Germany with performance condition – FDR internal objective	Germany with performance condition – internal objective
Date awarded	27/04/2016	27/04/2016	27/04/2016
Number of shares awarded	23,750	23,750	15,000
Share price on the date awarded	€82.67	€82.67	€82.67
Exercise period for rights	4 years	4 years	3 years
Cost of non-collection of dividends	-€18.4	-€18.4	-€13.7
Actuarial value of the share net of dividends not collected during the vesting period	€64.3	€64.3	€69.0
Forward price method – non-transferability discount	€0.0	€0.0	€0.0
Actuarial value of the share net of dividends not collected during the vesting period and non-transferability discount	€64.3	€64.3	€69.0
Actuarial value of the share net of dividends not collected during the vesting period, non-transferability discount, turnover rate and any performance conditions	€33.7	€36.1	€41.6

The new bonus share plan approved at the General Meeting of 27 April 2016 comprises 152,336 shares.

The cost of the bonus share awards recognised at 30 June 2016 amounted to €2,230,000, while the related employer contribution was €50,000. They are presented in the EPRA-format income statement on the "Discounting of liabilities and receivables" line.

The cost of the bonus share awards includes the impact of the 2012 plan (Germany – Italy) for €54,000, the 2013 plan for €297,000, the 2014 plan for €986,000, the 2015 plan for €695,000 and the 2016 plan for €198,000.



2.2.8.2. Earnings per share and diluted earnings per share

Earnings per share is calculated by dividing net income attributable to shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share takes account of the dilution involved in accounting for bonus shares not yet issued but already awarded.

To comply with the requirements of IAS 33 paragraph 9, earnings per share are also determined based on income from continuing operations, Group share.

	Net income	Net income from continuing operations
GROUP SHARE (€K)	411,027	412,439
Average number of undiluted shares	66,793,295	66,793,295
Total dilution impact	418,979	418,979
Number of bonus shares ⁽¹⁾	418,979	418,979
Average number of fully diluted shares	67,212,274	67,212,274
Net profit/(loss) per non-diluted share (€)	6,15	6,17
Impact of dilution – bonus shares (€)	-0,04	-0,04
NET PROFIT/(LOSS) PER DILUTED SHARE (€)	6,12	6,14

⁽¹⁾ The number of shares being vested is broken down according to the following plans:

2012 plan	5,350
2013 plan	46,100
2014 plan	181,622
2015 plan	33,571
2016 plan	152,336
Total	418,979

In accordance with IAS 33 "Earnings per share", the impact from the dilution related to the conversion of the France ORNANE as at 1 January 2016 is not taken into account, because the latter is accretive.

2.2.8.3. Related-party transactions

The information mentioned below concerns the main related-parties, namely equity affiliates.

DETAILS OF RELATED-PARTY TRANSACTIONS (€K)

Partner	Type of partner	Operating income	Net financial income	Balance sheet	Comments
Cœur d'Orly	Equity affiliates	50	161	16,356	Monitoring of projects and investments, Loans
Euromed	Equity affiliates	272	0	77,787	Monitoring of projects and investments, Loans, Asset and property fees
Lenovilla	Equity affiliates	169	8	44,643	Monitoring of projects and investments, Loans, Asset and property fees
Latécoère 2	Equity affiliates	3,469	0	17,491	Monitoring of projects and investments, Loans

2.2.9. Segment reporting

Based on the internal organisation of the Group, and in accordance with the requirements of IFRS 8, the operating segments of Foncière des Régions are:

- ♦ Change France Offices
- ♦ Italy Offices
- ♦ Hotels & Service sector
- ♦ Germany Residential
- ♦ France Residential
- ♦ Car Parks
- ♦ Corporate.

The financial data presented for the segment-based information follows the same accounting rules as for the consolidated financial statements.

