



ANNUAL  
REPORT

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Foncière des 6<sup>e</sup> & 7<sup>e</sup>  
ARRONDISSEMENTS DE PARIS

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**Annual Report  
for the financial year  
ended December 31<sup>st</sup>, 2014**



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**FONCIÈRE  
DES 6<sup>e</sup> ET 7<sup>e</sup>  
ARRONDISSEMENTS  
DE PARIS (SIIC)**

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Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC)  
Foncière de Paris Rive Gauche

*Société Anonyme* (French limited company) with capital of €383,919,825  
Paris Trade and Corporate Registry B 389 857 707

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[www.fprg.fr](http://www.fprg.fr)

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**Copies of this annual report are available free  
of charge from Foncière des 6<sup>e</sup> et 7<sup>e</sup>  
Arrondissements de Paris (SIIC),  
at its office address:  
41- 43, rue Saint-Dominique - 75007 PARIS  
or on its website [www.fprg.fr](http://www.fprg.fr).**



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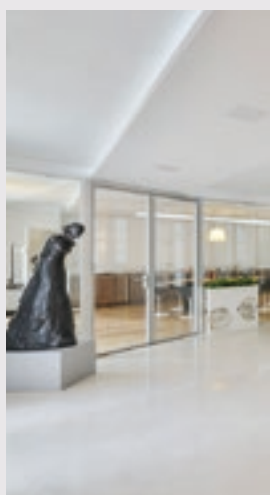
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## Message from the Chairman

2014 has been a very eventful year for Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris!

During this financial period, the consolidated rental income grew by 25% at €33.1million generating a sharp increase of the operating income by approx. 33% at €36.6 million. Thanks to the soundness of these results, we are very pleased to distribute a dividend of €1.00 for 2014 compared to the dividend of €0.90 per share paid for the financial period of 2013, thus an 11% upswing representing a yield of 5.46% based on the stock price on December 31<sup>st</sup>, 2014.

In July, the Company achieved an important investment by carrying off a call for proposals organised by the State for the sale of the property complex "Penthémont" (located 37-39 rue de Bellechasse and 104 rue de Grenelle in Paris 7<sup>th</sup>) which should be released by the Defence Department. This building site rented to the State until its departure, at the latest beginning 2016, will undergo total refurbishment before being re-let.

At last, this autumn, the Board of Directors of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris approved the principle of a merger of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris into Foncière de Paris SIIC. Specialised in the real-estate of office buildings in Paris, the new scope will represent a consolidated asset of approximatively €3 billion based on market value.

This transaction will bring to the shareholders of the two companies the following assets:

- A strong relative impact due to the cancellation of 17.6% of capital of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris currently held by Foncière de Paris SIIC.
- A crystal-clear strategy: the high quality portfolio concentrated up to 90% in Paris, Boulogne-Billancourt and Levallois-Perret.
- Reinforced means in order to assure a long term development on equivalent assets.

The exchange rate for the merger between the two companies is of 17 shares Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris for 3 shares Foncière de Paris SIIC. Based on a multi-criteria approach under the control of the merger Auditors, the exchange ratio reflects a parity exchange of 0.176.

We thank you in advance for your support for the Combined General Meeting that will be held on May 12<sup>th</sup>, 2015. This merger project will optimise value creation for the shareholder and assure sustained and regular increase of the dividend. This will allow the shareholders who have always trusted Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris to keep on making the history with Foncière de Paris SIIC which will boost its size and gain the necessary means to perform.

François Thomazeau



OUR PROPERTY  
**Rue de l'Université**





## Presentation

### **A graceful building**

Even an architect may consider ambition as the only way. At least until the vicissitudes of life decide otherwise and turn the author's dreams into dust, over time. Thomas Gobert, a young and skilful architect working for the monarch's properties, bought a land of approx. 3,000 sq.ft (one toise = 6 feet) located rue de l'Université, in Paris, in March 1685. The son in law of Mr. de Lespine, builder in the neighbourhood of the rue de Richelieu, who had already created the "Pavillon de Breteuil and the Trianon in Saint Cloud", decided to build a big private mansion, extended by two detached pavilions. He worked as sponsor and architect at the same time.

He imagined a graceful building with a facade which was at the time known as "a curved peristyle with ionic columns, supporting a balcony on the first floor, with large windows adorned with recumbent figures, surmounted by lion heads." But Thomas Gobert built too big and went bankrupt in 1700. The property, divided into three plots, passed from hands to hands, almost all aristocratic, for over two centuries, namely in the family of the Counts de Sénecterre who gave their name to the Mansion, before having themselves a reversal of fortune. In 1794, the property was put into a lottery and was finally sold by the heirs of Adrien de Fayet to the City of Paris in December 1908, which wanted to destroy it to build two schools. It is the "Old Paris" Committee that saved the "Sénecterre" Mansion from demolition in 1911. Since 1926, the building complex is classified and recognised on the French Supplementary Historic Monument list. But the fact does not prevent the building of being officially declared in "a dilapidated state" in 1974. The State, after settling the Department of Trade and Handcrafts, then the State Secretary for SMEs in it, finally decides to sell it in 2005.

Briefly but illegally occupied at the time when Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris purchased it, the mansion, in a very poor condition, underwent long and total refurbishment, thus restoring its former beauty and prestige. Nowadays, well settled in its century, the mansion recovers its full worth by hosting the couture workshops of Yves Saint Laurent, where so many skilled hands are as active as fairy hands and now work in a unique and prestigious environment of the French know-how.

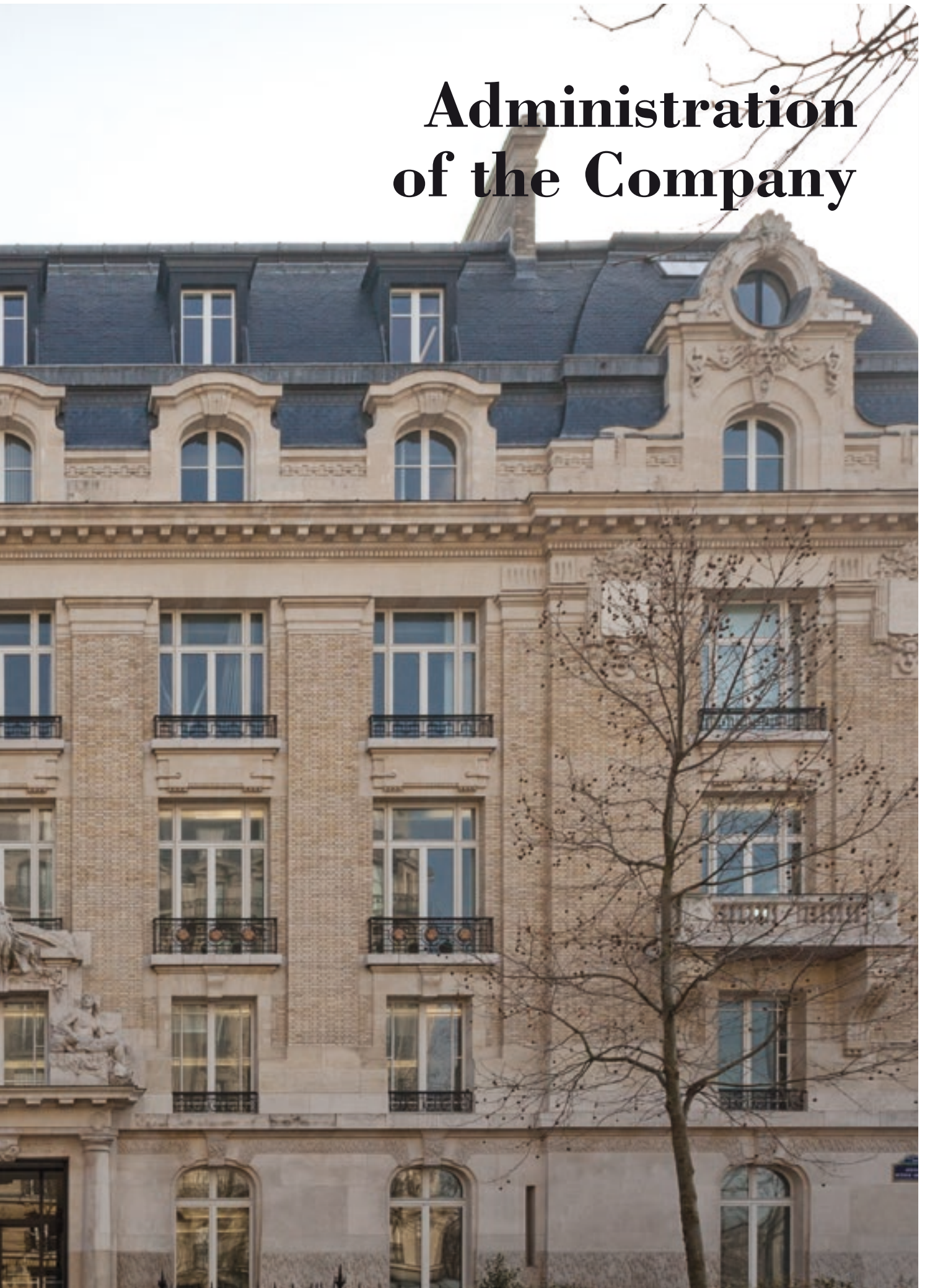




3, avenue Octave Gréard - Paris 7<sup>th</sup>



# Administration of the Company







## Governance as at February 13<sup>th</sup>, 2015

### Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) team



François Thomazeau	Chairman of the Board of Directors
Arnaud Pomel	Managing Director
Alain Le Véel	Deputy Managing Director
Olivier Riché	Deputy Managing Director

Joël Chatelet	Thomas Leclerc
Fabienne Derouineau	Xavier Sizaret
Ingrid Leclerc	Ouafae Varisellaz

### Board of Directors

François Thomazeau	Chairman
Luc Guinefort	Honorary Chairman
Sophie Beuvaden	Board member
Philippe Blavier	Board member
Tatiana Nourissat	Board member
Allianz IARD	Board member, represented by Matthias Seewald
Allianz Vie	Board member, represented by Peter Etzenbach
GMF VIE	Board member, represented by Olivier Le Borgne
Les Assurances du Crédit Mutuel Vie	Board member, represented by Pierre Reichert
Foncière de Paris SIIC	Board member, represented by Olivier Riché
Michel Dufief	Censor
Jean-Marie Soubrier	Censor

### The Audit Committee

Philippe Blavier	Chairman	Michel Dufief	Olivier Le Borgne
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## The Compensation Committee

François Thomazeau (except that which concerns him)	Sophie Beuvaden	Michel Dufief
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## Commitments Committee

Sophie Beuvaden	Alain Le Vél	Olivier Riché
Luc Guinefort	Arnaud Pomel	François Thomazeau

## Statutory Auditors

### SAINT-HONORÉ SEREG

140, rue du Faubourg Saint-Honoré, 75008 Paris

Date of first appointment: 1998

Start date of current term: 2009

Expiration date of current term: 2014

Statutory Auditor, represented by Denis Van Strien,  
Member of the Compagnie Régionale de Paris

### MAZARS

61, rue Henri Regnault, 92400 Courbevoie

Date of first appointment: 2006

Start date of current term: 2011

Expiration date of current term: 2016

Statutory Auditor, represented by Odile Coulaud,  
Member of the Compagnie Régionale de Versailles

Philippe Gautier

Alternate Statutory Auditor

Advolis

Alternate Statutory Auditor



136 bis, rue de Grenelle - Paris 7<sup>th</sup> ▲



45/47, rue Saint-Dominique - Paris 7<sup>th</sup> ▲





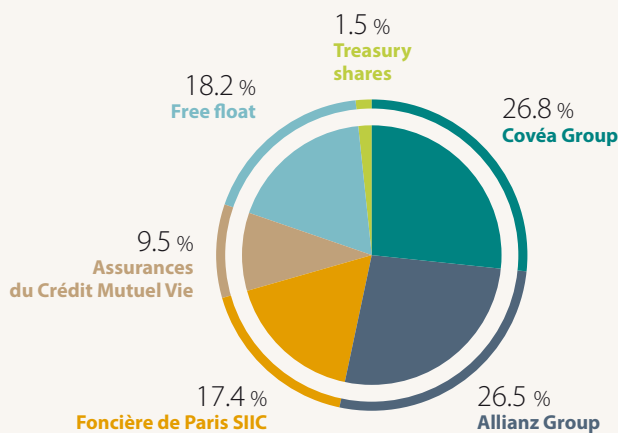
## Overview of the Company and key figures

At the end of 2005, the founding shareholders (Allianz, Covéa and Assurances du Crédit Mutuel) decided to create a specific property division with the purpose of investing in the most prestigious neighbourhoods of Paris's left bank: the 6<sup>th</sup> and 7<sup>th</sup> districts. The Company now owns approximately 74,000 sq.m. of assets, composed of 14 commercial office buildings, 2 Holiday Inn hotels (property and business) and one residential building. Both hotels are operated directly by the Company via the wholly owned GEI and HRD simplified joint stock companies (*société par actions simplifiée* – SAS).

