

FONCIÈRE DES RÉGIONS



€21 billion
portfolio

“With a portfolio of €21 billion and €1.2 billion in investments completed in Europe in the first-half of 2017, Foncière des Régions posted strong results across all the markets in which it operates. We aim to continue growing in the Major European Cities, benefitting from our Development pipeline and our strong Customer Culture. We therefore move into the remainder of the year with optimism and are raising our growth target for 2017 recurring net income.”

Christophe Kullmann, CEO of Foncière des Régions

2017 half-yearly results

Solid performances and pursuit of the growth story

€459 m
(€295 m GS)

Rental income
+2.8%

Focus on the Major European Cities

- Buoyant rental environment across all our markets
- 1.9% increase in rents on a like-for-like scope, including +4.0% in Germany Residential
- €1.2 billion in acquisitions in Berlin, Milan, Barcelona and Madrid

96.6%

Occupancy
rate

A development pipeline of €4.1 billion creating value

- 14 deliveries scheduled in 2017 for 100,000 m² of office space and 830 hotel rooms; with c.+30% value creation already realized
- A new €400 million residential pipeline in Berlin
- Over 50,000 m² of office space let in the development pipeline in France and Italy Offices

€198 m
€2.71/share

Recurring Net
Income
+12%

Enhancement of our Customer Culture

- Launch of flexible and co-working office space offer
- New service offerings in Germany Residential
- Transactions approved by users: high occupancy rate of 96.6%

€6.6 bn
€88.4/share

EPRA NAV
+10%

Half-year financial results showing solid performance

- Recurring Net Income up 12% to €198 million (€2.71 per share)
- Increase in the value of the portfolio (+3% on a like-for-like scope)
- Sharp increase in EPRA NAV of 10% to €6.6 billion (€88.4 per share)

2017 outlook confirmed: guidance raised

- Objective of a 1.5% to 2.0% rent increase on a like-for-like scope
- Growth objective for 2017 Recurring Net Income raised to above 7% (vs above 5%)

A €21 billion portfolio, centred on major European cities

Foncière des Régions has a €21 billion portfolio (€13 billion Group share), up 9% in six months, based in the major European cities, notably Paris, Berlin and Milan. With a view to continually strengthening its relationship with its clients, Foncière des Régions relies on a strong long-term partnership strategy with the regions and users (Suez Environnement, Thales, Dassault Systèmes, Orange, EDF, Vinci, Eiffage, AccorHotels, Telecom Italia...). As an investor and developer throughout the real estate value chain, the Group has a European development pipeline of €4.1 billion, covering all its markets, to maintain its growth.

Focus on Major European Cities and rental performance

Foncière des Régions consolidated its foothold in major European cities during the first half of 2017. €1.2 billion (€614 million Group share) in acquisitions were completed, of which 55% were secured in the second half of 2016. Mainly located in Berlin, Milan, Barcelona and Madrid, these acquisitions have a potential yield of 5.7% (4.9% immediately).

At the same time, the Group completed or agreed close to €900 million in non-core or mature asset disposals. These operations consolidate the Group's positioning around a high-quality portfolio combining sustainably secure rental income and value creation through active asset management and development. In particular, the Group sold 40% of the Telecom Italia portfolio to Crédit Agricole Assurances and EDF Invest (i.e. the equivalent of €618 million, or €323 million GS, in assets sold).

In a buoyant rental environment across all of our markets, rents increased by 1.9% on a like-for-like scope in the first half-year, to €295.1 million GS (€459.4 million at 100%). Over 40% of this growth stems from the positive impact of lease renewals, mainly in Germany, where rents increased by 4.0% on a like-for-like scope. At the current scope, rental income increased by 2.8%, following a dynamic pace of asset acquisitions and deliveries in 2016 and in the first quarter of 2017.

€million	Rental income 100%	Rental income Group Share	Change	Change on like- for-like basis	Occupancy rate	Residual firm terms of leases (in years)
Offices - France	135.7	123.0	-2.1%	+0.9%	95.3%	5.2
Offices - Italy	101.9	52.7	+6.3%	+1.5%	94.8%	6.9
<i>Of which Telecom Italia offices</i>	<i>49.1</i>	<i>25.1</i>	<i>+1.2%</i>	<i>+0.0%</i>	<i>100%</i>	<i>13.4</i>
<i>Of which portfolio ex Telecom Italia</i>	<i>52.8</i>	<i>27.6</i>	<i>+11.5%</i>	<i>+2.9%</i>	<i>92.1%</i>	<i>3.5</i>
Residential Germany	112.9	69.9	+7.1%	+4.0%	98.4%	n.a.
Hotels	102.9	45.7	+10.2%	+1.9%	100%	10.4
Other (French Resi.)	6.1	3.7	-25.6%	n.a.	n.a.	n.a.
Total	459.4	295.1	+2.8%	+1.9%	96.6%	6.6

Continued investment in development projects

In keeping with the rental market, which favours new buildings, and sustained by its solid track record, Foncière des Régions continued its investments in development projects. The Group has a development pipeline of €4.1 billion, €1.1 billion of which has already been committed in Europe.

With 14 deliveries made up of 100,000 m² of office space and 830 hotel rooms, 2017 will be a record year. In France Offices for example, the Group's deliveries over the half-year included the Silex¹ and Thaïs buildings. The first – a 10,700 m² building located opposite the Lyon Part-Dieu train station – constitutes a new prime asset benchmark in the central business district of Lyon. The building is already 100% let, mainly to BNP Paribas and Nextdoor. The second – a 5,600 m² building in Levallois-Perret – is 66% let to MCI and Gekko, and advanced discussions are under way for the leasing of the rest of the space.

In addition, in Germany Residential Foncière des Régions is launching a development activity this year to bring new demand-driven housing units to the market. A project pipeline of €400 million, representing construction capacity of close to 2,000 housing units primarily in Berlin, was identified in the existing portfolio.

An increasingly strong Customer Culture

In order to anticipate customer expectations, Foncière des Régions continues to shake up its real estate offering and broaden its services, in line with its goal of having 360° expertise across all its businesses. Accordingly, in France Offices, in order to support users and increasingly match their need for flexibility, by next January, Foncière des Régions will launch its first ever flexible and co-working office space in three buildings located in major business districts in Paris and Marseille (Paris CBD, Paris Gare-de-Lyon and Marseille Euromed). In Germany Residential, its asset management policy and its new development activity will, for example, enable the Group to broaden the real estate options available to its tenants by offering furnished apartments, housing units that are serviced or specifically designed for sharing.

This customer focus, combined with a policy of tailored and selective innovation and its long-standing partnership culture, enables Foncière des Régions to achieve a structurally high occupancy rate of 96.6% across its portfolio.

France Offices: solid rental performance sustained by the development pipeline (€6.3 billion portfolio on a 100% basis; €5.4 billion GS)

- ◆ Occupancy rate: 95.3%
- ◆ Firm lease maturity: 5.2 years.
- ◆ Rents on a like-for-like scope: +0.9%.
- ◆ Values on a like-for-like scope: +2.6%, of which +23% on the assets delivered during the half-year
- ◆ Strong environmental performance: 69% green portfolio (+4 points)
- ◆ A development pipeline that has doubled in one year to €2.6 billion (€2.5 billion Group share)

As a major player and partner of key leasers and public authorities, **Foncière des Régions has, over recent years, been implementing a real-estate strategy focused on the development of new assets, suited to the new requirements of clients.** In response to strong tenant demand (approximately 2/3 of the large surface take-up in Greater Paris is concentrated on new or restructured buildings¹), this strategy actively supports the improvement of the energy efficiency of commercial real estate in France. It is also backed by a highly favourable track record (occupancy rate of buildings delivered since 2011 averaging 92% in the year of their delivery²; yields on cost much higher than the yields on acquisition of comparable assets, offering good value-creation prospects, exceeding 30% on projects to be delivered in 2017). With a record number of deliveries in 2017 (8 new office buildings for a total of 80,900 m²), **Foncière des Régions secured nearly 50,500 m² during the half-year.**

With market improvement but ongoing limited indexation, **rents increased by 0.9% on a like-for-like scope,** sustained by a dynamic rental activity.

Appraisal values increased by 2.6% on a like-for-like scope. Beside the positive impact of market value increases in central Paris, the inner suburbs and major regional cities, a large part of the performance stems from the 23% increase in the value of the assets delivered during the half-year (which generated combined value creation of more than 50% on average).

¹ Source: CBRE, average since 2008; ² Average occupancy rate within 12 months of delivery

Italy Offices: further improvement of operational indicators

(€4.3 billion portfolio at 100%; €1.9 billion Group share)

- ◆ Occupancy rate: 94.8%
- ◆ Average firm lease term: 6.9 years
- ◆ Rents on a like-for-like scope: +1.5% (of which portfolio excluding Telecom Italia: +2.9%)
- ◆ Values on a like-for-like scope: +1.2% (of which Milan excluding Telecom Italia: +3.1%)

Foncière des Régions has a high quality portfolio in Italy, 62% of which in Milan, and secure income.

In Milan, there has been particular focus on strengthening its position in quality office buildings. Foncière des Régions acquired assets totalling €165 million, of which more than 80% are in Milan, including a portfolio of 17 buildings totalling 21,700 m². These buildings, leased to the bank Credito Valtellinese, represent an investment of €118 million (€62 million GS) for an average yield of 6.0% and a firm lease term of 10.8 years.

During the half-year, the Group continued its efforts to improve its occupancy rate on the portfolio excluding Telecom Italia. This rate stands at 92.1%, up 0.5 pt over the six-month period and 4.7 pts. since end-2015. This is reflected in operating performance, **as rents rose by 1.5% on a like-for-like scope, and by 2.9% on the portfolio excluding Telecom Italia.**

The half-year also saw a dynamic development pipeline. Foncière des Régions signed new leases for 17,200 m², of which nearly 12,000 m² still under construction. In particular, the building on via Cernaia (8,300 m²), on the boundary of Milan's central business district and the Porta Nuova business district, was fully pre-let for a firm 9.5-year term to Amundi, which will set up its future head office there.

Germany Residential: accelerating growth

(€4.7 billion portfolio at 100%; €2.9 billion GS)

- ◆ Occupancy rate: 98.4%
- ◆ Rents on a like-for-like scope: +4.0%, of which +4.8% in Berlin.
- ◆ Values on a like-for-like scope: +7.8%, of which +8.9% in Berlin.

Operating since 2005, Germany **Residential represents the second largest exposure of Foncière des Régions (at 23%)**. The €4.7 billion portfolio, which has grown by 7.8% on a like-for-like scope, is concentrated in a few regions, particularly **Berlin (52%)** and North Rhine-Westphalia (33%).

In Berlin, the Group maintained its investment strategy focused on prime assets in the city centre, combining rental and value-creation potential. Housing units totalling €376 million (€241 million GS, i.e. €1,860/m² of which €2,170/m² in Berlin) were acquired, nearly 90% in Berlin, based on an average yield of 4.5% after the re-leasing of the 11% vacant units. The growth potential is significant: the average rent increase potential of the 2,730 housing units purchased reaches 35%, based on a current rent of €6.7/m²/month.

The half-year was marked by the launch of a development pipeline in a context of supply shortage.

Foncière des Régions has already earmarked €400 million for development projects within its portfolio, to eventually build nearly 2,000 housing units totalling 133,000 m². This development pipeline, located 90% in Berlin, will actively support the ongoing growth and value-creation dynamics.

This strategy is backed by **the excellent performance of operational indicators**. The rise in rents was stepped up to +4.0% on a like-for-like scope, of which +4.8% in Berlin, +5.3% in Hamburg and +3.2% in North Rhine-Westphalia.

Hotels: the Group strengthens its position as Europe's leading hotel real estate player
(€5.2 billion portfolio at 100%; €2.0 billion Group share)

- ◆ Occupancy held at 100%
- ◆ Average firm lease term: 10.4 years
- ◆ Rents on a like-for-like scope: +1.9%
- ◆ Values on a like-for-like scope: +1.9%

A Hotel Real Estate leader in Europe and preferred partner of major industry operators, Foncière des Régions leverages its unique position as an agile, integrated hotel real estate operator to acquire as well as to develop, in leased and operating properties.

