2018 HALF-YEAR FINANCIAL INFORMATION

CONTENTS

1. Half-year management report at 30 June 2018

Key events of the first half

Covivio Hotels (the new name of Foncière des Murs), a subsidiary of Covivio (the new name of Foncière des Régions), confirmed its leadership status in hotel investment in Europe by duplicating in the United Kingdom its development strategy already deployed in France, Germany, and Spain, and made itself a benchmark partner in the industry.

- Agreement signed for the acquisition of a prime portfolio of fourteen 4- and 5-star hotels, located in the major cities of the United Kingdom, with a value of €976 million. At the same time, Covivio Hotels will sign long-term triple net leases on thirteen of the properties with InterContinental Hotels Group (IHG) which, at the end of the transaction, will reposition and operate these hotels under several of its luxury and high-end brands, with variable rents plus a guaranteed minimum.
  Covivio Hotels is moving into the United Kingdom, the leading market in terms of hotel investment and the fourth largest tourist destination in Europe. This high quality real estate portfolio totals 2,638 rooms and benefits from prime locations in the centre of British cities. These assets have benefited from recent refurbishment works (€205 million invested between 2014 and 2018) and they offer significant growth potential as well as generating good profitability (EBITDAR of over 30%). Covivio Hotels and its partner will jointly support this move upmarket, with a target yield of 6% once fully operational.
  To finance this transaction, which will be completed in late July, a capital increase of nearly €300 million was carried out in June 2018 and was 100% subscribed.

- Completion of the merger between Foncière des Murs, now Covivio Hotels, and FDM Management: transaction approved by the General Meeting on 24 January 2018. With the absorption of its subsidiary, created in 2014 to acquire and manage hotel operating properties, Covivio Hotels can increases its exposure in Germany, especially Berlin, and diversify its partnerships with hotel operators. Consolidation of the Operating Properties business lines has increased the portfolio by €745 million.

These transactions are major steps in the development strategy of Covivio Hotels, enabling it to accelerate the move upmarket and geographic diversification of its portfolio: 73% of the hotels in the portfolio are classified as midscale and upscale hotels, from 54% in 2017, and 80% are located in major European cities, from 73% in 2017.

These transactions also make Covivio Hotels the partner of choice for leading operators in their market: at present, Covivio Hotels supports 18 operators through long-term partnerships, for their development in France and Europe.

In the first half of 2018, Covivio Hotels consolidated these partnerships with the following achievements:

- delivery of the Motel One Paris Porte Dorée, the first hotel location for the European operator Motel One in France, totalling 255 rooms;
- delivery of two B&B hotels, one located in Berlin (140 rooms) and the other in Châtenay-Malabry (Hauts de Seine) with 127 rooms;
- signature of a memorandum with Pierre et Vacances on a portfolio of Sunparks assets located in Belgium, extending the leases over a longer term (15 years' residual duration) and giving Pierre et Vacances purchase options on the parks.

Further to these transactions and to the acquisition of the hotel portfolio in the UK, the firm residual duration of leases reached a record level of 13.7 years, and the occupancy rate remained at 100% across the portfolio.

Acceleration of retail disposals

Covivio Hotels pursued its targets of improving the quality of its portfolio and concentrating on the hotel sector by intensifying disposals of its non-strategic assets. During the first half, €187 million in retail asset disposals were completed, of which:

- the disposal of the entire Quick restaurant portfolio in May 2018 for €163 million;
- the disposal of 5 Jardiland stores located in other French regions for €22 million.

In addition, new disposals of non-strategic assets were secured during the first half, with the signature of an undertaking to sell 17 Jardiland assets for €79 million.

1.7% growth in values on a like-for-like basis

At end June 2018, the value of the real estate portfolio, Group Share, was €4,674 million, up from €4,013 million at 31 December 2017. On a like-for-like basis, it increased by +1.7% over 6 months, of which +1.8% for the hotel portfolio, and showed an average yield excluding duties of 5.6%.

EPRA NAV stood at €3,205 million (or €27.1/share), up 32% due to the capital increase performed during the first half and the merger between Covivio Hotels and FDM Management. EPRA Triple Net NAV stood at €2,954 million (€25.0/share, up by 4.0% over 12 months).

1.1. Financial results

1.1.1. General principles

The condensed half-year consolidated financial statements were prepared in compliance with the international financial information standard IAS 34 "Interim Financial Reporting," as adopted by the European Union. The rules and methods applied were identical to 31 December 2017.

1.1.2. Statement of net income for the first half

Further to the merger between Foncière des Murs, now Covivio Hotels, and FDM Management, income from hotels under management is presented under operating income for 30 June 2018; at 30 June 2017, it was included in the share in income of equity affiliates.

€ millions - Consolidated Data	30-June-17	30-June-18	Change
Rental Income	102,9	107,8	4,9
Unrecovered rental costs	-1,8	-1,9	-0,1
Expenses on properties	-1,1	-1,1	-0,1
Net losses on unrecoverable receivables	-0,0	-0,0	-0,0
NET RENTAL INCOME	100,1	104,8	4,8
Revenues of hotels under management	0,0	122,4	122,4
Operating expenses of hotels under management	0,0	-88,8	-88,8
INCOME FROM HOTELS UNDER MANAGEMENT	0,0	33,7	33,7
Management and administration income	1,0	1,0	-0,0
Business expenses	-1,0	-0,8	0,2
Overhead	-6,5	-8,7	-2,3
Development expenses	0,0	-0,0	-0,0
NET COST OF OPERATIONS	-6,5	-8,6	-2,1
Depreciation of operating assets	-0,0	-20,6	-20,5
Net change in provisions and other	0,4	1,7	1,3
OPERATING INCOME	94,0	111,0	17,1
Income from asset disposals	-0,1	-0,5	-0,3
Net valuation gains and losses	81,2	70,3	-10,9
Income from disposal of securities	0,0	103,0	103,0
Income from changes in scope	0,1	-131,3	-131,4
OPERATING INCOM after valuation impact and disposals	175,1	152,5	-22,5
Cost of net financial debt	-16,9	-23,0	-6,0
Value adjustment on derivatives	14,5	-9,0	-23,5
Discounting of liabilities and receivables	0,6	-0,3	-0,9
Net change in financial and other provisions	-2,7	-3,1	-0,4
Share in income of equity affiliates	7,5	3,5	-4,0
PRE-TAX NET INCOME	178,0	120,7	-57,4
Deferred tax liabilities	-6,7	-5,3	1,3
Corporate income tax	-1,3	-4,7	-3,4
NET INCOME FOR THE PERIOD	170,0	110,6	-59,4
Non-controlling interests	-27,0	-20,4	6,7
NET INCOME FOR THE PERIOD – GROUP SHARE	143,0	90,2	-52,7

Revenues Group Share

Group Share of Covivio Hotels revenues stood at €127.5 million for the first half of 2018, up 22.1% over June 2017. On a like-for-like basis, leased hotel income was up 3.3% and EBITDA of hotel operating properties was up 4.2% over June 2017.

(€ millions)	Rental income H1 2017 Group Share	Rental income H1 2018 100%	Rental income H1 2018 Group Share	Change Group Share (%)	Change Group Share (%) LfL [1]	As % of revenues
Hotel Lease properties	73,1	94,6	81,9	12,1%	3,3%	64%
Hotel Operating properties (EBITDA)	12,9	33,7	32,4	151,1%	4,2%	25%
Total revenues hotels	**86,0**	**128,3**	**114,3**	**32,9%**		**90%**
Non-strategic (Retail)	18,4	13,2	13,2	-28,4%	1,2%	10%
Total revenues	**104,4**	**141,5**	**127,5**	**22,1%**		**100%**

[1] LfL: Like-for-Like

This €23.1 million change in Group Share is due primarily to:

- the merger between Foncière des Murs, now Covivio Hotels, and FDM Management impacted the increase in EBITDA for +€18.8 million;
- acquisitions and deliveries of assets under development (+€6.3 million):
  - 2 B&B hotels and the Motel One Porte Dorée in Paris, delivered in the first half of 2018,
  - the acquisition of a portfolio of 5 NH hotels in Germany;
- non-strategic asset disposals (-€5.8 million): 62 Quick restaurants, 5 Jardiland assets and a Courtepaille restaurant.

Operating Income - Group Share

Operating income stood at €128.8 million at 30 June 2018, down from €146.2 million at 30 June 2017. This change is due primarily to the impact of the merger that was compensated in shareholders' equity.

Net financial income Group Share

Net financial income was made up mainly of the cost of net financial debt for -€20.3 million (up by €5.0 million from June 2017, related to the impact of the merger), the negative change in fair value of financial assets and liabilities for -€8.5 million, and changes in provisions for -€2.9 million.

1.1.3. EPRA Earnings

EPRA Earnings stood at €94.0 million at 30 June 2018 (or €0.90 per share). It was up by 22.2% over 2017. EPRA Earnings per share stood at €0.90 at 30 June 2018, down from €0.96 on the same date in 2017, a decrease of 6.2%. This change per share is due to the impact of the special dividend paid in shares in 2017.

	30-June-17	30-June-18
Net income Group Share	**143,0**	**90,2**
- Change in asset values	-62,0	-58,7
- Income from disposal	0,1	0,5
- Scope change	-0,1	28,3
- Changes in the values of financial instruments	-14,0	8,5
- Deferred tax liabilities	6,6	5,3
- Deprec. on operating properties	0,0	16,2
- Adjustment IFRIC 21 (1)	0,8	2,4
- Other	2,4	1,1
EPRA Earnings	**76,9**	**94,0**
EPRA earnings/€-shares	**0,96**	**0,90**

1.1.4. Statement of consolidated half-year financial position at 30 June 2018

The simplified consolidated balance sheet at 30 June 2018 reads as follows:

ssets (€ millions)	Net 31/12/2017	Net 31/12/2017 Proforma Published	Net 30/06/2018
Tangible and Intangible Assets		1 279	1 282
Investment properties	3 932	3 979	3 896
Investments in equity affiliates	232	79	79
Other	182	204	201
Cash	34	122	532
Total	**4 380**	**5 664**	**5 989**

*including assets held for sale

Liabilities (€ millions)	Net 31/12/2017	Net 31/12/2017 Proforma Published	Net 30/06/2018
Shareholders' equity	2 184	2 680	2 939
o/w income	*252*	*234*	*90*
Non-controlling interests	221	243	262
Short- and long-term borrowings	1 711	2 270	2 312
Other liabilities	264	472	476
Total	**4 380**	**5 664**	**5 989**

Due to the merger between Foncière des Murs, now Covivio Hotels, and FDM Management, the portfolio of operating hotel properties is included under tangible & intangible assets. The investment in affiliated companies line item was down by €79 million at 30 June 2018.
As a reminder, investments in equity affiliates consist of the investments held in partnership with other institutional investors in companies that are managed by Foncière des Murs.

Investment properties were stable over the period, despite the following:

- the impact of the change in the fair value of real estate assets, for +€70 million;
- the impact of the work performed on development projects at +€21 million;
- the impact of the work performed on real estate assets, for an amount of +€14 million;
- the impact of the Quick and Jardiland disposals, for a total of €189 million.

Cash consisted of cash and investment securities for €532 million, up sharply from 31 December 2017, due to the capital increase transacted in the first half of 2018.

On the liabilities side, shareholders' equity increased from €2,184 million at 31 December 2017 to €2,939 million at 30 June 2018. This increase was due to the following:

- the impact of €90 million in positive net income for the period;
- the impact of the €165 million cash payment of the 2017 dividend;
- the impact of the €298 million capital increase performed in June;
- the impact of the merger with FDM Management, which generated a €530.8 million increase in shareholders' equity.

A detailed explanation of the various line items is provided in the notes to the consolidated half-year financial statements.

1.1.5. Debt structure

At 30 June 2018, net financial debt stood at €1,551.9 million, Group Share.

Net financial debt Group Share represented 33.1% of total assets revalued at their value excluding duties, Group Share, and 28.9% of the total assets in value including duties, Group Share (after restatement of undertakings).

Debt characteristics

Foncière des Murs negotiated for nearly €575 million in financing during the first half, which reduced the debt interest rate to 2.07% (from 2.52% in 2017).

Debt by maturity

The debt's average maturity was 5.4 years at 30 June 2018, down slightly from 31 December 2017 (5.8 years).

Hedging

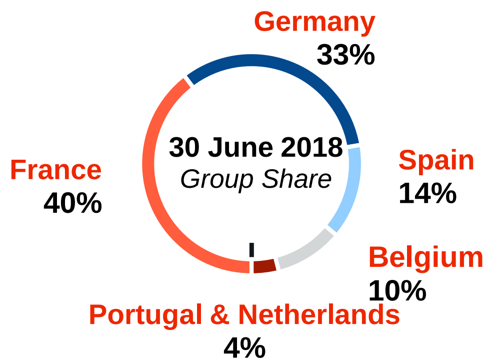
At 30 June 2018, the active hedging rate Group Share was 91.7%.

The net valuation of hedging instruments stood at -€27.5 million Group Share at 30 June 2018. Changes in the value of the hedging instruments during the period impacted the income statement for -€8.5 million Group Share.

1.2. Portfolio at 30 June 2018

The portfolio of Foncière des Murs, now Covivio Hotels - composed of 471 assets of which 5 in development and 31 in Operating Properties - was evaluated at €5,189 million, excluding duties, or €4,674 million excluding duties, Group Share.

The portfolio of Foncière des Murs breaks down as follows:



At 30 June 2018, the portfolio, Group Share, of Foncière des Murs was valued at €4,674 million excluding duties, up from €4,013 million at 31 December 2017.

During the first half of 2018, the portfolio's value was up 1.7% on a like-for-like basis. The total portfolio was valued on the basis of an average yield rate, excluding duties, of 5.6% at 30 June 2018.

(€M, Excluding Duties)	Value 2017 FDM Group Share	Value 2018 100%	Value H1 2018 FDM Group Share	Change 6 months LfL [1]	Yield [2] 2017	Yield [2] H1 2018	% of total value
Hotels Lease properties	2 959	3 469	3 088	1,8%	5,3%	5,2%	70%
Assets under development	108	168	89	6,5%	n.a	n.a	2%
Total Lease properties	**3 067**	**3 637**	**3 177**	**1,9%**	**5,3%**	**5,2%**	**72%**
Hotels Operating properties	**499**	**1 293**	**1 238**	**1,6%**	**6,4%**	**6,5%**	**28%**
Total Hotels	**3 566**	**4 930**	**4 415**	**1,8%**	**5,4%**	**5,5%**	**100%**
Non-strategic (Retail)	447	259	259	-0,5%	6,7%	6,9%	
Total	**4 013**	**5 189**	**4 674**	**1,7%**	**5,5%**	**5,6%**	

[1] *LfL: Like-for-Like.*

[2] *EBITDA yield for operating properties*

The Murs hotel portfolio was up 1.9% on a like-for-like basis in the first half of 2018. This increase in the portfolio's value is essentially explained by the creation of value on assets abroad (good performances by assets in Spain and Belgium) and by the development portfolio (growing by 6.5%). At the same time, the values of the assets held in Operating Properties increased by 1.6%.

1.2.1. Breakdown of rental income

Foncière des Murs has excellent visibility on its future cash flows given the signing of firm long-term leases with tenants who are leaders in their respective industries with very high quality signatures.

Annualised rents

Annualised rents and revenues of the hotel operating properties totalled €235.1 million at 30 June 2018, broken down as follows:

Breakdown by business segment

(€ millions)	Number of rooms	Number of assets	Annualised revenues 2017 FDM Group Share	Rental income annualised H1 2018 100%	Annualised revenues H1 2018 Group Share	Change (%)	As % of revenues
Hotel Lease properties	37 845	343	157,5	183,7	153,8	-2,4%	65,4%
Hotel Operating properties (EBITDA)	6 294	31	26,5	71,7	69,2	161,0%	29,4%
Total revenues hotels	**44 139**	**374**	**184,1**	**255,4**	**223,0**	**21,2%**	**94,9%**
Non-strategic (Retail)			30,0	12,1	12,1	-59,7%	5,1%
Total revenues	**44 139**	**374**	**214,1**	**267,5**	**235,1**	**9,8%**	**100,0%**

Geographic breakdown

(€ millions)	Number of rooms	Number of assets	Annualised revenues 2017 FDM Group Share	Rental income annualised H1 2018 100%	Annualised revenues H1 2018 Group Share	Change (%)	As % of revenues
Paris	4 082	17	22,2	25,2	23,6	6,3%	10,0%
Inner rim	678	5	3,1	3,5	3,2	1,5%	1,3%
Outer rim	3 535	35	9,5	13,0	9,8	3,2%	4,2%
Total Paris Regions	**8 295**	**57**	**34,8**	**41,8**	**36,6**	**5,0%**	**15,5%**
Major regional cities	6 443	68	20,2	26,4	20,4	1,0%	8,7%
Other French regions	9 172	126	16,2	31,4	16,5	2,1%	7,0%
Total France	**23 910**	**251**	**71,2**	**99,6**	**73,5**	**3,2%**	**31,3%**
Germany	6 410	56	25,2	26,9	25,9	2,6%	11,0%
Belgium	3 124	13	20,8	13,3	13,3	0,3%	5,7%
Spain	3 797	21	32,9	35,7	33,0	7,7%	14,0%
Others	604	2	7,5	8,1	8,1	-2,4%	3,4%
Total Lease properties	**37 845**	**343**	**157,5**	**183,7**	**153,8**	**-2,4%**	**65,4%**
France	1 198	9	5,3	14,6	14,6	154,9%	6,2%
Germany	4 575	18	19,2	51,4	49,0	179,7%	20,8%
Belgium	521	4	2,0	5,7	5,7	161,1%	2,4%
Total Hotels – Operating properties	**6 294**	**31**	**26,5**	**71,7**	**69,2**	**161,1%**	**29,4%**
Non-strategic (Retail)	0	0	30,0	12,1	12,1	-59,7%	5,1%
Total	**44 139**	**374**	**214,1**	**267,5**	**235,1**	**9,8%**	**100,0%**

Breakdown by tenant

(€ millions) – Rents for lease properties and EBITDA for operating properties	Number of rooms	Number of assets	Annualised revenues 2017 FDM Group Share	Rental income annualised H1 2018 100%	Annualised revenues H1 2018 Group Share	Change (%)	As % of revenues
Hotels	11 369	78	58,3	65,4	64,1	10,0%	27,3%
IHG	524	3	2,3	6,1	6,1	162,6%	2,6%
B&B	19 593	236	39,4	62,4	41,1	4,4%	17,5%
Radison Hotel Group	1 641	4	8,9	22,9	21,8	145,5%	9,3%
Mariott	1 661	6	8,3	24,1	23,1	178,3%	9,8%
Sunparks	1 759	3	13,4	6,5	6,5	-51,4%	2,8%
NH	1 279	7	12,7	12,9	12,4	-2,5%	5,3%
Hotusa	671	3	8,3	8,3	8,3	0,5%	3,5%
Barcelo	641	3	7,4	8,4	7,1	-3,5%	3,0%
Meininger	598	2	0,0	0,0	0,0	n/a	0,0%
Melia	632	4	5,1	4,2	4,2	-17,5%	1,8%
Club Med	792	2	5,6	10,6	6,1	10,1%	2,6%
AC Hotels	368	1	5,0	7,3	6,1	22,5%	2,6%
Motel One	712	3	2,1	4,4	4,3	104,4%	1,8%
Louvre Hotels	750	9	1,6	4,0	4,0	157,3%	1,7%
Indépendants	1 149	10	5,8	7,9	7,6	32,4%	3,3%
Total hotels	**44 139**	**374**	**184,1**	**255,4**	**223,0**	**21,2%**	**94,9%**
Non-strategic (Retail)			30,0	12,1	12,1	-59,7%	5,1%
Total	**44 139**	**374**	**214,1**	**267,5**	**235,1**	**-38,5%**	**100,0%**

1.2.2. Lease maturity

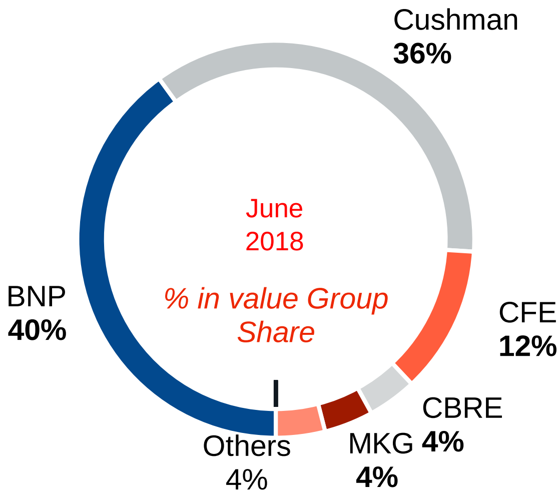
The firm residual duration of leases was stable and remained high for hotels at 11.2 years at end June 2018, due to the delivery of 3 assets with leases averaging 14 years. The residual term leases including retail was 10.8 years.