Since March 15<sup>th</sup>, 2007, the Company has been listed on NYSE Euronext's Euronext Paris market (Compartment B). The Company has had *Sociétés d'Investissements Immobiliers Cotées* (SIIC – French REIT) status since April 1<sup>st</sup>, 2007.

### Breakdown of the capital

As at December 31<sup>st</sup>, 2014, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris shareholding structure was the following:



SHAREHOLDERS	31/12/2013	31/12/2014
Covéa Group	26.8	26.8
Allianz Group	26.5	26.5
Foncière de Paris SIIC	16.8	17.4
Assurances du Crédit Mutuel Vie	9.5	9.5
Free float	19.1	18.3
Treasury shares	1.3	1.5
<b>TOTAL</b>	<b>100</b>	<b>100</b>



3 avenue Octave Gréard - Paris 7<sup>th</sup> ▲

## Key figures

- Dividend of €1 per share (+11%)
- Sharp increase of the rental consolidated income: + 25% to €33.1 million
- Sharp increase of the operating result: + approx. 33% to €36.6 million
- Net asset value excluding rights: €20.97 per share as of December 31<sup>st</sup>, 2014

The historical financial data selected by the Company and provided below have been extracted from the consolidated financial statements for 2014, 2013 and 2012 financial years.

This financial information should be read in conjunction with the financial statements beginning on page 32 of this Registration Document.

## Consolidated revenues and cash flow

Increase in 2014 revenues: + 25% to €33.1 million

In million of Euros

CONSOLIDATED REVENUES	31/12/14	31/12/13	31/12/12
Rental income	33.1	26.5	18.5
Hotels' cash flow <sup>(1)</sup>	6.1	6.1	6.3
Dividends and OSRA interest	0.5	5.7 <sup>(2)</sup>	4.3
Share of earning of Saints-Pères Fleury real-estate investment company (société civile immobilière – SCI)	0.4 <sup>(3)</sup>	0.8	0.6
<b>TOTAL REVENUES</b>	<b>40.1</b>	<b>39.1</b>	<b>29.7</b>

(1) Hotel operating products less hotel operating expenses, excluding intra Group rents and excluding hotel activity's provisions and amortization.

(2) Including €1,3 million of exceptional revenue corresponding to the redemption of fully matured Foncière Paris France OSRA 2006.

(3) From January 1<sup>st</sup>, 2014 to June 30<sup>th</sup>, 2014.

- Consolidated revenue reached €40.1 million in 2014 versus €39.1 million in 2013.

## Consolidated statement income

In thousands of Euros

INCOME STATEMENT ITEMS BASED ON CONSOLIDATED DATA FOR THE FINANCIAL YEARS ENDED 31/12/2012, 31/12/2013 AND 31/12/2014	31/12/14	31/12/13	31/12/12
Operating revenue	62,976	54,523	40,289
Operating expenses excluding value adjustments	26,408	26,935	21,112
Value adjustments	-	-	-
<b>Operating profit or loss</b>	<b>36,567</b>	<b>27,588</b>	<b>19,177</b>
Income from sale of investment properties	-	-	-
<b>Operating profit or loss after sale of investment properties</b>	<b>36,567</b>	<b>27,588</b>	<b>19,177</b>
Income from associated undertakings	407	813	636
<b>Operating profit or loss after share of earning of associated undertakings' net income</b>	<b>36,974</b>	<b>28,401</b>	<b>19,813</b>
Cost of net debt	(9,114)	(5,355)	(3,600)
Dividends and net revenue on non-consolidated securities	56	615	3,131
Change in the value of financial derivatives	(3,380)	59	(2,334)
Change in the value of goodwill adjustments	6,705	-	-
<b>Pre-tax income</b>	<b>31,241</b>	<b>23,720</b>	<b>17,010</b>
Taxes (including deferred tax)	(587)	(877)	(670)
<b>NET INCOME/LOSS</b>	<b>30,654</b>	<b>22,843</b>	<b>16,341</b>
Of which Minority interest share	-	-	-
<b>Group share</b>	<b>30,654</b>	<b>22,843</b>	<b>16,341</b>
<b>Earning per share</b>	<b>1.20</b>	<b>0.89</b>	<b>0.64</b>
<b>Diluted earning per share</b>	<b>1.20</b>	<b>0.89</b>	<b>0.64</b>

- Consolidated net profit amounted to €30.6 million versus €22.8 million in 2013.
- The cash flow, based on consolidated net profit, reached €25.4 million, i.e. €0.99 per share, up by approx. 5.4% versus 2013 (€24.1 million, i.e. €0.94 per share).



## Consolidated balance sheet

In million of Euros

ASSETS	31/12/2014	31/12/2013	31/12/2012
Investment properties	852.9	621.6	615.3
Hotel assets	67.7	69.0	70.4
Financial assets	0.9	18.5	88.4
Cash	8.3	57.0	34.6
Other assets	14.2	22.9	23.3
<b>TOTAL</b>	<b>944.0</b>	<b>789.1</b>	<b>832.0</b>
LIABILITIES	31/12/2014	31/12/2013	31/12/2012
Shareholders' equity - Group share	431.7	427.7	432.0
Financial debts	497.0	346.4	376.4
Other liabilities	15.3	15.0	23.6
<b>TOTAL</b>	<b>944.0</b>	<b>789.1</b>	<b>832.0</b>

- At December 31<sup>st</sup>, 2014, the consolidated Shareholders' equity amounted to €431.7 million (including 2014 net profit).
- The loan-to-value ratio (net debt/Group shareholders' equity) amounts to 48% at December 31<sup>st</sup>, 2014 versus 36% end of December 2013.

## Net asset value

The net asset value amounts to €20.97 excluding transfer duties per share (versus €20.60 as at December 31<sup>st</sup>, 2013), and to €22.74 including transfer duties, a slight increase compared to 2013 (€21.11).

In thousands of Euros

NET ASSET VALUE	31/12/2014	31/12/2013	31/12/2012
Shareholders' equity - Group share	431,681	427,662	432,007
Equity capital	383,920	383,920	383,920
Consolidated reserves - Group share	17,107	20,899	31,746
Consolidated income	30,654	22,843	16,341
Unrealised capital gains on properties	98,281	86,226	79,942
Unrealised capital gains on SCI SPF	-	7,817	8,924
Treasury shares	6,738	5,579	5,198
<b>NAV excluding transfer duties</b>	<b>536,700</b>	<b>527,284</b>	<b>526,071</b>
<b>NAV excluding transfer duties per share</b>	<b>€20.97</b>	<b>€20.60</b>	<b>€20.55</b>
<b>NAV including transfer duties</b>	<b>582,091</b>	<b>540,525</b>	<b>533,543</b>
<b>NAV including transfer duties per share</b>	<b>€22.74</b>	<b>€21.12</b>	<b>€20.85</b>

## An optimal combination: location, quality and signature

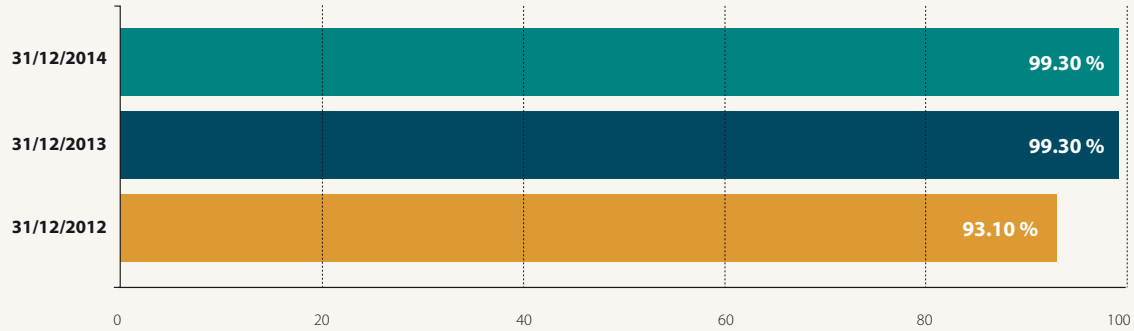
The external appraisals conducted on the buildings at the end of 2014 valued the assets at €1.019 billion versus €806 million as at December 31<sup>st</sup>, 2013. This increase includes the 2014 financial year acquisitions (Penthémont and shares in SCI Saints-Pères Fleury) as well as the sale of Foncière de Paris SIIC OSRA for a total of €15.3 million.

The stock of unrealized capital gain on properties amounts to €98.3 million versus €94.0 million end 2013, proving, in addition to the natural effect of amortisations, an increased assessments value.

## Occupancy rate close to 100%

On December 31<sup>st</sup>, 2014, the vacancy rate of the portfolio remains stable at 0.7%.

The average lease rate amounts to 4.7 years.

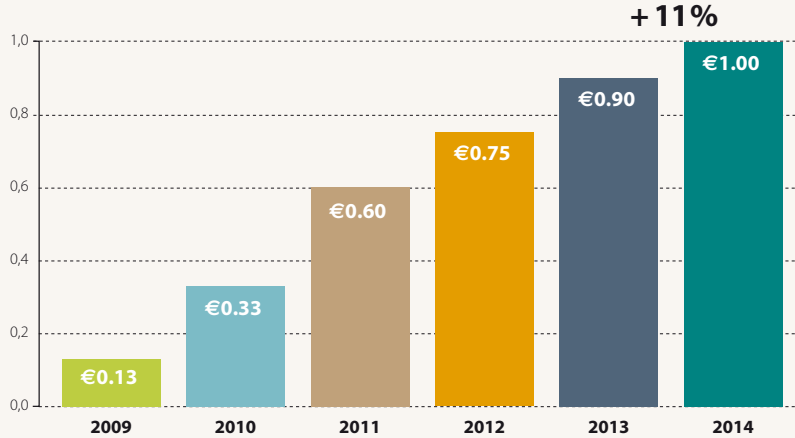


## Distribution

For 2014 financial year, the Board of Directors decided to propose to distribute a dividend of €1.00 per share, increased versus last year (€0.90). This dividend of €1.00 per share will be composed of:

- €0.75 from SIIC results and,
- €0.25 from operating result.

### Dividends





## Merger project with Foncière de Paris SIIC

- On Tuesday November 4<sup>th</sup>, 2014, the Board of Directors of Foncière des 6<sup>e</sup> and 7<sup>e</sup> Arrondissements de Paris approved the principle of an absorption-merger of Foncière des 6<sup>e</sup> and 7<sup>e</sup> Arrondissements de Paris by Foncière de Paris SIIC (see press release of November 4<sup>th</sup>, 2014).
- Mr. Kling and Ledouble were appointed as Merger Auditors on November 24<sup>th</sup>, 2014.