2.2.9.1. Intangible fixed assets

2016 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Total
Concessions and other fixed assets	1,417	170	0	396	2	34,495	36,480
NET	1,417	170	0	396	2	34,495	36,480

2015 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Total
Concessions and other fixed assets	1,382	168	0	461	0	35,895	37,906
NET	1,382	168	0	461	0	35,895	37,906

2.2.9.2. Tangible fixed assets

2016 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Total
Operating properties	42,605	17,405	1	5,471	0	29	65,511
Other tangible fixed assets	1,367	2,451	451	2,771	21	1,208	8,269
Fixed assets in progress	336	8,000	55,584	218	0	549	64,687
NET	44,308	27,856	56,036	8,460	21	1,786	138,467

2015 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Total
Operating properties	43,164	17,094	1	5,580	0	57	65,896
Other fixed assets	1,539	2,208	458	2,243	25	1,287	7,760
Fixed assets in progress	413	10,000	722	3,305	0	731	15,171
NET	45,116	29,302	1,181	11,128	25	2,075	88,827

In the Hotels & Service sector, tangible fixed assets increased by €54.9 million following the acquisition of purchase options on five NH hotels in Germany.



2.2.9.3. Investment properties/Assets held for sale

2016 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Total
Investment properties	4,801,094	3,494,973	2,925,877	3,640,540	457,431	0	15,319,915
Operating assets held for sale	125,686	114,119	423,261	124,828	79,741	101,830	969,465
Properties under development	414,928	299,800	37,581	0	0	0	752,309
TOTAL	5,341,708	3,908,892	3,386,719	3,765,368	537,172	101,830	17,041,689

2015 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Total
Investment properties	4,525,730	3,470,730	3,100,133	3,462,631	576,633	0	15,135,857
Operating assets held for sale	147,905	161,345	386,172	129,604	29,141	102,147	956,314
Properties under development	344,575	219,390	28,631	0	0	0	592,596
TOTAL	5,018,210	3,851,465	3,514,936	3,592,235	605,774	102,147	16,684,767

The total for investment properties increased significantly in the France Offices segment (€4,801 million in 2016 *versus* €4,526 million in 2015), mainly due to the half-year's acquisitions (€135 million) and building work (€11 million). The same applies to the Germany Residential segment (€3,640 million in 2016 compared with €3,462 million in 2015), an increase due primarily to acquisitions of asset-holding companies (€126.1 million), acquisitions of assets (€25.8 million) and building work (€20.3 million).

2.2.9.4. Long-term investments

2016 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Corporate	Total
Loans	156,703	0	39,897	4	242	37	0	196,883
Current accounts	0	0	0	0	0	0	0	0
Other financial assets	743	9,444	286	15,342	2	22	0	25,839
Finance lease receivables	0	0	0	0	0	0	2	2
Receivables on disposals of financial assets	0	9,035	0	586	0	0	0	9,621
Investments in equity affiliates	81,901	20,203	106,659	0	0	0	0	208,763
NET	239,347	38,682	146,842	15,932	244	59	2	441,108

2015 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Corporate	Total
Loans	154,594	0	19,204	3,004	244	33	0	177,079
Current accounts	0	0	0	0	0	0	0	0
Other financial assets	743	10,602	13	10,807	2	22	674	22,863
Finance lease receivables	0	0	0	0	0	0	2,041	2,041
Receivables on disposals of financial assets	0	8,221	0	586	0	0	0	8,807
Investments in equity affiliates	64,283	20,322	94,772	0	0	0	0	179,376
NET	219,620	39,145	113,989	14,397	246	55	2,715	390,166

2.2.9.5. Inventories and work-in-progress

2016 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Total
Inventories and work-in-progress	1,216	33,985	0	5,172	2,453	60	42,886
TOTAL	1,216	33,985	0	5,172	2,453	60	42,886

2015 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Total
Inventories and work-in-progress	1,055	34,075	0	4,510	2,920	103	42,663
TOTAL	1,055	34,075	0	4,510	2,920	103	42,663