Rental income, by lease end date, broke down as follows:

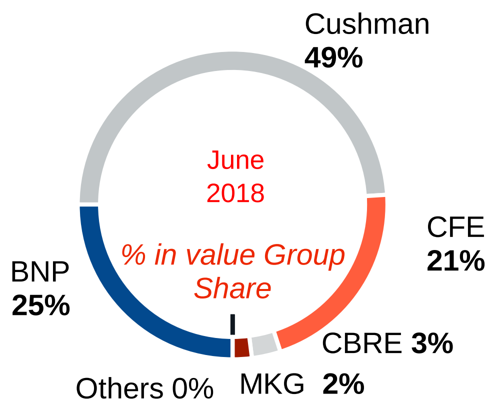
(€ million, Group share)	By date of 1st option to end lease	As % of total	By date of lease end	As % of total
2018	8,0	5%	0,0	0%
2019	4,6	3%	0,3	0%
2020	0,7	0%	0,7	0%
2021	5,7	3%	5,7	3%
2022	7,7	5%	2,3	1%
2023	7,8	5%	5,4	3%
2024	0,2	0%	3,9	2%
2025	5,1	3%	5,9	4%
2026	1,6	1%	2,3	1%
2027	2,3	1%	2,3	1%
Beyond	122,3	74%	137,2	83%
Total	**165,9**	**100%**	**165,9**	**100%**

1.2.3. Summary of expert appraisals

At 30 June 2018, the portfolio breakdown in value (Group Share) among the real estate experts was itemised as follows:



At 30 June 2018, the portfolio breakdown in number of assets among the real estate experts was itemised as follows:



1.2.4. Occupancy rate

The financial occupancy rate measures the ratio of the annualised rents of the occupied premises to the annualised rents if the premises were fully leased.

The physical occupancy rate shows the number of m² occupied compared to the total m² that could be let.

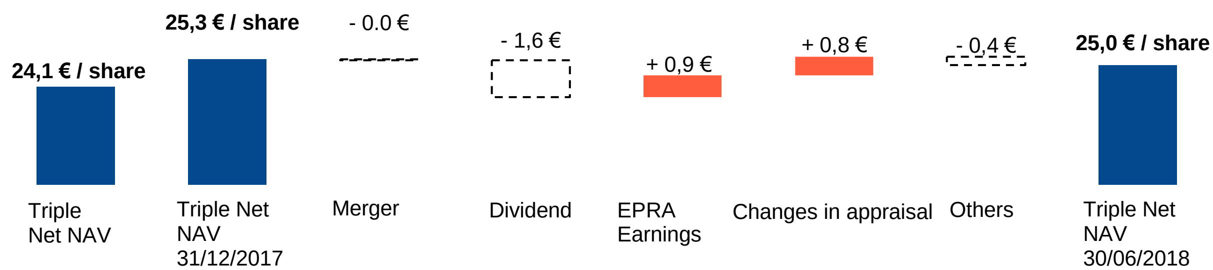
These two rates were 100% stable at 30 June 2018.

1.3. Net Asset Value (NAV) - EPRA format

At 30 June 2018, EPRA NAV stood at €3,204.6 million (or €27.1/share), an increase of 32.4% over 31 December 2017. EPRA Triple Net NAV stood at €2,953.7 million (€25.0/share, up by 32.7% over 31 December 2017.

	30-June-17	31-Dec-17	30-June-18	Change 6 months	Change 12 months
EPRA NAV (€ millions)	2 322,8	2 422,3	3 204,6	32,4%	38,0%
EPRA NAV / share (€)	**26,5**	**27,6**	**27,1**	**-1,6%**	**2,6%**
EPRA Triple Net NAV (€ millions)	2 112,3	2 225,8	2 953,7	32,7%	39,8%
EPRA Tripe Net NAV / share (€)	**24,1**	**25,3**	**25,0**	**-1,3%**	**4,0%**
Number of shares	87 816 087	87 816 087	118 057 886	30 241 799	30 241 799

The change in Triple Net NAV is determined as follows:



NAV calculation:

NAV basis - Shareholders' equity:

The real estate portfolio held by Foncière des Murs was valued as at 30 June 2017 by AFREXIM member real estate appraisers on the basis of common specifications prepared by the Company in respect of professional practices.

Assets were estimated at values excluding and/or including duties, and rents at market value.

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

Adjustments made for the calculation of the EPRA NAV:

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

1.4. Related companies

The main transactions between the related parties that took place in the first half of 2018 are detailed in Section 3.2.8.3 of the notes to the consolidated half-year financial statements.

1.5. Risk and uncertainty

The main risk factors which the Company feels are or will be likely to influence its activity and income are presented below.

This section should be read with regard to the risks described in Foncière des Murs' 2017 Registration Document, since they may have an adverse impact on the Company's activity, financial position, or income.

A - Risks related to the activity of Foncière des Murs

In view of the nature of the assets held (portfolios of assets used by major tenants that provide a 100% occupancy rate year-round, given the firm residual duration of leases which is 10.8 years), the parameters that might affect the valuation of real estate assets if they should change are limited to the following factors:
- rental income capitalisation rate;
- rental income amount (given the variable rents on the Accor portfolio).

Change in capitalisation rates

The valuation of assets and the net income of Foncière des Murs could vary widely if the capitalisation rates on the real estate sector increase or decrease significantly. The capitalisation rate is the ratio of rental income (excluding taxes and expenses) to appraisal value (excluding duties). The yield rate is the ratio of rental income (excluding taxes and fees) to appraisal value (including duties).

The change in the net income of Foncière des Murs is strongly correlated to the change in the valuation of real estate assets since the establishment of IFRS.

Sensitivity of the fair value of investment properties to the change in the capitalisation rate (Group Share data):

	Decrease in capitalisation rate				Data at	Increase in capitalisation rate			
	1 point	0.75 points	0.5 points	0.25 points	30/06/2018	0.25 points	0.5 points	0.75 points	1 point
Capitalisation rate	4,42%	4,67%	4,92%	5,17%	5,42%	5,67%	5,92%	6,17%	6,42%
Value of the portfolio (€ millions) (*)	4 572	4 328	4 108	3 909	3 728	3 564	3 413	3 275	3 147
Change in value (€ millions)	844	599	379	180		-164	-315	-453	-581
Change in %	22,6%	16,1%	10,2%	4,8%		-4,4%	-8,4%	-12,2%	-15,6%

(*) Value of leased portfolio excluding projects under development and equity-accounted portfolio

Change in rental property values (Group Share)

Due to the conclusion of leases on a firm long-term basis, Foncière des Murs is not exposed to changes in the rental market in the short term. However, if there is a downturn in the real estate investment market it could suffer adjustments in value. However, it considers that the extent of these potential adjustments would be limited because of the protection provided by the agreements entered into with its tenants.

Sensitivity of the fair value of investment properties to the change in rental income. The capitalisation rate is constant at 5.42% (Group Share data).

	Decrease in annualised rental income				Data at	Increase in annualised rental income			
	10%	8%	5%	3%	30/06/2018	3%	5%	8%	10%
Annualised rents	182	187	192	197	**202**	207	212	217	222
Value of the portfolio (€ millions) (*)	3 356	3 449	3 542	3 635	**3 728**	3 822	3 915	4 008	4 101
Change in value (€ millions)	-373	-280	-186	-93		93	186	280	373
Change in %	-10,0%	-7,5%	-5,0%	-2,5%		2,5%	5,0%	7,5%	10,0%

(*) Value of leased portfolio excluding projects under development and equity-accounted portfolio

Combination of the increased capitalisation rate and the decline in rental income

The table below shows the combined impact of an increase in capitalisation rates and a decline in rental income (Group Share data):

Increase in capitalisation rate	0,50%		1%	
Decrease in rental income	Portfolio (€ millions)	Change*	Portfolio (€ millions)	Change*
–5%	3 227	-13%	2 961	-21%
–10%	3 041	-18%	2 775	-26%

(*) Change from portfolio at 30/06/2018

Impact on financial covenants

The change in value of the portfolio, related to the change in rental income or the capitalisation rate, has an impact on the consolidated level of LTV and ICR financial covenants. These covenants are defined in Section B.

B – Risks related to the financial structure of Foncière des Murs

Liquidity risk

To finance its investments and acquisitions and to refinance any debts that have reached maturity, Foncière des Murs must be in a position to raise significant financial resources. The Company runs the risk of experiencing a lack of liquidity if it is unable to raise the necessary resources in the form of equity or borrowing.

Under the SIIC regime, Foncière des Murs is required to distribute a significant part of its profits. Therefore, it relies to a great extent on debt to finance its growth. This type of financing may sometimes not be available at advantageous terms.

Foncière des Murs also incurs the risk of insufficient liquidity to service its debt. This could result in an acceleration or early repayment and, if the debt is collateralised, enforcement of the guarantee and, where applicable, seizure of assets.

This risk is managed by tracking multi-year cash management plans and, in the short-term, by using confirmed and undrawn lines of credit. Monitoring adherence to covenants is also a priority for the Company. Moreover, 18-month liquidity forecasts are analysed every month by the Finance Department and are submitted to General Management.

Compliance with financial ratios

The rental profits of the assets held by the Company mean it can service the debt it has raised, of which the final maturity is 6.3 years. Certain borrowings include covenants that, in the event of non-compliance, could result in said debt's immediate maturity:

- LTV (loan to value) ratio, which is the ratio of the value of consolidated net debt to the value of the consolidated portfolio, and must not exceed 65% or 60% depending on the debts;
- ICR (interest coverage ratio), which is the ratio of the value of the gross operating surplus to the value of the gross operating income and consolidated financial expenses, and must be greater than 1.65 or 2, depending on the debts.

The main financial ratios mentioned in the debt contracts' default clauses refer to the consolidated levels of LTV and ICR to be respected. According to the terms of these credit agreements, non-compliance with these ratios constitutes a case of accelerated maturity.

At 30 June 2018, the Group was in compliance with all of these ratios.

These consolidated accounting covenants, moreover, most often include specific covenants for the scopes financed (the bulk of Foncière des Murs' debt is backed by portfolios).

Consolidated covenants are detailed in Section 3.2.6.12.4 of the notes to the consolidated financial statements.

Interest-rate risk, specifically the risk of an increase in interest rates

The activity of Foncière des Murs can be influenced by changes in interest rates. An increase in interest rates could have a significant adverse effect on the financial position, income, or outlook of Foncière des Murs, for several reasons:

- the value of Foncière des Murs' properties could decline, since the yield rates applied by real estate appraisers during their appraisal process is based partly on interest rates;
- an increase in interest rates could have a direct impact on the financial position of Foncière des Murs. However, virtually all of Foncière des Murs' debt is hedged by interest rate swaps. Thus, the impact that a change in interest rates would have on the net income of Foncière des Murs would be offset by the adjustment in value of the hedge instruments on the Foncière des Murs balance sheet;
- an increase in interest rates could have an impact on the development strategy of Foncière des Murs, because a higher financing cost would reduce the capacity of Foncière des Murs to finance any acquisitions and thereby implement its investment strategy.

Finally, in the event of a disposal of real estate assets, existing debt will be prepaid. The hedge policy is flexible in order to avoid any risk of overhedging in the event of an asset disposal.

However, exposure to the interest-rate risks of Foncière des Murs remains limited by the application of interest-rate hedge instruments (swaps, caps, and floors) of a duration and in an amount corresponding to the mortgage financing in position.

Detailed quantified information on interest-rate risk management is provided in Section 3.2.2.3 of the notes to the consolidated financial statements.

1.6. 2018 outlook

Covivio Hotels will continue to move into the major European markets, relying on its existing partnerships with hotel operators to aggressively grow its portfolio.

1.7. Bridge tables

1.7.1. Bridge tables

1.7.1.1. Bridge table on the portfolio:

Portfolio at 30/06/2018	**€4 674 M**
Tangible fixed assets	+€21 M
Unaccounted goodwill of Operating Properties assets	-€31 M
Real estate assets, Group Share	**€4 664 M**
Share of minority shareholders in fully consolidated companies	+€514 M
100% real estate assets - IFRS statements	**€5 178 M**

1.7.1.2. Bridge table on NAV:

Group shareholders' equity - IFRS statements	**€2 939 M**
Fair Value of operating properties assets net of deferred taxes	+€25 M
Fixed-rate debt	-€10 M
EPRA Triple Net NAV	**€2 954 M**
Financial instruments and fixed rate debt	+€38 M
Deferred tax liabilities	+€213 M
EPRA NAV	**€3 205 M**

1.7.1.3. Bridge table on rental income:

€ millions	**Rental income H1 2018 IFRS statements**	Share of minority shareholders	**Rental income H1 2018 FDM Group Share**
Hotels	€95 M	-€13 M	€82 M
Retail premises	€13 M	-	€13 M
Total rental income	**€108 M**	**-€13 M**	**€95 M**
EBITDA of hotels under management	**€34 M**	**-€2 M**	**€32 M**

1.7.1.4. Bridge table on EPRA Earnings:

€ millions	**Net income 100% IFRS statements**	**Share of minority shareholders**	**Net income Group Share**	**Restatements**	**EPRA Earnings**
Net rental income	**104,8**	**-12,6**	**92,2**	**0,8**	**93,0**
Income of hotels under management	**33,7**	**-1,3**	**32,4**	**1,6**	**34,0**
Operating costs	**-8,6**	**1,1**	**-7,5**	**0,0**	**-7,5**
Depreciation of operating assets	-20,6	0,8	-19,8	16,2	-3,6
Net change in provisions and other	1,7	-0,1	1,6	0,0	1,6
OPERATING INCOME	**111,0**	**-12,1**	**98,9**	**18,6**	**117,5**
Income from asset disposals	-0,5	0,0	-0,5	0,5	0,0
Net valuation gains and losses	70,3	-11,6	58,7	-58,7	0,0
Income from disposal of securities	103,0	0,0	103,0	-103,0	0,0
Income from changes in scope	-131,3	0,0	-131,3	131,3	0,0
OPERATING INCOME after valuation impact and disposals	**152,5**	**-23,7**	**128,8**	**-11,2**	**117,5**
Cost of net financial debt	-23,0	2,6	-20,3	0,3	-20,1
Value adjustment on derivatives	-9,0	0,5	-8,5	8,5	0,0
Discounting of liabilities and receivables	-0,3	0,0	-0,3	0,0	-0,3
Net change in financial and other provisions	-3,1	0,2	-2,9	0,8	-2,1
Share in income of equity affiliates	3,5	0,0	3,5	-0,2	3,3
PRE-TAX NET INCOME	**120,7**	**-20,5**	**100,2**	**-1,9**	**98,3**
Deferred tax liabilities	-5,3	0,0	-5,3	5,3	0,0
Corporate income tax	-4,7	0,1	-4,6	0,2	-4,4
NET INCOME FOR THE PERIOD	**110,6**	**-20,4**	**90,2**	**3,6**	**94,0**

2. Condensed Consolidated Financial Statements as at 30 June 2018

CONTENTS

3.1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

3.1.1. STATEMENT OF FINANCIAL POSITION

Assets

€ thousands	Note	30-Jun-18	Proforma 31 Dec. 2017	31-Dec-17
Intagible fixed assets				
Goodwill	3.2.6.1.1	112 041	110 900	0
Intangible fixed assets	3.2.6.1.1	41 892	42 000	0
Tangible fixed assets				
Operating properties	3.2.6.1.2	1 079 679	1 097 400	0
Other tangible fixed assets	3.2.6.1.2	23 831	23 484	84
Advances on acquisitions of tangible fixed assets	3.2.6.1.2	24 071	5 278	3 478
Investment properties	3.2.6.1.3	3 683 204	3 771 767	3 724 567
Non-current financial assets	3.2.6.2	83 479	53 110	114 444
Investments in equity affiliates	3.2.6.4.1	78 719	79 153	232 153
Deferred tax assets	3.2.6.6	7 211	15 500	0
Long-term derivatives	3.2.6.12.3	3 860	8 385	5 628
TOTAL NON-CURRENT ASSETS		**5 137 987**	**5 206 977**	**4 080 354**
Assets held for sale	3.2.5.5	212 765	207 396	207 396
Loans and receivables with EM co's	3.2.6.3	253	733	27 788
Inventories and work-in-progress	3.2.6.5	2 244	2 400	0
Short-term derivatives	3.2.6.12.3	1 467	120	120
Trade receivables	3.2.6.7	70 865	24 985	10 687
Tax receivables	3.2.6.8	22 954	3 509	18 003
Other receivables	3.2.6.8	4 746	93 467	1 874
Prepaid expenses	3.2.6.9	3 654	2 040	340
Cash and cash equivalents	3.2.6.10	532 237	122 279	33 645
TOTAL CURRENT ASSETS		**851 185**	**456 929**	**299 853**
TOTAL ASSETS		**5 989 172**	**5 663 906**	**4 380 207**

Liabilities

€ thousands	Note	30-juin-18	Proforma 31 Dec. 2017	31-déc.-17
Share capital	3.2.6.11	472 231	424 964	351 264
Share premium account		1 330 148	1 117 803	705 403
Own shares		-96	-70	-70
Consolidated reserves		1 046 424	903 509	875 309
Net income		90 247	233 465	252 165
TOTAL SHAREHOLDERS' EQUITY, GROUP SHARE	3.2.6.11	**2 938 954**	**2 679 671**	**2 184 071**
Non-controlling interests	3.1.4	261 884	242 787	221 087
TOTAL SHAREHOLDERS' EQUITY		**3 200 838**	**2 922 458**	**2 405 158**
Long-term borrowings	3.2.6.12	2 233 406	2 219 006	1 673 578
Long-term derivatives	3.2.6.12.3	17 351	25 997	25 697
Deferred tax liabilities	3.2.6.6	215 135	218 225	117 503
Pension plan and other employee benefit		1 511	1 429	129
Other long-term liabilities		5 165	4 298	2 998
TOTAL NON-CURRENT LIABILITIES		**2 472 568**	**2 468 955**	**1 819 905**
Trade payables (1)	3.2.6.13	44 649	68 491	10 249
Trade payables on fixed assets (1)	3.2.6.13	87 129		27 801
Short-term borrowings	3.2.6.12	79 150	50 500	36 955
Short-term derivatives	3.2.6.12.3	15 286	13 281	13 081
Advances and pre-payments	3.2.6.13	9 548	7 729	1 229
Provisions	3.2.6.13	8 344	8 415	15
Current tax	3.2.6.13	9 355	8 372	2 372
Other short-term liabilities	3.2.6.13	50 688	105 019	62 619
Accruals	3.2.6.14	11 617	10 686	823
TOTAL CURRENT LIABILITIES		**315 766**	**272 493**	**155 144**
TOTAL LIABILITIES		**5 989 172**	**5 663 906**	**4 380 207**

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

The 31 December 2017 proforma column corresponds to the financial information inserted into the Foncière des Murs group Registration Document at 31 December 2017 and into the document E of 21 December 2017 approved by the AMF. These pro forma accounts materialise the balance sheet as if the merger of Operating Properties had been effective at 31 December 2017.