Since the beginning of the year, Foncière des Régions extended its European operations to major Spanish cities with the acquisition of 17 hotels (4 to 5-star; 3,335 rooms) 80% located in Barcelona and Madrid for €559 million. The Group has thus reached critical size on the booming Spanish market (RevPAR up 11% since the beginning of the year - source MKG) and entered into new partnerships with leading Spanish chains.

Three NH hotels were also acquired in Germany for €54 million. Two more will follow in the second half of the year for a total of €71 million. Located in major cities such as Frankfurt, Nuremberg and Düsseldorf, these five hotels fit into the Group's strategy to expand its presence in major German cities.

In a hotel market which is recovering in France and continues to be dynamic in the rest of Europe, **rents on a like-for-like scope rose by 1.9%, of which +4.3% on revenues indexed to the turnover of hotel operators (AccorHotels).**

The value of the portfolio grew by 1.9% on a like-for-like scope. In particular, the value of the Spanish portfolio acquired at the beginning of the year increased by 6.8% on a like-for-like scope.

Financial results of the first half-year: very good performance

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Optimisation of the debt structure

The half-year was marked by a significant improvement and diversification of the debt. In France, Foncière des Régions successfully placed €500 million in 10-year bonds with a yield of 1.5%. At the same time, it redeemed €273 million in bonds maturing in 4 years and bearing 1.75% interest.

In Italy, the Group was given an Investment Grade rating (BBB-, stable outlook) by S&P for its Italian subsidiary, Beni Stabili. This rating validates the work done since 2015 for the transformation of the portfolio and debt in Italy. It will make it possible to increase the diversity of sources of funding in the country and optimise them.

Furthermore, in January, **Foncière des Régions successfully carried out a capital increase of €400 million** to finance its growth and continue to improve the quality of its portfolio.

Thanks to this particularly active debt management, the maturity of the debt has been further extended, to 5.8 years, and the average interest rate lowered by 26 bps, to 1.95%. The ICR was further improved, to 4.3 vs. 3.6, while the LTV ratio was lowered from 44.6% to 42.9%, in line with the Group's objective, between 40% and 45%.

12% increase in Recurring Net Income, to €198 million

Recurring Net Income stands at €198.3 million, up 12.2% compared to June 2016, thanks to the good investment dynamics in 2016 and 2017, the rise in rents, and the reduction of the cost of the debt. Recurring Net Income comes to €2.71 per share, up 2.3%, following the issuing of new shares in January 2017. Net profit comes to €489 million, up 19.0%.

EPRA NAV up 10% to €6.6 billion, €88.4 per share

The very good growth in Recurring Net Income, combined with a further 3.2% rise in asset values on a like-for-like scope and the recent capital increase have resulted in a significant growth in EPRA NAV, up 9.5% in six months, to €6,565 million (€5,975 million in EPRA triple net NAV, up 12.1%), despite the dividend pay-out. The EPRA NAV per share gained 1.9%, to €88.40 (€80.50 in EPRA triple net NAV, i.e. +4.3%).

2017 outlook confirmed

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Sustained by good rental dynamics across all its markets and the solid performance of the first half-year, Foncière des Régions is looking towards the rest of the year with increased confidence. **The Group is raising its guidance and has an objective of a growth in its 2017 Recurring Net Income above 7%, versus above 5% previously.**

As an all-round European real estate operator involved in the design of intelligent buildings through to their management, in order to provide its clients with efficiency and well-being, Foncière des Régions can rely on an ambitious development pipeline of €4.1 billion, covering all of its markets, to maintain its sustainable growth dynamics.

Paris, 20 July 2017

A conference call for analysts and investors

will take place today at 6:30 p.m. (Paris time)

The presentation for the conference call will be available

on the Foncière des Régions website at www.foncieredesregions.fr/finance

LiveTweet: follow the presentation of the half year Results live on our Twitter thread [#RésultatsSemestriels](https://twitter.com/FonciereRegions)

Financial calendar

Revenue for the third quarter of 2017: 26 October 2017

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Foncière des Régions, co-author of real estate stories

As a key player in real estate, Foncière des Régions has built its growth and its portfolio on the key and characteristic value of partnership. With a total portfolio valued at €21Bn (€13Bn in group share), located in the high-growth markets of France, Germany and Italy, Foncière des Régions is now the recognised partner of companies and territories which it supports with its two-fold real estate strategy: adding value to existing urban property and designing buildings for the future.

Foncière des Régions mainly works alongside Key Accounts (Orange, Suez Environnement, EDF, Dassault Systèmes, Thales, Eiffage, etc.) in the Offices market as well as being a pioneering and astute operator in the two other profitable sectors of the Residential market in Germany and Hotels in Europe.

Foncière des Régions shares are listed in the Euronext Paris A compartment (FR0000064578 - FDR), are admitted to trading on the SRD, and are included in the composition of the MSCI, SBF 120, Euronext IEIF “SIIC France” and CAC Mid100 indices, in the “EPRA” and “GPR 250” benchmark European real estate indices, and in the FTSE4 Good, DJSI World, Euronext Vigeo (World 120, Eurozone 120, Europe 120 et France 20), Oekom, Ethibel and Gaïa ethical indices.

Foncière des Régions is rated BBB/Stable by Standard and Poor’s.

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1. Business analysis

Changes in scope:

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

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

A. RECOGNISED RENTAL INCOME: 2.8% GROWTH

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

¹ LfL : Like-for-Like

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

- ◆ acquisitions (+€19.0 million) particularly consisting of hotels (+€7.7 million), with the acquisition of a portfolio of 17 assets in Spain, and Germany residential assets (+€6.6 million) mainly in Berlin
- ◆ deliveries of new assets (+€2.6 million), mainly in France Offices, including Silex1 in Lyon
- ◆ rent increases of 1.9% (+€4.3 million) on a like-for-like scope with:
 - ◆ +0.9% in France Offices, thanks to the indexation factor (0.3 pt.) and good rental performance (0.6 pt.)
 - ◆ +1.5% in Italy Offices, thanks to an improvement in the occupancy rate
 - ◆ +4.0% in Germany Residential, including 1.3 pts. due to the indexation factor and 2.7 pts. due to renewals
 - ◆ the recovery of hotel activities with 4.3% growth in variable AccorHotels rents
- ◆ releases of assets intended to be restructured or redeveloped (-€3.2 million)
- ◆ asset disposals (-€18.8 million), particularly hotels (-€8.9 million) with the sale of low-performance AccorHotels assets in secondary locations in 2016
- ◆ an increase in Hotel real estate income due to the increase in the ownership stake in Foncière des Murs in 2016 (+€4.2 million).

B. LEASE EXPIRATIONS AND OCCUPANCY RATES

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

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

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

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

Restatement of San Nicolao, under disposal agreement

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

Of the €45 million of rents maturing in 2018, more than a third concerns assets that will be redeveloped at medium-term (mainly 4 assets in Paris, including 2 buildings leased to Orange).

2. Occupancy rate: 96.6%

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

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

C. BREAKDOWN OF RENTAL INCOME – GROUP SHARE

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

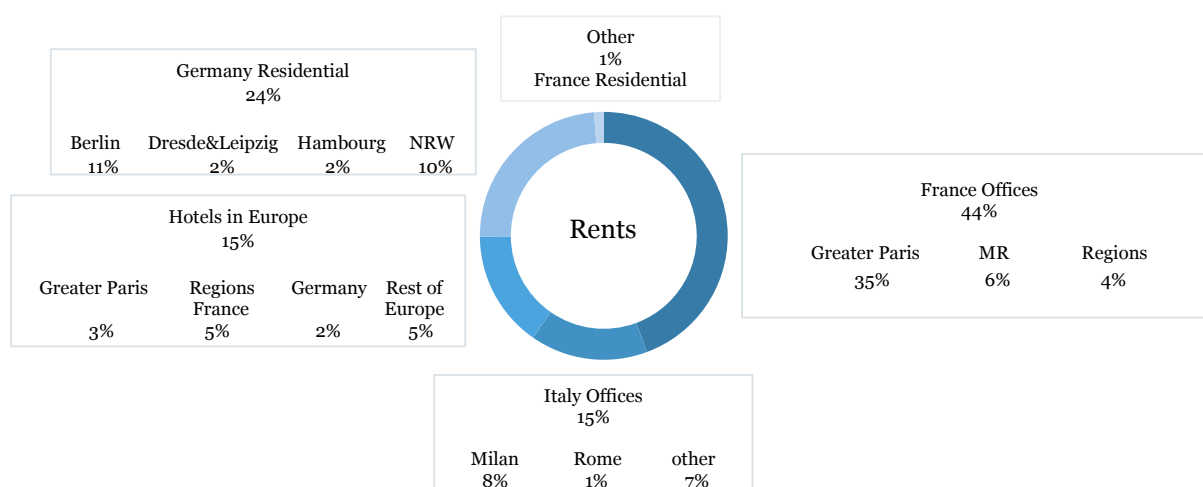
(€ million, Group share)	H1 2017	%
Orange	77.7	13%
Telecom Italia	30.7	5%
AccorHotels	26.6	4%
Suez Environnement	21.6	4%
B&B	19.3	3%
EDF	16.4	3%
Vinci	14.8	2%
Dassault Systèmes	12.3	2%
Eiffage	9.4	2%
Thales	10.8	2%
Natixis	10.6	2%
Quick	8.5	1%
Sunparks	7.1	1%
Jardiland	6.7	1%
AON	5.4	1%
Lagardère	5.3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

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

Moreover, the Group's partnership strategy was extended to new players, particularly in the hotel segment with the main Spanish operators (Barcelo Melia, Hotusa, and NH). In France, development projects made it possible to build new partnerships, as confirmed by the construction of EDO in Issy-les-Moulineaux, chosen by the Transdev group for its headquarters.

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

2. Geographic breakdown



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

D. COST TO REVENUE, BY BUSINESS

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

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

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

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

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

E. DISPOSALS TOTALLING €505 MILLION GROUP SHARE

(€ million)		Disposals	Agreements	New	New	Total	Margin vs	Yield	Total
		(agreements as of end of 2016 closed)	as of end of 2016 to close	disposals H1 2017	agreements H1 2017	H1 2017	2016 value		Realized Disposals
		1		2	3	= 2+3			= 1 + 2
France Offices	100 %	69	38	36	156	192	5.5%	7.0%	105
	Group share	69	38	36	110	147	6.2%	7.1%	105
Italy Offices	100 %	39	40	0	120	120	2.8%	4.0%	39
	Group share	343	21	0	63	63	2.8%	4.0%	343
Germany Residential	100%	12	12	12	210	222	15.7%	6.0%	24
	Group share	7	7	7	125	132	16.1%	6.0%	14
Hotels in Europe ¹	100 %	2	18	16	88	104	3.8%	6.1%	18
	Group share	1	9	4	39	43	3.9%	6.3%	5
Other	100 %	34	2	27	68	95	-0.1%	2.3%	61
	Group share	21	1	17	55	71	-1.4%	3.1%	38
Total	100 %	156	109	92	642	734	6.9%	5.5%	248
	Group share	441	76	64	392	456	6.8%	5.7%	505

¹ Including disposals on Operating properties

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

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

- ◆ non-strategic assets in France Offices, mainly small Orange buildings in Regions and an asset in Chevilly-Larue (€101 million) and two Euromed assets (€46 million), under final negotiations,
- ◆ a mature core asset in Milan, via San Nicolao (€60 million)
- ◆ Retail assets including 17 Quick restaurants (€16 million)
- ◆ Close to 2750 residential units in North Rhine-Westphalia (€116 million)
- ◆ the signing of a sales agreement for three Logistics assets (€34 million).

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

F. ASSET ACQUISITIONS TOTTALLING €614 MILLION GROUP SHARE

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

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

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

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

G. DEVELOPMENT PROJECTS: €4.1 BILLION (€3.2 BILLION GROUP SHARE)

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

At present, 29 projects are under way in 3 European countries and will be completed between 2017 and 2020. At the same time, new managed projects totalling 500,000 m² of offices and 1,900 residential units will feed the Group's growth by 2020 and beyond. The Group set a value creation objective of over 20% on the committed pipeline.