2.2.9.6. Contribution to shareholders' equity

2016 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Corporate	Discontinued operations	Total
Group shareholders' equity before elimination of securities	5,184,284	929,983	868,838	971,266	264,123	31,233	2,026	163,163	8,414,916
Elimination of securities	0	-1,242,707	-755,267	-891,174	-166,868	-50,687	-4,132	-432,170	-3,543,005
Shareholders' equity Group Share	5,184,284	-312,724	113,571	80,092	97,255	-19,454	-2,106	-269,007	4,871,911
Minority interests	288,632	877,897	1,059,992	575,271	143,919	23,131			2,968,842
SHAREHOLDERS' EQUITY	5,472,916	565,173	1,173,563	655,363	241,174	3,677	-2,106	-269,007	7,840,753

2015 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Corporate	Discontinued operations	Total
Group shareholders' equity before elimination of securities	4,884,785	840,287	762,696	851,090	291,930	32,218	2,160	292,333	7,957,499
Elimination of securities	0	-1,190,516	-642,614	-831,189	-166,868	-50,687	-4,132	-432,170	-3,318,176
Shareholders' equity Group Share	4,884,785	-350,229	120,082	19,901	125,062	-18,469	-1,972	-139,837	4,639,323
Minority interests	265,876	914,723	1,179,084	543,762	161,509	23,930	0	0	3,088,884
SHAREHOLDERS' EQUITY	5,150,661	564,494	1,299,166	563,663	286,571	5,461	-1,972	-139,837	7,728,207



2.2.9.7. Financial liabilities

2016 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Corporate	Total
Total interest-bearing loans	989,610	1,908,377	1,349,331	1,884,410	206,512	23,166	1,872,048	8,233,454
Total short-term interest-bearing loans	10,227	227,729	192,255	28,857	16,728	5,382	1,330,550	1,811,728
TOTAL LT AND ST LOANS	999,837	2,136,106	1,541,586	1,913,267	223,240	28,548	3,202,598	10,045,182

2015 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Corporate	Total
Total interest-bearing loans	922,812	2,140,296	1,484,327	1,585,698	225,259	23,518	2,026,241	8,408,151
Total short-term interest-bearing loans	18,881	39,083	32,717	176,521	16,312	1,732	798,227	1,083,473
TOTAL LT AND ST LOANS	941,693	2,179,379	1,517,044	1,762,219	241,571	25,250	2,824,468	9,491,624

2.2.9.8. Derivatives

2016 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Corporate	Total
Financial instruments – assets	519	0	9,755	2,806	16	2	40,210	53,308
Financial instruments – liabilities	27,624	54,677	127,205	74,388	9,315	9,860	317,334	620,403
NET FINANCIAL INSTRUMENTS	27,105	54,677	117,450	71,582	9,299	9,858	277,124	567,095

2015 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Corporate	Total
Financial instruments – assets	955	0	9,168	4,246	58	8	39,640	54,075
Financial instruments – liabilities	18,724	69,367	118,314	51,230	7,521	9,497	322,731	597,384
NET FINANCIAL INSTRUMENTS	17,769	69,367	109,146	46,984	7,463	9,489	283,091	543,309

2.2.9.9. Net income

In accordance with IFRS 12, paragraph B11, inter-segment transactions (in particular management fees) are indicated separately in this presentation.