3.1.2. STATEMENT OF NET INCOME

STATEMENT OF CONSOLIDATED ANNUAL COMPREHENSIVE INCOME

€ thousands	Note	30-Jun-18	30-Jun-17
Rental Income	**3.2.7.1.1**	107 808	102 930
Unrecovered rental costs	**3.2.7.1.3**	-1 870	-1 814
Expenses on properties	**3.2.7.1.3**	-1 107	-1 050
Net losses on unrecoverable receivables	**3.2.7.1.3**	-18	-5
NET RENTAL INCOME		**104 813**	**100 061**
INCOME FROM HOTELS UNDER MANAGEMENT	**3.2.7.1.2**	**33 664**	**0**
Management and administration income		990	998
Business expenses		-806	-1 017
Overhead		-8 729	-6 451
Development expenses		-6	0
NET COST OF OPERATIONS	**3.2.7.1.4**	**-8 551**	**-6 470**
Depreciation of operating assets	**3.2.6.1.2**	-20 553	-10
Net change in provisions and other		1 675	392
OPERATING INCOME		111 048	93 973
Income from asset disposals		188 583	3 500
Carrying value of investment properties sold		-189 055	-3 644
INCOME FROM ASSET DISPOSALS	**3.2.5.4**	**-472**	**-144**
Gains in value of investment properties		83 125	100 583
Losses in value of investment properties		-12 838	-19 408
INCOME FROM VALUE ADJUSTMENTS	**3.2.7.2**	**70 287**	**81 175**
INCOME FROM DISPOSAL OF SECURITIES (1)	**3.1.4**	**103 000**	**0**
INCOME FROM CHANGES IN SCOPE (1)	**3.1.4**	**-131 316**	**55**
OPERATING INCOME		152 547	175 059
Cost of net financial debt	**3.2.7.3**	-22 968	-16 937
Value adjustment on derivatives	**3.2.6.12.3**	-8 966	14 508
Discounting of liabilities and receivables	**3.2.7.4**	-301	640
Net change in financial and other provisions	**3.2.7.4**	-3 142	-2 702
Share in income of equity affiliates	**3.2.6.4.1**	3 490	7 471
PRE-TAX NET INCOME		120 660	178 039
Deferred tax liabilities	**3.2.7.5.1**	-5 316	-6 657
Corporate income tax	**3.2.7.5.2**	-4 718	-1 336
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS		110 626	170 046
Profit (loss) after tax of discontinued operations			-42
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS			**-42**
NET INCOME FOR THE PERIOD		110 626	170 004
Net income from non-controlling interests		-20 380	-27 038
NET INCOME FOR THE PERIOD – GROUP SHARE		90 247	142 965
Group net income per share (€)		**0,76**	**1,79**
Group diluted net income per share (€)		**0,76**	**1,79**

(1) The line items "Income from disposals of securities" for €103 million and "Income from changes in scope" for -€131 million generate the income from the restructuring of the Operating Properties business line for -€28 million (see 3.1.4)

3.1.3. STATEMENT OF COMPREHENSIVE INCOME

€ thousands	Note	30-Jun-18	30-Jun-17
NET INCOME FOR THE PERIOD		**110 626**	**170 004**
Revaluation reserve of financial instruments		1	0
OTHER ITEMS OF COMPREHENSIVE INCOME		**1**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**110 627**	**170 004**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE			
To the owners of the parent company		90 247	142 965
Non-controlling interests		20 380	27 038
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**110 627**	**170 004**
NET COMPREHENSIVE INCOME PER SHARE	**3.2.8.2**	**0,76**	**1,79**
NET DILUTED COMPREHENSIVE INCOME PER SHARE	**3.2.8.2**	**0,76**	**1,79**

3.1.4. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ thousands	Share capital	Share premium account	Treasury shares	Reserves and retained earnings	Gains and losses recognised directly in shareholders' equity	Total shareholders' equity, Group Share	Non-controlling interests	Total shareholders' equity
Position at 31 December 2016	**296 416**	**453 759**	**-61**	**1 101 016**	**0**	**1 851 130**	**202 252**	**2 053 382**
Share options & securities transactions			2	-2		**0**		**0**
Distribution of dividends				-229 725		**-229 725**	-1 921	**-231 646**
Capital increase	54 848	255 350				**310 198**		**310 198**
Others		-3 706		3 706		**0**		**0**
Total comprehensive income for the period				**142 965**	**0**	**142 965**	**27 038**	**170 004**
Of which effective portion of gains or losses on hedging instruments					*0*	*0*		*0*
Scope change				63		**63**	40 095	**40 158**
Position at 30 June 2017	**351 264**	**705 403**	**-59**	**1 018 023**	**0**	**2 074 631**	**267 464**	**2 342 096**
Other securities transactions			-11	11		**0**		
Distribution of dividends							-11 000	**-11 000**
Capital increase								
Others								
Total comprehensive income for the period				**109 200**		**109 200**	4 723	**113 922**
Changes in scope and interest rates				240		**240**	-40 100	**-39 860**
Position at 31 December 2017	**351 264**	**705 403**	**-70**	**1 127 474**	**0**	**2 184 071**	**221 087**	**2 405 158**
Other securities transactions			-26	26		**0**		**0**
Distribution of dividends				-164 687		**-164 687**	-1 199	**-165 886**
Capital increase (1)	47 223	251 252				**298 475**		**298 475**
Others						**0**		**0**
Total comprehensive income for the period				**90 246**	**1**	**90 247**	**20 380**	**110 627**
Of which effective portion of gains or losses on hedging instruments					*1*	*1*		*1*
Changes in scope and interest rates (2)	73 744	373 493		83 611		**530 848**	21 616	**552 464**
Position at 30 June 2018	**472 231**	**1 330 148**	**-96**	**1 136 670**	**1**	**2 938 954**	**261 884**	**3 200 838**

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

(1) On 21 June 2018, a capital increase in cash was subscribed for €298.5 million to acquire a portfolio of hotels in the United Kingdom.

(2) On 24 January 2018, the merger-acquisition of FDM Management generated a €503 million increase in shareholders' equity. There were two components of this change:

+€530.8 million: capital increase related to the FDM - FDM Management merger and the contribution of 50% of SCI Porte Dorée shares

-€28 million: net income from the restructuring of the transaction

€ millions	FDM M (1)	SCI Porte Dorée (2)	Total
Sale price of previously held share (a)	227,7	28,3	256,0
Valuation of EM securities at 31/12/2017 (b)	142,7	10,3	153,0
Income from disposal of share initially held (a - b)	**85,0**	**18,0**	**103,0**
Amortisation of goodwill	-108,5	-22,6	-131,1
Net income on restructuring transaction	**-23,5**	**-4,6**	**-28,1**

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

The merger of FDM Management generated €103 million in income from the disposal of the previously held investment (40.7% for all of FDM Management and 50% for SCI Porte Dorée), in accordance with IFRS.
This transaction was carried out by means of securities exchanges based on parity close to NAV. However, pursuant to IFRS, the acquisition price was determined by reference to the quoted market price of FDM stock on 24 January 2018 (€29). This valuation generated €219 million in goodwill, of which €131 million were without economic justification and depreciated during the fiscal year.
The entire transaction generated -€28 million in restructuring income with no equity impact (income/reserves).

3.1.5. STATEMENT OF CASH FLOWS

€ thousands	Note	30/06/2018		31/12/2017
Total net income of continuing operations		110 626		283 964
Total net income of discontinued operations		0		-38
Consolidated net income (including non-controlling interests)		110 626		283 926
Net amortisation, depreciation and provisions (excluding provisions relating to current assets)		151 663		40
Unrealised gains and losses relating to changes in fair value	3.2.6.12.3	-61 321		-113 925
Income and expenses calculated on stock options and related share-based payments		20		184
Other calculated income and expenses	3.2.7.4	2 794		3 078
Gains or losses on disposals		-102 528	(1)	-4 590
Share of income from companies accounted for under the equity method	3.2.6.4.1	-3 490		-17 575
Cash flow from continuing operations after tax and cost of net financial debt		**97 764**		**151 176**
Cash flow from discontinued operations after tax and cost of net financial debt		**0**		**-38**
Cash flow after tax and cost of net financial debt		**97 764**		**151 138**
Cost of net financial debt	3.2.7.3	22 968		35 140
Income tax expense (including deferred taxes)	3.2.7.5.1	10 034		4 057
Cash flow from continuing operations before tax and cost of net financial debt		**130 766**		**190 373**
Cash flow from discontinued operations before tax and cost of net financial debt		**0**		**-38**
Cash flow before tax and cost of net financial debt		**130 766**		**190 335**
Taxes paid		-1 588		-4 808
Change in working capital requirements on continuing operations (including employee benefits liabilities)	3.2.6.7	-2 860		-3 054
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS		**126 318**		**182 511**
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES OF DISCONTINUED OPERATIONS		**0**		**-38**
NET CASH FLOWS GENERATED BY OPERATIONS		**126 318**		**182 473**
Disbursements related to acquisition of tangible and intangible fixed assets	3.2.6.1.2	-64 853		-512 189
Proceeds relating to the disposal of tangible and intangible fixed assets	3.2.5.4	188 584		135 447
Disbursements relating to acquisition of financial assets (non-consolidated securities)	3.2.6.2	0		-200
Impact of changes in the scope of consolidation		28 599	(2)	-174 420
Dividends received (companies accounted for under the equity method, non-consolidated securities)	3.2.6.4.1	3 874		8 322
Change in loans and advances granted	3.2.6.2	59 353		-25 642
NET CASH FLOW PROVIDED BY INVESTMENT ACTIVITIES OF CONTINUING OPERATIONS		**216 132**		**-568 682**
NET CASH FLOW PROVIDED BY INVESTMENT ACTIVITIES OF DISCONTINUED OPERATIONS		**0**		**1 732**
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**216 132**		**-566 950**
Amounts received from shareholders in connection with capital increases:				
Paid by parent company shareholders	3.1.4	298 475	(3)	199 223
Purchases and sales of treasury shares	3.1.4	-25		-2
Dividends paid during the reporting period:				
Dividends paid to parent company shareholders	3.1.4	-164 687		-118 628
Dividends paid to non-controlling interests of consolidated companies	3.1.4	-1 199		-12 921
Proceeds related to new borrowings	3.2.6.12	103 055		687 887
Repayments of borrowings (including finance lease agreements)	3.2.6.12	-71 781		-324 863
Net interest paid (including finance lease agreements)		-26 598		-34 895
Other cash flow from financing activities	3.2.6.12.3	-12 269		-32 045
NET CASH FLOW PROVIDED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS		**124 971**		**363 756**
NET CASH FLOW PROVIDED BY FINANCING ACTIVITIES OF DISCONTINUED OPERATIONS		**0**		**0**
Net cash flow from financing activities		**124 971**		**363 756**
CHANGE IN NET CASH OF CONTINUING OPERATIONS		**467 421**		**-22 415**
CHANGE IN NET CASH OF DISCONTINUED OPERATIONS		**0**		**1 694**
CHANGE IN NET CASH		**467 421**		**-20 721**
Opening cash position		14 411		35 132
Closing cash position		481 832		14 411
Change in cash and cash equivalents		**467 421**		**-20 721**
		Closing		**Closing**
Gross cash (a)	3.2.6.10	532 237		33 645
Debit balances and bank overdrafts from continuing operations (b)	3.2.6.12	-50 405		-19 234
Net cash and cash equivalents (c) = (a) - (b)		**481 832**		**14 411**
Gross debt (d)	3.2.6.12	2 288 451		1 712 721
Amortisation of financing costs (e)	3.2.6.12	-26 300		-21 422
NET DEBT (D) – (C) + (E)		**1 780 319**		**1 676 888**

(1) DAP of the Operating Properties business line for €20.5 million and immediate depreciation of goodwill for -€131 million (see 3.1.4).
(2) Income from asset disposals for -€0.5 million and income from disposal of the restructuring transaction for €103 million (see 3.1.4).
(1 + 2) Combined income from these restructuring operations was -€28 million.

(3) The €28.6 million of the "Impact of changes in the scope of consolidation" line item corresponding to the cash acquired after the FDM Management merger for €78.7 million, minus the deposit on the acquisition of shares in assets located in the United Kingdom for €30 million, and the balance of the deferred payment of Hermitage shares (Operating Hotels business line) for €20 million.

(4) The €298.5 million of the line item "Capital increase paid by shareholders" corresponds to the transaction carried out on 21 June 2018.

3.2. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3.2.1. ACCOUNTING PRINCIPLES AND METHODS

3.2.1.1. General Principles – Accounting Standards

The condensed consolidated financial statements of the Foncière des Murs group at 30 June 2018 were prepared in accordance with International Financial Information Standard IAS 34 "Interim Financial Reporting". Since they are condensed statements, they do not include all of the information required by IFRS guidelines and must be read in conjunction with the annual financial statements of the Foncière des Murs group for the year ending on 31 December 2017.

The financial statements were approved by the Management on 13 July 2018.

➢ Accounting principles and methods used

The accounting principles applied for the condensed consolidated financial statements as at 30 June 2018 are identical to those used for the consolidated financial statements as at 31 December 2017, except for new standards and amendments whose application was mandatory on or after 1 January 2018 and which were not applied early by the Group.

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

- IFRS 9 "Financial instruments: Hedge Accounting", adopted by the European Union on 22 November 2016. This standard will replace IAS 39 concerning financial instruments. The Group will apply the provisions relating to the recognition and measurement of financial instruments, and to the impairment of financial assets retrospectively from 1 January 2018, without restating comparative figures upon first application. The impacts of the implementation of this standard, in particular concerning the treatment of debt renegotiations, are immaterial;
- IFRS 15 "Revenue from Contracts with Customers", adopted by the European Union on 22 September 2016. In May 2014, the IASB and the FASB published IFRS 15, which changes how revenue is recognised and supersedes IAS 18 "Revenue" and IAS 11 "Construction Contracts". IFRS 15 establishes a fundamental principle that requires revenues from contracts with customers to be recognised in a way that reflects the amount to which a seller expects to be entitled when transferring control of a good or service to a customer.
  Amendments to IFRS 15, adopted by the European Union on 31 October 2017. Clarifications have been made to IFRS 15 concerning the following: identification of performance obligations, principal versus agent application, licenses, and transitory provisions. The Group did not recognise any impact on its earnings or shareholders' equity;

- amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", adopted by the European Union on 3 November 2017. They are intended to remedy the temporary accounting consequences of the time-lag between the effective date of IFRS 9 and that of the new standard on insurance contracts replacing IFRS 4 (IFRS 17);
- amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”, adopted by the European Union on 26 February 2018. This amendment covers three aspects that concern the following: the effects of vesting conditions on the measurement of cash-settled share-based payments and, share-based payment transactions subject to tax withholding obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled;
- annual improvements to IFRS (2014-2016 cycle), adopted by the European Union on 7 February 2018. These improvements consist of minor amendments to IFRS 1 "First-time adoption of IFRS", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures";
- amendments to IAS 40 “Transfers of Investment Property” adopted by the European Union on 14 March 2018. Further details on paragraphs 57 and 58 of IAS 40 have been provided by the IASB. An entity is required to transfer a property from investment property to inventories when, and only when, there is a change in use. There is a change in use when the property becomes or ceases to be an investment property, under the definition of that term, and there is evidence of such a change;
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration", adopted by the European Union on 28 March 2018. This interpretation deals with the issue of the exchange rate to be used for advance payments.

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

- amendments to IAS 28 “Investments in Associates and Joint Ventures”, published 12 October 2017. Their adoption by the European Union is expected in 2018. According to the IASB, the effective date should be 1 January 2019;
- annual improvements to IFRS (2015-2017 cycle), published on 12 December 2017. Their adoption by the European Union is expected in 2018. According to the IASB, the effective date should be 1 January 2019. These improvements amend IFRS 3 “Business Combinations”, IFRS 11 “Partnerships”, IAS 23 “Borrowing Costs” and IAS 12 “Income Taxes”;
- amendments to IAS 19 "Plan Amendment, Curtailment or Settlement", published on 7 February 2018. Their adoption by the European Union is expected in 2018. According to the IASB, the effective date should be 1 January 2019;
- IFRIC 23 “Uncertainty Over Income Tax Treatments,” published on 7 June 2017. Its adoption by the European Union is expected in Q3 2018. According to the IASB, the effective date should be 1 January 2019.