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

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

- ◆ Silex1 in the business district of La Part-Dieu in Lyon, 100% let
- ◆ Thaïs in Levallois, in a district highly sought after by major corporations as an alternative to Paris CBD, 66% let.

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

2. Committed projects: €1.1 billion (€603 million Group share)

	Projects in Group share	Location	Project	Surface ¹ (m ²)	Target rent (€/m ² /year)	Pre-leased (%)	Total Budget ² (M€, GS)	Target Yield ³	Progress	Capex to be invested
France Offices	Euromed Center - Bureaux Floreal (FdR share 50%) ⁴	Marseille	Construction	13,400 m ²	265	100%	18	>7%	87%	2
	Edo	Issy Les Moulineaux - Greater Paris	Regeneration-Extension	10,800 m ²	430	100%	83	6.0%	80%	8
	ENEDIS - New Saint Charles	Reims	Construction	10,300 m ²	141	100%	19	>7%	55%	7
	Art&Co	Paris	Régénération	13,400 m ²	520	5%	130	5.0%	53%	12
	Total deliveries 2017			47,900 m²	444	50%	250	5.7%	65%	30
	Hélios	Lille	Construction	9,000 m ²	160	100%	21	>7%	24%	15
	Riverside	Toulouse	Construction	11,000 m ²	195	0%	32	7.0%	45%	15
	Ilot Armagnac (FdR share 35%)	Bordeaux	Construction	31,700 m ²	200	29%	35	6.5%	47%	18
	Total deliveries 2018			51,700 m²	189	35%	89	6.8%	41%	48
	Total France Offices			99,600 m²	377	46%	339	6.0%	58%	78
Italy Offices	Via Cernaia	Milan	Regeneration	8,300 m ²	460	100%	30	5.4%	65%	5
	Corso Ferrucci	Turin	Regeneration	45,600 m ²	130	29%	46	5.7%	55%	16
	Total deliveries 2017			53,900 m²	261	57%	76	5.6%	59%	21
	Via Colonna	Milan	Regeneration	3,500 m ²	265	50%	9	5.1%	30%	4
	Milan, Piazza Monte Titano	Milan	Regeneration	6,000 m ²	190	100%	12	5.0%	25%	7
	Symbiosis A+B	Milan	Construction	20,600 m ²	305	85%	48	7.1%	40%	38
	Milan, P. Amedeo	Milan	Regeneration	7,000 m ²	460	0%	30	5.2%	10%	13
Total deliveries 2018			37,100 m²	334	58%	98	6.1%	28%	62	
Total Italy Offices			91,000 m²	302	58%	174	5.9%	45%	83	
Germany Residential	Konstanzer	Berlin	Extension	400 m ²	na	na	1	5.8%	na	na
	Total deliveries 2018			400 m²	na	na	1	5.8%	na	na
	Genter Strasse 63	Berlin	Construction	1,500 m ²	na	na	2	5.7%	na	na
	Pannierstrasse 20	Berlin	Construction	810 m ²	na	na	2	5.2%	na	na
	Breisgauer Strasse	Berlin	Extension	1,420 m ²	na	na	2	5.8%	na	na
	Total deliveries 2019			3,730 m²	na	na	6	5.6%	na	na
Total German Residential			4,130 m²	na	na	7	5.6%	na	na	
Hotels in Europe	B&B Lyon	Lyon - France	Construction	113 rooms	na	100%	2	5.5%	79%	0
	Club Med Samoëns	France	Construction	420 rooms	na	100%	12	6.0%	80%	2
	B&B Berlin	Berlin - Germany	Construction	140 rooms	na	100%	6	7.0%	45%	3
	B&B Nanterre	Nanterre - Greater Paris	Construction	150 rooms	na	100%	3	6.2%	91%	0
	Total deliveries 2017			823 rooms	na	100%	23	6.2%	73%	6
	B&B Chatenay Malabry	Châtenay Malabry - Gretaer Paris	Construction	255 rooms	na	100%	2	6.3%	42%	1
	Motel One Porte Dorée	Paris	Construction	255 rooms	na	100%	9	6.2%	81%	2
	Meininger Munich	Munich - Germany	Construction	173 rooms	na	100%	15	6.4%	73%	4
	Total deliveries 2018			683 rooms	na	100%	26	6.3%	73%	7
	Meininger Porte de Vincennes	Paris	Construction	249 rooms	na	100%	23	6.2%	52%	11
	B&B Bagnolet	Paris	Construction	108 rooms	na	100%	2	6.3%	15%	2
	Meininger Lyon Zimmermann	Lyon - France	Construction	169 rooms	na	100%	9	6.1%	0%	9
Total deliveries 2019 and beyond			526 rooms	na	100%	35	6.2%	36%	22	
Total Hotels in Europe			2,032 rooms	na	100%	84	6.2%	58%	35	
Total				na	57%	603	6.0%	54%	196	

¹ Surface at 100%

² Including land and financial costs

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

⁴ Under final negotiation

Projets in Group share	Surface ¹ (m ²)	Target rent (€/m ² /year)	Pre- leased (%)	Total Budget ² (M€, GS)	Target Yield ³	Progress	Capex to be invested
Total France Offices	99,600 m²	377	46%	339	6.0%	58%	78
Total Italy Offices	91,000 m²	302	58%	174	5.9%	45%	83
Total German Residential	4,130 m²	na	na	7	5.6%	na	na
Total Hotels in Europe	2,032 rooms	na	100%	84	6.2%	58%	35
Total		na	57%	603	6.0%	54%	196

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

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

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

3. Managed projects: €3.0 billion (€2.6 billion Group share)

	Projects <i>sorted by estimated total cost at 100%</i>	Location	Project	Surface ¹ (m ²)	Delivery timeframe
France Offices	Rueil Lesseps	Rueil-Malmaison - Greater Paris	Regeneration-Extension	43,000 m ²	>2020
	Cap 18	Paris	Construction	50,000 m ²	>2020
	Canopée	Meudon - Greater Paris	Construction	55,000 m ²	2020
	Montpellier Majoria	Montpellier	Construction	60,000 m ²	2018-2020
	Silex II	Lyon	Regeneration-Extension	31,000 m ²	2020
	Omega	Levallois-Perret - Greater Paris	Regeneration-Extension	21,500 m ²	>2020
	Citroën PSA - Arago	Paris	Regeneration	27,200 m ²	>2020
	Anjou	Paris	Regeneration	11,000 m ²	>2020
	Opale	Meudon - Greater Paris	Construction	28,500 m ²	2019
	Avenue de la Marne	Montrouge - Greater Paris	Construction	25,300 m ²	2020
	Philippe Auguste	Paris	Regeneration	13,200 m ²	>2020
	Cité Numérique	Bordeaux	Regeneration-Extension	18,100 m ²	2,018
	Campus New Vélizy Extension (FdR share 50%)	Vélizy - Greater Paris	Construction	14,000 m ²	2020
	DS Campus Extension 2 (FdR share 50%)	Vélizy - Greater Paris	Construction	11,000 m ²	>2020
	Gobelins	Paris	Regeneration	4,900 m ²	>2020
	ENEDIS Angers	Angers	Construction	4,700 m ²	2019
	Total France Offices			418,400 m²	
Italy	Via Schievano	Milan	Restructuration	31,800 m ²	2019
	Symbiosis (other blocks)	Milan	Construction	101,500 m ²	2022
	Total Italy Offices			133,300 m²	
	Germany Residential	Berlin	Extensions & Constructions	c.130 000 m²	
	Total			681,700 m²	

¹ Surface at 100%

H. PORTFOLIO

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

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

¹ LfL: Like-for-Like

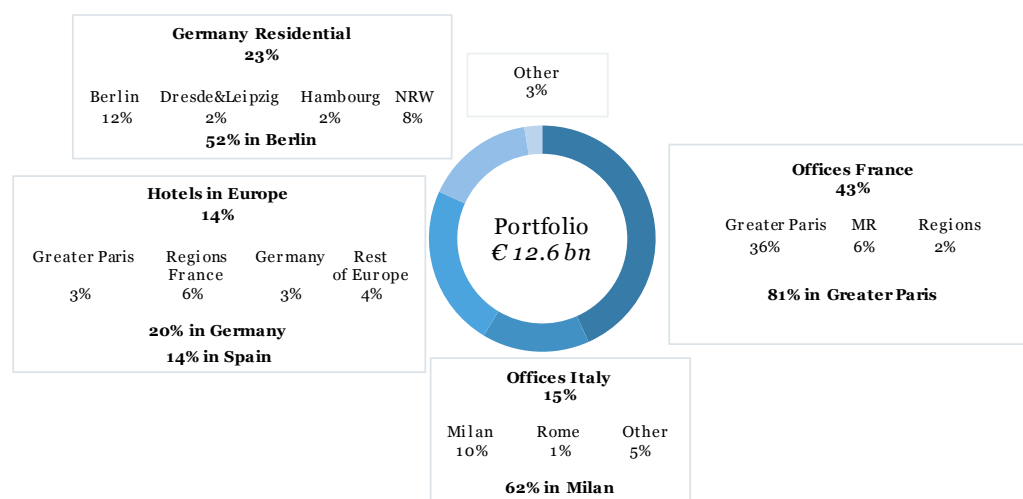
² Yield excluding development projects

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

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

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

Geographic breakdown



I. LIST OF MAJOR ASSETS

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

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

2. Business analysis by segment

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

A. FRANCE OFFICES

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

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

- ◆ The offices market in Greater Paris started the year at a high volume of 1.2 million m² leased in the first half of 2017, up 4% from a level that was already high in 2016. There was particularly high-demand for surface larger than 5,000 m² (+18%).
- ◆ Despite smaller supply, the Paris CBD has remained active in 2017, with 496,000 m² leased, but it was the alternative areas that most showed increased demand: +50% in the Western Crescent due to the appeal of the major business districts (Issy-Boulogne, Rueil-Nanterre), and +95% in the inner suburbs.
- ◆ The immediate supply of offices in Greater Paris stabilised at around 3.6 million m², i.e. a vacancy rate of 6.5%. On the future offer, of the 1.6 million m² under construction, 42% is already leased and 45% is inside Paris.
- ◆ Average headline rent on new/restructured surfaces continued to rise in the Paris CBD (€650/m²) and in the Western Crescent (+380€/m, +3% vs the first semester 2016). The drop in incentives to 21.5% from 22.0% in 2016 bolstered the increase in market rental income (+4% on new or refurbished space in Paris, La Défense and the Western Crescent on average since 2015).
- ◆ In Lyon, Foncière des Régions is exposed in the La Part-Dieu business district, the second-largest French office centre, with around 25% of the take-up of the Lyon metropolitan area, including the leasing of 5,400 m² by Nextdoor at Silex1. The vacancy rate remains at a historic low there (5,9% in Lyon including around 3% in La Part-Dieu), with a small share of new surface (36%, down from 2016), and a high pre-leasing rate: 60% of the 290,000 m² under construction within the next three years.
- ◆ Investment in France Offices remained vibrant, with €5.5 billion invested in the first half of 2017. The compression of prime yield rates continued, particularly in Paris excluding the CBD (3.4%) and in the inner suburbs (4%), and still posts a significant difference with the government borrowing rate (close to 0.8%).

¹ Sources: Immostat, C&W, Crane Survey

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

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

Assets held partially are the following:

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

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

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

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

¹ LfL : Like-for-Like

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

- ◆ asset acquisitions and deliveries (+€5.1 million):
 - ◆ +€3.1 million from acquisitions, particularly Vinci's head office in Reuil-Malmaison (+€2.4 million)
 - ◆ deliveries in 2016 and 2017 of assets providing €2.0 million in rental income, with, in 2017:
 - Silex1 in Lyon in January, 100% let
 - Thaïs in Levallois in April, 66% let to date
- ◆ an increase at a like- for- like scope of +0.9% (+€1.0 million) related to:
 - ◆ the positive effect of indexation (+0.3 pt.)
 - ◆ strong rental activity in 2016 (+0.6 pt.)
- ◆ disposals (-€3.2 million), particularly outside Paris and in major regional cities
- ◆ vacating for development (-€3.2 million)
- ◆ other effects, including a scope effect (-€2.4 million).