2016 (€K)	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Corporate	Intercos Inter- Sector	30/06/2016
Rental income	139,041	98,872	100,939	105,848	8,182	0	0	-594	452,288
Unrecovered rental costs	-6,350	-12,049	57	-2,657	-2,366	-85	-5	95	-23,359
Expenses on properties	-3,898	-3,736	-1,538	-7,900	-912	-150	-1	4,149	-13,986
Net losses on unrecoverable receivables	309	-1,053	14	-1,426	-98	0	0	0	-2,254
Net rental income	129,102	82,034	99,472	93,865	4,806	-235	-6	3,650	412,689
Management and administration income	6,073	18	3,343	2,515	60	0	5,182	-10,323	6,868
Business expenses	-1,281	0	-2,397	-226	-154	0	-15	1,742	-2,331
Overhead	-9,539	-8,742	-5,112	-19,645	-1,412	-6	-12,301	4,456	-52,301
Development expenses	-634	0	-100	0	0	0	0	55	-679
Net cost of operations	-5,381	-8,724	-4,266	-17,356	-1,506	-6	-7,134	-4,070	-48,443
Income from other activities	3,469	0	6	665	0	21,743	53	-9	25,927
Expenses of other activities	-46	-10	0	-435	0	-15,878	-11	0	-16,380
Income from other activities	3,423	-10	6	230	0	5,865	42	-9	9,547
Depreciation of operating assets	-1,120	-564	-8	-514	-4	-4,812	-4	0	-7,026
Net allowances to provisions and other	-861	-1,764	102	-72	38	-634	-74	429	-2,836
CURRENT OPERATING INCOME	125,163	70,972	95,306	76,153	3,334	178	-7,176	0	363,931
Proceeds from disposals of trading properties	161	0	0	2,040	452	0	0	0	2,653
Net change in trading properties	0	-170	0	-927	-467	-51	0	0	-1,615
Net gain (loss) on disposal from trading properties	161	-170	0	1,113	-15	-51	0	0	1,038
Income from asset disposals	82,586	56,120	256,000	94,888	72,497	0	0	0	562,091
Carrying value of investment properties sold	-82,448	-56,518	-256,669	-92,675	-72,728	-16	0	0	-561,054
Net gain (loss) from asset disposals	138	-398	-669	2,213	-231	-16	0	0	1,037
Gains in value of investment properties	228,364	66,010	86,799	103,808	2,019	0	0	0	487,000
Losses in value of investment properties	-17,737	-11,568	-11,637	-14,223	-2,026	0	0	0	-57,191
Net valuation gains and losses	210,627	54,442	75,162	89,585	-7	0	0	0	429,809
Net income from disposal of securities	0	0	0	-17	0	0	0	0	-17
Net income from changes in consolidation scope	-507	0	-103	-7,017	0	0	0	0	-7,627
NET OPERATING INCOME (LOSS)	335,582	124,846	169,696	162,030	3,081	111	-7,174	0	788,171
Net income of non-consolidated affiliates	-1	0	0	0	0	0	0	0	-1
Net cost of financial debt	-13,290	-23,205	-24,983	-23,830	-2,784	-1,361	-24,368	0	-113,821
Fair value adjustment on derivatives	-13,799	39,203	-27,908	-28,277	-1,707	-411	0	0	-32,899
Discounting of liabilities and receivables	-2,375	0	810	0	-2	0	0	0	-1,567
Net change in financial and other provisions	-24,632	-3,324	-2,726	-2,899	-1,036	-39	0	0	-34,656
Share in income of equity affiliates	15,095	992	1,689	0	0	0	0	0	17,776
PRE-TAX NET INCOME	296,580	138,512	116,578	107,024	-2,448	-1,700	-31,542	0	623,003
Deferred tax liabilities	0	-4,678	-11,120	-6,271	0	0	0	0	-22,069
Current income tax	-399	-2,972	-1,307	-1,051	-52	133	0	0	-5,648
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	296,181	130,862	104,151	99,702	-2,500	-1,567	-31,542	0	595,286
Net income from discontinued operations									-1,410
NET INCOME (LOSS) FOR THE PERIOD	296,181	130,862	104,151	99,702	-2,500	-1,567	-31,542	0	593,874
Minority interest	-23,721	-65,230	-56,188	-39,270	969	593	0	0	-182,847
NET INCOME (LOSS) FOR THE PERIOD - GROUP SHARE	272,460	65,632	47,963	60,432	-1,531	-974	-31,542	0	411,027