Specialised on the real-estate market of offices in Paris, the new group will reach a consolidated portfolio asset of approximately €3 billion based on current value. This transaction will bring to the shareholders of the two listed companies the following assets:

- This merger is expected to be relative due to the cancellation of 17.4% of capital of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris currently held by Foncière de Paris SIIC.
- A crystal-clear strategy: the high quality portfolio concentrated up to 90% in Paris, Boulogne-Billancourt and Levallois-Perret.
- Reinforced means in order to assure a long term development on equivalent assets.
- In the future, the simplification of organisation of these two entities should optimise value creation for the shareholders and assure sustained and regular increase of the dividend.



49/51, rue Saint-Dominique - Paris 7<sup>th</sup>  
Let to Châteaufort!



## A high-quality property portfolio

Between 2005 and 2014, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) built up a portfolio consisting of 74,000 sq.m. of primarily commercial buildings located exclusively in Paris 6<sup>th</sup> and 7<sup>th</sup>. The Company had its initial public offering in 2007. The significant programme to perform major renovations on virtually all of its assets, initiated by the Company when it was created, has now been concluded. Its assets now comprise high-quality buildings located in Paris 6 and 7, almost all of which are completely new and fully let. The average lease rate amounts to 4.7 years.

### Summary table of investment properties

Address	Surface in sq.m.	Description
<b>OFFICE BUILDINGS</b>		
3, avenue Octave Gréard, 6, avenue Charles Floquet, 15-19, avenue de Suffren - Paris 7 <sup>th</sup>	9,200 sq.m.	Independent office building, fully let.
24, rue de l'Université - Paris 7 <sup>th</sup>	2,200 sq.m.	Independent office complex located opposite the former premises of the ENA, comprising two buildings, including the Hôtel de la Ferté-Senneclerre, which has a main courtyard and a garden; fully let.
136 bis, rue de Grenelle - Paris 7 <sup>th</sup>	2,200 sq.m.	Independent office building comprising a main courtyard and a garden, located near the Esplanade des Invalides; fully let.
138 bis, rue de Grenelle - Paris 7 <sup>th</sup>	700 sq.m.	Independent office building located near the Esplanade des Invalides; fully let.
83, boulevard du Montparnasse - Paris 6 <sup>th</sup>	1,800 sq.m.	Office building with 86 parking spaces, located near the train station and the Tour Montparnasse; fully let.
24-26, rue Saint-Dominique - Paris 7 <sup>th</sup>	8,000 sq.m.	Office building with 30 underground parking spaces, located right next to the Assemblée Nationale, between the Place du Palais Bourbon and the Esplanade des Invalides, is fully let to the Boston Consulting Group (BCG).
41-43, rue Saint-Dominique <sup>(1)</sup> - Paris 7 <sup>th</sup>	5,000 sq.m.	Office building, with more than one hundred underground parking spaces, right next to the Assemblée Nationale, between the Place du Palais Bourbon and the Esplanade des Invalides; two floors are let to the BCG and 3,000 sq.m. to several tenants.
45-47 et 49-51, rue Saint- Dominique <sup>(1)</sup> - Paris 7 <sup>th</sup>	12,000sq.m.	Office building complex, comprising in particular the Montmorency and Montmorency-Luxembourg private mansions ( <i>hôtels particuliers</i> ) and offering broad terraces and large main courtyards, as well as a landscape park, right next to the Assemblée Nationale, between the Place du Palais Bourbon and the Esplanade des Invalides, let by Latham & Watkins and Châteauform'. The building site, rented to the State until its departure beginning 2016, will then undergo total refurbishment before being re-leased.
37-39, rue de Bellechasse 104, rue de Grenelle - Paris - 7 <sup>th</sup>	12,500sq.m.	Independent office building with underground parking spaces, a private garden and fully equipped terraces, located opposite the Musée du quai Branly; vacant space of 193 sq.m. currently being marketed.
26-28, rue des Saints-Pères et rue du Pré-aux-Clercs - Paris 7 <sup>th</sup>	10,000sq.m.	The Hôtel de Fleury (formerly the École Nationale des Ponts et Chaussées); fully let to the Fondation Nationale des Sciences Politiques ("Sciences Po").
<b>HOTELS</b>		
4, rue Danton et 3, rue de Suger - Paris 6 <sup>th</sup>	3,800 sq.m.	The Holiday Inn de Paris – Notre-Dame hotel, a three-star, 107-room hotel. It opened early February 2010 and is operated by the wholly owned subsidiary HRD, which owns the business.
92, rue de Vaugirard <sup>(2)</sup> - Paris 6 <sup>th</sup>	4,300 sq.m.	The Holiday Inn de Paris – Saint-Germain-des-Prés hotel, a three-star, 134-room hotel with 27 underground parking spaces. It is operated by the 99.9%-owned subsidiary GEI, which owns the business.
<b>RESIDENTIAL PROPERTY</b>		
18-20, rue de Bourgogne - Paris 7 <sup>th</sup>	2,000 sq.m.	Residential building with terraces overlooking a large garden; let.

(1) Including additional underground surface area.

(2) Prepaid building lease with a remaining term on approx. 30 years.



## Note on the assets belonging to the Company and its subsidiaries

With the exception of the building at 92, rue de Vaugirard in Paris 6, which has a prepaid building lease with a remaining term on approx. 30 years and no indexation, the Company owns all the land on which the buildings are located.



▲ 49/51, rue Saint-Dominique - Paris 7<sup>th</sup>  
Let to Châteauform'



## Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) stock market data

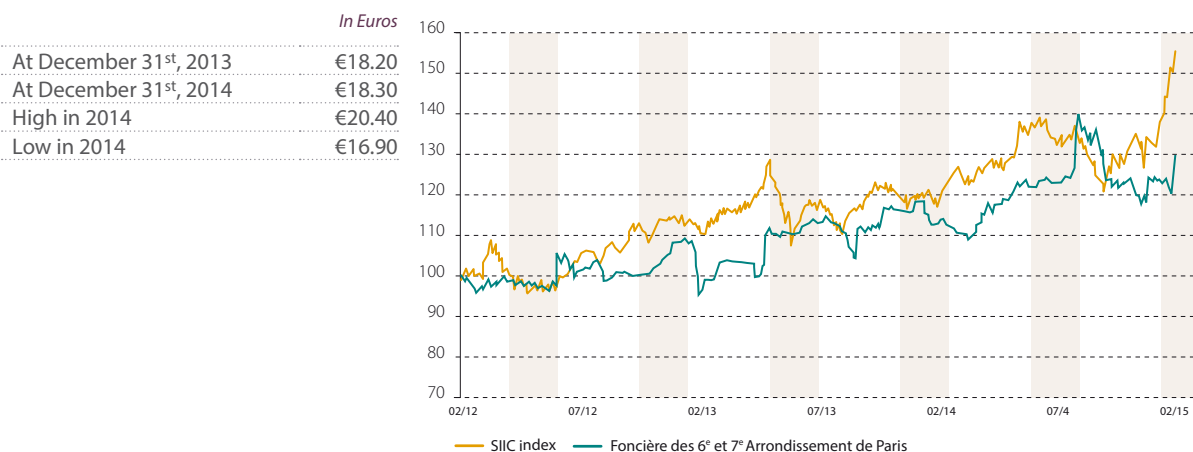
Shares of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) have been listed under Compartment B of NYSE Euronext's Euronext Paris market since March 15<sup>th</sup>, 2007.

### Trading volumes in number of shares and value for financial year 2014

For the 12-month period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2014:

- 2,148,679 shares were traded,
- The total value traded was €37.4 million,
- The average monthly trading volume was 179,057 shares.

### Share price performance in 2014



### Share price performance over 18 months (from September 2013 to February 2015)

MONTH	HIGH	LOW	SECURITIES TRADED	MONTH	HIGH	LOW	SECURITIES TRADED
September 2013	17.45	16.15	34,142	June 2014	18.29	17.80	158,331
October 2013	17.45	16.50	32,265	July 2014	18.20	17.84	95,625
November 2013	18.19	17.25	17,780	August 2014	18.40	17.99	13,224
December 2013	18.20	17.85	35,329	September 2014	20.40	18.50	23,624
January 2014	18.30	17.35	14,217	October 2014	19.98	17.60	40,662
February 2014	17.60	17.20	94,131	November 2014	18.15	17.75	15,489
March 2014	17.40	16.90	1,205,316	December 2014	18.30	17.20	386,504
April 2014	17.99	16.90	39,171	January 2015	18.50	17.80	29,766
May 2014	17.99	16.95	62,385	February 2015	20.15	18.50	53,220



# The Office property market in Paris Rive Gauche

## Global overview of Paris « Rive Gauche »

The office building market in Paris Rive Gauche (left bank of Paris) amounts to approximately 4.1 million sq.m. and represents around 7.4% of the total Paris area (54.4 million sq.m).

Since 2004, this real-estate market only progressed of 8%. This evolution is slow because new constructions are restricted within Paris intra-muros.

The market is composed of two distinct segments: on one hand the 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> arrondissements (districts) of Paris (approx. 1.3 million sq.m) and on the other hand the 13<sup>th</sup>, 14<sup>th</sup> and 15<sup>th</sup> arrondissements of Paris (approx. 2.8 million sq.m).

The 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> arrondissements represent approximately 30% of the total Rive Gauche surfaces.

End 2014, the immediate availability was estimated at 156,200 sq.m versus 113,600 sq.m end 2013, increasing over the last 12 months but decreasing compared to end 2010 (190,100 sq.m).

Therefore, the vacancy rate in Paris Rive Gauche area amounts to 3.2% compared to a 7.3% vacancy rate for the entire Paris area, showing a tight situation.

As pictured, the take-up of offices totalled 197,400 sq.m. Four transactions over 10,000 sq.m are observed in the 13<sup>th</sup> and 15<sup>th</sup> arrondissements. The definite future supply is estimated at 387,100 sq.m, but almost exclusively located (90%) in the 13<sup>th</sup> and 15<sup>th</sup> arrondissements of Paris.

## The 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> arrondissements of Paris

### The rental market

These three "arrondissements" of Paris are characterised by a tense market.

The immediate availability represents 39,700 sq.m. The definite future supply is estimated at 12,000 sq.m.

The take-up of office buildings represents 46,800 sq.m, in 2014, for nominal rents situated between €400 and €800, for exceptional mansions. The transactions between 1,000 and 5,000 sq.m remain rare (13,500 sq.m, less 30% of total demand), reflecting the scarcity of large size assets on this market.