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

3.1. Breakdown by major tenants

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

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

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

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

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

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

- ◆ Greater Paris remains the greatest source of annualised rental income, up slightly since 2016 year-end.
- ◆ The increase in rental income in the major regional cities stems from the delivery of the Calypso property in Marseille in 2016 and of Silex1 in Lyon in 2017.

4. Indexation

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

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

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

5. Rental activity

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

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

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

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

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

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

6. Lease expirations and occupancy rates

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

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

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

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

6.2. Occupancy rate: 95.3%

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

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

7. Reserves for unpaid rent

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

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

(€ million)	Disposals (agreements as of end of 2016 closed)	Agreements as of end of 2016 to close	New disposals H1 2017	New agreements H1 2017	Total H1 2017	Margin vs 2016 value	Yield	Total Realized Disposals
	1		2	3	= 2 + 3			= 1 + 2
Paris Centre West	0	13	0	0	0	n.a	n.a	0
Southern Paris	20	6	0	1	1	0.0%	4.8%	20
North Eastern Paris	0	2	0	0	0	n.a	n.a	0
Wester Crescent and La Défense	0	0	0	0	0	n.a	n.a	0
Inner ring	0	0	0	0	0	n.a	n.a	0
Outer ring	7	4	32	10	43	4.5%	6.6%	39
Total Paris Region	27	25	32	11	43	4.4%	6.5%	59
Major regional cities	4	8	2	99	102	3.4%	6.9%	6
Other French Regions	37	5	2	45	47	11.7%	7.7%	39
Total	69	38	36	156	192	5.5%	7.0%	105
Total Group share	69	38	36	110	147	6.2%	7.1%	105

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

- ◆ 19 Orange assets in French Regions, equivalent to €55 million
- ◆ two Euromed assets: Hermione and Floréal totalling €91 million (€46 million Group share), under final negotiations,
- ◆ the disposal of the Chevilly Petit Leroy asset for €30 million
- ◆ the remainder, i.e. €16 million, concerns sales of small assets in French regions other than the Paris region, in Major regional cities and in the outer suburbs of Paris.

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

9. Acquisitions: €3 million in 2017

(€ million, including Duties)	Surface (m ²)	Location	Tenants	Acquisition Price	Yield
Paris / Gobelins (5 ^{ème})	590	Paris	Orange	3.2	6.7%
Total	590			3.2	6.7%

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

10. Development projects: a pipeline of €2.6 billion (€2.5 billion in Group share)

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

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

10.1. Projects delivered

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

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

- ◆ in Lyon, the Silex1 asset delivered in January 2017 is 100% let
- ◆ the Hermione property built for the Euromed Center complex in Marseille was delivered in June 2017
- ◆ in Levallois, the Thais asset was delivered in early April 2017 and is 66% let
- ◆ the O'origin property in Nancy, which is 91% let, was delivered in June 2017.

10.2. Committed projects: €423 million at 100% (€339 million Group share)

Projects	Location	Project	Surface (m ²)	Target rent (€/m ² /year)	Pre-leased (%)	Total Budget ¹ (M€, 100%)	Target Yield ²	Progress	Capex to be invested
Euromed Center - Bureaux Floreal ³ FdR share : 50%	Marseille	Construction	13,400 m ²	265	100%	36	>7%	87%	5
Edo	Issy Les Moulineaux - Greater Paris	Regeneration- Extension	10,800 m ²	430	100%	83	6.0%	80%	8
ENEDIS - New Saint Charles	Reims	Construction	10,300 m ²	141	100%	19	>7%	55%	7
Art&Co	Paris	Restructuration	13,400 m ²	520	5%	130	5.0%	53%	12
Total deliveries 2017			47,900 m²	347	54%	268	5.8%	66%	32
Riverside	Toulouse	Construction	11,000 m ²	195	0%	32	7.0%	45%	15
Hélios	Lille	Construction	9,000 m ²	160	100%	21	>7%	24%	15
Ilot Armagnac FdR share : 35%	Bordeaux	Construction	31,700 m ²	200	29%	102	6.5%	47%	51
Total deliveries 2018			51,700 m²	192	33%	155	6.7%	43%	81
Total 100%			99,600 m²	290	46%	423	6.2%	58%	113
Total Group share				377	46%	339	6.0%	58%	78

¹ Including land and financial costs

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

³ Under final negotiation

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

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

- ◆ Riverside in Toulouse, involving the demolition and construction of a new 11,000 m² office building close to the centre of Toulouse. Construction work is under way with delivery scheduled for early 2018
- ◆ Bordeaux Armagnac, next to the station for the future high-speed rail link, where there are plans to construct a group of three new office buildings purchased off-plan in partnership with ANF Immobilier. Foncière des Régions has a 35% stake in the project and will retain 100% ownership of one of the buildings
- ◆ Hélios in Lille- Villeneuve d'Ascq, involving the construction of two new buildings of 9,000 m² in one of Lille's main business districts. The asset is already entirely pre-leased to the Caisse d'Épargne Group.

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

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

Projects <i>sorted by total estimated cost at 100%</i>	Location	Project	Surface ¹ (m²)	Delivery timeframe
Rueil Lesseps	Rueil-Malmaison - Greater Paris	Regeneration-Extension	43,000 m ²	>2020
Cap 18	Paris	Construction	50,000 m ²	>2020
Canopée	Meudon - Greater Paris	Construction	55,000 m ²	2020
Montpellier Majoria	Montpellier	Construction	60,000 m ²	2018-2020
Silex II	Lyon	Regeneration-Extension	31,000 m ²	2020
Omega	Levallois-Perret - Greater Paris	Regeneration-Extension	21,500 m ²	>2020
Citroën PSA - Arago	Paris	Regeneration	27,200 m ²	>2020
Anjou	Paris	Regeneration	11,000 m ²	>2020
Opale	Meudon - Greater Paris	Construction	28,500 m ²	2019
Avenue de la Marne	Montrouge - Greater Paris	Construction	25,300 m ²	2020
Philippe Auguste	Paris	Regeneration	13,200 m ²	>2020
Cité Numérique	Bordeaux	Regeneration-Extension	18,100 m ²	2018
Campus New Vélizy Extension (QP FdR 50%)	Vélizy - Greater Paris	Construction	14,000 m ²	2020
DS Campus Extension 2 (QP FdR 50%)	Vélizy - Greater Paris	Construction	11,000 m ²	>2020
Gobelins	Paris	Regeneration	4,900 m ²	>2020
ENEDIS Angers	Angers	Construction	4,700 m ²	2019
Total			418,400 m²	

¹ Surface at 100%

Following on the success of the Silex1 project in Lyon, Foncière des Régions plans to launch the Silex2 project in the second half of 2017. This project consists of 31,000 m² of prime offices across from the train station and is central to the La Part-Dieu urban regeneration plan.

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

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

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

11. Portfolio values

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

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

The portfolio grew by 2.2% since 2016 year-end due to like-for-like growth in value and investments made. Disposal plans helped finance investments in the development pipeline (€51 million) and works to increase value on the assets in operation (€34 million), with high marginal yields averaging around 10%.

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

(€ million, Excluding Duties)	Value 2015 100%	Value H1 2017 100%	Value H1 2017 GS	LfL ¹ change 6 months	Yield ² 2016	Yield ² H1 2017	% of total value
Paris Centre West	942	983	983	3.8%	4.4%	4.1%	18%
Southern Paris	691	704	568	2.5%	4.7%	4.7%	10%
North Eastern Paris	350	365	365	4.2%	5.5%	5.4%	7%
Wester Crescent and La Défense	1,528	1,574	1,414	2.0%	5.8%	5.4%	26%
Inner suburbs	1,396	1,425	993	2.5%	5.7%	5.5%	18%
Outer suburbs	144	104	104	-1.8%	7.7%	8.1%	2%
Total Paris Region	5,051	5,156	4,427	2.7%	5.4%	5.1%	81%
Major regional cities	830	899	734	3.3%	6.0%	5.6%	14%
Other French regions	302	277	277	-0.4%	9.8%	9.0%	5%
Total	6,183	6,332	5,439	2.6%	5.7%	5.4%	100%

¹ LfL : Like-for-Like

² Yield excluding assets under development

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

- ◆ the core portfolio (+3.0%), due particularly to:
 - the value creation in delivered assets of +23.4% (primarily Silex1 and Thaïs), i.e. a quarter of the growth at a like-for-like scope
 - the rate compression and the rental value increase on the Paris markets with 3.4% growth, especially for assets that underwent work to increase value (mainly The Line, Littré and Ménilmontant)
- ◆ portfolio pipeline: +2.4%, including the rate compression and increase in market rental income from Art&Co at the Gare de Lyon and EDO in the Issy-Val-de-Seine business district.

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

12. Strategic segmentation of the portfolio

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

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

	Core Portfolio	Pipeline	No Core Portfolio	Total
Number of assets	87	12	231	330
Value Excluding Duties GS (€ million)	4,550	419	470	5,439
Annualised rental income	230	0	39	269
Yield ¹	5.0%	n.a	8.4%	5.4%
Residual firm duration of leases (years)	5.4	n.a	4.2	5.2
Occupancy rate	96.9%	n.a	86.6%	95.3%

¹ Yield excluding development

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

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

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

B. ITALY OFFICES

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

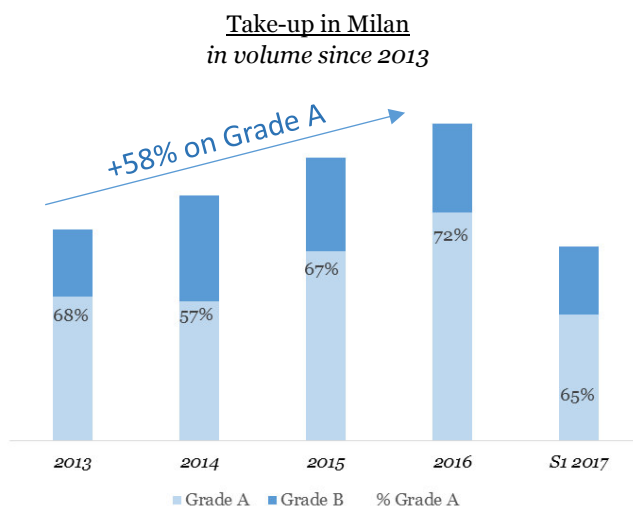
1. A Milan market buoyed by strong demand¹

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

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

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

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



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

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

¹ LfL: Like-for-Like

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

- ◆ acquisitions in Milan (+€1.6 million): the Via Scarsellini and Via Messina assets
- ◆ asset disposals (-€1.2 million), specifically, the Via Durini asset in Milan
- ◆ growth at a like-for-like scope of +1.5% (+€0.7 million), led by the performance of offices excluding Telecom Italia (+3.1%):
 - ◆ +€1.2 million of new letting and renewal, particularly in the Messina towers
 - ◆ -€0.5 million due to vacating, mainly on the surface of the Piazza San Fedele that had already been re-let
- ◆ the increase in the ownership interest of Foncière des Régions in the capital of its subsidiary during 2016 (+€2.1 million).

3. Annualised rental income: €93.1 million in Group share

3.1. Breakdown by portfolio

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

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

3.2. Geographic breakdown

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

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

4. Indexation

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

5. Rental activity

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

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

- ◆ nearly 6,500 m² were vacated during this half-year, mainly on the Piazza San Fedele surface in central Milan, and already re-let to Lavazza and Lasmas (€0.8 million in rental income)
- ◆ new letting applied mainly to the Messina towers in Milan, where 1,959 m² were let to Carlotta and Focus Investment (€0.6 million total in rental income)
- ◆ the successful rental of development projects continued with:
 - ◆ 50% of the Via Colonna development project (1,890 m²), which was pre-let by two law firms. Delivery is scheduled for early 2018
 - ◆ Cir Food signed a lease for 1,000 m² of catering space in the first part of the Symbiosis project
 - ◆ the pre-let of the entire Via Cernaia asset, i.e. 8,300 m² for €3.1 million to Amundi
- ◆ the renewals, mainly on the asset Montebello in Milan, of which 18,500 m² have been renewed with Intesa.