2015 [€K]	Change France Offices	Italy Offices	Hotels & Service sector	Germany Residential	France Residential	Car Parks	Corporate	Intercos Inter- Sector	30/06/2015
Rental income	125,798	110,505	98,934	91,594	11,708	0	0	-633	437,906
Unrecovered rental costs	-4,215	-12,762	-121	-2,242	-2,669	-81	0	83	-22,007
Expenses on properties	-2,622	-3,723	-1,488	-7,064	-1,350	-171	-1	3,679	-12,740
Net losses on unrecoverable receivables	-475	-2,197	-5	-1,255	-38	0	0	0	-3,970
Net rental income	118,486	91,823	97,320	81,033	7,651	-252	-1	3,129	399,189
Management and administration income	7,287	-149	3,456	2,284	39	0	4,568	-10,346	7,139
Business expenses	-890	0	-2,573	-189	-306	0	0	1,950	-2,008
Overhead	-8,251	-8,768	-5,527	-17,809	-1,927	-7	-12,334	4,622	-50,001
Development expenses	-422	0	-174	0	-13	0	0	0	-609
Net cost of operations	-2,276	-8,917	-4,818	-15,714	-2,207	-7	-7,766	-3,774	-45,479
Income from other activities	8,226	0	0	2,774	0	19,935	586	0	31,521
Expenses of other activities	0	-323	-3	-1,806	0	-14,243	198	0	-16,177
Income from other activities	8,226	-323	-3	968	0	5,692	784	0	15,344
Depreciation of operating assets	-1,283	-435	35	-547	-2	-4,614	-4	0	-6,850
Net allowances to provisions and other	-604	2,054	-306	-3,655	-65	-408	-51	645	-2,390
CURRENT OPERATING INCOME	122,549	84,202	92,228	62,085	5,377	411	-7,038	0	359,814
Proceeds from disposals of trading properties	0	805	0	1,431	332	0	0	0	2,568
Net change in trading properties	0	-1,774	0	-1,440	-289	6	0	0	-3,497
Net gain (loss) on disposal from trading properties	0	-969	0	-9	43	6	0	0	-929
Proceeds from asset disposals	45,124	101,585	25,348	20,126	59,222	0	0	0	251,405
Carrying value of investment properties sold	-44,600	-99,465	-26,522	-19,822	-61,276	-21	-10	0	-251,716
Net gain (loss) from asset disposals	524	2,120	-1,174	304	-2,054	-21	-10	0	-311
Gains in value of investment properties	117,481	66,732	57,811	63,819	8,190	0	0	0	314,033
Losses in value of investment properties	-18,168	-56,372	-556	-10,535	-3,902	0	0	0	-89,533
Net valuation gains and losses	99,313	10,360	57,255	53,284	4,288	0	0	0	224,500
Net income from disposal of securities	55	0	-11	0	0	0	0	0	44
Net income from changes in consolidation scope	0	0	0	0	0	0	0	0	0
NET OPERATING INCOME (LOSS)	222,441	95,713	148,298	115,664	7,654	396	-7,048	0	583,118
Net income of non-consolidated affiliates	198	0	0	0	0	0	0	0	198
Net cost of financial debt	-9,049	-31,609	-25,026	-24,132	-3,099	-1,359	-29,595	0	-123,869
Fair value adjustment on derivatives	-35,749	-32,956	20,870	12,116	1,931	1,327	0	0	-32,461
Discounting of liabilities and receivables	-2,289	0	-40	0	0	0	0	0	-2,329
Net change in financial and other provisions	-3,965	-1,099	-2,539	-2,086	-741	-100	0	0	-10,530
Share in income of equity affiliates	20,501	686	4,008	0	0	0	0	0	25,195
PRE-TAX NET INCOME	192,088	30,735	145,571	101,562	5,745	264	-36,643	0	439,322
Deferred tax liabilities	0	555	-4,379	-14,980	0	0	0	0	-18,804
Current income tax	0	-1,639	-778	-547	-306	156	0	0	-3,114
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	192,088	29,651	140,414	86,035	5,439	420	-36,643	0	417,404
Net income (loss) from discontinued operations									4,991
NET INCOME (LOSS) FOR THE PERIOD	192,088	29,651	140,414	86,035	5,439	420	-36,643	0	422,395
Minority interest	-10,404	-15,468	-84,747	-34,687	-2,108	-229	0	0	-147,644
NET INCOME (LOSS) FOR THE PERIOD – GROUP SHARE	181,684	14,183	55,666	51,348	3,331	191	-36,643	0	274,751