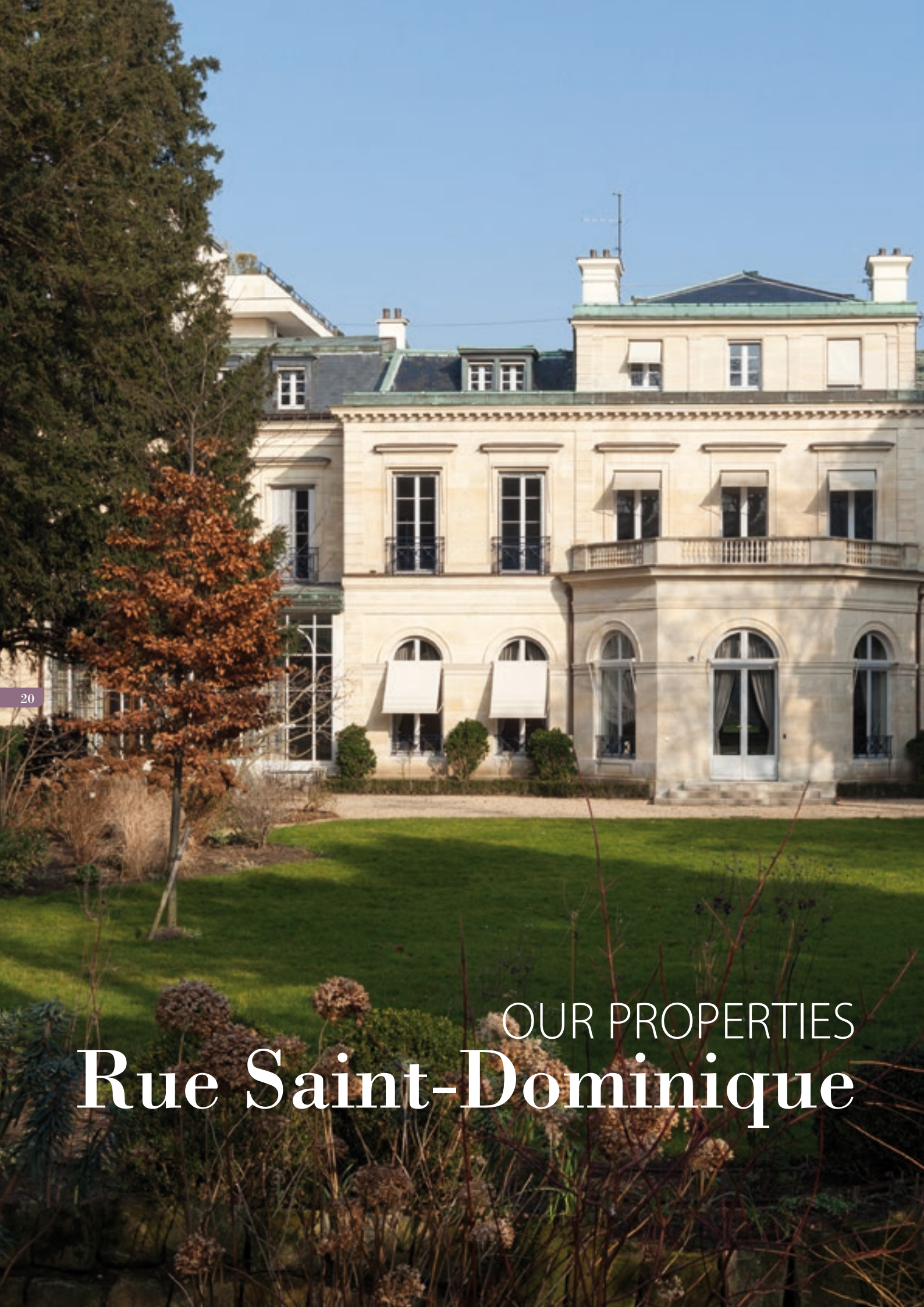
The vacancy rate is therefore particularly low: 3.1% end 2014 versus 2.8% end 2013 and 3.5% in 2011, much lower than the vacancy rate noted in the 8<sup>th</sup> arrondissement of Paris, which amounts to 6.4%!

### The investment market

Taken as a whole, Rive Gauche area of Paris has totally benefited of the investors' appeal for the office building market in Paris in 2014. Thus, over €1.6 billion agreements were identified, of which 71% for the 13<sup>th</sup> arrondissement alone.

The narrow market of the 6<sup>th</sup> and 7<sup>th</sup> arrondissements is clearly lower: the volume of transactions represented €609 million in 2012 and was not significant in 2013. In 2014, the building complex "Penthémont" sold by the State and purchased by Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris, represented a significant transaction. Today, the investors' appeal for rented buildings in prestigious addresses weighs on the prime yields (4 to 4.5%).





OUR PROPERTIES  
**Rue Saint-Dominique**





## Presentation

### A little about its history

Multi-centennial fiefdom of the biggest names of France, the Faubourg Saint-Germain and its main artery "rue Saint Dominique" which was once a plain pathway through fields under King Louis XIII, hides several architectural treasures. At number 45 and 47 of the street, named so in 1643 because it lead to the Noviciate of the Dominicans, was the heart of a building complex, built step by step around the early private mansion owned by the family Colbert de Seignelay, descendant of the famous Minister of Finance. In 1829, after the turmoil of the French Revolution, the Empire and the Restoration, the new acquirer was proud to be in the lineage of the "first Christian baron", the House de Montmorency, noble house since the 10<sup>th</sup> century. Anne-Louis-Raoul-Victor, at first Field Marshal Davout's aide-de-camp, then duke d'Orleans, built two distinct mansions, after having the former mansion demolished.

Its architect Joseph Antoine Froelicher, also living rue Saint-Dominique, was in charge of the building and put the emphasis on his fondness for Ancient Greek and Roman style, mainly by choosing ionic pilasters to frame the arcades. He put into its conception quite a lot of freedom whilst giving to the ensemble a harmony of proportions. Like often at that time, the mansion was built between court and garden, in order to have the building set back from the street. In 1839, the Baron de Montmorency bought the adjacent property, then called "Cité Saint Charles", which he sold to his cousin and almost homonym, Anne-Edouard de Montmorency, Prince de Luxembourg. The garden façades of this latter building still have the inscription of the family motto Montmorency-Luxembourg: "qui n'erre point, qui ne s'égaré point" ("who does not wander, who does not get lost").

He lived in his mansion for thirty-three years, before dying without children. He chose his niece as sole legatee who sold the property in 1864. Several historic characters will pass successively through the mansion, of whom the Princess de Bade, daughter of Stephanie de Beauharnais, a Countess de Mortemart, and the Princes Orlov, Alexis and Vladimir. Their families were very close to the Emperors of Russia. Their most famous ancestor, Grégoire Orlov had been the lover of the Empress Catherine the Great. The two brothers who had a tremendous painting collection, of which the Tiepolo drawings, decided to raise the mansion by one floor, on the right of the Court of Honour, to display their paintings. But after the Russian Revolution, Vladimir, heir of his brother dead in 1916, decided to sell the mansion to the Crédit National in 1919. The institution acquired the adjacent mansion "Montmorency-Luxembourg", connected by a passage to the other mansion. This passage had been built in 1855 in a Napoléon III style.

Today, this magnificent building complex was thoroughly refurbished to reveal its original beauty by Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris, after buying it in 2007. It hosts now several companies such as the Law Firm Latham & Watkins, the Boston Consulting Group and the Châteauform' Company, specialised in seminars.





# Annual financial report





## Report of the Board of Directors at the combined shareholders' meeting held on May 12<sup>th</sup>, 2015

During the year 2014, your Company earned a consolidated net revenue of €48.5 million versus €41.8 million on December 31<sup>st</sup>, 2013.

### Investment property activity

99.3% of the Company's assets are rented on January 1<sup>st</sup>, 2015.

In this past year, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) received €33.1 million of consolidated net rental revenue versus €26.5 million in 2013. This increase is due to:

- a full year rental income from the buildings located 45-51, rue Saint Dominique, occupied by Latham & Watkins and Châteaufort,
- the rent of the building located 24, rue de l'Université and the re-letting of the building located 138 bis, rue de Grenelle,
- the acquisition of the Penthémont building complex (approx. 12,500 sq.m) end of June 2014, which generates, under a short term lease, a rent equal to 3% of purchase price (departure programmed by the Ministry of Defence on March 31<sup>st</sup>, 2016 at the latest),
- the acquisition of the share balance of SCI Saints-Pères Fleury (67.5% of the capital) in July 2014, which owns the building, located 26-28, rue des Saints-Pères (approx. 9,200 sq.m) and let to Sciences Po.

Furthermore, Alcatel Lucent was replaced by Salesforce which took over the lease under the same conditions in the building located 3, rue Octave Gréard (5,500 sq.m). The early departure of Alcatel Lucent had no financial impact on Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris. This re-letting, combined with the extension of a new six-year term lease of almost 10,000 sq.m located 24-26 and 41-43, rue Saint Dominique beginning January 1<sup>st</sup>, 2015, allow the Company to post a fixed average lease rate of 4.7 years.

Following the acquisition of the building complex Penthémont (37-39, rue de Bellechasse and 104, rue de Grenelle Paris 7<sup>th</sup>) and the call for applications organised by the State, this site will undergo total refurbishment before being re-leased. The Company secured the future occupancy of the building site by signing an agreement with a first-rank occupier for approximately 9,200 sq.m of offices (on a total of 12,500 sq.m). This agreement is subject to suspensive conditions, among which those related to building permits authorisations, which are still to be obtained.

After the Company transferred the line of OSRAs 2010 Foncière de Paris SIIC, in July 2014 for an amount of €15.3 million, it does not hold any securities' portfolio, at the end of the year.

### Hotel activity

The revenue in the hotel activity (Holiday Inn Saint-Germain-des-Prés and Holiday Inn Notre-Dame) has remained stable at €15.4 million in 2014 versus €15.3 million in 2013, allowing an operating income of €6.1 million (before rents), versus €6.2 million in 2013.

The performances of these two hotels (a total of 242 rooms) are very satisfactory: 86% occupancy rate and an average room rate at €157 pre-tax for the Saint-Germain-des-Prés hotel; 89% occupancy rate and an average room rate at €195 pre-tax for the Notre-Dame Hotel.

### Net Asset Value (NAV)

The external appraisals conducted on the buildings at the end of 2014 value the assets at €1,018.7 million excluding transfer duties, compared to €806 million on December 31<sup>st</sup>, 2013. This increase, besides the fact of a change in appraised value, is due to the growth of the portfolio linked to acquisitions.

The global unrealised capital gains amount to €98.3 million compared to €94.0 million in 2013 (including the unrealised gains on SCI Saints-Pères Fleury).

On that basis, the revalued net asset per share, excluding transfer duties, is €20.97 end 2014, for the 25,594,655 shares comprising the equity capital, compared to €20.60 end 2013.

The revalued net asset per share, excluding transfer duties, is €22.74 on December 31<sup>st</sup>, 2015 versus €21.12 on December 31<sup>st</sup>, 2013.

The net increase of the NAV, including transfer duties (+7.7% compared to the previous year) is due to several buildings of the Company (3, rue Octave Gréard, 24-26 and 41-43 rue Saint Dominique, 4, rue Danton, 138 bis, rue de Grenelle) that are now submitted to registration duties; their completion ended over 5 years ago.

In thousands of Euros

	31/12/2014	31/12/2013
Consolidated shareholders' equity (see note 12 in the appendix to consolidated financial statements)	431,681	427,662
Unrealised capital gains on buildings (see note 2 in the appendix to consolidated financial statements)	98,281	94,043
Securities (treasury shares)	6,738	5,579
<b>NAV excluding transfer duties</b>	<b>536,700</b>	<b>527,284</b>
<b>NAV excluding transfer duties per share</b>	<b>€20.97</b>	<b>€20.60</b>
<b>NAV including transfer duties</b>	<b>582,091</b>	<b>540,525</b>
<b>NAV including transfer duties per share</b>	<b>€22.74</b>	<b>€21.12</b>

## Consolidated income

The net consolidated profit of the financial year 2014 amounts to €30.7 million, versus €22.8 million for the previous year. In addition to the rent increase, this difference is explained by the first full consolidation of SCI Saints-Pères Fleury, which generated an acquisition profit of €6.7 million mainly related to the Company's revaluation share (32.5%), previously held by Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris, after deduction of acquisition fees.

Calculated from the consolidated income statement, the cash flow is of €25.4 million, €0.99 per share, progressing by approx. 5.4% compared to 2013 (€24.1 million).

The Group's scope now includes eight fully consolidated companies. The subsidiaries' earnings are also indicated in the appendix to the corporate financial statements (note 21).

## Corporate income

On December 31<sup>st</sup>, 2014, corporate net income is €27.5 million versus €21.3 million for financial year 2013.

In addition to the first consolidation of SCI Saints-Pères Fleury, mentioned above, the disparity between corporate income and consolidated income stems mainly from the difference in how caps are recorded and a change in deferred tax.

The acquisition premium is spread over the period during which caps are active (€1.6 million per year in 2014), in the corporate financial statements, while the change in their market value is recorded in consolidated financial statements (€(3.4) million in 2014).