6. Lease expirations and occupancy rates

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

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

Restatement of San Nicolao under disposal agreement

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

6.2. Occupancy rate: 94.8% in Group share

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

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

7. Reserves for unpaid rent

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

¹ net provision / reversals of provision

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

8. Disposals: €343 million Group share in disposals

(€ million, 100%)	Disposals (agreements as of end of 2016 closed)	Agreements as of end of 2016 to close	New disposals H1 2017	New agreements H1 2017	Total H1 2017	Margin vs 2016 value	Yield	Total Realized Disposals
	1		2	3	= 2 + 3			= 1 + 2
Milan	27	38	0	115	115	3.1%	4.2%	27
Rome	0	0	0	0	0	n/a	n/a	0
Other	12	2	0	6	6	-1.8%	0.0%	12
Total	39	40	0	120	120	2.8%	4.0%	39
Telecom Italia portfolio (Group share)	323	0	0	0	0	n/a	n/a	323
Total Group share	343	21	0	63	63	2.8%	4.0%	343

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

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

9. Acquisitions: reinforcement in Milan

(€ million, Including Duties)	Location	Acquisitions 2017 signed			Acquisitions 2017 secured		
		Acquisition price 100%	Acquisition Price GS	Potential Gross Yield	Acquisition price 100%	Acquisition Price GS	Potential Gross Yield
Via Principe Amedeo	Milan	42	22	5.2%	0	0	na
Via Marostica	Milan	25	13	6.9%	0	0	na
Portfolio Creval	Milan	99	51	5.3%	19	10	9.9%
Adamello	Milan	0.0	0.0	na	9	5	6.9%
Total		165	86	5.5%	29	15	8.9%

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

- ◆ a 7,000 m² office property on Via Principe Amedeo, in the Porto Nuova business district. This asset offers significant value creation potential through a redevelopment project that has been committed to and is scheduled to be delivered in 2018
- ◆ a 10,500 m² offices asset on Via Marostica, on metro line 1, with a high yield of 6.9%
- ◆ a portfolio of 17 assets acquired from the Credito Valtellinese banking group, for an attractive yield of 6.0%. 82% of the portfolio is located in Milan, mainly in the CBD. Out of the 17 assets, two will be transferred in the second half of 2017 for €19 million.

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

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

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

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

Projects	Location	Project	Surface (m ²)	Delivery	Target offices rent (€/m ² /year)	Pre-let (%)	Total Budget (€m, 100%) ¹	Target Yield ²	Progress	Capex to be invested
Corso Ferrucci	Turin	Regeneration	45,600 m ²	'17-'19	130	29%	87	5.7%	55%	16
Via Cernaia	Milan	Regeneration	8,300 m ²	2017	460	100%	57	5.4%	65%	5
Via Colonna	Milan	Regeneration	3,500 m ²	2018	265	50%	17	5.1%	30%	4
P. Monte Titano	Milan	Regeneration	6,000 m ²	2018	190	100%	22	5.0%	25%	7
Symbiosis A+B	Milan	Construction	20,600 m ²	2018	305	85%	92	7.1%	40%	38
P. Amedeo	Milan	Regeneration	7,000 m ²	2018	460	0%	56	5.2%	10%	13
Total			45,400 m²		302	58%	332	5.9%	45%	83
Total Group share					302	58%	174	5.9%	45%	43

¹ Including land and financial costs

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

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

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

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

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

Projects	Location	Area	Project	Surface (m ²)	Delivery timeframe
Via Schievano	Milan	Italy	Regeneration	31,800 m ²	2019
Symbiosis (other blocks)	Milan	Italy	Construction	101,500 m ²	2022
Total				133,300 m²	

Two projects are in the managed pipeline:

- ◆ the Schievano project consists of the refurbishment of three office buildings for a total of 31,800 m², located at the southern limit of central Milan
- ◆ Symbiosis, in Milan, represents a potential of 100,000 m² of offices in a developing business district located at the southern limit of Milan across from the Prada Foundation.

11. Portfolio values

11.1. Change in portfolio values

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

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

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

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

¹ LfL: Like-for-Like

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

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

¹ LfL: Like-for-Like

² Yield excluding development projects

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

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

C. GERMANY RESIDENTIAL

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

1. The Germany residential market is booming¹

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

- ◆ Germany's macroeconomic indicators are solid, upheld by GDP growth of 1.9% and a record low unemployment rate, down to 3.9% at end-2016. The risk associated with the reinforcement of rent capping measures has diminished following the publication of the CDU's election program, favouring the construction of new housing units.
- ◆ The housing supply remains limited in Berlin, where the population grew by 50,000 thousand inhabitants per year on average over the past years. The number of building permits for 2017 remains insufficient, at around 7,700 units per year. Consequently, Berlin's Mietspiegel rent index rose by 9.4% between 2015 and 2017, a sharp increase after the 5.4% rise between 2013 and 2015.
- ◆ The residential market continues to attract investors with transactions totalling €3.7 billion in the first quarter (+75% compared to 2016) under the impact of the rise in average market prices which, for the first time in Germany, have exceeded €2,000/m². One third of the investments were made in Berlin and 10% in Hamburg.

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

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

¹ Sources: Destatis, JLL, CBRE

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

2.1. Geographic breakdown

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

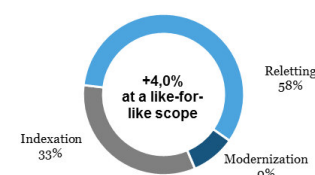
¹ Lfl.: Like-for-Like

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

- ◆ 2016 and 2017 acquisitions (+€6.6 million) mainly in Berlin, with a rent increase potential of 35%
- ◆ disposals (-€4.4 million) in North Rhine-Westphalia
- ◆ a €2.0 million increase in rental income on a like-for-like scope, i.e. +4.0% (of which +4.8% in Berlin) with:

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

Breakdown of growth in rental income at a like-for-like scope



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

3. Annualised rental income: €145 million in Group share

3.1. Geographic breakdown

(€ million)	Surface (m ²)	Number of units	Annualised rental income 2016 100% Immeo	Annualised rental income 2016	Annualised rental income H1 2017 100% Immeo	Annualised rental income H1 2017	Change (%)	Average rent €/m ² /month	% of rental income
Berlin	1,147,688	15,244	88.9	54.9	102.9	63.8	16.3%	7.5 €/m ²	44%
Dresden & Leipzig	308,914	5,159	18.6	11.6	21.1	13.3	14.0%	5.7 €/m ²	9%
Hamburg	143,993	2,302	14.5	9.4	14.8	9.6	2.5%	8.6 €/m ²	7%
North Rhine-Westphalia	1,381,272	20,553	93.4	57.2	94.5	57.9	1.1%	5.7 €/m ²	40%
Essen	399,772	5,851	28.7	17.5	29.2	17.8	1.7%	6.1 €/m ²	12%
Duisburg	321,432	4,797	20.5	12.5	20.8	12.7	1.5%	5.4 €/m ²	9%
Mulheim	153,719	2,550	11.3	6.9	11.0	6.7	-3.0%	5.9 €/m ²	5%
Oberhausen	172,885	2,421	15.0	9.3	10.6	6.5	-29.6%	5.1 €/m ²	5%
Others	333,465	4,934	18.0	11.1	23.0	14.2	28.2%	5.7 €/m ²	10%
Total	2,981,867	43,258	215.4	133.1	233.4	144.6	8.6%	6.5 €/m²	100%

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

- ◆ the strategic markets of Berlin, Hamburg, Dresden and Leipzig generate 60% of rental income

- ◆ the relative weight of North Rhine-Westphalia has been diminishing steadily over recent years, from 68% at end-2014 to 40% in the first half of 2017. The stronger growth in rental income in this area reflects the better quality of the portfolio.

The measured rent level per m² (€6.5/m²) offers solid growth prospects through the rent increase potential (30%-35% in Berlin, 20%-25% in Hamburg and in Dresden & Leipzig).

4. Indexation

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

- ◆ Rents for re-leased properties:

In principle, rents may be increased freely.

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

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

- ◆ For current leases:

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

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

- ◆ For current leases with work done:

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

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

5. Occupancy rate

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

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

6. Reserves for unpaid rent

(€ million, Group share)	H1 2016	H1 2017
As % of rental income	1.2%	0.7%
In value *	1.2	0.5

* net provision / reversals of provision

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

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

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

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

- ◆ 2473 units on non-strategic assets in North Rhine-Westphalia for €191 million (€116 million Group share),
- ◆ A few unit sales were conducted in Berlin at prices significantly higher than the latest appraisal values (>50% margin, i.e. around €2,800/m²)

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

8. Acquisitions: €376 million (€241 million Group share)

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

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

- ◆ 2,730 units of which 86% in Berlin, purchased at an average price of €1,860/m²
- ◆ a return on acquisition of 4.0% of which 3.9% in Berlin, due to the unusually high vacancy rate (11% on average). The return after re-leasing, i.e. 4.5%, will continue to rise thanks to the high rent increase potential (+35%),
- ◆ €8 million of land reserve that will be exploited in the development pipeline to provide future growth.

9. Development projects: a pipeline of €400 million (€244 million Group share)

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

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

9.1 Committed projects: €11 million (€7 million Group share)

Projects at 100%	Location	Project	Surface (m ²)	Nb of units	Total cost (€ m, 100%) ¹	Total cost (€/m ² , 100%) ¹	Target Yield ²
Konstanzer	Berlin	Extension	400 m ²	8	1	3,083 €/m ²	5.8%
Total deliveries 2018			400 m²	8	1	3,083 €/m²	5.8%
Genter Strasse 63	Berlin	Construction	1,500 m ²	19	4	2,524 €/m ²	5.7%
Pannierstrasse 20	Berlin	Construction	810 m ²	10	2	2,974 €/m ²	5.2%
Breisgauer Strasse	Berlin	Extension	1,420 m ²	22	4	2,660 €/m ²	5.8%
Total deliveries 2019			3,730 m²	51	10	2,684 €/m²	5.6%
Total 100%			4,130 m²	59	11	2,727 €/m²	5.6%
Total Group share			0 m²	0	7	0 €/m²	5.6%

¹ Including land, financial costs and works for the tenant

² Yield on total rents including car parks, etc.

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

- ◆ Konstanzer, an extension project of 8 units in the Charlottenburg-Wilmersdorf district
- ◆ Genter Strasse 63, a project for the construction of 19 residential units in the Mitte district
- ◆ Pannierstrasse 20, a project for the construction of 10 residential units in the Friedrichshain-Kreuzberg district
- ◆ Breisgauer Strasse, an extension project involving 22 new housing units in the Zhelendorf district.