2.2.10. Subsequent events

2.2.10.1. France Offices segment

At the end of the second mandatory public exchange offer period (22 July 2016), 205,334 Foncière des Murs shares had been tendered. These shares represent 0.28% of the share capital of Foncière des Murs and will be compensated by the creation of 68,445 new Foncière des Régions shares. Following this transaction, Foncière des Régions holds 49.91% of the share capital of Foncière des Murs.

2.2.10.2. Hotels & Service sector

On 4 July 2016, Foncière des Murs signed preliminary sales agreements totalling €295.1 million net of costs. The sales, which have not yet been completed, concern 26 healthcare assets.

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STATUTORY AUDITORS' REPORT

STATUTORY AUDITORS' REVIEW ON THE HALF-YEARLY

For the period from January 1 to June, 30, 2016

This is a free translation into English of the Statutory Auditors review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by yours shareholders general meeting and in accordance with the requirements of article L.451-1-2 III of the French monetary and financial code («code monétaire et financier»), we hereby report to you on:

- ♦ the review of the accompanying condensed half-yearly consolidated financial statements of Foncière des Régions, for the period from January 1st, 2016 to June 30th, 2016,
- ♦ the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Courbevoie, July 27, 2016

The Statutory Auditors

French original signed by

MAZARS
Gilles Magnan

ERNST & YOUNG et Autres
Jean-Roch Varon

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CERTIFICATION OF THE PREPARER



4 CERTIFICATION OF THE PREPARER

CERTIFICATION OF THE PREPARER

I certify that, to my knowledge, the abridged accounts for this past semi-annual period have been prepared in accordance with the applicable accounting standards and give a faithful image of the assets, of the financial position and of the results of the company as well as of all of the companies included in the consolidation, and that the attached semi-annual business report presents a faithful picture of the important events occurring during the first six months of the financial year, of their impact on the accounts, of the major transactions between related parties, as well as a description of the main risks and main uncertainties for the remaining six months of the financial year.

31 July 2016,

Monsieur Christophe Kullmann
Chief Executive Officer
Person in Charge of the Financial Information



DEFINITIONS, ACRONYMS AND ABBREVIATIONS USED

Cost of development projects

This indicator is calculated including interest costs. It includes the costs of the property and costs of construction.

Debt interest rate

♦ Average cost:

$$\frac{\text{Financial Cost of Bank Debt for the period} + \text{Financial Cost of Hedges for the period}}{\text{Average Used Bank Debt outstanding in the year}}$$

- ♦ **Spot rate:** Definition equivalent to average interest rate over a period of time restricted to the last day of the period.

Definition of the acronyms and abbreviations used:

- ♦ **MRC:** Major regional cities, *i.e.* Bordeaux, Grenoble, Lille, Lyon, Metz, Aix-Marseille, Montpellier, Nantes, Nice, Rennes, Strasbourg and Toulouse
- ♦ **ED:** Excluding Duties
- ♦ **ID:** Including Duties
- ♦ **IDF:** Paris region (Île-de-France)
- ♦ **ILAT:** French office rental index
- ♦ **CCI:** Construction Cost Index
- ♦ **CPI:** Consumer Price Index
- ♦ **RRI:** Rental Reference Index
- ♦ **PACA:** Provence-Alpes-Côte-d'Azur
- ♦ **LFL:** Like-for-Like
- ♦ **GS:** Group share
- ♦ **CBD:** Central Business District
- ♦ **Rtn:** Yield
- ♦ **Chg:** Change
- ♦ **MRV:** Market Rental Value

Firm residual term of leases

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

Green Assets

"Green" buildings, according to IPD, are those where the building and/or its operating status are certified as HQE, BREEAM, LEED, etc. and/or which have a recognised level of energy performance such as the BBC-effinergieR, HPE, THPE or RT Global certifications.