The new amendments and standards adopted by the European Union whose application was not mandatory at 1 January 2018 and which are not being applied early by the Foncière des Murs group are:

- IFRS 16 “Leases”, adopted by the European Union on 31 October 2017; according to the IASB, the effective date should be 1 January 2019. On 13 January 2016, the IASB published IFRS 16, which will supersede IAS 17 “Leases”, as well as the corresponding interpretations (IFRIC 4, SIC 15 and SIC 27). The most significant change is that all the leases concerned will be recognised on the lessee’s balance sheet, providing better visibility on their assets and liabilities. The Group has carried out an initial survey of its leases. At this stage, this primarily involves operating leases for company vehicles and construction leases. The implications for the Group should be limited;

- amendment to IFRS 9 "Prepayment Features with Negative Compensation", published on 12 October 2017 and adopted by the European Union on 22 March 2018; according to the IASB, the effective date should be 1 January 2019.

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

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

3.2.1.2. Consolidation Principles

3.2.1.2.1. Consolidated subsidiaries and structured entities – IFRS 10

These financial statements include the financial statements of Foncière des Murs and the financial statements of the entities (including structured entities) that it controls and its subsidiaries. Foncière des Murs has control if it:

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

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

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

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

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

Subsidiaries and structured entities are fully consolidated.

3.2.1.2.2. Equity affiliates – IAS 28

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

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

3.2.1.2.3. Partnerships (joint control) – IFRS 11

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

3.2.1.2.3.1. Joint ventures

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

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

3.2.1.2.3.2. Joint operations

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

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

- its assets, including its proportionate share of assets held jointly, where applicable;
- its liabilities, including its proportionate share of liabilities undertaken jointly, where applicable;
- the income that it derived from the sale of its proportionate share in the yield generated by the joint operation;

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

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

No Group company is considered to constitute a joint operation.

3.2.1.3. Estimates and judgements

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

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

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

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

For the preparation of the half-year consolidated financial statements, the Group uses the following specific estimates:

- for income: for hotels managed by the AccorHotels group, rental income is calculated on the basis of accrued real AccorHotels revenues at end May 2018 and estimated for June 2018;
- for taxes: taxes are actually calculated for the listed parent company and significant subsidiaries that are not SIIC.

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

3.2.1.4. Operating segments (IFRS 8)

Foncière des Murs holds a diverse portfolio of real estate assets to collect rental income and benefit from appreciation in the assets held. Segment reporting is organised by type of clientèle and nature of the assets.

Consequently, the operating segments are as follows:

- Hotels: assets leased primarily to AccorHotels, B&B, Motel One, NH, Pierre & Vacances and Club Med;
- Retail operations: assets let to Jardiland and Courtepaille;
- Murs et Fonds: hotels operated.

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

3.2.1.5. Valuation rules and methods applied by Foncière des Murs

3.2.1.5.1. Business combinations (IFRS 3) and goodwill from acquisitions

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

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

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

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

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

After its initial recognition, the goodwill is subject to an impairment test at least once a year.

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

3.2.1.5.2. Investment properties (amended IAS 40)

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

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

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

The portfolio of Foncière des Murs is appraised by independent appraisers who belong to AFREXIM (specifically Cushman, Jones Lang Lasalle, BNP Paribas Real Estate, CBRE, Crédit Foncier Expertise, Christie & Co…) according to a half-yearly schedule, with two campaigns completed, one at 30 June and the other at 31 December.

Calculation methods are determined by an internal set of specifications, based on the guidelines of the oversight bodies:

- recommendations of the French Financial Markets Authority (AMF);
- instructions from the COB report of 3 February 2000 on real estate appraisals ("Report from the Working Group on expert appraisals of the real estate portfolio of companies issuing public calls for savings," chaired by Mr Georges Barthès de Ruyter).

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

Assets were estimated at values excluding and/or including duties, and rents at market value. They are recognised at their net market value.

The methodology changes according to the type of asset:

✓ Hotel valuations

The value of hotels was determined by discounting future annual net revenues based on the following principles:

- a majority of the valuation of cash-flow projections was done over 10 years;
- cash flows are determined by rental income, themselves a product of the hotels' revenues, and the direct investments of the Foncière des Murs Group are deducted from cash flow;
- rental income is calculated by applying a fixed rate to revenues from hotels. The rates vary according to the brand and location of the asset;

- the discount and capitalisation rates are determined on the basis of the risk-free interest rate plus a risk premium for the property.

The appraisals were carried out by BNP Paribas Real Estate Valuation, Cushman, Jones Lang Lasalle, and Crédit Foncier Expertise for the assets held in France.

For the German and Belgian portfolio, the appraisals were carried out by BNP Paribas Real Estate Valuation, Cushman, and CBRE.

For the Dutch portfolio, appraisals were carried out by Christie & Co.

For the Spanish portfolio, appraisals were carried out by Cushman.

✓ Valuation of Sunparks vacation villages

Vacation villages are appraised by updating all rental income over the residual term lease.

Discount rates are estimated factoring in the liquidity risk specific to each property, according to its position and features as well as its specific rental situation.

Residual value is established at the end of the residual term lease and updated on the appraisal date. Appraisals are carried out by BNP Paribas Real Estate Valuation, based on specifications prepared by the Company in compliance with professional practices.

✓ Valuation of Club Méditerrannée vacation villages

The vacation villages were appraised by updating all rental income that they are likely to generate, as well as updating all of the rental income over a 10-year period. Appraisals are carried out by Jones Lang Lasalle (Club Med Da Balaïa) and BNP Real Estate Valuation (Club Med Samoëns), based on specifications prepared by the Company in compliance with professional practices.

✓ Valuation of Jardiland garden centres

The garden centres were assessed by capitalizing the rental income that they are likely to generate (accounting for the estimated level of normalized rent that the asset is likely to sustain) as well as discounting all rental income over the residual term lease. Appraisals are carried out by Crédit Foncier Expertise, based on specifications prepared by the Company in compliance with professional practices.

- ✓ Valuations of Courtepaille restaurants

The restaurants were assessed by capitalising the rental income that they are likely to generate (accounting for the estimated level of normalised rent that the asset is likely to sustain) as well as discounting all rental income over a 10-year period. The appraisals are carried out

by Crédit Foncier Expertise, based on specifications prepared by the Company in compliance with professional practices.

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

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

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

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

3.2.1.5.3. Assets under development (revised IAS 40)

Since 1 January 2009, in accordance with amended IAS 40, assets under construction are recognised according to the general fair-value principle, except where it is not possible to determine this fair value on a reliable and ongoing basis. In such cases, the asset is carried at cost.

As a result, development programmes and extensions or remodelling of existing assets that are not yet commissioned are recognised at their fair value, and are treated as investment properties whenever the administrative and technical fair-value reliability criteria – i.e. administrative, technical and commercial criteria – are met.

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

3.2.1.5.4. Tangible fixed assets (IAS 16)

Pursuant to the preferred method proposed by IAS 16, hotels under management in the Operating Properties business line (own occupied buildings - occupied or operated by Group employees) are carried at historical cost less accumulated depreciation and any potential impairment.

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

In accordance with IFRS 5, when Foncière des Murs decided to dispose of an asset or group of assets, it classifies it or them as an asset or assets held for sale if:

- the asset or group of assets is available for immediate sale in its current condition, subject only to normal and customary conditions for the sale of such assets;
- its or their sale is likely within one year and marketing for the property has been initiated.

For Foncière des Murs, only assets corresponding to the above criteria or for which a sale undertaking has been signed are classified as current assets held for sale.

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

3.2.1.5.6. Financial assets

➢ Other financial assets

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

These securities are recognised upon acquisition at cost plus transaction costs. They are then recognised at fair value in the income statement on the reporting date. The fair value is arrived at on the basis of recognised valuation techniques (reference to recent transactions, Discounted Cash Flows, etc.). Some securities that cannot be reliably measured at fair value are recognised at acquisition cost.

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

- Loans

At initial recognition, loans are measured at fair value, plus or minus the transaction costs directly attributable to them.

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

- Cash and cash equivalents

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

3.2.1.5.7. Investments in equity affiliates and joint ventures

Investments in equity affiliates and joint ventures are recognised by the equity method. According to this method, the Group's investment in the equity affiliate or the joint venture is initially recognised at cost, increased or reduced by the changes, subsequent to the acquisition, in the share of the net assets of the affiliate. The goodwill related to an equity affiliate or joint venture is included in the book value of the investment, if it is not impaired. The share in the earnings for the period is shown in the line item "Share in income of equity affiliates".

The financial statements of equity affiliates are prepared for the same accounting period as for the parent company, and adjustments are made, where relevant, to adapt the accounting methods to those of the Foncière des Murs group.

3.2.1.5.8. Trade receivables

Trade receivables mainly consist of operating lease receivables and receivables related to ordinary income (Operating Hotels business line). These items are measured at amortised cost. In the event that the recoverable value is lower than the net book value, the Group may be required to account for an impairment charge through profit or loss.

- Receivables from operating lease transactions

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

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

- Receivables from transactions on ordinary income (operated hotels)

- Receivables are impaired according to how late the payments are.

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

3.2.1.5.9. Treasury shares

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

3.2.1.5.10. Retirement commitments

Retirement commitments are recognised in accordance with revised IAS 19. Provisions are recorded on the balance sheet for the liabilities arising from defined benefits pension schemes for existing staff at the reporting date. They are calculated according to the projected credit units method based on valuations made at each reporting date. The past service cost corresponds to the benefits granted, either when the Company adopts a new defined benefits scheme, or when it changes the level of benefits of an existing scheme. When new benefits are granted upon adoption of a new scheme or change in an existing scheme, the past service cost is immediately recognised in the income statement.

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

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

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

3.2.1.5.11. Financial liabilities

Financial liabilities include borrowings and other interest-bearing debt.

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

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

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

- Tenants’ security deposits

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

3.2.1.5.12. Derivatives and hedging instruments

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

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

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

In view of the features of its debt, Foncière des Murs no longer qualifies for hedge accounting. All derivative instruments are recognised at their fair value, and changes are reflected in the income statement.

3.2.1.5.13. Taxes payable and deferred tax liabilities

➢ SIIC tax regime (French companies)

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

- Exemption of SIIC revenues

The revenues of the SIIC are exempt from taxes concerning:

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

- Distribution obligations

The distribution obligations associated with exemption profits are the following:

- 95% of the earnings derived from asset leasing;
- 60% of the capital gains from disposals of assets and shares in subsidiaries having opted for the tax treatment, or subsidiaries not subject to corporation tax with a SIIC corporate purpose, for two years;
- 100% of dividends from subsidiaries that have opted for the tax treatment, or subsidiaries referred to in Article 8 of the French General Tax Code that have a purpose identical to that of a SIIC.

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

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

➢ Ordinary law regime and deferred taxes

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

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

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

➢ SOCIMI regime (Spanish companies)

The Spanish companies held by Foncière des Murs opted for the SOCIMI tax regime, effective 1 January 2017. Opting for SOCIMI does not trigger an exit tax upon making the option. However, the capital gains on the period outside of the SOCIMI regime during which assets were held are taxable when disposing of said assets.

The rental income from the leasing of assets and proceeds from disposals of assets held under the SOCIMI regime are exempt, provided 80% of rental profits and 50% of asset disposal profits are distributed. These capital gains are determined by allocating the taxable gains to the period outside the SOCIMI regime in a linear basis, over the total holding period.

3.2.1.5.14. Rental Income

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

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

Rental income for the fiscal year corresponds to rental income invoiced during the period. For hotels managed by the AccorHotels group, these invoices are calculated as a percentage of revenues from the previous fiscal year. The accounting adjustment aimed at recognising the revenues for the fiscal year is made at the end of the year.

3.2.1.5.15. Income from operated hotels

Revenues of hotels under management correspond to the sale amount on products and services related to ordinary activities. It is divided among the various hotel services (accommodation, catering, and other services).

All income from hotels under management is assessed at the fair value of the counterparty received or due, net of discounts, rebates, or refunds, VAT or other taxes.

3.2.1.5.16. Earnings per share (IAS 33)

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

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

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

- all dividends or other items under potentially dilutive ordinary shares that were deducted to arrive at the income attributable to the holders of ordinary shares;

- interest recognised during the fiscal year to the potentially dilutive ordinary shares;
- any change in the income and expenses resulting from the conversion of the dilutive potential ordinary shares.

3.2.1.5.17. IFRS 7 – Reference table

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

3.2.2. FINANCIAL RISK MANAGEMENT

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

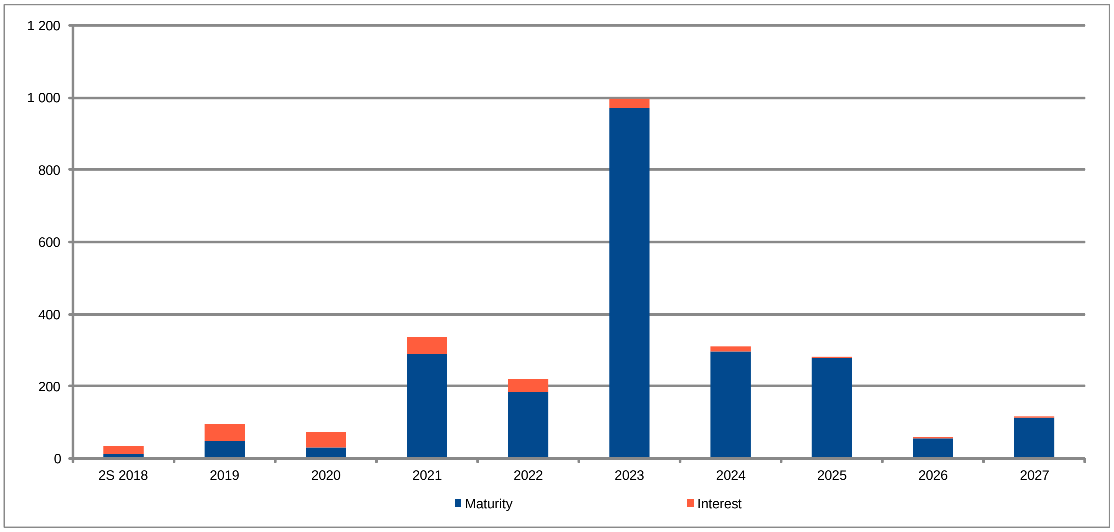
3.2.2.1. Marketing risk for properties under development

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

3.2.2.2. Liquidity risk

Liquidity risk is managed in the medium and long term with multi-year cash management plans and, in the short term, by using confirmed and undrawn lines of credit. At end June 2018, Foncière des Murs' available cash and cash equivalents amounted to €686 million, including €182 million in usable unconditional credit lines and €482 million in investments.

The graph below summarises the maturities of borrowings (€ millions), including treasury bills existing as at 30 June 2018:



Foncière des Murs group's debt stood at €2,283 million at 30 June 2018 (see 3.2.6.12).

3.2.2.3. Interest rate risk

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

As far as possible, bank debt is virtually always hedged via financial instruments (see Section 3.2.6.12.3). At 30 June 2018, after taking interest rate swaps into account, an average of 91.7% of the Group's debt was actively hedged, and the bulk of the remainder was covered by interest rate caps, which resulted in the following sensitivity to changes in interest rates:

- the impact of an increase of 100 bps on rates as at 30 June 2018 was -€1,562 thousand on recurring net income, Group Share, in 2018;
- the impact of an increase of 50 bps on rates as at 30 June 2018 was -€807 thousand on recurring net income, Group Share, in 2018;
- the impact of a decrease of 50 bps on rates as at 30 June 2018 was +€437 thousand on net recurring income, Group Share, in 2018.

3.2.2.4. Financial counterparty risk

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

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

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

Counterparty risk is included in the measurement of cash instruments. At 30 June 2018, the amount was -€0.4 million.

3.2.2.5. Leasing counterparty risk

Foncière des Murs' rental income is subject to a certain degree of concentration, to the extent that the principal tenants (AccorHotels, B&B and others) generate the primary annual rental income.

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

The Group has not recorded any significant overdue payments.

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

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

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

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

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

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

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

Economic growth generally increases demand for leased space and paves the way for rent levels to rise. These two consequences lead to an increase in the price of real estate assets. Nevertheless, in the medium-term, economic growth generally leads to an

increase in inflation and then an increase in interest rates, expanding the availability of profitable alternative investments. Such factors exert downward pressure on property values.

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

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

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

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

Changes in rental income are based on indices that are used for indexing rental income and the changes in AccorHotels revenue for the hotels in question. If there is a downturn in the real estate investment market, Foncière des Murs could suffer adjustments in value, which would be limited in scope due to the protection provided by the agreements signed with its tenants.

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

3.2.2.7. Exchange rate risk

So far, the Company only operates in the Euro zone. It is therefore not exposed to exchange rate risk. However, in view of the acquisitions under way (acquisition of hotel properties in the UK), the Group is planning to hedge against currency fluctuations by financing part of the acquisitions via a foreign currency loan and a currency swap which will hedge about 75% of the investment against exchange rate risks.

3.2.2.8. Brexit risk

Notwithstanding the impact of economic uncertainties described in the 2017 Registration Document on property valuations, specifically the risks related to Brexit, the Group has guaranteed minimum rental income across its portfolio in the UK, limiting the risk to its financial position and profitability.

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

The Group is exposed to risks for two classes of shares (see Section 3.2.6.3):

- securities available for sale recorded at fair value. This fair value is the share price if the securities are traded on a regulated market;
- securities of consolidated companies under the equity method are recorded at their value in use. Value in use is determined based on independent assessments of the real estate assets and financial instruments.

In 2012, the Foncière des Murs group issued a bond, renegotiated at end 2014, and issued a private placement in May 2015, the features of which are listed in Section 3.2.6.12.2.

3.2.2.10. Tax environment

3.2.2.10.1. Tax risks

Due to the complexity and formality of the tax environment in which Foncière des Murs does business, the Group is exposed to tax risks.

- Foncière des Murs tax audit

Foncière des Murs was subject to an accounting audit for the 2010 and 2011 financial years, which resulted in a reassessment proposal for the CVAE in the amount of €2.4 million. This reassessment, which is being contested before the Administrative Court, was partially withdrawn by the tax authorities in the first half of 2018 and a refund of €1.2 million was obtained. The remaining balance of €1.2 million is still being contested and, based on the analysis by the Company's legal counsel, no provision had been recorded to that effect as at 30 June 2018.

Foncière des Murs' accounts were also audited for the 2012, 2013 and 2014 financial years, which resulted in a reassessment proposal in December 2015 for corporate value added tax (CVAE) in the amount of €2.2 million, on the same grounds. This reassessment, which is being contested before the Administrative Court, was partially waived by the tax authorities in the first half of 2018 and a refund of around €1.1 million is expected. The remaining balance of €1.1 million is still being contested and, based on the analysis by the Company's legal counsels, no provision had been recorded to that effect as at 30 June 2018.