9.2 Managed projects

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

10. Portfolio values

10.1. Change in portfolio value: 18% growth

(€ million, Group share, Excluding Duties)	Value 2016	Value adjustment	Acquisitions	Disposals	Value creation on Acquis./Disposals	Value H1 2017
Berlin	1,190	106	208	-6	11	1509
Dresden & Leipzig	192	23	32	-0	3	249
Hamburg	190	14	-	-2	-	202
North Rhine-Westphalia	905	49	2	-5	0	951
<i>Essen</i>	286	16	0	-0	-	302
<i>Duisburg</i>	187	12	-	-1	-	198
<i>Mullheim</i>	107	6	-	-4	-	109
<i>Oberhausen</i>	150	4	-	-0	-	154
<i>Other</i>	174	12	2	-0	0	188
Total	2477	192	241	-13	13	2911

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

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

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

(€ million, Excluding Duties)	Value 2016 100%	Value 2016 GS	Value S1 2017 100%	Value S1 2017 GS	Lfl ¹ change 6 months	Yield 2016	Yield S1 2017	% of total value
Berlin	1,928	1,190	2,431	1,509	8.9%	4.6%	4.2%	52%
Dresden & Leipzig	307	192	396	249	12.0%	6.1%	5.3%	9%
Hamburg	293	190	311	202	7.5%	4.9%	4.8%	7%
North Rhine-Westphalia	1,476	905	1,552	951	5.5%	6.3%	6.1%	33%
<i>Essen</i>	469	286	495	302	5.4%	6.1%	5.9%	10%
<i>Duisburg</i>	306	187	324	198	6.2%	6.7%	6.4%	7%
<i>Mullheim</i>	175	107	179	109	5.4%	6.4%	6.1%	4%
<i>Oberhausen</i>	243	150	163	154	4.6%	6.7%	6.5%	5%
<i>Other</i>	283	174	392	188	5.3%	6.1%	5.9%	6%
Total Germany	4,004	2,477	4,690	2,911	7.8%	5.4%	5.0%	100%

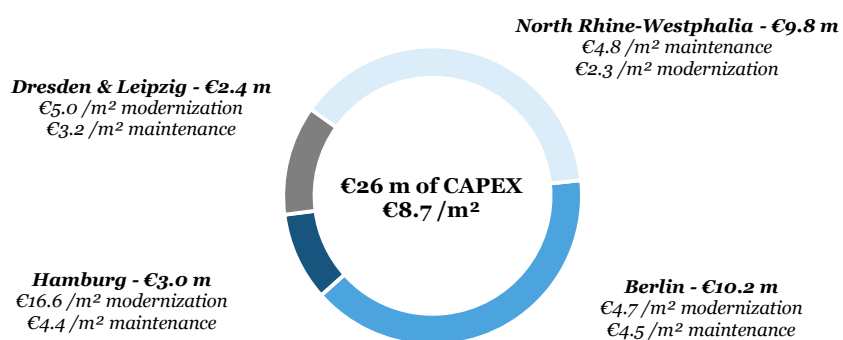
¹Lfl.: Like-for-Like

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

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

11. Maintenance and modernization Capex

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



D. HOTELS IN EUROPE

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

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

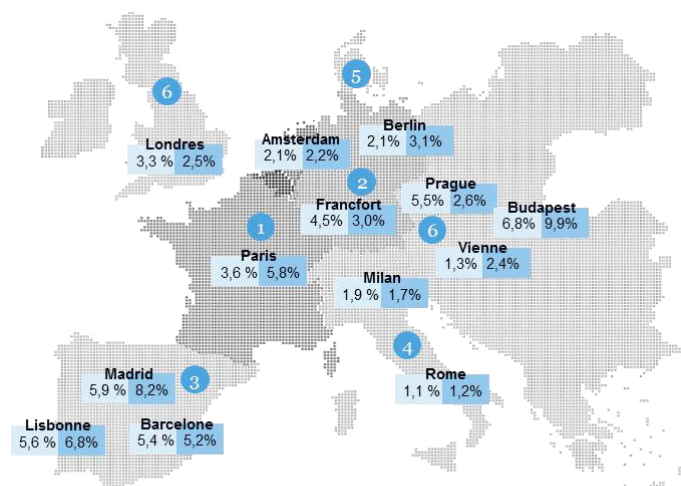
1. Revenue on the upswing and very good outlook for the hotel sector¹

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

- ◆ In Europe, revenue per available room (RevPAR) increased by an average 6.8% YTD to end of May 2016, boosted by the average room price (up 2.5%) and occupancy rate (up 2.7 pts). This performance was particularly strong in the mid-market segment, in which Foncière des Régions strengthened its position in Spain (+13.1% YTD), Germany (+5.2% YTD) and France (+6.0% YTD)
- ◆ Overall, investment in the European hotel market dropped 15% compared to the first quarter of 2016 to €4.3 billion, partly due to the elections in France (-84%) in the first half-year. The German market remained in the leading position with record volume of €1.12 billion (+55%). Appetite was also strong in Southern Europe with growth of 24% in Spain and 48% in Italy. Capitalisation rates remained around 4.5% in Paris and in major German cities. The difference with rates on hotel operating properties holdings remained around 1 pt.

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

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



¹ Sources: MKG, CBRE, PWC

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

Assets not wholly held by FDM consist of the 180 B&B Hotels properties acquired since 2012 (held at 50.2%), as well as the 22 B&B assets in Germany (held at 93.0%) and two Motel One properties (held at 94.0%), acquired in 2015. Foncière des Murs also holds 40.7% of FDM Management, a company focused on hotel operating properties investments and 50.1% of the company Foncière Développement Tourisme.

2.1. Breakdown by business sector

(€ million)	Number of rooms	Number of assets	Rental income H1 2016 100%	Rental income H1 2016 GS	Rental income H1 2017 100%	Rental income H1 2017 GS	Change (%) GS	Change GS (%) LFL ¹	% of rental income
Hotels - Lease properties	35,737	335	75.2	29.9	84.5	36.5	22.1%	2.5%	80%
Healthcare	0	0	7.2	3.3	0.0	0.0	-100.0%	n.a	n.a
Retail Premises	0	184	18.5	8.4	18.4	9.2	9.6%	0.0%	20%
Total	35,737	519	100.9	41.5	102.9	45.7	10.2%	1.9%	100%
Hotels - Operating properties (EBITDA)	6,282	30	5.8	1.2	31.7	6.2			

¹ Lfl.: Like-for-Like

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

- ◆ acquisitions and deliveries of assets under development (+€8.3 million):
 - ◆ 5 B&B hotels totalling 590 rooms delivered in Germany and France in 2016
 - ◆ acquisition of a portfolio of 17 hotels under leases in Spain (of which one third of the leases have a variable component) in 2017
- ◆ disposal of non-core assets in 2016 (-€8.9 million), including low-performance AccorHotels assets and the Healthcare portfolio
- ◆ a rise in rental income on a like-for-like scope (+€0.7 million), mainly attributable to the good performance of variable-rent AccorHotels assets: +4.3% of which +5.2% in Belgium and +4.2% in France.
- ◆ the reinforcement of Foncière des Régions in the capital of its subsidiary (+€4.2 million).

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

3. Annualised rental income: €92.4 million in Group share

3.1. Breakdown by business sector

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

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

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

3.2. Breakdown by tenant

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

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

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

3.3. Geographic breakdown

(€ million, Group share)	Number of rooms	Number of assets	Annualised rental income 2016	Annualised rental income H1 2017	Change (%)	% of rental income
<i>Paris</i>	3,470	14	10.2	10.4	1.9%	14%
<i>Inner suburbs</i>	528	4	1.4	1.4	2.2%	2%
<i>Outer suburbs</i>	3,324	34	4.7	4.7	1.2%	6%
Total Paris Regions	7,322	52	16.3	16.5	1.5%	22%
Major regional cities	6,254	67	10.1	10.3	1.8%	14%
Other French Regions	8,894	127	7.5	7.5	1.0%	10%
Total France	22,470	246	33.8	34.3	1.5%	46%
Germany	5,742	52	8.8	10.7	21.4%	14%
Belgium	3,124	14	10.4	10.4	0.8%	14%
Spain	3,797	21	0.4	14.8	n.a	20%
Other French Regions	604	2	3.6	3.7	1.2%	5%
Total Hotels in Lease	35,737	335	57.0	73.9	29.8%	100%
Total Retail premises	0	184	18.5	18.4	-0.3%	0%

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

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

4. Indexation

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

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

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

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

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

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

6. Reserves for unpaid rent

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

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

(€ million, 100%)	Disposals (agreements as of end of 2016 closed)	Agreements as of end of 2016 to close	New disposals H1 2017	New agreements H1 2017	Total H1 2017	Margin vs 2016 value	Yield	Total Realized Disposals
	1		2	3	= 2 + 3			= 1 + 2
Hotels in lease	0	15	3	31	34	6.3%	5.6%	3
Healthcare	2	0	0	0	0	n/a	n/a	2
Retail	0	3	0	40	40	2.3%	7.2%	0
Total Investment properties	2	18	3	71	75	4.1%	6.5%	5
Total Investment Properties Group share	1	9	2	36	37	4.1%	6.5%	3
Total Operating properties 100%	0	0	12	15	28	3.0%	5.4%	12
Total Operating properties FDR group share	0	0	3	3	6	3.0%	5.4%	3

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

- ◆ AccorHotels assets in secondary locations (€34 million)
- ◆ non-strategic activities: two Jardiland assets (€2 million) and 17 Quick assets (€38 million), with a margin of 3% over the latest appraisal values.

8. Acquisitions: €614 million (€284 million Group share)

€ million, Including Duties	Number of rooms	Location	Tenants	Acquisitions 2017 signed			Acquisitions 2017 secured		
				Acquisition Price 100%	Acquisition Price GS FdR	Gross Yield	Acquisition Price 100%	Acquisition Price GS FdR	Gross Yield
Spanish portfolio (17 assets)	3,335	France	Multi-tenant	559	257	5.3%	-	23	5.5%
NH portfolio (4 assets)	901	Spain	NH	54	27	6.7%	71	36	5.7%
Total Acquisitions Lease properties	4,236			613	284	5.4%	71	36	9.1%
Total Acquisitions Operating properties	0			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

The Group increased its European exposure with:

- ◆ the acquisition of a portfolio of 17 hotels (3,335 rooms) in Spain for €559 million (€280 million Group share), located in Madrid (80%) and Barcelona. The very good performance of the Spanish hotel market since the sign-off and the increase in value (+6.8% on a like-for-like scope since end-2016) confirm the appropriateness of the Group's acquisition strategy
- ◆ the acquisition of 3 NH Hotels (546 rooms) in Germany located in Frankfurt, Stuttgart and Oberhausen for €54 million. Two more hotels (355 rooms) will be acquired in the second half-year in Nuremberg and Düsseldorf for €71 million.

9. Development projects: a pipeline of €280 million (€84 million Group share)

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

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

Projects 100%	Location	Project	Number of rooms	Pre-let (%)	Total Budget (€ m, 100%) ¹	Yield ²	Progress	Capex to be invested (€ m)
B&B Lyon	Lyon - France	Construction	113	100%	9	5.5%	79%	2
Club Med Samoëns	France	Construction	420	100%	100	6.0%	80%	20
B&B Nanterre	Nanterre - Greater Paris	Construction	150	100%	11	6.2%	91%	1
B&B Berlin	Berlin - Germany	Construction	140	100%	11	7.0%	45%	6
Total deliveries 2017			823	100%	131	6.1%	78%	29
B&B Chatenay Malabry	Châtenay Malabry - Greater Paris	Construction	255	100%	9	6.3%	42%	5
Motel One Porte Dorée	Paris	Construction	255	100%	37	6.2%	81%	7
Meininger Munich	Munich - Germany	Conversion	173	100%	29	6.4%	73%	8
Total deliveries 2018			683	100%	75	6.3%	73%	20
Meininger Porte de Vincennes	Paris	Construction	249	100%	47	6.2%	52%	23
B&B Bagnolet	Paris	Construction	108	100%	8	6.3%	15%	7
Meininger Lyon Zimmermann	Lyon - France	Construction	169	100%	18	6.1%	0%	18
Total deliveries 2019-2020			526	100%	74	6.2%	35%	47
Total			2,032	100%	280	6.2%	65%	96
Total Group share				100%	84	6.2%	58%	35

¹ Including land and financial costs

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

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

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

10. Portfolio values

10.1. Change in portfolio values

(€ million, Excluding Duties)	Value 2016 GS	Value adjustment	Acquisitions	Disposals	Invest.	Others	Value H1 2017 GS
Assets in operation	1346	29	283	-3	5	3	1,664
Assets under development	39	3	0	0	11	0	52
Total Hotels - Lease properties	1385	31	283	-3	15	3	1,716
Hotels - Operating properties	245	5	0	-2	1	0	249
Total	1631	37	283	-5	16	3	1,965

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

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

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

¹ LfL: Like-for-Like

² EBIDTA yield for operating properties

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

¹ LfL: Like-for-Like

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

- ◆ 2.9% growth in the value of hotels under leases, with:
 - ◆ +6.8% on the Spanish portfolio acquired in 2016
 - ◆ +1.9% in France with a return to growth in rental income in the hotel sector and the renegotiation of leases with B&B (lengthening of lease terms to 12 years for 158 hotels in France)
- ◆ the good performance of hotel operating properties holdings (+2.0%), which further drove up value creation in 2016 (+6%). The portfolio of 9 hotels acquired in August 2016 in Germany saw its total value grow by 13% in one year.