Like-for-like change in rent

This indicator compares rents recognised from one financial year to another without accounting for changes in scope: acquisitions, disposals, developments including the vacating and delivery of properties. The change is calculated on the basis of rental income under IFRS for strategic activities.

This change is restated for certain severance pay and income associated with the Italian real estate (IMU) tax.

The current scope includes all portfolio assets except assets under development.

Like-for-like change in value

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

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

The current scope includes all portfolio assets.

Loan To Value (LTV)

The LTV calculation is detailed in Part 7 "Financial Resources".

Net asset value per share (NAV/share) and Triple Net NAV per share

NAV per share (Triple Net NAV per share) is calculated pursuant to the EPRA recommendations, based on the shares outstanding as at year-end (excluding treasury shares) and adjusted for the effect of dilution.

Occupancy rate

The occupancy rate corresponds to the spot financial occupancy rate at the end of the period and is calculated using the following formula:

$$\frac{1 - \text{Loss of rental income through vacancies (calculated at MRV)}}{\text{Rental income of occupied assets} + \text{loss of rental income}}$$

This indicator is calculated solely for properties on which asset management work has been done and therefore does not include assets available under pre-leasing agreements. Occupancy rate are calculated using annualised data solely on the strategic activities portfolio.

The indicator "Occupancy rate" includes all portfolio assets except assets under development.

Operating assets

Properties leased or available for rent and actively marketed.

Portfolio

The portfolio presented includes investment properties, properties under development, as well as operating properties and properties in inventory for each of the entities, stated at their fair value. For offices in France, the portfolio includes asset valuations of Euromed and New Vélizy, which are consolidated under the equity method.

Projects

- ♦ **Committed projects:** these are projects for which promotion or construction contracts have been signed and/or work has begun and has not yet been completed at the closing date. The delivery date for the relevant asset has already been scheduled. They might pertain to VEFA (pre-construction) projects or to the repositioning of existing assets.
- ♦ **Controlled projects:** These are projects that might be undertaken and that have no scheduled delivery date. In other words, projects for which the decision to launch operations has not been finalised.

Rental activity

Rental activity includes mention of the total surface areas and the annualised rental income for renewed leases, vacated premises and new lettings during the period under review.

For renewed leases and new lettings, the figures provided take into account all contracts signed in the period so as to reflect the transactions completed, even if the start of the leases is subsequent to the period.

Lettings relating to assets under development (becoming effective at the delivery of the project) are identified under the heading "Pre-lets".

Rental income

- ♦ **Recorded rent** corresponds to gross rental income accounted for over the year by taking into account deferment of any relief granted to tenants, in accordance with IFRS standards.
- ♦ **The like-for-like rental income** posted allows comparisons to be made between rental income from one year to the next, before taking changes to the portfolio (e.g. acquisitions, disposals, building works and development deliveries) into account. This indicator is based on assets in operation, *i.e.* properties leased or available for rent and actively marketed.
- ♦ **Annualised "topped-up" rental income** corresponds to the gross amount of guaranteed rent for the full year based on existing assets at the period end, excluding any relief.

Surface

- ♦ **SHON:** Gross surface
- ♦ **SUB:** Gross used surface

Unpaid rent (%)

Unpaid rent corresponds to the net difference between charges, reversals and unrecoverable loss of income divided by rent invoiced. These appear directly in the income statement under net cost of unrecoverable income (except in Italy where unpaid amounts not relating to rents were restated).

Yields/return

- ♦ The portfolio returns are calculated according to the following formula:

$$\frac{\text{Gross annualised rent (not corrected for vacancy)}}{\text{Value excl. duties for the relevant scope (operating or development)}}$$

- ♦ The returns on asset disposals or acquisitions are calculated according to the following formula:

$$\frac{\text{Gross annualised rent (not corrected for vacancy)}}{\text{Acquisition value incl. duties or disposal value excl. duties}}$$



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