- Tax audit of SNC Otello

SNC Otello's accounts were audited for the 2011, 2012 and 2013 financial years, which resulted in a reassessment proposal for the CVAE in the amount of €0.5 million. This proposal is being contested before the Administrative Court and, based on the analysis by the Company's legal counsel, no provision had been recorded to that effect as at 30 June 2018.

The accounts of SNC Otello were also audited for the 2014, 2015 and 2016 financial years, which resulted in a reassessment proposal in November 2017 for corporate value added tax (CVAE) in the amount of €0.2 million, on the same grounds as the previous reassessment proposal for 2011, 2012 and 2013. This proposal is being contested in its entirety, and, based on analysis by the Company's legal counsel, no provision was recorded to that effect as at 30 June 2018.

- Tax audits of Operating properties

The German companies (Rock portfolio) are subject to a tax audit for the 2012 and 2015 financial years.

3.2.2.10.2. Deferred tax liabilities

Most of the Group's property companies have opted for the SIIC regime in France and the SOCIMI regime in Spain. The impact of deferred tax liabilities is therefore essentially related to the investments in Hotels in Europe for which the SIIC regime is not applicable (Germany, Spain, Belgium, Netherlands and Portugal). In the case of Spain, all Spanish companies have opted for the SOCIMI regime exemption. However, there are deferred tax liabilities related to assets held by the companies prior to opting for SOCIMI treatment.

Because the companies in the Operating Properties business are fully consolidated, a deferred tax liability has been recognised in the financial statements. The deferred tax is mainly due to the recognition of the portfolio's fair value (German rate: 15.825%, French rate: 28.93%). Please note that the hotel businesses are taxed at a rate of more than 30% in Germany and that deferred tax liabilities have also been recognised at this rate.

3.2.3. SCOPE OF CONSOLIDATION

3.2.3.1. Change of consolidation method

Subsequent to the Extraordinary General Meeting of 24 January 2018, Financière Hope was merged into FDM Management, and then FDM Management was merged into Foncière des Murs. The 43 companies in the former subgroup of the Operating Properties business line are now fully consolidated.
Alongside the merger of FDM Management into Foncière des Murs, Caisse des Dépôts et Consignations contributed 50% of its stake in the SCI Porte Dorée (the holding company of the hotel Motel One Porte Dorée). Porte Dorée SCI is thus wholly-owned and fully consolidated.

3.2.3.2. List of consolidated companies

Company	Country	Business segment	Consolidation method in 2018	Percentage held in 2018	Percentage held in 2017
SCA Foncière des Murs	**France**	**Multi-business**	**Parent company**	-	-
Financière Hope SAS	France	Operating properties	merged	-	40,7
FDM Management	France	Operating properties	merged	-	40,7
Rock Lux opco	Luxembourg	Operating properties	FC	100	-
Constance	France	Operating properties	FC	100	40,7
Constance Lux 1	Luxembourg	Operating properties	FC	100	40,7
Constance Lux 2	Luxembourg	Operating properties	FC	100	40,7
So Hospitality	Luxembourg	Operating properties	FC	100	40,7
Nice-M	France	Operating properties	FC	100	40,7
Hermitage Holdco	France	Operating properties	FC	100	40,7
Rock-Lux	Luxembourg	Operating properties	FC	100	40,7
SLIH - Société Lilloise Investissement Immobilier Hôtelier SA	France	Operating properties	FC	100	40,7
Spiegelrei HLD SA	Belgium	Operating properties	FC	100	40,7
Alliance et Compagnie SAS	France	Operating properties	FC	100	40,7
Spiegelrei SA M&F	Belgium	Operating properties	FC	100	40,7
Résidence Cour St Georges SA	Belgium	Operating properties	FC	100	40,7
Airport Garden Hotel NV	Belgium	Operating properties	FC	100	40,7
Berlin I (propco Westin Grand Berlin) - Rock	Germany	Operating properties	FC	94,9	38,62
Opco Grand Hôtel Berlin Betriebs (Westin Berlin) - Rock	Germany	Operating properties	FC	94,9	38,62
Berlin II (Propco Park Inn Alexanderplatz) - Rock	Germany	Operating properties	FC	94,9	38,62
Opco Hotel Stadt Berlin Betriebs (Park-Inn) - Rock	Germany	Operating properties	FC	94,9	38,62
Berlin III (Propco Mercure Potsdam) - Rock	Germany	Operating properties	FC	94,9	38,62
Opco Hotel Potsdam Betriebs (Mercure Potsdam) - Rock	Germany	Operating properties	FC	94,9	38,62
Dresden I (propco Westin Bellevue) - Rock	Germany	Operating properties	FC	94,9	38,62
Opco Hotel Bellevue Dresden Betriebs (Westein Bellevue) - Rock	Germany	Operating properties	FC	94,9	38,62
Dresden II (propco Ibis Hotel Dresden) - Rock	Germany	Operating properties	FC	94,9	38,62
Dresden III (propco Ibis Hotel Dresden) - Rock	Germany	Operating properties	FC	94,9	38,62
Dresden IV (propco Ibis Hotel Dresden) - Rock	Germany	Operating properties	FC	94,9	38,62
Opco BKL Hotelbetriebsgesellschaft (Dresden II to IV)- Rock	Germany	Operating properties	FC	94,9	38,62
Dresden V (propco Pullman Newa Dresden)- Rock	Germany	Operating properties	FC	94,9	38,62
Opco Hotel Newa Dresden Betriebs (Pullman)- Rock	Germany	Operating properties	FC	94,9	38,62
Leipzig I (propco Westin Leipzig) - Rock	Germany	Operating properties	FC	94,9	38,62
Opco HotelgesellschaftGerberst. Betriebs (Westin Leipzig) - Rock	Germany	Operating properties	FC	94,9	38,62
Leipzig II (propco Radisson Blu Leipzig) - Rock	Germany	Operating properties	FC	94,9	38,62
Opco Hotel Deutschland Leipzig Betriebs (Radisson Blu) - Rock	Germany	Operating properties	FC	94,9	38,62
Erfurt I (propco Radisson Blu Erfurt) - Rock	Germany	Operating properties	FC	94,9	38,62
Opco Hotel Kosmos Erfurt (Radisson Blu) - Rock	Germany	Operating properties	FC	94,9	38,62
LHM Holding Lux SARL	Germany	Operating properties	FC	100	40,7
LHM ProCo Lux SARL	Germany	Operating properties	FC	90	36,63
SCI Rosace	France	Operating properties	FC	100	40,7
MO First Five	Germany	Operating properties	FC	84,6	34,43
Star Budget Hotel Gmbh	Germany	Operating properties	FC	100	40,7
FDM M Lux	Luxembourg	Operating properties	FC	100	40,7
OPCO Rosace	France	Operating properties	FC	100	40,7
Exco Hôtel	Belgium	Operating properties	FC	100	40,7
Invest Hôtel	Belgium	Operating properties	FC	100	40,7
SCI Hôtel Porte Dorée	France	Hotels	FC	100	50
FDM Rocatiera	Spain	Hotels	FC	100	100
Bardiomar	Spain	Hotels	FC	100	100
Trade Center Hotel	Spain	Hotels	FC	100	100
H Invest Lux 2	Luxembourg	Hotels	FC	100	100
Hotel Amsterdam Noord	Netherlands	Hotels	FC	100	100
Hôtel Amersfoort	Netherlands	Hotels	FC	100	100

H Invest Lux	Luxembourg	Hotels	FC	100	100
SAS Samoëns	France	Hotels	FC	25,1	25,1
Foncière B4 Hôtel Invest	France	Hotels	FC	50,2	50,2
B&B Invest Espagne SLU	Spain	Hotels	FC	100	100
Foncière Développement Tourisme	France	Hotels	FC	50,1	50,1
SARL Loire	France	Corporate and n. attributable	FC	100	100
Foncière Otello	France	Multi-business	FC	100	100
SNC Hôtel René Clair	France	Hotels	FC	100	100
Foncière Manon	France	Corporate and n. attributable	FC	100	100
Foncière Ulysse	France	Hotels	FC	100	100
Ulysse Belgique	Belgium	Corporate and n. attributable	FC	100	100
Ulysse Trefonds	Belgium	Hotels	FC	100	100
Foncière No Bruxelles Grand Place	Belgium	Hotels	FC	100	100

Company	Country	Business segment	Consolidation method in 2018	Percentage held in 2018	Percentage held in 2017
Foncière No Bruxelles Aéroport	Belgium	Hotels	FC	100	100
Foncière No Bruges Centre	Belgium	Hotels	FC	100	100
Foncière Gand Centre	Belgium	Hotels	FC	100	100
Foncière Gand Opéra	Belgium	Hotels	FC	100	100
Foncière IB Bruxelles Grand-Place	Belgium	Hotels	FC	100	100
Foncière IB Bruxelles Aéroport	Belgium	Hotels	FC	100	100
Foncière IB Bruges Centre	Belgium	Hotels	FC	100	100
Foncière Antwerp Centre	Belgium	Hotels	FC	100	100
Foncière Bruxelles Expo Atomium	Belgium	Hotels	FC	100	100
Murdelux SARL	Luxembourg	Corporate and n. attributable	FC	100	100
Portmurs	Portugal	Hotels	FC	100	100
Beni Stabili Hôtel	Luxembourg	Corporate and n. attributable	FC	80	80
Sunparks de Haan	Belgium	Hotels	FC	100	100
Sunparks Oostduinkerke	Belgium	Hotels	FC	100	100
Foncière Vielsam	Belgium	Hotels	FC	100	100
Sunparks Trefonds	Belgium	Hotels	FC	100	100
Foncière Kempense Meren	Belgium	Hotels	FC	100	100
FDM Gestion Immobilière	France	Corporate and n. attributable	FC	100	100
Iris Holding France	France	Hotels	EM/EA	19,9	19,9
OPCI Iris Invest 2010	France	Hotels	EM/EA	19,9	19,9
Foncière Iris SAS	France	Hotels	EM/EA	19,9	19,9
Sables d'Olonne SAS	France	Hotels	EM/EA	19,9	19,9
Iris investor Holding GmbH	Germany	Hotels	EM/EA	19,9	19,9
Iris General Partner GmbH	Germany	Hotels	EM/EA	10,0	10,0
Iris Berlin GmbH	Germany	Hotels	EM/EA	19,9	19,9
Iris Bochum & Essen GmbH	Germany	Hotels	EM/EA	19,9	19,9
Iris Frankfurt GmbH	Germany	Hotels	EM/EA	20	20
Iris Verwaltungs GmbH & co KG	Germany	Hotels	EM/EA	19	19
Iris Nurnberg GmbH	Germany	Hotels	EM/EA	19,9	19,9
Iris Stuttgart GmbH	Germany	Hotels	EM/EA	19,9	19,9
Narcisse Holding Belgique	Belgium	Hotels	EM/EA	20	20
Foncière Bruxelles Tour Noire	Belgium	Hotels	EM/EA	20	20
Foncière Louvain	Belgium	Hotels	EM/EA	20	20
Foncière Malines	Belgium	Hotels	EM/EA	19,9	19,9
Foncière Bruxelles Centre Gare	Belgium	Hotels	EM/EA	19,9	19,9
Foncière Namur	Belgium	Hotels	EM/EA	19,9	19,9
Tulipe Holding Belgique	Belgium	Hotels	EM/EA	19,9	19,9
Iris Tréfonds	Belgium	Hotels	EM/EA	19,9	19,9
Foncière Louvain Centre	Belgium	Hotels	EM/EA	19,9	19,9

Foncière Liège	Belgium	Hotels	EM/EA	19,9	19,9
Foncière Bruxelles Aéroport	Belgium	Hotels	EM/EA	19,9	19,9
Foncière Bruxelles Sud	Belgium	Hotels	EM/EA	19,9	19,9
Foncière Bruge Station	Belgium	Hotels	EM/EA	19,9	19,9
B&B Invest Lux 1	Germany	Hotels	FC	100	100
B&B Invest Lux 2	Germany	Hotels	FC	100	100
B&B Invest Lux 3	Germany	Hotels	FC	100	100
OPCI Camp Invest	France	Hotels	EM/EA	19,9	19,9
SAS Campeli	France	Hotels	EM/EA	19,9	19,9
SCI Dahlia	France	Hotels	EM/EA	20	20
Foncière B2 Hôtel Invest	France	Hotels	FC	50,2	50,2
OPCI B2 Hôtel Invest	France	Hotels	FC	50,2	50,2
Foncière B3 Hôtel Invest	France	Hotels	FC	50,2	50,2
B&B Invest Lux 4	Germany	Hotels	FC	100	100
NH Amsterdam Center Hotel HLD	Netherlands	Hotels	FC	100	100
Stadhouderskade Amsterdam BV	Netherlands	Hotels	FC	100	100
MO Lux 1 SARL	Germany	Hotels	FC	100	100
MO Dreilinden, Niederrad	Germany	Hotels	FC	94	94
MO Berlin and Koln	Germany	Hotels	FC	94	94
Ringer	Germany	Hotels	FC	100	100
B&B Invest Lux 5	Germany	Hotels	FC	93	93
B&B Invest Lux 6	Germany	Hotels	FC	93	93

EM/EA: Equity Method – Associate (28)
FC: Full consolidation (97)

The registered office of the parent company FDM and its main fully-consolidated French subsidiaries is located on Avenue Kléber, 75116 Paris.

3.2.4. EVALUATION OF CONTROL

- OPCI Foncière B2 Hôtel Invest (consolidated structured entity)

OPCI Foncière B2 Hôtel Invest was 50.2% owned by SCA Foncière des Murs at 30 June 2018 and is fully consolidated.

The OPCI's governance decisions are taken by a majority of the six members on the Board of Directors (FDM has three representatives, including the Chairman, who has the deciding vote in case of a tie).

Considering the rules of governance that confer on Foncière des Murs powers that give it the ability to affect asset yields, the Company is fully consolidated.

- SAS Samoëns and Foncière Développement Tourisme (consolidated structured entities)

SAS Samoëns was 25.10% held by Foncière des Murs at 30 June 2018 and is fully consolidated. The partnership with OPCI Lagune (49.9%) and Foncière Développement Tourisme (50.1%) was established as of October 2016 as part of the project to develop a Club Med hotel in Samoëns.

As manager of Samoëns, Foncière des Murs has the widest powers to act in the name and on behalf of the company in all circumstances, in keeping with its corporate purpose. Considering the rules of governance that confer on Foncière des Murs powers that give it the ability to affect asset yields, the Company is fully consolidated.

3.2.5. SIGNIFICANT EVENTS OF THE PERIOD

3.2.5.1. Merger

Following the Extraordinary General Meeting of 24 January 2018, the Foncière des Murs group absorbed FDM Management. As a result of this transaction, the former subgroup FDM Management is fully consolidated (previously EM). During this transaction, all assets and liabilities acquired were recorded at their fair value. The real estate portfolio composed of operated hotels was evaluated at €1,275 million.

Concomitantly, Foncière des Murs acquired 50% additional shares in the SCI Porte Dorée. This holding company of the Motel One Porte Dorée is now fully consolidated. The hotel was valued at €47.2 million as of the restructuring date.

3.2.5.2. Acquisition of a call option to purchase an NH Hotel in Hamburg

On 31 March 2018, Foncière des Murs acquired a call option to purchase an asset in Hamburg for €15.9 million. The transfer of ownership is planned for 30 September 2018. The total amount of the investment will be €29 million. This asset will have a firm term of 20 years, and variable rent with a guaranteed minimum.

3.2.5.3. Deposit on acquisition of 13 hotels in the United Kingdom

In June 2018, Foncière des Murs paid a deposit of €30 million on the acquisition of shares in companies holding assets in the UK. This consists of a portfolio of 13 four- and five-star hotels for £836 million, three of which are under development. This portfolio is located in England (8 hotels), Scotland (4 hotels), and Wales (1 hotel).

3.2.5.4. Disposals

During the first half of 2018, Foncière des Murs disposed of (primarily retail) assets for €189.1 million.

Income from asset disposals stood at -€0.5 million at 30 June 2018 (sales expenses).

- Retail

- On 14 February 2018, Foncière des Murs disposed of a restaurant operated by Courtepaille for €1.4 million;
- On 15 February 2018, Foncière des Murs disposed of 5 garden centres operated by Jardiland for €22.5 million;

- On 16 and 17 May 2018, Foncière des Murs disposed of 48 restaurants operated by Quick for €163 million.

  - AccorHotels

- During the first half, Sunparks Vielsam disposed of cottages for €2.2 million.

3.2.5.5. Disposal agreements

In the first half of 2018, preliminary sale undertakings were signed for 19 assets for a total value of €194.4 million:

- Retail segment:
  - 17 Jardiland assets for a value of €79.4 million;
- Hotel segment:
  - 1 Sunparks asset (Sunparks de Haan) for a value of €102 million,
  - 1 hotel asset in Spain (Jerez de la Frontera) for a value of €13 million.

3.2.5.6. Debt Financing and Refinancing

On 7 June 2018, a loan was taken out by SCI Porte Dorée for €20 million, with an €18 million drawdown over the period.

On 25 June 2018, Foncière des Murs took out a corporate loan for €50 million.

Other financing transactions took place during the period, bringing cash flow on loan receipts to €103 million.

3.2.6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

3.2.6.1. Portfolio

3.2.6.1.1. Goodwill

In 2018, after the change in consolidation method of companies in the Operating Properties business, goodwill on the companies in this segment were recognised in the amount of €112 million.

3.2.6.1.2. Table of changes to the portfolio

€ thousands	31-Dec-17	Increases	Disposals	Depreciation	Change in fair value	Transfers	Change of consolidation method	30-Aug-18
Goodwill	**0**	**0**	**0**	**0**	**0**	**0**	**112 042**	**112 041**
Intangible fixed assets	**0**	**34**	**0**	**-148**	**0**	**0**	**42 006**	**41 892**
Tangible fixed assets	**3 562**	**21 932**	**0**	**-20 405**	**0**	**0**	**1 122 492**	**1 127 581**
Operating properties	0	1 001	0	-16 372	0	-2 282	1 097 331	1 079 677
Other tangible fixed assets	84	2 136	-2	-4 033	0	2 283	23 363	23 831
Fixed assets in progress	3 478	18 795	0		0	0	1 798	24 071
Investment properties	**3 724 567**	**35 270**	**0**	**0**	**77 194**	**-201 027**	**47 200**	**3 683 204**
Operating properties	3 634 633	14 144	0		67 927	-126 117	0	3 590 587
Properties under development	89 934	21 126	0		9 267	-74 910	47 200	92 617
Assets held for sale	**207 396**	**302**	**-189 053**	**0**	**-6 907**	**201 027**	**0**	**212 765**
Assets held for sale	207 396	302	-189 053		-6 907	201 027	0	212 765
Total	**3 935 525**	**57 538**	**-189 053**	**-20 553**	**70 287**	**0**	**1 323 740**	**5 177 483**

The €42 million in intangible fixed assets is essentially related to the goodwill in the Hermitage portfolio from the Operating Properties segment.