## Shareholders' equity and refinancing

On December 31<sup>st</sup>, 2014, corporate shareholders' equity was €438.7 million and the consolidated shareholders' equity Group share was €431.7 million (including income for the period). For information, they amounted to €433.8 million and €427.7 million on December 31<sup>st</sup>, 2013.

As a result of the acquisitions during the financial year, the consolidated financial debt increased from €289.3 million on December 31<sup>st</sup>, 2013 to €488.7 million on December 31<sup>st</sup>, 2014. On that same date, the Company had €87.4 million in undrawn credit lines.

To hedge against the risk of a rise in interest rates, on December 31<sup>st</sup>, 2014, the Company had €400 million in active caps (at a weighted average rate of 2.47%) and €45 million in swaps (at a weighted average rate of 1.34%).

Therefore, the Company benefits fully from the prevailing very low level of interest rates. For 2014, the average cost of net consolidated financial debt was 2.2% per year before hedging and stood at 2.7% per year after hedging.

The loan-to-value ratio was approximately 48% on December 31<sup>st</sup>, 2014.

The Company's exposure to the market risks is described in detail in the "Risks arising from financial instruments" (§ IB4C) section of the appendix to the consolidated financial statements, as well as in the report provided for in Article L 225-37 of the French Commercial Code (*Code de Commerce*).

The Company complies with the terms of payment provided for by regulations. Trade payables were €101 thousand at the closure of the financial year, and were all less than 60 days.

## Distribution of earnings

With net income for the past year of €27,469,103, the available distributable amount is:

- Net profit for the financial year l'exercice €27,469,103
- Retained earnings €4,628,696

**Total to be distributed €32,097,799**



We propose the distribution of a dividend of €1.00 per share for the 25,594,655 shares comprising the equity capital. This dividend per share will be composed of €0.75 from SIIC results and €0.25 from operating result.

The available amount would be therefore allocated as follows:

- Dividend distributed €25,594,655
- Allocation to legal reserve €1,373,455

**Retained earnings €5,129,68**

The dividend will be paid as from May 14<sup>th</sup>, 2015 with an ex-dividend date of May 12<sup>th</sup>, 2015. The share of the dividend relating to treasury shares held by the Company will be added to retained earnings for the financial year as set out above.

It should be noted that distributions per fully redeemed share for the last three years were as follows:

	2011	2012	2013
Total distribution	€0,60	€0,75	€0,90

## Administration of the Company and transaction between related parties

The Board of Directors had 12 members during the financial year and met on three occasions. The list of the Company's officers' directorship and positions is presented in the appendix.

The Audit Committee met twice during the financial year.

On February 13<sup>th</sup>, 2014, the Board of Directors approved the sale of 131,917 OSRAs 2010 Foncière de Paris SIIC from Foncière de Paris SIIC for €15.3 million, corresponding to the par value of the shares, accrued with interest thereon and an unavailable reserve used for shareholders.

It also approved the acquisition of 32.5% of the capital of SCI Saints-Pères Fleury for €9.1 million from Foncière de Paris SIIC and the repayment of the partner's current account for €7.5 million, as well as the acquisition of 35% of the capital of SCI Saints-Pères Fleury for €9.7 million from PHRV and the repayment of the partner's current account for an amount of €8.1 million. This transaction occurred in July 2014, on the basis of the last appraised value set by two real-estate experts (€89.4 million) and submitted to the fair opinion of an independent appraiser.

The Board of Directors held on February 13<sup>th</sup>, 2014, acknowledged the resignation of Mr. Michel Dufief from the directorship and appointed Mrs. Tatiana Nourissat to replace him, for the period of the term left, that is, up to the General Meeting that will approve the statements for the financial year 2017. The Board of Directors appointed Mr. Michel Dufief as Censor of the Board for a six-year term.

Tatiana Nourissat holds a Master's degree in Business Law, a MGS degree (Management Master's degree) from Paris Dauphine University. Lawyer on the Paris bar, she is a specialist in M&A (Merger and Acquisitions). She worked for 10 years in international business law firms, such as Willkie Farr & Gallagher she joined IDI Group in January 2004, where she manages the Legal Department, is in charge of the Financial Communication, of the relations with the investors, of the Board of Directors and of philanthropy. In 2010, she was promoted to General Secretary of IDI Group. Tatiana Nourissat is also, in particular, Director of the Supervisory Committee of Idivest Partners and Director of Albingia Insurance Company.

Finally, the Board of Directors held on February 13<sup>th</sup>, 2014, acknowledged the resignations of Mr. Jean-Marie Soubrier and the company PHRV from the Directorships. Mr. Jean-Marie Soubrier was appointed as Censor of the Board for a six-year term.

The appointments were approved by the General Meeting held on April 8<sup>th</sup>, 2014.

The Board of Directors held on February 13<sup>th</sup>, 2015, reappointed Mr. Arnaud Pomel as Managing Director for a six-year term. It reappointed Mr. Olivier Riché and Mr. Alain Le Véel as Deputy Managing directors for the same six-year term.

It is proposed at the General Meeting held on May 12<sup>th</sup>, 2015 to renew for a term of six financial years Saint-Honoré Sereg as Statutory Auditor and Mr. Philippe Gautier as Deputy Statutory Auditor, whose mandates have expired.

## Social and environmental consequences of the Company's business

As a services company, the Company is not exposed to direct environmental risk. Its rental assets are composed exclusively of offices located in Paris. Whenever the Company makes a new acquisition, it has its own experts conduct due diligence, in addition to the regulatory appraisals, to verify the condition of the buildings, in particular with respect to asbestos and the buildings' network and systems. The Company's policy is to ensure regular maintenance of its assets and to gradually bring them up to the highest standards of safety and environmental quality.

## Share price performance – Shareholder structure

Equity capital stands at €383,919,825 divided into 25,594,655 shares with a par value of €15 each, fully paid up and of the same class.

There are no other securities that give access to the capital of the Company. There are no double voting rights, and the articles of association contain no restrictions on the exercise of voting rights and on share transfers. To the Company's knowledge, there are no shareholders' agreements and there is no concerted action among shareholders.

Shares of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) have been listed under Compartment B of NYSE Euronext's Euronext Paris market since March 16<sup>th</sup>, 2007.

The share performance in financial year 2014 was as follows.

- Share price on December 31<sup>st</sup>, 2013 €18.20
- Share price on December 31<sup>st</sup>, 2014 €18.30
- Low for the period €16.90
- High for the period €20.40

In 2014, the SIIC France index (Euronext IEIF) increased by 16.25 %.

In accordance with the authorisation granted to the Board of Directors by the General Meeting of April 8<sup>th</sup>, 2014, the Company has acquired its own shares. In the financial year ended December 31<sup>st</sup>, 2014, the Company bought 205,174 treasury shares at an average price of €17.33 and sold 136,468 treasury shares at an average price of €17.61. Thus, on December 31<sup>st</sup>, 2014, it held directly 390,112 treasury shares with a par value of €15, representing 1.52% of the capital, for a net book value of €6.7 million.

At the date of December 31<sup>st</sup>, 2014, employees and corporate officers held 32,636 shares under the Company savings plan (*Plan d'Épargne Entreprise*). During 2014, the Board of Directors did not allocate any free shares.

The Company had approximately 1,300 shareholders on December 31<sup>st</sup>, 2014 and 18.2% of the capital was publicly held at that date.

The shareholder structure had remained stable in the past financial year.

The shareholders holding more than 5% of the capital during the last three financial years were as follows:

In %

	31/12/2012	31/12/2013	31/12/2014
Covéa Group	18.56	26.83	26.83
Allianz Group	18.25	26.52	26.52
Foncière de Paris SIIC	8.39	16.79	17.38
Assurances du Crédit Mutuel Vie	9.54	9.54	9.54
PHRV Group	26.75	1.14	1.14

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## Additional information likely to influence a public tender offer

Except as described in the management report, in particular with respect to the description of the structure of the capital and the main risks to which the Company is exposed, there is no particular information likely to have an influence in the event of a public tender offer as considered in Article L 225-100-3 of the French Commercial Code.

## Announcement of the merger project into Foncière de Paris SIIC

By a joint statement on November 4<sup>th</sup>, 2014, the Board of Directors of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris and the Supervisory Board of Foncière de Paris SIIC announced having approved the principle of merger of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris into Foncière de Paris SIIC; this transaction must still be submitted and approved at the General Shareholders' Meeting of the two companies during the first half of 2015.

Since 30 years, Foncière de Paris SIIC (ex Cofitem-Cofimur) has formed a portfolio of office and retail buildings mainly located in Paris and its immediate outskirts; in addition to its historical activity which was property credit leasing. In 2013, the Company decided to concentrate its activity exclusively on real-estate and bring to an end the credit leasing activity, the commitments being managed to extinction. From now on, the Company wishes to develop its portfolio centred on office building leasing (in addition of holding and operating two franchised hotels). This inflective strategy was confirmed after the merger of Foncière Paris France, on November 20<sup>th</sup>, 2013.

In terms of investment, the choice of Foncière de Paris SIIC carries out transactions needing total refurbishment and located in neighbourhoods with a good potential value. These transactions allow combining high yields and important unrealised gains. Furthermore, Foncière de Paris SIIC has totally indexed rental revenues.

In addition to its rental business and also in order to develop its activity, Foncière de Paris SIIC holds shares in listed real-estate companies: 17.6% of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris capital and 7.5% in Eurosic capital.

Foncière de Paris SIIC and Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris have a common shareholder structure of their capital, made of insurance companies since their origin. This explains the similarities observed in the composition of the Board of Directors and the Supervisory Board of the two companies. Some of the corporate executive managers of Foncière de Paris SIIC also have a mandate in Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris.

This transaction is intended to allow the shareholders of the two listed companies to become shareholders of a new group which will totalise a €3 billion consolidated asset in current value and that will :

- assure a sustainable economic activity as French real-estate company (SIIC) specialised in office buildings of which over 90% of the investment properties are concentrated in Paris, Boulogne-Billancourt and Levallois-Perret ;
- strengthen capital and financial means to assure a long term development on equivalent assets ;
- benefit of a relative merger due to the cancellation of 17.4% of capital held of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris currently held by Foncière de Paris SIIC ;
- offer a considerably improved share liquidity with a float of €200 million.

In addition to the simplification of organisation due to a single legal body, it will also allow to share experience and skills of the working teams of the two companies.

## Presentation of the terms of the merger project treaty

Under those circumstances, with a joint request of the two companies to the President of the Commercial Court, that Mr. Kling and Ledouble were appointed as Merger Auditors on November 24<sup>th</sup>, 2014, in order to set the exchange parity of this merger evaluate Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris contributions.

After the report of the merger Auditors, the Supervisory Board of Foncière de Paris SIIC and the Board of Directors of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris met on March 5<sup>th</sup>, 2015, in order to set the merger parity. A project of a merger treaty attached to the present report was signed by both companies and made available to the shareholders. These will decide its approval during the General Assembly convened on May 12<sup>th</sup>, 2015.

The statements used to set the merger conditions are those of the financial period ended December 31<sup>st</sup>, 2014. They determined the conditions of the assets and liabilities of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris that will be brought to Foncière de Paris SIIC or taken over by the merger.

In this context, the Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris' assets will be transferred at their true value of December 31<sup>st</sup>, 2014. At that date, the assets and liabilities of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris were, for information, those listed here after and detailed in the project merger treaty. The net transferred asset is broken down as follows:

	<i>In Euros</i>
Untangible fixed assets	639.00
Tangible fixed assets	947,602,084.18
Financial fixed assets	31,424,689.33
Other assets	19,054,994.57
<b>Contribution value of assets items</b>	<b>998,082,407.08</b>
Provisions for contingencies and losses	(1,673,058.59)
Other provisions	(3,056,278.00)
Debt	(467,875,009.84)
<b>Contribution value of liabilities items</b>	<b>(472,604,346.43)</b>
Dividend paid by Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris	(25,221,023.00)
Net book value of the treasury shares held by Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris	(6,445,677.32)
<b>Amount of the net asset given by Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris</b>	<b>493,811,360.33</b>

The selected criteria to compare the value of the two concerned companies for this transaction are the commonly used practices for the merger of listed real-estate companies and are the three following approaches:

- an asset method based on the net revalued asset on December 31<sup>st</sup>, 2014,
- the mark-to market method based on stock market value,
- a yield method based on the dividend.