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

10.3. Hotel operating properties - value per room

(€ thousand)	Number of rooms H1 2017	Value per room 2016	Value per room H1 2017	Var. (%)
France	880	239	243	2.1%
Germany	4881	153	157	2.8%
Belgium	521	148	150	1.5%
Total	6282	164	169	2.5%

Foncière des Régions' upscaling strategy has given rise to a sharp increase in values per room since 2015 (+48%). In Germany in particular, the value per room more than doubled thanks to the acquisition of high-end hotels such as the Westin and the Park Inn in the centre of Berlin. The level, at €157 thousand per room, remains lower than the average in other European capitals.

E. FRANCE RESIDENTIAL

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

1. Recognised rental income:

(€ million, 100%)	Rental income H1 2016	Rental income H1 2017	Change (%)	% of rental income
Total France	8.2	6.1	-25.6%	100%

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

2. Annualised rental income:

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

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

3. Indexation

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

4. Disposals and disposal agreements: €62 million

(€ million, 100%)	Disposals (agreements as of end of 2016 closed) 1	Agreements as of end of 2016 to close	New disposals 2017 2	New agreements 2017 3	Total 2016 = 2 + 3	Margin vs 2016 value	Yield	Total Realized Disposals = 1 + 2
Total	34	2	27	35	62	4.0%	0.6%	61

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

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

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

(€ million, Excluding Duties, 100%)	Value 2016	Value H1 2017	LfL ¹ change 6 months	Yield 2016	Yield H1 2017
Total	427.9	371.2	0.6%	2.8%	3.4%

¹ LfL: Like-for-Like

3. Financial information and comments

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

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

CONSOLIDATED ACCOUNTS

3.1. Scope of consolidation

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

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

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

3.2. Accounting principles

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

3.3. Simplified income statements - Group share

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

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

◆ 2.5% rise in net rental income - Group share

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

The net rental income by operating segment is the following:

(€ million, Group share)	H1 2016	H1 2017	var.	%
France Offices	118.4	114.0	-4.4	-3.7%
Italy Offices	41.1	44.4	3.3	8.0%
Germany Residential	57.9	63.3	5.4	9.3%
Hotels in Europe	41.5	44.8	3.3	8.0%
France Residential	2.9	1.9	-1.0	-34.5%
Total Net rental income	261.9	268.4	6.5	2.5%

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

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

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

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

◆ Net cost of operations

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

◆ Income from other activities

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

◆ Depreciation of operating assets

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

◆ Change in the fair value of assets

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

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

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

◆ Financial aggregates

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

Share in earnings of affiliates

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

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

Recurring net income of affiliates

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

Taxes

Taxes determined are for:

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

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

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

	Net income Group Share	Restatements	RNI H1 2017	RNI H1 2016
Net rental income	268.4	3.3	271.8	264.5
Operating costs	-31.1	1.8	-29.3	-32.3
Income from other activities	3.3	0.0	3.3	7.0
Depreciation of operating assets	-3.1	3.1	0.0	0.0
Net change in provisions and other	-0.6	0.6	0.0	0.0
Operating income	236.9	8.8	245.7	239.3
Net income from inventory properties	-0.2	0.2	0.0	0.0
Income from asset disposals	-0.7	0.7	0.0	0.0
Income from value adjustments	350.3	-350.3	0.0	0.0
Income from disposal of securities	-3.3	3.3	0.0	0.0
Income from changes in scope	-1.6	1.6	0.0	0.0
Operating result	581.4	-335.7	245.7	239.3
Income from non-consolidated companies	0.0	0.0	0.0	0.0
Cost of net financial debt	-91.3	35.4	-55.9	-66.0
Value adjustment on derivatives	30.4	-30.4	0.0	0.0
Discounting of liabilities and receivables	-3.1	3.1	0.0	0.0
Net change in financial provisions	-7.5	7.5	0.0	0.0
Share in earnings of affiliates	18.7	-8.5	10.1	5.0
Pre-tax net income	528.6	-328.7	199.9	178.3
Deferred tax	-34.8	34.8	0.0	0.0
Corporate income tax	-4.8	3.2	-1.6	-1.6
Net income for continued operations	489.0	-290.6	198.3	176.7
Profits or losses on discontinued operations	0.0	0.0	0.0	-0.1
Net income for the period	489.0	-290.6	198.3	176.6

- The income from changes in consolidation scope (- €1.6 million) consists exclusively of the acquisition costs for the shares of companies consolidated in accordance with IFRS3 R.
- The cost of debt is impacted in the amount of €35.4 million by the early debt-restructuring costs (including buyback of the Beni Stabili ORNANE bonds).

Recurring net income by activity

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

3.4. Simplified consolidated income statement

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

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

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

(€ million, 100%)	H1 2016	H1 2017	var.	%
France Offices	131.0	126.6	-4.4	-3.4%
Italy Offices	82.0	85.9	3.9	4.8%
Germany Residential	93.9	102.4	8.5	9.1%
Hotels in Europe	101.0	101.0	0.0	0.0%
France Residential	4.8	3.0	-1.8	-37.5%
Total Net rental income	412.7	419.0	6.3	1.5%

3.5. Simplified consolidated balance sheet - Group share

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

Fixed assets

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

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

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

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

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

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

◆ Assets held for sale

The assets held for sale primarily consist of assets for which a preliminary sales agreement has been signed. The €95 million increase between 2016 and 2017 mostly comes from completed sales and newly signed preliminary sale agreements. Hotels in Europe has entered into new preliminary sale agreements (€36 million) for four Accor Hotels and

17 Quick assets, and Italy Offices has entered into new preliminary sale agreements worth €62 million, including one for a property located in Piazza San Nicolao in Milan.

◆ Total shareholders' equity Group share

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

- income for the period: +€489 million
- the capital increase net of costs: +€395.6 million
- impact of the cash dividend distribution: - €324.7 million
- financial instruments included in shareholders' equity: +€5.4 million.

◆ Other assets

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

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

◆ Other liabilities

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

3.6. Simplified consolidated balance sheet

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

◆ **Investment properties and properties under development**

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

◆ **Investments in equity affiliates**

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

◆ **Discontinued operations (Logistics operations in 2016)**

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

◆ **Deferred tax liabilities**

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

◆ **Other assets**

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

◆ **Other liabilities**

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

4. Financial Resources

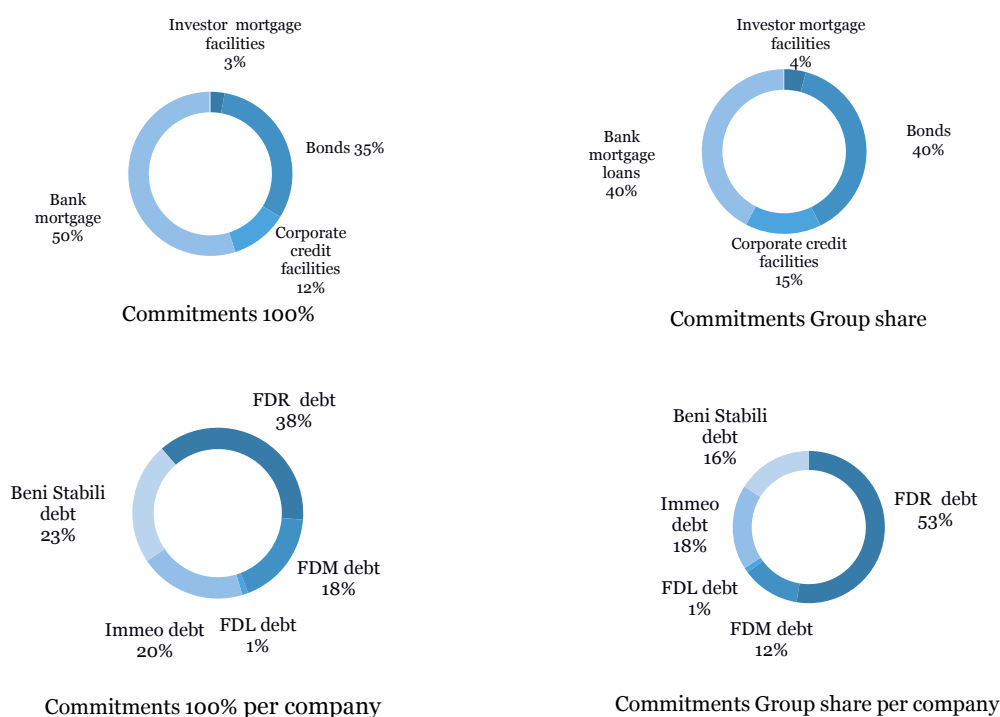
4.1. Main debt characteristics

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

4.2. Debt by type

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

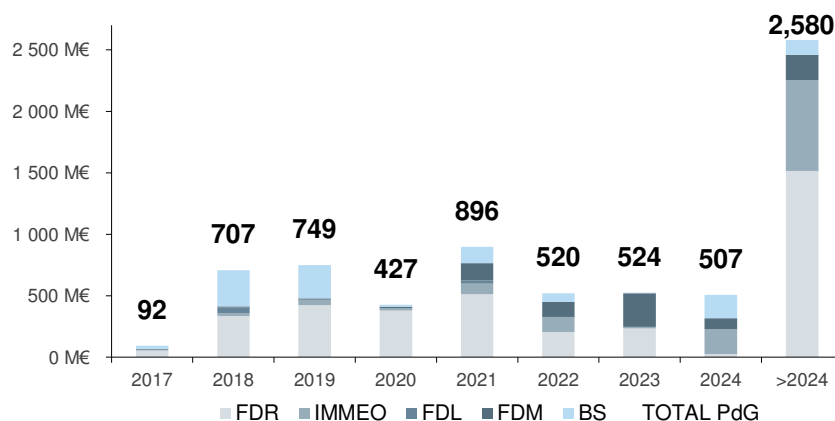
In addition, at the end of June 2017, the cash and cash equivalents of Foncière des Régions totalled nearly €2.1 billion, Group share (€2.4 billion on a consolidated basis). In particular, Foncière des Régions had €890.4 million in commercial paper outstanding at 30 June 2017.



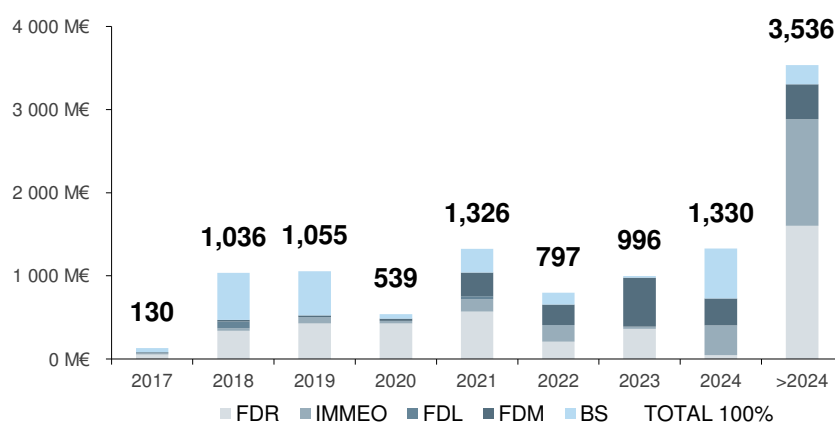
4.3. Debt maturity

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

Debt amortisation schedule for each company (Group share)



Debt amortisation schedule by company (on a consolidated basis)



4.4. Main changes during the period

◆ Strong financing and refinancing activity: €2.05 billion at 100% (€1.2 billion in Group share)

- ◆ Foncière des Régions - €500 million (€500 million in Group share):

In June 2017, Foncière des Régions proceeded to a successful €500 million bond issue, maturing in 2027, with a fixed coupon of 1.500%, i.e. a spread of 85 bps. This transaction was coupled with a cash redemption offer on part of the 2021 bonds bearing interest at a fixed rate of 1.750%. The total value of bonds redeemed was €273.1 million (of a total 2021 issue of €500 million).