The tangible fixed assets of the hotels held as operating properties totalled €1,103.5 million at 30 June 2018 and were recognised in the "Tangible fixed assets" line item. In accordance with IFRS, own occupied buildings do not meet the definition of investment properties and are recognised and valued at their amortised cost. Following the merger of Operating Properties, this business was entered on the consolidated balance sheet for its fair value at 24 January 2018.

The €18.8 million increase in fixed assets in progress mainly includes the deposit paid on the acquisition of the €15.9 million call option to purchase the NH hotel in Hamburg.

The line item "Disbursements related to acquisition of tangible and intangible fixed assets" of the Statement of Cash Flows stood at €65 million. It corresponds to the total in the "Increases" column in the table of changes to the portfolio (€57.5 million) restated for the change in trade payables on fixed assets (-€7.5 million).

The line item "Proceeds relating to the disposal of tangible and intangible fixed assets" in the Statement of Cash Flows (€188.6 million) corresponds to income from disposals as presented in the Net Income Statement (€189.1 million).

3.2.6.1.3. Investment properties and assets held for sale

Investment properties and assets held for sale are valued in the IFRS by adopting the fair value principle. The change in investment properties and assets held for sale is mainly due to:

- work done on the investment assets (€9.5 million for B&B assets of the OPCI [collective undertaking for real estate investment] Foncière B2 Invest, and €3.6 million for Club Med Da Balaïa);
- the €70.3 million increase in the value of the properties is itemised by operating segments as follows:
  - hotels +€72.1 million;
  - retail premises -€1.8 million.

The Group has not identified the best use of an asset as being different from its current use. Consequently, the application of IFRS 13 did not lead to a modification of the assumptions used for the valuation of the portfolio.

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

Grouping of similar assets	Level	Yield rate (min. / max.)	Yield rate (weighted average)	Discounted cash flow rate	Average discount rate	Appraisal value € millions
Hotels	Level 3	3,4% - 6,6%	5,2%	4,0% - 7,9%	5,8%	3 544
Retail premises	Level 3	6% - 9.2%	7,0%	6.9% - 8.3%	7,5%	259
Total in operation						**3 803**
Development portfolio	Level 3			5,0% - 6,9%		93
Total Lease Properties						**3 896**

Impact of changes in the yield rate on changes in the fair value of real estate assets:

€ millions	Target Yield	Yield rate -50 bps	Yield rate +50 bps
Hotels in Europe	5,4%	394,6	-321,9
Total	**5,4%**	**394,6**	**-321,9**

- if the capitalisation rate excluding duties drops 50 bps ("-0.5 point"), the market value excluding taxes of the real estate assets will increase by €395 million;
- if the capitalisation rate excluding duties increases 50 bps (+€0.5 point), the market value excluding taxes of the real estate assets will decrease by -€327 million.

3.2.6.1.4. Properties under development

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

€ thousands	31-Dec-17	Changes in scope & consolidation method	Acquisitions and works	Capitalised interest	Change in fair value	Transfers and disposals	30-June-18
Meininger Porte de Vincennes	26 224		6 921	422	3 573		37 140
Meininger Lyon Zimmermann	4 425		4 443	114	245		9 227
B&B Chatenay	7 350		1 619	92	1 410	-10 471	0
B&B Cergy	1 255		1 146	30	1 109		3 540
B&B Bagnolet	2 340		1 117	24	420		3 901
Meininger Munich	35 580		1 980	463	787		38 810
B&B Berlin	12 760		2 354	94	1 132	-16 340	0
Motel One Porte Dorée		47 200		309	591	-48 100	0
Total	**89 934**	**47 200**	**19 578**	**1 548**	**9 267**	**-74 910**	**92 617**

In 2018, 3 assets were delivered, including the Motel One Porte Dorée for €48.1 million.

3.2.6.2. Long-Term Financial Assets

€ thousands	31-Dec-17	Increase	Decrease	Chg. in scope and method	30-June-18
Ordinary loans(1)	73 086	218	-59 588	-3 209	10 507
Uncalled subscribed capital (2)	20 040	0	0	0	20 040
Advances and pre-payments on acquisition of shares (3)	21 118	30 080	0	0	51 198
Current accounts	0	0	0	0	0
Total loans and current accounts	**114 244**	**30 298**	**-59 588**	**-3 209**	**81 745**
Securities at historic cost	200	0	0	34	234
Dividend to be distributed	0	0	0	0	0
Total other financial assets	**200**	**0**	**0**	**34**	**234**
Receivables on financial assets	0	0	0	1 500	1 500
Total receivables on financial assets	**0**	**0**	**0**	**1 500**	**1 500**
Total	114 444	30 298	-59 588	-1 675	83 479
NET TOTAL	114 444	30 298	-59 588	-1 675	83 479

(1) Ordinary loans are composed of €6.7 million in subordinated loans to equity affiliates (OPCI Iris Holding France). The decline over the period is due to the disposal of the Hope bond loan for €59 million and the change of consolidation method of the Operating Properties segment for €3.2 million (security deposits paid).

(2) The uncalled subscribed capital corresponds to the quota share of Foncière Développement Tourisme not paid up by Caisse des Dépôts et Consignations.

(3) The €30 million increase over the period corresponds to the deposit paid on the acquisition of a portfolio of hotels in the UK, of which ownership will be transferred in the second half of 2018.

3.2.6.3. Short-Term Financial Assets

€ thousands	31-Dec-17	Chg. in scope and method	Increase	Decrease	Transfers	30-June-18
Short-term loans (1)	27 788	-24 243	273	-3 562	-3	253
Total	27 788	-24 243	273	-3 562	-3	253
NET TOTAL	27 788	-24 243	273	-3 562	-3	253

Short-term loans are composed of accrued interest on loans for €0.3 million. The €24 million in changes to the intragroup loan with LHM Propco Lux, which are now eliminated in consolidation because of the full consolidation of the Operating Properties business.

3.2.6.4. Equity affiliates

3.2.6.4.1. Investments in equity affiliates

€ thousands	% held	30-June-18	31-Dec-17	Share of net income	Other changes
FDM Management	40,70%	0	142 723	0	-142 723
Iris Holding France	19,90%	14 268	14 142	756	-630
OPCI Iris Invest 2010	19,90%	28 190	28 226	1 331	-1 368
OPCI Campinvest	19,90%	19 627	19 951	791	-1 116
SCI Dahlia	20,00%	16 635	16 784	612	-761
SCI Porte Dorée	100,00%	0	10 328	0	-10 328
Total		**78 719**	**232 153**	**3 491**	**-156 925**

Investments in affiliated companies stood at €78.7 million at 30 June 2018.

The -€156.9 million in other changes mainly corresponds to the -€153 million change in the consolidation method of the FDM Management group and SCI Porte Dorée and the -€3.9 million in distributions of the OPCI.

As a reminder, OPCI Iris Invest 2010 and Iris Holding France were created in 2010 to acquire a portfolio of forty-nine AccorHotels in France, Belgium, and Germany.

The holding OPCI Campinvest was created in 2011 to acquire a portfolio of Campanile Hotels in France.

SCI Dahlia, created in 2011 to acquire a portfolio of seven AccorHotels in France, is 20% held by Foncière des Murs.

3.2.6.4.2. Breakdown of shareholdings in the main equity affiliates

	IRIS Holding France	OPCI IRIS INVEST 2010	OPCI CAMPINVEST	SCI DAHLIA
Groupe Foncière des Murs				
Foncière des Murs	19,9%	19,9%	19,9%	20,0%
Non-group third parties				
PREDICA	80,1%	80,1%	68,8%	80,0%
PACIFICA			11,3%	

3.2.6.4.3. Financial information

	Total balance sheet	Total non-current assets	Cash	Total non-current liabilities excluding financial debt	Total current liabilities excluding financial debt	Financial debt	Revenues	Cost of net financial debt	Consolidated net income
IRIS Holding France	198 904	182 383	14 567	13 574	4 363	109 167	6 390	-1 345	3 799
OPCI IRIS INVEST 2010	258 242	243 758	12 531	4 002	3 161	109 423	8 529	-885	6 689
OPCI CAMPINVEST	181 512	169 905	7 295	0	1 598	81 287	5 854	-1 034	3 977
SCI DAHLIA	164 879	162 012	1 080	0	1 611	80 092	4 145	-754	3 062

3.2.6.5. Inventories and work-in-progress

€ thousands	30-juin-18	31-déc.-17	Change
Inventories of raw materials and other supplies	2 244	0	-2 244
Total inventories and works-in-progress	**2 244**	**0**	**-2 244**

Inventories and work-in-progress exclusively relate to the Operating Properties business line because of the operation of hotels.

3.2.6.6. Deferred tax liabilities on the reporting date

In light of the (SIIC) tax regime applicable in France, the potential tax savings on tax loss carryforwards from real estate activities in France are not recognised.

	At 31/12/2017			Increases		Decreases	At 30/06/2018		
in € thousands	Before offset	Offset	After offset	First time consolidation scope and change Method	of financial year by income	of financial year by income	Before offset	Offset	After offset
Deferred tax assets on losses carried forward	1 839	-1 839	0	7 445	184	-393	9 075	-8 411	664
Deferred tax assets on fair value of real estate	0	0	0	2 135	0	-68	2 067	-1 019	1 048
Deferred tax assets on fair value of cash instruments	264	-264	0	184	21	-17	452	-452	0
Deferred tax assets on temporary differences	1 986	-1 986	0	4 921	111	-309	6 709	-1 210	5 499
Total DTA	**4 089**	**-4 089**	**0**	**14 685**	**316**	**-787**	**18 303**	**-11 092**	**7 211**

	At 31/12/2017			Increases		Decreases	At 30/06/2018		
in € thousands	Before offset	Offset	After offset	First time consolidation scope and change Method	of financial year by income	of financial year by income	Before offset	Offset	After offset
Deferred tax liabilities on fair value of real estate	121 197	-4 089	117 108	98 983	6 302	-1 706	224 776	-11 092	213 684
Deferred tax liabilities on fair value of cash instruments	41		41	61	0	-37	65		65
Deferred tax liabilities on temporary differences	354		354	746	323	-37	1 386		1 386
Total DTL	**121 592**	**-4 089**	**117 503**	**99 790**	**6 625**	**-1 780**	**226 227**	**-11 092**	**215 135**

Deferred tax income	2 096
Deferred tax expenses	-7 412
	-5 316

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

The change in net deferred tax liabilities is mainly due to the consolidation of companies in the Operating Properties business line and to the impact of deferred tax liabilities relative to increases in the appraisal values of foreign assets.

Deferred tax liabilities, mainly from unrealised gains on fixed assets, correspond mainly to:

- SUNPARKS (Amusement parks): €46.1 million (28% rate);
- Ulysse Belgique (AccorHotels): €15.4 million (25% rate):
- B&B Lux Invest, companies 1-6: €19.1 million (15.83% rate);
- NH Amsterdam Propco: €13.9 million (25% rate);
- TCH and Bardiomar: €20.2 million (25% rate);
- Hermitage (operating properties): €28.3 million (28.93% rate);
- Rock (operating properties): €44.7 million (see 3.2.7.6.1.).

3.2.6.7. Trade receivables

€ thousands	30-June-18	31-Dec.-17	Change
Expenses to be reinvoiced to tenants	23 252	5 978	-17 274
Trade receivables	46 516	3 582	-42 934
Amortisations and provisions	-246	0	246
Incentives / Step Rental Schemes	1 343	1 127	-216
Net total trade receivables	**70 865**	**10 687**	**-60 178**

Charges to be rebilled essentially included the rebilling of property taxes for the half-year and the additional 6-month provision recognised following the application of IFRIC 21 for €16 million.

Trade receivables with a balance of €46.5 million at 30 June 2018 included mainly:

- €38 million in trade receivables in the Operating Properties business segment;
- €8 million in other invoicing for the other business segments including:
  - €3.7 million in accrued receivables of less than three months on hotel assets in Spain,
  - €1.2 million in accrued receivables on Jardiland assets and €0.7 million on Courtepaille assets.

No significant amortisation of trade receivables was recorded.

The -€2.9 million line “Change in working capital requirements on continuing operations” on the Cash Flow Statement is due primarily to the following changes:

- Customers - expenses to be adjusted (IFRIC 21 impact) -€16.5 million;
- Trade receivables -€31.1 million;
- Other receivables +€5.9 million;
- Tax debt (IFRIC 21 impact) +€18.5 million;
- Advances and pre-payments +€2.0 million;
- Trade payables +€13.0 million;
- Social debt +€6.6 million;
- Other debt -€1.5 million.

3.2.6.8. Tax receivables and other receivables

€ thousands	30-june-18	31-Dec.-17	Change
Tax receivables (corporate income tax)	1 369	2 909	-1 540
Other tax receivables	21 585	15 094	6 491
Other receivables	4 620	1 867	2 754
Security deposits received	7	8	-1
Current accounts	119	-1	120
Total tax receivables and other receivables	**27 700**	**19 877**	**7 824**

Tax receivables and other receivables stood at €27.7 million and were essentially made up of €17.8 million in VAT receivables.

Receivables concerning the tax authorities in the amount of €4 million were recognised and not amortised in view of pending litigation. During the first half, we received partial abatements of €1.2 million for the 2010 and 2011 fiscal years.

The other receivables line item stood at €4.6 million at 30 June 2018. Pursuant to IFRS 15, it includes the partial recognition of the guaranteed minimum (EBITDA) by AccorHotels for Pullman Roissy over the 2018 fiscal year, for €2.3 million.

3.2.6.9. Prepaid expenses

€ thousands	30-june-18	31-Dec-17	Change
Prepaid expenses	3 654	340	-3 314
Total prepaid expenses	**3 654**	**340**	**-3 314**

Prepaid expenses were up after consolidation of the Operating Properties business.

3.2.6.10. Cash and cash equivalents

€ thousands	30-June-18	31-Dec-17
Money-market securities available for sale	5 002	5 001
Cash at bank	527 235	28 644
Gross cash	**532 237**	**33 645**

As at 30 June 2018, the portfolio of money-market securities available for sale consists mainly of level 2 standard money-market collective investment vehicles (SICAV).

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

The Foncière des Murs group holds no investments subject to capital risk.

3.2.6.11. Shareholders' equity

The share capital stood at €472.2 million at 30 June 2018. Reserves correspond to parent company retained earnings and reserves, together with reserves from consolidation.

As at 30 June 2018, the share capital broke down as follows:

- number of authorised shares: 118,057,886;
- number of shares issued and fully paid-up: 118,057,886;
- number of shares issued and not fully paid-up: 0;
- Par value of shares: €4.00;

- Share class: none;
- Restriction on payment of dividends: none;
- Shares held by the Company or its subsidiaries: 3,644.

The Extraordinary General Meeting of 24 January 2018 approved the merger of FDM Management and the contribution of 50% of the shares in SCI Porte Dorée. Management recorded the subscription of 18,436,011 shares.

The Combined General Meeting of 6 April 2018 approved the distribution of an ordinary dividend of €164.7 million, a dividend of €1.55 per share.

On 21 June 2018, the manager recorded the subscription of 11,805,788 shares issued at a price of €25.35, representing a capital increase of €298.5 million net of expenses. This capital increase was carried out as part of the pending acquisition of a hotel portfolio in the UK.

Changes in the number of shares during the period:

Date	Transaction	Shares issued	Own shares	Shares outstanding
31/12/17	**Number of securities**	**87 816 087**	**2 443**	**87 813 644**
	Capital increase	**30 241 799**		
	Share dividend			
	Own shares – liquidity agreement		1 201	
30/06/18	**Number of securities**	**118 057 886**	**3 644**	**118 054 242**

3.2.6.12. Statement of liabilities

€ thousands	31-Dec-17	Increase	Decrease	Change of consolidation method	Change	30/06/18
Bank borrowings	1 266 500	95 499	-69 990	526 619	-27 519	1 791 109
Bonds	386 553	0	0	0	0	386 553
Finance leases (1)	0	0	-1 740	20 063	27 012	45 335
Other borrowings	53 830	8 641	-211	-3 801	1 543	60 002
Subtotal interest-bearing loans	**1 706 883**	**104 140**	**-71 941**	**542 881**	**1 036**	**2 282 999**
Accrued interest	5 838	5 761	-12 697	8 095	-1 545	5 452
Deferral of loan expenses	-21 422	3 142	-925	-7 099	4	-26 300
Creditor banks	19 234	0	0	73	31 098	50 405
Total Borrowings (LT / ST)	**1 710 533**	**113 043**	**-85 563**	**543 950**	**30 593**	**2 312 556**
of which Long-term	*1 673 578*	*106 733*	*-63 546*	*528 822*	*-12 181*	*2 233 406*
of which Short-term	*36 955*	*6 310*	*-22 017*	*15 128*	*42 774*	*79 150*
Valuation of financial instruments	**33 030**			**-2 224**	**-3 496**	**27 310**
of which Assets	*-5 748*			*-2 753*	*3 174*	*-5 327*
of which Liabilities	*38 778*			*529*	*-6 670*	*32 637*
Total bank debt	**1 743 563**	**113 043**	**-85 563**	**541 726**	**27 097**	**2 339 866**

(1) These are borrowings by partnership companies (FC) from shareholders other than FDM. At 30 June 2018, the balance of €60 million consisted mainly of SAS Samoëns for €16 million, OPCI Foncière B2 Hôtel Invest for €36.9 million, and the Rock companies in Germany in the Operating Properties business for €5.2 million.

The amount of interest payable up until the debt is extinguished in full, estimated on the basis of the outstanding amount at 30 June 2018 and the average interest rate on the debt, totalled €243 million.

The “Proceeds relating to new borrowings” line item of the Statement of Cash Flows (+€103 million) refers to the Increase in interest-bearing borrowings column (+€104 million) minus the new loan issuance fees (-€1 million).

The “Repayments of borrowings” line item of the Statement of Cash Flows (-€71.8 million) corresponds to the Decreases in interest-bearing borrowings column.

3.2.6.12.1. Bank borrowings

The borrowings are valued after their initial recognition at cost, amortised based on the effective interest rate. The average interest rate on Foncière des Murs’ consolidated debt stood at 2.07% at 30 June 2018 (from 2.52% at 31 December 2017).