These methods detailed in the merger project treaty were retained by the merger Auditors. After their appraisal, they proposed a parity of three(3) shares Foncière de Paris SIIC for seventeen (17) shares Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris. The two companies decided to retain this parity.

In the event of fractional shares, the shareholders of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris who do not hold enough shares to exercise their full rights, will have to sell or buy enough securities for that purpose. However, the shareholders of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris who at the date of the merger, would not hold enough shares of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris, necessary to have a whole number of shares of Foncière de Paris SIIC, the non-allocated shares of Foncière de Paris SIIC corresponding to the fractional shares, would be sold on the market, in accordance with the procedures of Articles L228-6.1 and R228-13 of the French Commercial Code and the funds raised in this way would be distributed among the holders of allotment rights for fractional shares, in proportion to their rights.

Foncière de Paris SIIC held 4,447,690 capital shares of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris. It renounces to the share based compensation it should receive for its participation. Furthermore, the treasury shares held by Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris will not be compensated. The capital increase will only remunerate the shareholders of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris other than Foncière de Paris SIIC and Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris itself. The renunciation of Foncière de Paris SIIC and the non-remuneration of the treasury shares of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris bearing on 18.8% of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris, fulfils the relative effect of this transaction.

Given the exchange ratio proposed, Foncière de Paris SIIC would increase its capital by a net amount of €54,988,200 by the creation of 3,665,880 new shares of €15 each which would be distributed to Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris' shareholders, other than those of Foncière de Paris SIIC and Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris itself in compensation of the financial contribution of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris. PHRV stated that it renounces to its right to exchange 13 shares of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris, in order to allow Foncière de Paris SIIC to issue a quantity of whole shares corresponding to a multiple of seventeen.

After the merger, Foncière de Paris SIIC equity will amount to €99,386,355 made up of 6,625,757 shares of €15 par value, at €154,374,555 divided by 10,291,637 shares at €5 par value each.

The new shares created by Foncière de Paris SIIC will be submitted to all the statutory provisions and will be immediately marketable in the legal time limit. They will have dividend rights and their distribution will be decided at issuing. These shares will be issued in registered form.

The difference between:

• the amount of the net value input of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris <sup>(1)</sup>	€406,728,459.32
• and the face value of the shares created by Foncière de Paris SIIC	€54,988,200.00
<b>would represent a merger premium of</b>	<b>€351,740,259.32</b>

which will bear rights for new and old shareholders of Foncière de Paris SIIC.

It will be proposed to approve the terms of the merger project treaty and in particular:

- decide the absorption merger of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris Paris SIIC;
- approve the universal transfer of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris' assets, as well as the given evaluation and the net portfolio value amounting to €493,811,360.33;
- approve the compensation set in the merger project treaty and namely the exchange ratio of three(3) shares of Foncière de Paris SIIC for seventeen (17) shares of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris;
- decide, subject to suspensive conditions set out in the merger project treaty, that the final completion of the merger is on May 12<sup>th</sup>, 2015 at 23h59, date on which all the assets and liabilities of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris will transferred to Foncière de Paris SIIC, with retroactive tax and accounting effect as of January 1<sup>st</sup>, 2015;
- decide that from the final absorption-merger of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris into Foncière de Paris SIIC, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris will be dissolved as of right, without liquidation.

(1) related to the shareholders' rights of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris itself and Foncière de Paris SIIC.

The parties of the merger have decided to set the transaction under the benefit of the merger taxation system, provided in Article 210 A of the General Tax Code. The details are presented in the merger project treaty.

It is recalled that the merger will have a retroactive tax and accounting effect as of January 1<sup>st</sup>, 2015, first day of the current financial period of Foncière de Paris SIIC, at the date of the completion of the merger. As a consequence, all transactions led by Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris since January 1<sup>st</sup>, 2015 and up to the completion of the merger shall be fully considered as being led for the account of Foncière de Paris SIIC, which shall exclusively support the operating assets and liabilities transferred to it. Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris shall transfer all the elements comprised in its portfolio in present condition at the date of merger's completion.

The final absorption-merger completion of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris should intervene on May 12<sup>th</sup>, 2015 at 23h59, and will cause a universal transfer of its portfolio toward Foncière de Paris SIIC and the dissolution without liquidation of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris as of right at that date.

## Outlook

After the dilutive merger due to the cancellation of 17.4% of direct participation held by Foncière de Paris SIIC in Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris, the shareholders of the latter will enter the SIIC's capital which will totalise a consolidated asset of approximatively €3 billion market value.

This transaction will allow the new scope to develop a sustainable activity as SIIC specialised in the real-estate market of office buildings in Paris, of which over 90% of the investment property portfolio is already concentrated in Paris, Boulogne-Billancourt and Levallois-Perret. The Company will have the capital and financial means to assure a long term development and will offer considerably improved share liquidity with a float of €200 million.

The simplification of the organisation and the joint means of the two entities should optimise value creation for the shareholder and assure the regular increase of the dividend, signature of Foncière de Paris SIIC since the beginning in 1985.

The Board of Directors

## Appendix

- Additional information
- List of directorships held by members of the Board of Directors
- Environmental and social information





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# Corporate financial statements as of December 31<sup>st</sup>, 2014

## Corporate balance sheet as of December 31<sup>st</sup>, 2014

In million of Euros

	31/12/2014	31/12/2013	31/12/2012
<b>ASSETS</b>	<b>908,274</b>	<b>793,258</b>	<b>826,063</b>
<b>FIXED ASSETS</b>	<b>888,546</b>	<b>724,244</b>	<b>777,162</b>
Operating capital assets	201	113	70
<b>Property, plant and equipment</b>			
<i>Renting properties</i>	<i>858,757</i>	<i>676,287</i>	<i>670,371</i>
Capital assets	591,531	585,345	582,930
Capital assets under construction	2,143	4,282	736
Shares in and loan to SCIs	265,083	86,660	86,704
<b>Financial Assets</b>	<b>29,589</b>	<b>47,844</b>	<b>106,722</b>
Equity investments	16,643	16,643	16,642
Loans related to equity investments	6,500	7,547	7,849
Other financial assets	-	18,472	77,138
Treasury shares	6,446	5,182	5,093
<b>CURRENT ASSETS</b>	<b>19,728</b>	<b>69,014</b>	<b>48,901</b>
Advance payments	-	1	3
Trade accounts and notes receivable	6,543	8,731	10,339
<i>Renting property receivable</i>	<i>6,133</i>	<i>7,872</i>	<i>7,302</i>
Renting property receivable	6,133	7,872	7,302
Doubtful accounts	-	-	-
<b>Other debtors</b>	<b>410</b>	<b>859</b>	<b>3,037</b>
Government	87	562	2,335
Other miscellaneous receivable	323	297	701
<b>Marketable securities</b>	<b>1,175</b>	<b>13,398</b>	<b>22,107</b>
Sicavs (open-ended funds)	-	-	18,002
Other marketable securities	882	13,000	4,000
Treasury shares	293	398	105
<b>Cash and cash equivalents</b>	<b>3,006</b>	<b>41,366</b>	<b>10,196</b>
Prepaid expenses	6,734	4,626	5,043
Deferred charges	2,270	891	1,214

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In million of Euros

	31/12/2014	31/12/2013	31/12/2012
<b>LIABILITIES</b>	<b>908,274</b>	<b>793,258</b>	<b>826,063</b>
Capital	383,920	383,920	383,920
Issue premium and goodwill on consolidation	17,055	17,055	17,055
Reserves	5,539	4,474	3,609
Legal reserve	4,648	3,583	2,718
Special reserve or long-term capital gains	-	-	-
Regulated reserves	8	8	8
General reserves	883	883	883
Retained earnings	4,629	7,039	9,575
Derogatory depreciation	114	-	-
<b>SHAREHOLDERS' EQUITY (EXCLUDING INCOME)</b>	<b>411,257</b>	<b>412,488</b>	<b>414,160</b>
Earnings for the financial year	27,469	21,302	17,292
Other shareholders' equity	-	-	-
<b>SHAREHOLDERS' EQUITY</b>	<b>438,726</b>	<b>433,790</b>	<b>431,452</b>
Provisions for contingencies and charges	1,673	2,678	1,304
Debts and accrual accounts	467,875	356,790	393,307
<b>Debts</b>	<b>467,875</b>	<b>356,587</b>	<b>393,307</b>
Bond issue	50,000	50,000	50,000
Loans and borrowings	409,742	297,278	327,613
Security deposits	5,174	3,684	3,554
Trade payable	101	84	83
Debts on capital assets	637	924	7,286
Tax and social security debts	385	834	853
Other debts	1,835	3,781	3,918
Accrued revenue	-	202	-

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## Corporate income statement as of December 31<sup>st</sup>, 2014

In thousands of Euros

	31/12/2014	31/12/2013	31/12/2012
<b>OPERATING REVENUE</b>	<b>49,558</b>	<b>42,036</b>	<b>27,964</b>
Revenue on renting property transactions	49,476	42,034	27,954
Net rental income	28,951	26,747	19,282
Re-invoiced expenses	3,193	3,121	2,166
Other revenue	6,471	3,152	3,674
Recovery of provisions for contingencies and charges	1,080	406	-
Recovery of impairment of assets	9,782	8,608	2,832
Other operating revenue	82	1	11
<b>OPERATING EXPENSES</b>	<b>13,905</b>	<b>15,666</b>	<b>10,333</b>
Expenses on renting property transactions	10,768	12,566	7,975
Depreciation and amortisation	7,042	6,922	4,914
Provisions for impairment of assets	-	-	-
Provisions for contingencies and charges	-	1,076	-
Expenses on doubtful accounts	-	-	-
Re-invoiceable expenses	3,193	3,121	2,166
Non re-invoiceable expenses	517	498	387
Other expenses	16	948	509
<b>General operating expenses</b>	<b>3,137</b>	<b>3,100</b>	<b>2,358</b>
Payroll expenses	1,656	1,303	1,250
Other administrative expenses	779	770	698
Taxes and similar payments	319	214	155
Depreciation, amortisation and provisions	234	664	107
Other operating expenses	149	147	148
<b>OPERATING PROFIT/LOSS</b>	<b>35,654</b>	<b>26,370</b>	<b>17,631</b>
<b>FINANCIAL REVENUE</b>	<b>2,955</b>	<b>7,486</b>	<b>6,684</b>
Interest and similar revenue	1,176	2,694	1,707
Interest and revenue on financial instruments (caps)	-	-	-
Net revenue on sales of marketable securities and equity investments	159	363	7
Recovery of impairment of financial assets	168	-	709
Dividend received	1,452	4,429	4,262
<b>FINANCIAL EXPENSES</b>	<b>11,070</b>	<b>12,345</b>	<b>7,042</b>
Interest and similar expenses	9,274	7,145	5,208
Interest and expenses on financial instruments (caps)	1,628	1,420	1,074
Net expenses on the sale of securities	168	3,717	761
Provision for impairment of financial assets	-	63	-
<b>FINANCIAL INCOME/LOSS</b>	<b>(8,115)</b>	<b>(4,859)</b>	<b>(358)</b>
<b>EXTRAORDINARY REVENUE</b>	<b>57</b>	<b>49</b>	<b>32</b>
Other extraordinary revenue	57	49	32
Capital gains on sale of investment properties	-	-	-
<b>EXTRAORDINARY EXPENSES</b>	<b>127</b>	<b>20</b>	<b>13</b>
<b>EXTRAORDINARY INCOME/LOSS</b>	<b>(70)</b>	<b>29</b>	<b>19</b>
<b>PRE-TAX INCOME/LOSS</b>	<b>27,469</b>	<b>21,540</b>	<b>17,292</b>
Income/tax annual flat-rate tax ( <i>imposition forfaitaire annuelle-IFA</i> )		237	
<b>NET INCOME/LOSS FOR THE PERIOD</b>	<b>27,469</b>	<b>21,302</b>	<b>17,292</b>