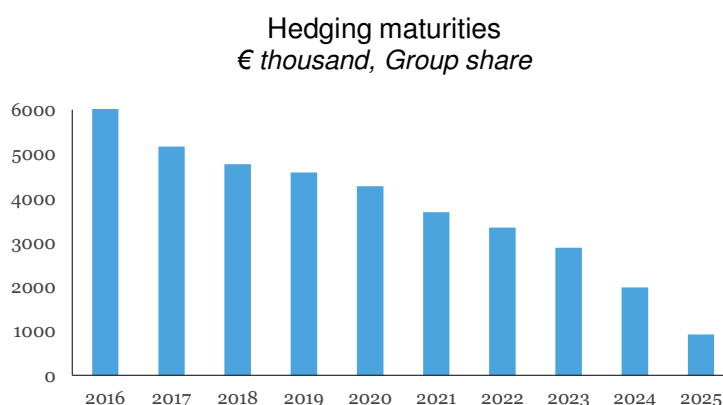
These transactions enable Foncière des Régions to continue diversifying its sources of finance, reduce the cost of debt and prolong its maturity.

- ◆ Italy Offices (Beni Stabili) - €455 million (€238 million in Group share):
 - ◆ In March 2017, Beni Stabili redeemed its €270 million convertible bond maturing in April 2019, to reduce the risk of future dilution.
 - ◆ In the first half of 2017, Beni Stabili also renewed over €150 million in corporate lines with its trusted banks.
- ◆ Hotels in Europe (Foncière des Murs) - €724 million (€362 million in Group share):
 - ◆ In March 2017, Foncière des Murs took out an eight year, €278.5 million mortgage for the purchase of 17 hotels (3,335 rooms) in Spain, mostly 4* and located in the centre of Spain's major cities, essentially Barcelona and Madrid.
 - ◆ In May 2017, Foncière des Murs refinanced a portfolio of 166 B&B properties in France held via the OPPCI vehicle B2 Hotel Invest. Financing of €290 million over seven years was raised on this occasion.
- ◆ Germany Residential (Immeo) - €371 million (€226 million in Group share):
 - ◆ In the first half of 2017, Immeo took out several mortgages to finance its acquisitions, including:
 - ◆ €115 million over 10 years for the purchase of a portfolio of 1,827 units in Berlin, Dresden and Leipzig;
 - ◆ €32 million over 10 years to finance the purchase of a portfolio of 330 units in Berlin.
 - ◆ Immeo has also continued to refinance older debts to optimise their maturity and financial conditions. In this way, financing of €140 million over a maturity of 10 years was raised, backed by a portfolio of 3,082 units in Essen and Duisburg.

4.5. Hedging profile

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

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



4.6. Average interest rate on the debt and sensitivity

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

◆ Financial structure

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

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

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

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

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

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

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

* Only one loan with a covenant at 22.5%

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

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

4.7. Reconciliation with consolidated accounts

Net debt

€ million	Consolidated accounts	Minority interests	Group share
Bank debt	10,158	-3,308	6,850
Cash and cash-equivalents	1,020	-97	923
Net debt	9,138	-3,211	5,927

Portfolio

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

¹ Including €28 million of down payments

Interest Coverage Ratio

	Consolidated accounts	Minority interests	Group share
EBE (Net rents (-) operating expenses (+) results of other activities)	= 419 (-) 50.7 (+) 3.8 = 372.1	-129.7	242.4
Cost of debt	-137.3	(-) -81.3	-56.0
ICR	0.0	0.0	x 4,32

5. EPRA reporting

EPRA data reporting is presented only for ongoing operations.

5.1 Change in net rental income (Group share)

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

Réconciliation with financial data

€ million	H1 2017
Total from the table of changes in Net rental Income (GS)	269
Ajustements	0
Total net rental income (Financial data § 3.3)	269
Minority interests	151
Total net rental income (Financial data § 3.3)	419

5.2 Investment assets – Lease data

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

Market rental value of vacant assets

Contractual annualised rental income of occupied assets (+) Market rental value of vacant assets

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

Market rental value of vacant assets

Market rental value of occupied and vacant assets

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

5.3 Investment assets – Asset values

- The EPRA net initial yield is the ratio of:

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

Assets in operation including duties

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

¹ The yield is presented on France residential only

Réconciliation with financial data

€ million	H1 2017
Total portfolio value (group share, market value)	12,557
Fair value of the operating properties	-116
Fair value of companies under equity method	-581
Inventories of real estate companies and others	-15
Fair value of parkings facilities	-33
Intangible fixed assets	14
Investment assets Group share (Financial data§ 3.5)	11,826
Minority interests	6,984
Investment assets 100% (Financial data§ 3.5)	18,810

¹ Fixed assets + Developments assets + asset held for sale

€ million	H1 2017
Change in fair value over the year (group share)	350
Others	0
Income from fair value adjustments Group share (Financial data § 3.3)	350
Minority interests	189
Income from fair value adjustments 100% (Financial data § 3.3)	539

5.4 Information on leases

	Firm residual term of leases	Residual term leases	Lease expiration by date of 1st exit option					Total Annualised rental income of leases expiring	Total (€m)	Section
			N+1	N+2	N+3 à 5	Beyond	Total %			
France Offices	5.2	6.2	3%	11%	29%	57%	100%	269	2.A.6	
Italy Offices	6.9	13.1	12%	10%	22%	56%	100%	93	2.B.6	
Hotels in Europe	10.4	12.3	3%	5%	2%	90%	100%	92	2.D.5	
Total	6.6	8.8	5%	9%	25%	62%	100%	454	1.B.1	

5.5 EPRA topped-up yield rate

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

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

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

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

Assets in operation including duties

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

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

Assets in operation including duties

5.6 EPRA cost ratio

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

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

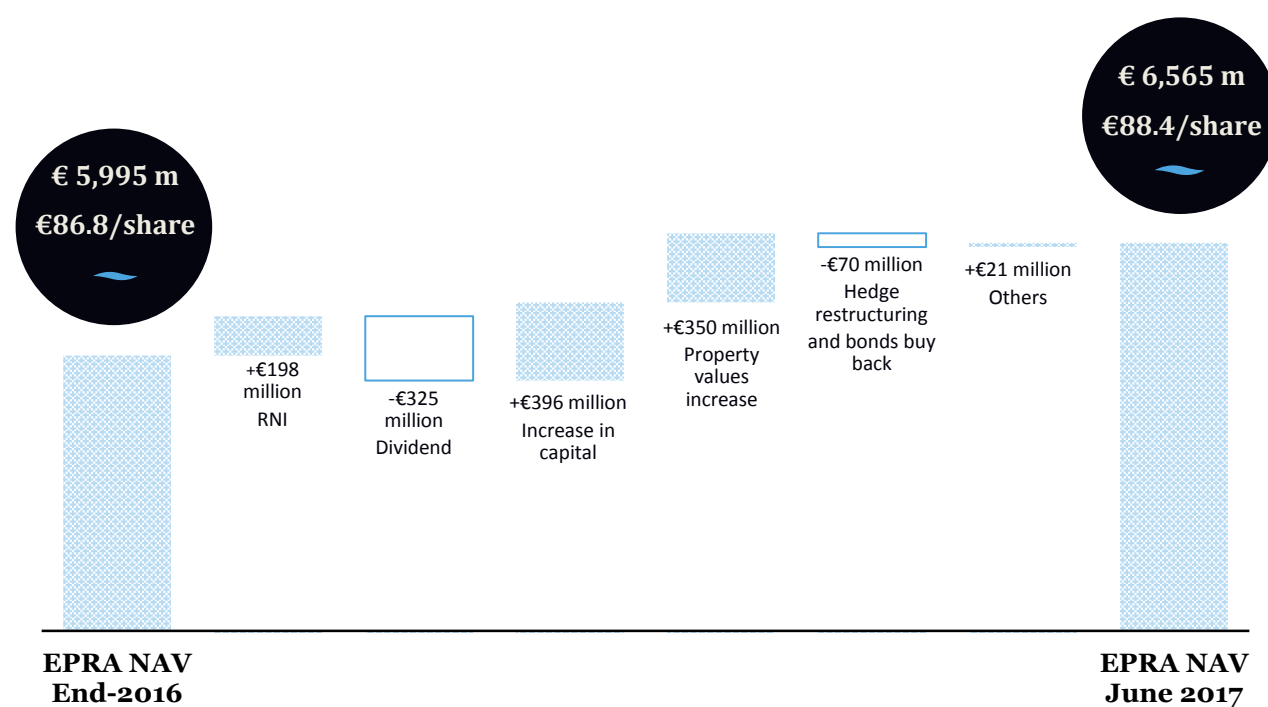
The EPRA cost ratio is stable thanks to the decrease of the costs in German Residential, offsetting the increase in Hotels relating to the signing of "double net" leases in Spain.

5.7 EPRA earnings

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

5.8 EPRA NAV and EPRA NNAV

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



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

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

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

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

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

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

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

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

Fair value assessment of operating properties

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

Fair value adjustment for the car parks

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

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

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

Fair value adjustment for fixed-rate debts

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

Recalculation of the base cost excluding duties of certain assets

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

5.9 EPRA performance indicator reference table

EPRA information	Section	Amount in %	Amount in €	Amount in €/share
EPRA Earnings	5.7		182.7	2.5
EPRA NAV	5.8		6,565.0	88.4
EPRA NNNAV	5.8		5,974.8	80.5
EPRA NAV/IFRS NAV reconciliation	5.8			
EPRA net initial yield	5.5	4.5%		
EPRA topped-up net initial yield	5.5	4.6%		
EPRA vacancy rate at year-end	5.2	3.6%		
EPRA costs ratio (including vacancy costs)	5.6	19.0%		
EPRA costs ratio (excluding vacancy costs)	5.6	16.5%		
EPRA indicators of main subsidiaries	5.5			

6. Financial indicators of the main activities

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

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

7. GLOSSARY

- ◆ 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.

- ◆ Operating assets

Properties leased or available for rent and actively marketed.

- ◆ 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".

- ◆ Cost of development projects

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

- ◆ 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.

◆ 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).

◆ Loan To Value (LTV)

The LTV calculation is detailed in Part 7 “Financial Resources”

◆ 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.

◆ Portfolio

The portfolio presented includes investment properties, properties under development, as well as operating properties and properties in inventory for each of the entities, stated at their fair value. For the hotel operating properties it includes the valuation of the portfolio consolidated under the equity method. For offices in France, the portfolio includes asset valuations of Euromed and New Vélizy, which are consolidated under the equity method.

◆ Projects

- Committed projects: these are projects for which promotion or construction contracts have been signed and/or work has begun and has not yet been completed at the closing date. The delivery date for the relevant asset has already been scheduled. They might pertain to VEFA (pre-construction) projects or to the repositioning of existing assets.
- Controlled projects: These are projects that might be undertaken and that have no scheduled delivery date. In other words, projects for which the decision to launch operations has not been finalised.

◆ Recurring Net Income

The RNI is defined as the recurring result from operational activities and it is used as a measure of the company performance. The RNI per share is calculated on the diluted average number of shares over the period (excluding auto-control).

Calculation :

- (+) Net Rental Income
- (-) Net Operating Costs (including costs of structure, costs on development projects, revenues from administration and management and costs related to business activity)
- (+) Income from other activities
- (+) Costs of the net financial debt
- (+) RNI from non-consolidated affiliates
- (-) Recurrent Tax
- (+) RNI from discontinued operations
- (=) Recurring Net Income**

◆ Yields/return

The portfolio returns are calculated according to the following formula:

$$\frac{\text{Gross annualised rent (not corrected for vacancy)}}{\text{Value excl. duties for the relevant scope (operating or development)}}$$

The returns on asset disposals or acquisitions are calculated according to the following formula:

$$\frac{\text{Gross annualised rent (not corrected for vacancy)}}{\text{Acquisition value including duties or disposal value excluding duties}}$$

◆ Surface

SHON: Gross surface
SUB: Gross used surface

◆ 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.

◆ Occupancy rate

The occupancy rate corresponds to the spot financial occupancy rate at the end of the period and is calculated using the following formula:

$$1 - \frac{\text{Loss of rental income through vacancies (calculated at MRV)}}{\text{rental income of occupied assets} + \text{loss of rental income}}$$

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.

◆ Like-for-like change in rent

This indicator compares rents recognised from one financial year to another without accounting for changes in scope: acquisitions, disposals, developments including the vacating and delivery of properties. The change is calculated on the basis of rental income under IFRS for strategic activities. Given specificities and common practices in German residential, the Like-for-Like change is computed based on the rent in €/m² spot N versus N-1 (without vacancy impact) on the basis of accounted rents.

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

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

◆ Like-for-like change in value

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

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