Features of the borrowings contracted by Foncière des Murs (principal amount of €100 million):

in € thousands		Debt	Appraisal value 30 June 2018		Outstanding debt 31 June 2018	Date of signature	Initial amount of debt	Maturity
Hotels in Europe		€447 million (2013)			193 712	25/10/13	447 000	31/01/23
		€450 million (2013)			410 933	15/07/13	350 000	31/07/22
		€255 million (2012) – Covered bonds			186 553	14/11/12	255 000	16/11/21
		€290 M (2017) – OPCI B2 HI (B&B)			267 000	10/05/17	290 000	10/05/24
		€278 million (2017) – RocaTierra			199 242	29/03/17	277 188	29/03/25
	> €100 million		**3 094 258**		**1 257 440**			
	< €100 million		**1 528 680**		**598 907**			
Total collateralised			**4 622 938**	(1)	**1 856 347**			
Hotels in Europe		€200 million (2015) – Private placement	566 050		200 000	29/05/15	200 000	29/05/23
	> €100 million				**200 000**			
	< €100 million				**166 651**	06/04/17	50 000	06/04/22
TOTAL UNENCUMBERED			**566 050**		**366 651**			
Grand total			**5 188 988**		**2 222 998**			

(1) value excluding duties of assets secured by physical collateral (mortgages or pledge of securities in the companies holding them)

Secured non-current assets covered made up 89% of total non-current assets. These guarantees are granted for terms equal to the term of the associated financing.

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

in € thousands	Outstanding debt on 30 June 2018	Maturity in < 1 year	Outstanding debt on 30 June 2019	Maturity from 2 to 5 years	Outstanding debt on 30 June 2023	Maturity > 5 years
Fixed-rate long-term financial liabilities	**809 276**	**3 474**	**805 802**	**467 775**	**338 027**	**338 027**
Bank borrowings	362 722	3 474	359 248	42 890	316 358	316 358
Total borrowings and bonds	**362 722**	**3 474**	**359 248**	**42 890**	**316 358**	**316 358**
Bonds	386 553	0	386 553	386 553	0	0
Total debts represented by securities	**386 553**	**0**	**386 553**	**386 553**	**0**	**0**
Other borrowings	**60 001**	**0**	**60 001**	**38 332**	**21 669**	**21 669**
Floating-rate financial debt	**1 473 726**	**23 320**	**1 450 406**	**530 315**	**920 091**	**920 091**
Bank borrowings	1 473 726	23 320	1 450 406	530 315	920 091	920 091
Total borrowings and bonds	**1 473 726**	**23 320**	**1 450 406**	**530 315**	**920 091**	**920 091**
Debts represented by securities	**0**	**0**	**0**	**0**	**0**	**0**
Total	**2 283 002**	**26 793**	**2 256 208**	**998 090**	**1 258 118**	**1 258 118**

3.2.6.12.2. Bonds

In 2012, Foncière des Murs issued a mortgage bond backed by hotel assets leased to AccorHotels.

In 2015, Foncière des Murs issued a private placement enabling it to diversify its financing sources.

The features of these convertible bonds are as follows:

Type of bond issue			
Issue date	16-nov.-12		29-mai-15
Issue amount (€ millions)	255		200
Partial repayment (€ millions)	68		0
Par amount after partial repayment (€ millions)	**186,6**		**200**
Par value of a bond (€)	200 000	(1)	200 000
Par value of a bond after partial repayment (€)	146 316		200 000
Number of units issued	1 275		1 000
Nominal rate	3.682% then 2.754% as from 16/02/2015		2,218%
Maturity	16-nov.-21		29-mai-23

(1) following disposals carried out in 2017, the par value of a bond fell from 148,368 to 146,316 euro.

The fair value of these bond loans at 30 June 2018 was €397.6 million (the value on the consolidated balance sheet at 31 December 2017 was €397.5 million).

The impact of the revaluation of the risk-free rate on these fixed-rate loans stood at €11 million at 30 June 2018.

3.2.6.12.3. Derivatives

The positive change in the fair value of assets of the derivatives impacted the income statement and is analysed as follows:

€ thousands	31-Dec.-16 Net	Change in consolidation method	Restructuring balancing payments	Impact on P&L	Impact on shareholders' equity	31-Dec.-17 Net
Financial instruments	-33 030	2 224	12 462	-8 966	0	-27 310
Total	**-33 030**	**2 224**	**12 462**	**-8 966**	**0**	**-27 310**
				of which	**Liabilities from cash instruments**	**32 637**
					Cash instruments - Assets	**5 327**

Financial instruments consist mainly of rate hedging instruments put in place as part of the Group's interest rate hedging policy. In accordance with IFRS 13, fair values include the counterparty default risk (CDA/DVA) in the amount of €0.4 million at 30 June 2018 up from -€0.1 million at 31 December 2017.

The "Unrealised gains and losses relating to changes in fair value" line item in the Statement of Cash Flows (-€61.3 million), which makes it possible to calculate cash flows from operating activities, incorporates the impact of changes in the value of cash instruments (-€9 million) and the change in the value of the Investment Properties portfolio (€70.3 million).

The "Other flows from financing transactions" line item in the SCF (-€12.3 million) includes disbursements related to hedge restructuring balancing payments.

Breakdown of hedging instruments by maturity of notional values:

€ thousands	on 30 June 2018	Less than one year	From 1 to 5 years	Over 5 years
Fixed Hedge				
Fixed rate receiver SWAP	**100 000**		100 000	0
Fixed rate payer SWAP	**1 281 493**	-4 783	183 496	1 102 780
Total of SWAPs	**1 181 493**	**-4 783**	**83 496**	**1 102 780**
Optional hedge				
CAP purchase	**319 195**	8 940	240 855	69 400
FLOOR purchase	**103 000**	75 000	0	28 000
FLOOR sale	**103 942**		100 942	3 000
Total	**1 907 630**	**79 157**	**625 293**	**1 203 180**

Outstanding debt on 30 June 2018:

€ thousands	Fixed rate	Floating rate
Borrowings and gross financial debt	809 276	1 473 726
Creditor banks		50 405
Net financial liabilities before hedging	**809 276**	**1 524 131**
Firm hedge: Swaps	0	-1 181 493
Optional hedge: Caps	0	-319 195
Total hedges	**0**	**-1 500 688**

The initial amounts of the hedge instruments represent all of the Company's hedge instruments, whether or not they qualify for hedge accounting. Staggered hedge instruments are not accounted for in this statement.

3.2.6.12.4. Banking covenants

The debts of Foncière des Murs are backed by banking covenants covering the consolidated financial statements which, if breached, would constitute a case of accelerated maturity of the debt:

- Loan-To-Value (LTV) ratio: the ratio of the restated value of all of the Group's assets, excluding cash, and net debt;

- Interest Coverage Ratio (ICR): calculated using the Group Share of the consolidated income statement, by dividing current operating income before disposal of investment assets, adjusted for allocations and reversals of provisions, by net financial expenses.

The strictest LTV covenant was 60% at 30 June 2018.

The strictest ICR covenant was 200% at 30 June 2018.

Covenant threshold	Scope	Covenant	Ratio
€350 million (2013) - REF I par value	Foncière des Murs	≤ 60%	In compliance
€447 million (2013) - REF II par value	Foncière des Murs	< 60%	In compliance
€208 million (2014) - REF III par value	Foncière des Murs	< 60%	In compliance
€255 million (2012) - Bonds	Foncière des Murs	≤ 65%	In compliance
€200 M (2015) – Private placement	Foncière des Murs	≤ 60%	In compliance
€279 million (2017) - Roca par value	Foncière des Murs	< 60%	In compliance

Consolidated ICR	Scope	Covenant	Ratio
€350 million (2013) - REF I par value	Foncière des Murs	> 200%	In compliance
€447 million (2013) - REF II par value	Foncière des Murs	> 200%	In compliance
€208 million (2014) - REF III par value	Foncière des Murs	> 200%	In compliance
€255 million (2012) - Bond	Foncière des Murs	≥ 200%	In compliance
€200 M (2015) – Private placement	Foncière des Murs	≥ 200%	In compliance
€279 million (2017) - Roca par value	Foncière des Murs	> 200%	In compliance

For the financing raised by Foncière des Murs and allocated to specific portfolios, these consolidated covenants are most often backed by "scope" LTV covenants on the financed portfolios. These "scope" LTV covenants usually have less restrictive thresholds than consolidated covenants. Their purpose is mainly to supervise the use of financing by correlating it with the value of the underlying assets provided as collateral.

It should also be noted that (unsecured) corporate debts raised in 2015, 2017, and 2018 by Foncière des Murs are generally (excluding LTV and ICR consolidated covenants) backed by a single secured debt covenant which compares, on a consolidated basis, Group Share, (i) the portfolio, minus secured debt, to (ii) net debt minus secured debt.

At 30 June 2018, the Group was still in full compliance with this and all other covenants.

3.2.6.12.5. Recognition of financial assets and liabilities

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

Categories according to IFRS 9	Line item in statement of financial position	30-june-18 Net (€ thousands)	Amount shown in the statement of financial position measured at: Amortised cost	Fair value through shareholders' equity	Fair value through profit or loss	Fair Value (€ thousand)
Loans and receivables	Non-current financial assets	10 507	10 507			10 507
Loans and receivables	Trade receivables	69 522	69 522			69 522
Assets at fair value	Derivatives at fair value	5 327		0	5 327	5 327
Assets at fair value	Cash and cash equivalents (VMP)	5 002			5 002	5 002
Total financial assets		**90 358**	**80 029**	**0**	**10 329**	**90 358**
Liabilities at amortised cost	Financial debt	2 282 999	2 282 999			2 292 896 [1]
Liabilities at fair value	Derivatives at fair value	32 637		0	32 637	32 637
Liabilities at amortised cost	Security deposits	5 165	5 165			5 165
Liabilities at amortised cost	Trade payables	87 129	87 129			87 129
Total financial liabilities		**2 407 930**	**2 375 293**	**0**	**32 637**	**2 417 827**

[1] The difference between the net book value and the fair value of the fixed rate debt is €9,897 thousand (€11,067 thousand for borrowings itemised in 3.2.6.12.2. and -€1,170 thousand for the Group's other fixed rate debt.

- Level 1: financial instruments listed in an active market;
- Level 2: financial instruments whose fair value is evaluated through comparisons with observable market transactions on similar instruments or based on an evaluation method whose variables include only observable market data;
- Level 3: financial instruments whose fair value is determined entirely or partly by using an evaluation method using an estimate that is not based on market transaction prices on similar instruments.

€ thousands	Level 1	Level 2	Level 3	Total
Derivatives at fair value through profit or loss		5 327		5 327
Cash and cash equivalents (VMP)		5 002		5 002
Total financial assets	**0**	**10 329**	**0**	**10 329**
Derivatives at fair value through profit or loss		32 637		32 637
Total financial liabilities	**0**	**32 637**	**0**	**32 637**

3.2.6.13. Other debt

€ thousands	30-June-18	31-Dec.-17	Change
Other long-term liabilities	5 165	2 998	2 167
Trade payables	44 649	10 249	34 400
Trade payables on fixed assets	87 129	27 801	59 328
Other short-term liabilities	48 451	60 499	-12 048
Current accounts	2 237	2 120	117
Current tax	9 355	2 372	6 983
Total	**196 986**	**106 039**	**90 947**

The other long-term liabilities were composed primarily of security deposits received, of which €2.9 million concern hotel portfolio assets in Spain.

Trade payables were increased by €34 million, primarily because of the full consolidation of the Operating Properties business.

Trade payables on fixed assets include expenses for the work done on the assets, as well as deferred payment on acquisition of long-term investment securities or acquisition of Company shares. The line item increased by €59 million under the impact of the reclassification of deferred payments on the acquisition of the Spanish portfolio for €54 million that were classified as other debts at 31 December 2017.

Other short-term liabilities included property taxes over a full year for €18.5 million (application of IFRIC 21).

Current tax increased significantly due to the consolidation of the Operating Properties business segment for €6 million.

3.2.6.14. Accruals

€ thousands	30-June-18	31-Dec-17	Change
Pre-booked income and other accounts	11 617	823	10 794
Total Accruals	**11 617**	**823**	**10 794**

Pre-booked income primarily included Operating Properties for €9.8 million. Pursuant to IFRS 15, it includes the partial recognition of the guaranteed minimum (EBITDA) by AccorHotels for Pullman Roissy over the 2016 and 2017 fiscal years, for €8.5 million. In fact, the EBITDA guarantee mechanisms provide a repayment clause based on the hotel's future performance whereby payments by AccorHotels cannot be recognised as final income.

3.2.7. NOTES TO THE STATEMENT OF NET INCOME

3.2.7.1. Operating profit

3.2.7.1.1. Rental income

Rental income (€ thousands)	30-June-18	30-June-17	Change in € thousands	Change (%)
Hotels	94 585	84 502	10 083	11,9%
Retail premises	13 223	18 428	-5 205	-28,2%
Total rental income	**107 808**	**102 930**	**4 878**	**4,7%**

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

- Hotel Business

Revenues from the hotel business included rental income from:

- hotels operated by the AccorHotels group for €27.9 million (up from €27.3 million at 30 June 2017);
- holiday villages in Belgium, Portugal and France for €11.9 million (up from €9.1 million at 30 June 2017);
- hotels operated by B&B in France, Germany, and Spain for €30.7 million (up from €29.4 million at 30 June 2017);
- the NH Amsterdam Centre Hotel for €1.7 million (no change from €1.7 million at 30 June 2017);
- Motel One hotels in Germany for €1.1 million (no change from €1.1 million at 30 June 2017);
- NH hotels in Germany for €4 million (up from €1.3 million at 30 June 2017);
- Hotels in Spain for €17 million (up from €14.6 million at 30 June 2017).

The change in revenues over the period (+€10.1 million) is primarily due to:

- the 2017 acquisition of the portfolio in Spain for €2.4 million (increase in variable rental income);
- acquisitions in 2017 of NH hotels in Germany for €2.7 million;
- delivery of Club Med Samoëns for €2.9 million;
- delivery of the Motel One Porte Dorée Hotel for €0.4 million;
- the impact of deliveries of B&B developments in France and Germany for €0.8 million;
- the increase in AccorHotels revenue at 30 June 2018 of +€1.1 million;
- the impact of indexing on B&B hotels in France and Germany for €0.6 million.
- the impact of disposals of the AccorHotels for -€0.5 million and the Sunparks Vielsam cottages for -€0.3 million.

➢ Retail Premises Business

Revenues included:

- rental income from Quick restaurants for €3.9 million (down from €8.5 million at 30 June 2017);
- rental income from Jardiland garden centres for €6.1 million (down from €6.7 million at 30 June 2017);
- rental income from Courtepaille restaurants for €3.3 million (no change from €3.3 million at 30 June 2017).

The primary changes are related to disposals made on Quick and Jardiland portfolios in 2017 and 2018.

3.2.7.1.2. Income from hotels under management

STATEMENT OF CONSOLIDATED ANNUAL COMPREHENSIVE INCOME

€ thousands	Note	30-June-18	30-June-17
Revenues of hotels under management		122 443	0
Operating expenses of hotels under management		-88 772	0
Income from other activities		8	0
Expenses of other activities		-15	0
INCOME FROM HOTELS UNDER MANAGEMENT		**33 664**	**0**

Further to the change of consolidation method for companies in the Operating Hotels business segment, EBITDA of hotel operation is presented in Income from other activities. Given the weight of this business (25% of the portfolio), the Operating Hotels segment is a separate operating segment tracked by management.

Itemised income for this activity is shown in Section 3.2.9.4

3.2.7.1.3. Real estate expenses

€ thousands	30-June-18	30-June-17	Change in %
Rental Income	107 808	102 930	4,7%
Unrecovered rental costs	-1 870	-1 814	n.a
Expenses on properties	-1 107	-1 050	5,4%
Net losses on unrecoverable receivables	-18	-5	n.a
Net rental income	**104 813**	**100 061**	**4,8%**
Rate for property expenses	**-2,8%**	**-2,8%**	

Unrecovered rental costs include the assets located in Spain, whose leases do not stipulate that all expenses of the properties be re-invoiced. This primarily means Property Taxes recognised for the full year according to the application of IFRIC 21.

Other expenses on properties are essentially composed of Property Management fees for €1.1 million, up from €1 million at 30 June 2017.

3.2.7.1.4. Net cost of operations

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

€ thousands	30-June-18	30-June-17	Change in %
Management and administration income	990	998	-0,8%
Business expenses	-806	-1 017	-21,3%
Overhead	-8 729	-6 451	35,3%
Development expenses	-6	0	n.a
Total net operating costs	**-8 551**	**-6 470**	**32,0%**

Management and administration income is composed primarily of Asset Management fees invoiced to equity affiliates for €1 million (no change from €1 million at 30 June 2017).

Business expenses mainly included property appraisal expenses for €0.5 million (down from €0.7 million at 30 June 2017), and asset management fees for €0.3 million (up from €0.2 million at 30 June 2017).

Overhead was up because of the consolidation of the Operating Hotels activity and mainly included:

- Foncière des Régions network expenses for €2 million (no change from €2 million at 30 June 2017);
- personnel costs for €2.1 million (up from €1.4 million at 30 June 2017);
- management fees invoiced by FDM Gestion for €0.6 million (no change from €0.6 million at 30 June 2017);
- the cumulative preferred dividend paid to FDM Gestion for €0.5 million, identical to 2017;
- statutory auditor fees and expenses for €0.7 million (up from €0.3 million at 30 June 2017);
- consultant fees for €0.5 million (up from €0.4 million at 30 June 2017);
- corporate income taxes (including CVAE [local business tax]) for €0.7 million (identical to 30 June 2017);
- premises and operating costs for €0.4 million (up from €0.3 million at 30 June 2017).

3.2.7.2. Change in the fair value of assets

€ thousands	30-June-18	30-June-17
Hotels	72 066	99 392
Retail premises	-1 779	-18 217
Total Change in Fair Value of Properties	**70 287**	**81 175**

3.2.7.3. Net financing cost

€ thousands	30-June-18	30-June-17	Change in € thousands	Change in %
Interest income on cash transactions	854	1 715	-861	-199,2%
Interest expense on financing operations	-16 942	-10 754	-6 188	57,5%
Net expenses for SWAPS	-6 880	-7 898	1 018	-12,9%
Net financing cost	**-22 968**	**-16 937**	**-6 031**	**35,6%**

Net financing cost increased following the consolidation of the Operating Properties business segment.

3.2.7.4. Net financial income

€ thousands	30-June-18	30-June-17	Change in € thousands	Change in %
Cost of net financial debt	**-22 968**	**-16 937**	**-6 031**	**35,6%**
Positive changes in the fair value of financial instruments	0	16 232	-16 232	n.a
Negative changes in the fair value of financial instruments	-8 966	-1 724	-7 242	n.a
Changes in the fair value of financial instruments	***-8 966***	***14 508***	***-23 474***	**-161,8%**
Financial income from discounting	725	956	-231	n.a
Financial expenses from discounting	-1 026	-316	-710	n.a
Discounting	***-301***	***640***	***-941***	n.a
Impact of discounting and changes in fair value	**-9 267**	**15 148**	**-24 415**	**-161,2%**
Expenses net of financial provisions and other	-3 142	-2 702	-440	16,3%
Total net financial income	**-35 377**	**-4 491**	**-30 886**	**687,7%**

The decline in rates generated an increase in the fair value of financial instruments of €9 million at 30 June 2018. The "Other calculated income and expenses" line item in the Statement of Cash Flows of €2.8 million is mainly composed of the amortisation of loan expenses (-€3.2 million), the reversal of the discounting of options on NH hotels, and the discounting of the deferred payment of the hotels acquired in Spain (€0.3 million) and the linearisation of relief granted (-€0.6 million).