## Financial performance for the last five financial years

In Euros

NATURE OF INFORMATION	2010	2011	2012	2013	2014
<b>Capital at the end of the financial year</b>					
Equity capital in €	383,919,825	383,919,825	383,919,825	383,919,825	383,919,825
Number of shares in issue	25,594,655	25,594,655	25,594,655	25,594,655	25,594,655
Number of existing preferred dividend (non-voting) shares	-	-	-	-	-
Maximum number of shares to be issued	-	-	-	-	-
Through the conversion of bonds	-	-	-	-	-
Through the exercise of subscription rights	-	-	-	-	-
<b>Operation and income for the financial year</b>					
Turnover excluding taxes	13,527,242	18,272,912	19,281,988	26,747,277	28,950,510
Income before tax, employee profit-sharing and depreciation, amortisation and provisions	14,444,757	26,628,541	22,313,426	30,202,342	34,859,047
Income tax	-	-	-	-	-
Income after tax, employee profit-sharing and depreciations, amortisation and provisions	10,831,353	24,015,686	17,292,031	21,302,387	27,469,103
Dividends paid	8,446,236	15,356,793	19,195,991	23,035,190	25,594,655
<b>Earnings per share</b>					
Income after tax and employee profit-sharing and before depreciation, amortisation and provisions	0.56	1.12	0.87	1.18	1.36
Income after tax, employee profit-sharing and depreciation, amortisation and provisions	0.42	0.94	0.68	0.83	1.07
Net dividend per share	0.33	0.60	0.75	0.90	1.00
<b>Personnel</b>					
Average number of employees during the financial year	6	6	7	7	7
Payroll for the financial year	1,019,056	1,213,206	1,249,631	1,303,325	1,655,733
Amount paid for employee benefits during the financial year (Social security, other benefits)	-	-	-	-	-

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# Appendix to corporate financial statements as of December 31<sup>st</sup>, 2014

## Highlights

During the first half of 2014, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) won a call for tender organised by the State for the sale of the Penthémont building complex (approx. 12,500 sq.m excluding adjacent premises) located 37-39, rue de Bellechasse and 104, rue de Grenelle in Paris 7<sup>th</sup>. This acquisition brought the Company's portfolio up to approximately 68,500 sq.m. (+22%).

This building was purchased by the dedicated SCI (French real-estate company), named SCI Bellechasse-Grenelle which joins the consolidated scope of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC). Intended to be totally restructured, it is accounted for as asset under construction.

Beginning July 2014, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris acquired 67.5% shares of SCI Saints-Pères Fleury. This SCI, of which the Company held only 32.5% of the capital, owns the building located 26-28, rue des Saints-Pères in Paris 7<sup>th</sup>. This building is totally let to "Sciences Po Paris" on a long-term lease. This acquisition allows the Company to group in full ownership a high quality asset (9,200 sq.m) which generates €3.8 million rental revenue per year.

On November 4<sup>th</sup>, 2014, the Board of Directors of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris approved the principle of merger of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris into Foncière de Paris SIIC. This transaction should occur during the first half of 2015.

## I - Accounting methods and principles

### A) Presentation of the financial statements

The annual financial statements have been prepared and presented in compliance with the applicable general rules and with the principle of conservatism. The financial statements are presented in accordance with the regulation nr. 2014-03 regarding the Chart of Accounts.

In particular, the Company complied with the following principles when preparing the financial statements:

- going concern,
- consistency,
- periodicity,
- historical principle,
- no netting of assets and liabilities on the balance sheet or of expenses and revenue on the income statement.

### B) Information on the choice of methods used

#### 1. Investment property transactions

##### A - Gross value of capital assets

The gross value of capital assets includes all the constituent elements of the cost price.

As permitted by French accounting regulations and to conform, in the interest of better financial reporting, to the consolidated financial statements prepared under IFRS, borrowing costs are incorporated in capital assets under constructions.

At December 31<sup>st</sup>, 2014, the "Capital assets under construction" line item comprised only tranches of work for buildings in service.

##### B - Treatment of acquisition fees

Investment property acquisition fees are incorporated in land and buildings, as applicable.

##### C - Depreciation of buildings

Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) applies the "components" method to depreciate its assets, in accordance with CRC (*Comité de la réglementation comptable*/French accounting rules and regulations committee) regulations 2002-10 and 2004-06.

In addition to land, five components have been identified for each type of asset:

- Main structure 70 or 90 years depending on the nature of the building
- Facades and roofs 35 years
- Technical installations 25 years
- Facade renovation 15 years
- Fixtures and fittings 9 years

Each component's term of depreciation is calculated on the basis of the building's acquisition date, except when a component is replaced (for example, during a refurbishment), and in which case the latest component replacement date applies. The residual value is not used for any of the identified components.

The main structure is depreciated over 70 years and exceptionally over 90 years for office buildings of very high quality, made of dressed stone, and either included in the French historic monuments register (*Inventaire Supplémentaire des Monuments Historiques*) or located in immediate proximity to Paris historic monuments. This exception also applies to the "Main Structure" component for the one residential building owned by the Company and which is also depreciated over 90 years.

The main structure of most of the Company's buildings is designed to last for centuries and for some of them this has already proven to be the case.

#### D - Provisions for major maintenance

A provision is recorded, where applicable, to ensure sufficient maintenance of the buildings, thus enabling them to be re-let under the same conditions.

#### E - Impairments

At each closure, the Company assesses the existence of indications showing that an asset might have lost value. In that case, depreciation for impairment may be booked to profit/loss, as may recovery if applicable.

The level of any impairment is determined on the basis of the change of recoverable amount, which corresponds to market value or going-concern value, whichever is higher. The recoverable amount is determined by appraisals based on multi-criteria approach: the so-called sales comparison method, the so-called income capitalisation method and the discounted cash flow method.

This depreciation, which constitutes the non-definitive and non-irreversible drop in the value of certain building assets in relation to their book value, is booked to assets, reducing them, under the "Impairment of Assets" line item.

The €16.6 million impairment recorded at December 31<sup>st</sup>, 2013 on the rue Saint-Dominique buildings was adjusted to €6.8 million at December 31<sup>st</sup>, 2014.

The Company provides, as supplemental information, the market value of the investment properties in its asset portfolio in the appendix. The Company's portfolio is thus assessed each year by independent appraisers with recognised competence in real-estate.

The main valuation criteria used by the appraisers by asset category are provided below:

	OFFICES	HOTELS (PROPERTY AND BUSINESS)	RESIDENTIAL
Market value excluding transfer duties	€753 m	€101.1 m	€25.8 m
Market value excluding transfer duties/sq.m	€8,696 - €18,713	-	€13,243
Market value excluding transfer duties/room	-	€336.6 K - €523.3 K	-
Capitalisation rate	3.96 % - 5.38 %	4.55 % - 5.75 %	2.42 %
Discount rate	4 %	-	-
Cash flow growth rate (indexation) <sup>(1)</sup>	-	-	-

(1) For implementing the future discounted cash-flow method, if needed.

#### F – Related receivables

Related receivables correspond in particular to rental income to be received and to the phasing of rent-free periods over the fixed term of the lease.

#### G – Doubtful accounts

An account is considered doubtful when it remains unpaid for more than three months. Rental payments classified as doubtful are provisioned at 100% of their amount excluding taxes, after any deduction of security deposits or collateral obtained.

#### H – Shares in and loans to SCIs

Shares in real-estate investment companies (*sociétés civiles immobilières*), whose purpose is to own one or more investment properties, are classified under renting properties on the asset side of the balance sheet. Acquisition fees are incorporated into the purchase cost of the shares. Financial advances made to these SCIs are also classified under this line item.

The share of earnings of SCIs is recognised as other renting property revenue.

## 2. Financial assets

The Company has decided, on an ancillary basis, to hold investment securities of and equity investments in companies with an activity similar or related to its own.

- Equity investments: concern hotel subsidiaries. A balance sheet value is calculated for each security based on different factors: market price, going-concern value, economic value and revalued book value.
- Portfolio-activity securities: the TIAPs held by the Company at December 31<sup>st</sup>, 2013 were reclassified as investment marketable securities for an acquisition value of €882 thousand. Their value amounts to €882 thousand as of December 31<sup>st</sup>, 2014. The Company did not hold any TIAPs on December 31<sup>st</sup>, 2014.
- Subordinated bonds redeemable into shares (OSRAs): on December 31<sup>st</sup>, 2013, the Company held 131,917 OSRAs 2010 Foncière de Paris SIIC for a cost price of €14,889 thousand. The Company sold all of them in July 2014.
- Marketable securities: they are recorded at their cost. Impairment is entered when the market value of listed securities or the probable trading value of unlisted securities is less than their book value.

## 3. Transactions on financial instruments

### Caps

The Company uses cap transactions intended to hedge against upward fluctuations in rates on loans and credit lines approved but not used and contracted against variable references. The premiums that constitute the purchase prices of caps are phased over the useful life of the cap. Revenue shall only be entered when it is actually collected.

The caps concluded by the Company correspond to assigned hedging transactions and do not give rise to market valuations. For information the valuation of the caps was €660 thousand at December 31<sup>st</sup>, 2014. Their notional amount was €565 million (of which €200 million in deferred start caps) and their weighted average rate was 2.17%.

At December 31<sup>st</sup>, 2014, the cap premiums still to be allocated stood at €5,522 thousand, of which:

- €2,469 thousand for caps subscribed in financial year 2014
- €995 thousand for caps subscribed in financial year 2013
- €829 thousand for caps subscribed in financial year 2012
- €240 thousand for caps subscribed in financial year 2011
- €989 thousand for caps subscribed in financial year 2010

These amounts are entered as prepaid expenses on the asset side of the balance sheet.

### Swaps

The Company did not subscribe new swaps in 2014. The notional amount is of €110 million (of which €65 million with a differed start). These swaps concluded against three-month Euribor guarantee a weighted average rate of 1.17%. For information, the value of swaps market is €(3,050) thousand as of December 31<sup>st</sup>, 2014.

## 4. Treasury shares

The treasury shares held by the Company represent shares held under authorisations granted by the General Meetings of Shareholders to purchase or to sell its own shares, with a view to stabilising the share price or in connection with stock purchase options available to the Company's personnel.

During the financial year, the Company acquired 108,691 treasury shares and sold 136,468 under the liquidity agreement. The Company also acquired 97,023 treasury shares excluding liquidity contract.

It held 323,866 shares at the beginning of this financial year and held 390,112 shares (of which 104,217 within the liquidity agreement and 16,480 under the share grant plan) at the close. The cost of the treasury shares was of €6,738 thousand, of which:

- €6,446 thousand for other treasury shares.
- €292 thousand for shares reserved for the share grant plan.

The stock market value of the treasury shares was €7,139 thousand at December 31<sup>st</sup>, 2014.

## 5. Employee benefits

Retirement benefits are covered by a provision resulting from the calculation of the net present value to future benefits (€1,101 thousand at December 31<sup>st</sup>, 2014). Employees earn this retirement benefit, capped at one year of salary (fixed salary + any bonuses but excluding stock options or free shares), for 10 years employment; they are entitled to this benefit in proportion to the 10-year period.

Excluding provision for retirement, there is no other long-term or post-employment commitment to be provisioned for personnel benefits.