3.2.7.5. Taxes

3.2.7.5.1. Taxes and theoretical tax rate by geographical area

€ thousands	Taxes payable	Deferred tax liabilities	Total	Tax rate
France	0	345	345	28,93%
Belgium	-1 061	-3 259	-4 320	29,58%
Luxembourg	-799	-817	-1 616	30,00%
Netherlands	-270	-114	-384	25,00%
Portugal	-151	-503	-654	23,00%
Germany	-2 437	-508	-2 945	15,83%
Spain	0	-461	-461	25,00%
Total	**-4 718**	**-5 316**	**-10 034**	

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

(1) In France, the tax rate applied for the 2018 and 2019 fiscal years is 28.93%. The tax rate will be 28% in 2020, 26.5% in 2021, and 25% beginning in the 2022 financial year.

(2)In Belgium, the tax rate used for 2018 and 2019 is 29.58%. It will go down to 25% as of 2020.
(3)In Germany, the tax rate on property goodwill is 15.83%, but for the hotel operating business, the rates can exceed 30%.

3.2.7.5.2. Deferred tax liabilities

€ thousands	30-Jun-18	30-Jun-17	Change
Belgium	-3 259	-2 011	-1 248
Luxembourg	-817	-755	-62
Netherlands	-114	-819	705
Portugal	-503	-1 163	660
Germany	-508	-1 801	1 293
Spain	-461	-108	-353
Total	**-5 316**	**-6 657**	**1 341**

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

The deferred tax charge is mainly related to the increase in the value of leased hotel assets (-€6.7 million), offset by deferred tax income of €1.4 million from the Operating Properties business line.

3.2.8. OTHER INFORMATION

3.2.8.1. Personnel expenses

Personnel expenses amounted to €32.7 million as at 30 June 2018, compared with €1.4 million as at 30 June 2017. In the net income statement, personnel expenses for the period are included in the Overhead line item for €2.1 million and in Income from other activities for €30.6 million.

At 30 June 2018, the headcount of fully consolidated companies (excluding Operating Properties companies) was 25. This headcount is divided among France (22 people), Luxembourg (2 people), and Spain (1 person).

At 30 June 2018, the average headcount for the Operating Properties business was 1,485 people.

3.2.8.2. Earnings per share and diluted earnings per share

The diluted earnings per share must account for the dilution caused by the recognition of stock options and free shares not yet issued but already allocated. There are no stock options or free shares in the Group.

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

	30-June-18	30-June-17
Net income Group Share (€ thousands)	**90 247**	**142 965**
Number of shares at opening	87 816 087	74 103 963
Capital increase	30 241 799	13 712 124
Number of shares at closing	118 057 886	87 816 087
Average number of own shares	2 949	3 081
Average number of undiluted shares	**118 054 937**	**79 943 893**
Average number of diluted shares	**118 054 937**	**79 943 893**
Net income Group Share per undiluted share	**€0,76**	**€1,79**
Net income Group Share per diluted share	**€0,76**	**€1,79**

3.2.8.3. Related-party transactions

The information mentioned below concerns the main related-parties, namely Foncière des Régions and its subsidiaries, on the one hand, and the equity affiliates on the other hand.

Details of related-party transactions (€ thousands):

Partner	Type of partner	Operating income	Net financial income	Balance sheet	Comments
FDM Gestion	Manager	-1 102			Remuneration of management
FDR Property	Group service provider	-789			Property fees
Foncière des Régions	Group service provider	-1 964			Network expenses
GFR Kleber	Group service provider	-62			Lease of premises
Foncière des Régions SGP	OPCI B2 INVEST HOTEL Manager	-100			Consulting services and management agreement
IRIS (OPCI + Holding), OPCI Campinvest, SCI Dahlia	Equity affiliates	1 256	151	6 884	Asset, Property, and Loan Fees

3.2.8.4. Executive Compensation

3.2.8.4.1. Compensation of executives and directors

€ thousands	30-June-18	30-June-17
Directors	16	24
Attendance fees	**16**	**24**

At 30 June 2018, €16 thousand in attendance fees was paid to the members of the Supervisory Board and of the Audit Committee.

3.2.8.4.2. Compensation of the manager and the general partner

For its duties as managing partner, FDM Gestion was paid €0.6 million exclusive of tax in compensation for the first half of 2018. The terms of this compensation are set by Article 11 of the Articles of Association of Foncière des Murs.

During the first half of 2018, a cumulative preferred dividend of €500 thousand was paid to the general partner, FDM Gestion, for fiscal year 2017. This cumulative dividend was booked as operating expenses in compliance with IFRS which stipulate that a cumulative dividend must be treated as a management fee.

3.2.9. SEGMENT REPORTING

Foncière des Murs holds a diverse portfolio of real estate assets to collect rental income and benefit from appreciation in the assets held. Segment reporting is organised by type of clientèle and nature of the assets.

Consequently, the operating segments are as follows:

- Hotels: assets leased primarily to AccorHotels, B&B, Motel One, NH, Melia, Barcelo, AC Hotels, Pierre & Vacances, and Club Med;
- Retail premises: assets let to Jardiland, Courtepaille, and Quick;
- Murs et Fonds: hotels operated.

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

Following the merger of FDM Management into Foncière des Murs, the Operating Properties business is now fully consolidated.

The financial data presented for segment reporting follow the same accounting rules as those for the comprehensive financial statements.

3.2.9.1. Tangible and intangible fixed assets

31/12/2017 - € thousands	Hotels		Retail premises		Operating properties		Total
	France	Foreign	France	Foreign	France	Foreign	
Other fixed assets	0	84	0	0	0	0	84
Fixed assets in progress	0	3 478	0	0	0	0	3 478
TOTAL	0	3 562	0	0	0	0	3 562

30/06/2018 - € thousands	Hotels		Retail premises		Operating properties		Total
	France	Foreign	France	Foreign	France	Foreign	
Goodwill	0	0	0	0	28 240	83 801	112 041
Intangible fixed assets	0	0	0	0	35 055	6 837	41 892
Operating properties	0	0	0	0	143 468	936 209	1 079 677
Other fixed assets	0	74	0	0	11 643	12 114	23 831
Fixed assets in progress	0	19 397	0	0	1 203	3 471	24 071
TOTAL	0	19 471	0	0	219 609	1 042 432	1 281 512

Following the full consolidation of the Operating Properties segment, the portfolio of hotels under management stood at €1,262 thousand at 30 June 2018.
In the foreign hotels segment, the increase in fixed assets in progress essentially came from the acquisition of the €15.9 call option to purchase the NH Hotel in Hamburg.

3.2.9.2. Investment properties/Assets held for sale

31/12/2017 - € thousands	Hotels		Retail premises		Total
	France	Foreign	France	Foreign	
Investment Properties in operation	1 816 065	1 558 246	260 322	0	3 634 633
Assets held for sale	18 000	2 591	186 805	0	207 396
Properties under development	41 594	48 340	0	0	89 934
TOTAL	1 875 659	1 609 177	447 127	0	3 931 963

30/06/2018 - € thousands	Hotels		Retail premises		Total
	France	Foreign	France	Foreign	
Investment properties	1 915 953	1 495 103	179 530	0	3 590 586
Assets held for sale	18 000	115 343	79 422	0	212 765
Properties under development	53 807	38 810	0	0	92 617
TOTAL	1 987 760	1 649 256	258 952	0	3 895 968

3.2.9.3. Financial liabilities

31/12/2017 - € thousands	Hotels	Retail premises	Operating properties	Corporate	TOTAL
Total long-term interest-bearing loans	994 286	0	0	679 292	1 673 578
Total short-term interest-bearing loans	9 230	0	0	27 725	36 955
Total LT and ST Loans	1 003 516	0		707 017	1 710 533

30/06/2018 - € thousands	Hotels	Retail premises	Operating properties	Corporate	TOTAL
Total long-term interest-bearing loans	1 032 801	0	739 994	460 611	2 233 406
Total short-term interest-bearing loans	9 656	0	9 809	59 685	79 150
Total LT and ST Loans	1 042 457	0	749 803	520 296	2 312 556

Following the full consolidation of the Operating Properties segment, the amount of borrowings related to this business was €749.8 million at 30 June 2018.

3.2.9.4. Net income

3.2.9.4.1. Segment income at 30 June 2017

€ thousands - 30/06/2017	Hotels	Retail premises	Corporate	*Operating properties*	Intercos Inter-sector	30-Jun-17
Rental Income	84 502	18 428	0	0	0	102 930
Unrecovered rental costs	-1 798	-9	-7	0	0	-1 814
Expenses on properties	-1 258	-339	-2	0	549	-1 050
Net losses on unrecoverable receivables	-2	0	-3	0	0	-5
NET RENTAL INCOME	**81 444**	**18 080**	**-12**	**0**	**549**	**100 061**
Management and administration income	23	0	3 268	0	-2 293	998
Business expenses	-2 448	-188	-125	0	1 744	-1 017
Overhead	-3 005	-2 167	-1 279	0	0	-6 451
Development expenses	0	0	0	0	0	0
NET COST OF OPERATIONS	**-5 432**	**-2 355**	**1 866**	**0**	**-549**	**-6 470**
Depreciation of operating assets	-9	0	-1	0	0	-10
Net change in provisions and other	422	0	-30	0	0	392
OPERATING INCOME	**76 425**	**15 725**	**1 823**	**0**	**0**	**93 973**
Income from asset disposals	3 500	0	0	0	0	3 500
Carrying value of investment properties sold	-3 480	0	-164	0	0	-3 644
INCOME FROM ASSET DISPOSALS	**20**	**0**	**-164**	**0**	**0**	**-144**
Gains in value of investment properties	99 688	895	0	0	0	100 583
Losses in value of investment properties	-296	-19 112	0	0	0	-19 408
INCOME FROM VALUE ADJUSTMENTS	**99 392**	**-18 217**	**0**	**0**	**0**	**81 175**
INCOME FROM DISPOSALS OF SECURITIES	**0**	**0**	**0**	**0**	**0**	**0**
INCOME FROM CHANGES IN SCOPE	**-98**	**0**	**153**	**0**	**0**	**55**
OPERATING INCOME after valuation impact and disposals	**175 739**	**-2 492**	**1 812**	**0**	**0**	**175 059**
Cost of net financial debt	-10 911	0	-6 026	0	0	-16 937
Value adjustment on derivatives	1 597	0	12 911	0	0	14 508
Discounting of liabilities and receivables	792	-6	-146	0	0	640
Net change in financial and other provisions	-1 815	0	-887	0	0	-2 702
Share in income of equity affiliates	5 135	0	0	2 336	0	7 471
PRE-TAX NET INCOME	**170 537**	**-2 498**	**7 664**	**2 336**	**0**	**178 039**
Deferred tax liabilities	-6 657	0	0	0	0	-6 657
Corporate income tax	-1 334	0	-2	0	0	-1 336
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS	**162 546**	**-2 498**	**7 662**	**2 336**	**0**	**170 046**
Profit (loss) after tax of discontinued operations						-42
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS						**-42**
NET INCOME FOR THE PERIOD	**162 546**	**-2 498**	**7 662**	**2 336**	**0**	**170 004**
						0

In compliance with IFRS 12, inter-segment transactions are presented separately in the segment income statement.

The Corporate segment includes the FDM (holding) company and FDM Gestion Immobilière.

3.2.9.4.2. Segment income at 30 June 2018

€ thousands - 30/06/2018	Hotels	Retail premises	Corporate	*Operating properties*	Intercos Inter-sector	30-Jun-18
Rental Income	94 585	13 223	0	0	0	107 808
Unrecovered rental costs	-1 853	-17	0	0	0	-1 870
Expenses on properties	-805	-244	-53	0	0	-1 102
Net losses on unrecoverable receivables	0	0	0	0	0	0
NET RENTAL INCOME	**91 927**	**12 962**	**-53**	**0**	**0**	**104 836**
Management and administration income	-8	0	3 241	0	-2 315	918
Business expenses	-2 089	-125	-42	-746	2 196	-806
Overhead	-3 831	-2 017	-1 746	-1 182	119	-8 657
Development expenses	-6	0	0	0	0	-6
NET COST OF OPERATIONS	**-5 934**	**-2 142**	**1 453**	**-1 928**	**0**	**-8 551**
Income from operated hotels	0	0	0	122 443	0	122 443
Expenses of operated hotels	0	0	0	-88 795	0	-88 795
Income from other activities	2	0	0	6	0	8
Expenses of other activities	0	0	0	-15	0	-15
INCOME FROM OTHER ACTIVITIES	**2**	**0**	**0**	**33 639**	**0**	**33 641**
Depreciation of operating assets	-9	0	-1	-20 543	0	-20 553
Net change in provisions and other	149	8	19	1 499	0	1 675
OPERATING INCOME	**86 135**	**10 828**	**1 418**	**12 667**	**0**	**111 048**
Income from asset disposals	2 258	186 535	-210	0	0	188 583
Carrying value of investment properties sold	-2 248	-186 805	0	-2	0	-189 055
INCOME FROM ASSET DISPOSALS	**10**	**-270**	**-210**	**-2**	**0**	**-472**
Gains in value of investment properties	82 965	160	0	0	0	83 125
Losses in value of investment properties	-10 899	-1 939	0	0	0	-12 838
INCOME FROM VALUE ADJUSTMENTS	**72 066**	**-1 779**	**0**	**0**	**0**	**70 287**
INCOME FROM DISPOSALS OF SECURITIES	**0**	**0**	**103 000**	**0**	**0**	**103 000**
INCOME FROM CHANGES IN SCOPE	**-22 780**	**0**	**-108 536**	**0**	**0**	**-131 316**
OPERATING INCOME after valuation impact and disposals	**135 431**	**8 779**	**-4 328**	**12 665**	**0**	**152 547**
Cost of net financial debt	-10 955	0	-5 058	-6 955	0	-22 968
Value adjustment on derivatives	-972	0	-7 121	-873	0	-8 966
Discounting of liabilities and receivables	391	0	-20	-672	0	-301
Net change in financial and other provisions	-1 054	0	-1 517	-571	0	-3 142
Share in income of equity affiliates	3 490	0	0	0	0	3 490
PRE-TAX NET INCOME	**126 331**	**8 779**	**-18 044**	**3 594**	**0**	**120 660**
Deferred tax liabilities	-6 738	0	0	1 422	0	-5 316
Corporate income tax	-1 741	0	-2	-2 975	0	-4 718
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS	**117 852**	**8 779**	**-18 046**	**2 041**	**0**	**110 626**
Profit (loss) after tax of discontinued operations						0
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS						**0**
NET INCOME FOR THE PERIOD	**117 852**	**8 779**	**-18 046**	**2 041**	**0**	**110 626**
						0

In compliance with IFRS 12, inter-segment transactions are presented separately in the segment income statement.

3.2.9.4.3. Income from Operating Properties

The Operating Properties business is now fully consolidated. At 30 June 2018, Gross Operating Income stood at €42 million or 34.3% of revenues.

Restated for the impact of IFRIC 21, EBITDA was up by €1.8 million.

The increase in revenue essentially arose from the acquisition of the Le Méridien Hotel in Nice at the end of 2017 (+€10.9 million for the first half of 2018).

Consolidated data (€ thousands)	30-Jun-17	30-Jun-18	Change
Rental income from Hotels	4 636	3 891	-745
Lodging	70 881	82 367	11 486
Catering	26 807	30 670	3 863
Miscellaneous sales	6 226	5 515	-711
revenues	**108 550**	**122 443**	**13 893**
Sales costs	-21 583	-25 372	-3 789
Personnel costs	-34 364	-39 289	-4 925
A & G (Administrative & General)	-2 888	-5 067	-2 179
S & M (Sales & Marketing)	-3 741	-4 544	-803
Other operating expenses	-6 908	-6 180	728
Gross Operating Profits (GOP)	**39 066**	**41 991**	**2 925**
Management costs	-782	-1 032	-250
Property and other taxes	-1 947	-3 689	-1 742
Insurance	-672	-633	39
Consulting fees	-3 026	-2 971	55
EBITDAR	**32 639**	**33 666**	**1 027**
Letting	-1 042	-1 912	-870
EBITDA	**31 597**	**31 754**	**157**
Depreciation and provisions	-20 478	-20 580	-102
Net current operating income	**11 119**	**11 174**	**55**
Net non-recurring income	7 475	1 486	-5 989
Net operating income	**18 594**	**12 660**	**-5 934**
Cost of net financial debt	-8 603	-7 074	1 529
Changes in the fair value of financial instruments (FI)	107	-873	-980
Other financial income and expenses	-1 359	-1 203	156
Pre-tax income	**8 739**	**3 510**	**-5 229**
Corporate income tax	-2 678	-1 553	1 125
Consolidated group net income	**6 061**	**1 957**	**-4 104**
Non-controlling interests	-310	-105	205
Net income Group Share	**5 752**	**1 852**	**-3 899**

Consolidated net income from the Operating Properties segment is slightly below the income shown in the consolidated financial statements of the Foncière des Murs Group because of the inclusion of the intercos transaction not eliminated in the consolidation sub-level of the Operating Properties segment.

3.2.10. SUBSEQUENT EVENTS

No event has occurred between 30 June 2018 and the reporting date.

3. Statutory Auditors' report on the half-year financial information

To the shareholders,

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

- the review of the accompanying condensed half-year consolidated financial statements of Foncière des Murs, for the period from 1 January to 30 June 2018, as appended to this report;
- the verification of the information presented in the half-yearly management report.

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

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially lesser in scope than an audit conducted in accordance with professional standards applicable in France. Consequently, compared to a full audit, a limited review provides only moderate assurance that the financial statements, taken as a whole, do not contain any material anomalies.

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

Without qualifying our opinion above, we draw attention to Note 3.2.1.1 in the notes to the half-year consolidated financial statements explaining the change in accounting method emanating from the implementation of IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 on financial instruments.

2. Specific verification

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

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

Courbevoie and Paris-La Défense, 25 July 2018

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
Gilles Magnan	Anne Herbein

4. Statement by the person responsible

4.1. Person responsible for the document

Mr Dominique Ozanne
Chairman of COVIVIO HOTELS GESTION
Managing Partner of FDM

4.2. Statement by the Person in Charge of the Financial Information

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

Paris, 25 July 2018
Mr Dominique Ozanne
Chairman of COVIVIO HOTELS GESTION
Managing Partner
Person in Charge of the Financial Information