## 6. Deferred charges

This line item includes:

- Bank loan issue costs amortised over the life of the loan to which they relate. The gross amount is €2,146 thousand, i.e., a net amount of €1,857 thousand at December 31<sup>st</sup>, 2014.
- Bond issue costs. The gross amount is €600 thousand amortised over 72 months as from December 2012, i.e., a net amount of €396 thousand at December 31<sup>st</sup>, 2014.
- The letting fees spread over the term of certain leases. The gross amount is €27 thousand amortised over 6 years, i.e., a net amount of €17 thousand at December 31<sup>st</sup>, 2014.

## 7. Tax regime for SIICs (*Sociétés d'Investissements Immobiliers Cotées/*Listed Real-Estate Investment Companies)

Having opted for Listed Real-estate Investment Company (SIICs) tax status, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) is subject to a specific form of taxation that provides for a full exemption from corporate income tax on the property leasing activity (renting property transactions, including arbitrages). This exemption is conditional on the distribution of:

- 95% of the earnings from property leasing transactions before the end of the financial year following the year, in which they were generated,
- 60% of the capital gains on the sale of buildings and of holdings in companies having the same purpose as SIICs or of securities of subsidiaries subject to corporate income tax and having opted for this regime, before the end of the second financial year following the year in which they were generated,
- 100 % of dividends from SIICs subsidiaries, before the end of the financial year following the year in which they were generated.

Owing to the choice of SIIC status, there are two distinct business sectors from a tax perspective. One is subject to corporate income tax and the other is exempt. The exempt sector includes the expenses and revenues inherent in renting property transaction operations. The taxable sector includes interest and similar revenue, revenues from variable-income securities and investment security transactions.

Financial and operating expenses relating to each sector are allocated in accordance with the administration instruction of September 25<sup>th</sup>, 2003.

## 8. Related parties

The Company has capital ties with PHRV and Foncière de Paris SIIC, companies with which it is likely to carry out transactions. Executives common to these companies were as follows at December 31<sup>st</sup>, 2014:

	Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC)	PHRV	Foncière de Paris SIIC
François Thomazeau	Chairman of the Board of Directors	Chairman of the Board of Directors	Chairman of the Management Board
Sophie Beuvaden	Director	Director	Chairwoman of the Supervisory Board
Olivier Riché	Deputy Managing Director	Deputy Managing Director	Managing Director and member of the Management Board
Alain Le Vél	Deputy Managing Director	Permanent representative of Foncière de Paris SIIC Managing Director	General Secretary
Arnaud Pomel	Managing Director	-	Member of the Management Board

Compensation of executive corporate officers and members of the Board of Directors is presented in note 20.

The Company has concluded no service-provision contract with related parties and had carried out no transaction with related parties intended to transfer resources, services or obligations either free of charge or in return for payment. The Company is totally independent and has its own management team. Each company pays its corporate officers according to the work performed by them for the benefit of said Company.

On July 7<sup>th</sup>, 2014, the Company transferred to Foncière de Paris SIIC the totality of the 131,917 OSRAs 2010 Foncière de Paris SIIC that it held, for a cost price at €14.9 million. This cession is in compliance with regulated agreement procedures.

Also, on July 15<sup>th</sup>, 2015, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris acquired €34.4 million shares and the current accounts of SCI Saints-Pères Fleury, formerly held by PHRV (35%) and by Foncière de Paris SIIC (32.5%). The Company already held 32.5%. This SCI is the owner of the building located 26-28, rue des Saints-Pères in Paris 7<sup>th</sup>. It is entirely let since April 1<sup>st</sup>, 2009, to "Sciences Po Paris" on a long-term lease.

## II - Detailed notes

In thousands of Euros

### NOTE 1 - CHANGE IN CAPITAL ASSETS, DEPRECIATION, AMORTISATION AND PROVISIONS

Change in gross capital assets	31/12/2012	31/12/2013	Acquisitions Transfer	Sales/ Transfer	31/12/2014
<b>Renting properties</b>	<b>708,456</b>	<b>712,687</b>	<b>189,920</b>	<b>10,189</b>	<b>892,418</b>
Leased property – land	395,590	395,590	-	-	395,590
Leased property – buildings	225,426	226,155	3,523	76	229,602
Capital asset under construction	736	4,282	1,504	3,643	2,143
Financial leasing right	-	-	-	-	-
Properties held for sale	-	-	-	-	-
Shares in SCIs	1,275	1,275	25,045	-	26,320
Loans in SCIs	85,429	85,385	159,848	6,470	238,763
<b>Operating capital assets</b>	<b>107</b>	<b>158</b>	<b>141</b>	<b>-</b>	<b>299</b>
<b>TOTAL</b>	<b>708,563</b>	<b>712,846</b>	<b>190,061</b>	<b>10,189</b>	<b>892,716</b>

### Change in depreciation, amortisation and provisions

	31/12/2012	31/12/2013	Acquisitions Transfer	Sales/ Transfer	31/12/2014
<b>Renting properties</b>	<b>38,086</b>	<b>36,400</b>	<b>7,042</b>	<b>9,782</b>	<b>33,661</b>
Leased properties	12,851	19,773	7,042	-	26,815
Impairments	25,235	16,627	-	9,782	6,845
Impairments of properties held for sale	-	-	-	-	-
Allocations of properties held for sale	-	-	-	-	-
Shares in SCIs	-	-	-	-	-
<b>Operating capital assets</b>	<b>37</b>	<b>44</b>	<b>54</b>	<b>-</b>	<b>98</b>
<b>TOTAL</b>	<b>38,123</b>	<b>36,446</b>	<b>7,096</b>	<b>9,782</b>	<b>33,759</b>

Loans to SCIs mature in more than one year.

### NOTE 2 - INVESTMENT PROPERTIES

Net values	31/12/2012	31/12/2013	31/12/2014	Market value*
<b>Investment properties</b>				
Leased properties	582,930	585,345	591,531	669,957
Capital assets under construction	736	4,282	2,143	2,143
Properties held for sale	-	-	-	-
<b>TOTAL</b>	<b>583,606</b>	<b>589,626</b>	<b>593,674</b>	<b>672,100</b>

\* Based on property appraisals conducted in December 2014.

### NOTE 3 - OPERATING CAPITAL ASSETS

Net values	31/12/2012	31/12/2013	31/12/2014
<b>Intangible assets</b>			
Property, plant and equipment	70	113	201
<b>TOTAL</b>	<b>70</b>	<b>113</b>	<b>201</b>

### NOTE 4 - CHANGE IN OPERATING RECEIVABLES

Investment properties	31/12/2012	31/12/2013	Allocations	Contribution	Recoveries	31/12/2014
<b>Accounts receivable</b>	<b>7,302</b>	<b>7,872</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,133</b>
Doubtful accounts	2	2	-	-	-	-
Provisions	(1)	(1)	-	-	-	-
Net doubtful accounts	1	1	-	-	-	-
<b>Balance of investment property receivables</b>	<b>7,302</b>	<b>7,872</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,133</b>
<b>OVERALL TOTAL</b>	<b>7,302</b>	<b>7,872</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,133</b>

**NOTE 5 - CHANGE IN OTHER RECEIVABLES**

	31/12/2012	31/12/2013	31/12/2014
Miscellaneous receivables			
Government (corporate income tax – VAT)	2,335	562	87
Advance payments	3	1	-
Prepaid expenses	5,043	4,626	6,734
Deferred charges	1,214	891	2,270
Other miscellaneous receivables	680	276	302
Working capital	21	21	21
Liquidity agreement	-	-	-
Advance payments on investment property transactions	-	-	-
<b>OVERALL TOTAL</b>	<b>9,296</b>	<b>6,377</b>	<b>9,415</b>

Other receivables are due in less than one year. With respect to prepaid expenses, €5,522 thousand are related to financial expenses and €1,213 thousand to rent compensation.

**NOTE 6 - SECURITIES AND OTHER FINANCIAL ASSETS**

	Listed companies			Unlisted companies		
	Gross amounts	Impairments	Balance sheet value	Gross amounts	Impairments	Balance sheet value
Equity investments	-	-	-	16,643	-	16,643
Long-term equity holdings	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,643</b>	<b>-</b>	<b>16,643</b>

**Movements on financial assets**

	31/12/2013	Increases or transfers	Decreases/sales/transfers	Capital losses on sales	31/12/14	Capital gains on sales
OSRAs	14,889	-	14,889	63	-	-
TIAP	3,645	(437)	3,209	-	-	55
Equity investments (Provisions)	16,643	-	-	-	16,643	-
Loans related to equity investments	7,547	53	1,100	-	6,500	-
<b>Net book value</b>	<b>42,724</b>	<b>(383)</b>	<b>19,198</b>	<b>63</b>	<b>23,143</b>	<b>55</b>

Loans related to equity investments mature in more than one year.

**NOTE 7 - MATURITIES OF FINANCIAL LIABILITIES**

Financial debt	Net values	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Fixed term	459,027	11,607	57,858	354,562	35,000
On demand	715	664	51	-	-
<b>TOTAL</b>	<b>459,742</b>	<b>12,271</b>	<b>57,909</b>	<b>354,562</b>	<b>35,000</b>

**NOTE 8 - PROVISIONS FOR CONTINGENCIES AND CHARGES**

	31/12/12	31/12/13	Allocations	Recoveries	31/12/14
Disputes	-	1,076	-	797	279
Other provisions	1,304	1,602	180	388	1,394
<b>TOTAL</b>	<b>1,304</b>	<b>2,678</b>	<b>180</b>	<b>1,185</b>	<b>1,673</b>

The provisions for disputes are related to rental litigation.

The other provisions for contingencies and charges concern retirement benefits and free shares.

**NOTE 9 - MISCELLANEOUS CURRENT LIABILITIES**

	31/12/2012	31/12/2013	31/12/2014
Tax debts (corporate income tax exit tax)	54	66	110
Security deposits	3,554	3,684	5,174
Tax and social security debts	799	768	276
Debts on capital assets and trade payables	7,286	1,009	738
Other debts	4,001	3,782	1,835
<b>TOTAL</b>	<b>15,694</b>	<b>9,309</b>	<b>8,133</b>

With the exception of security deposits received from lessees, miscellaneous liabilities mature in less than one year.



NOTE 10 - CHANGE IN SHAREHOLDERS' EQUITY				
Class of securities	At the beginning of the financial year	Number of securities issued during the financial year	At the close of the financial year	Par value
Shares	25,594,655	-	25,594,655	€15
<b>Change in shareholders' equity (in €K)</b>				
Shareholders' equity at 31/12/2013 before net income appropriation				433,790
Income for financial year 2014				27,469
(-) distribution of the dividend				(23,035)
Dividend from treasury shares				388
Other Shareholder's equity				114
<b>Shareholders' equity at 31/12/2014</b>				<b>438,726</b>

NOTE 11 - TABLE OF ASSOCIATED UNDERTAKINGS		
	Associated undertakings	Undertakings with which the Company has a shareholding relationship
Shares in SCIs	26,320	-
Other shares	16,643	882
Loans (financial advances granted)*	238,796	-
Other receivables	-	-
Other debts (financial advances received)	-	-
Financial revenue		
• Interest received	621	1
• Dividends received	1,451	-
Financial expenses		
• Interest paid	-	-

\* Current account advances to SCIs and SAS within the scope of consolidation.

NOTE 12 - MATURITIES OF INTEREST RATE HEDGING INSTRUMENTS (NOTIONAL OUTSTANDINGS)					
	TOTAL	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Interest rate swap contracts	110,000	-	-	110,000	-
Rate cap contracts	565,000	-	75,000	440,000	50,000
<b>TOTAL</b>	<b>675,000</b>	<b>-</b>	<b>75,000</b>	<b>550,000</b>	<b>50,000</b>

Of which €65 million in swaps and €200 million in deferred-start caps.

NOTE 13 - OFF-BALANCE SHEET ITEMS			
	31/12/2012	31/12/2013	31/12/2014
<b>Commitments given</b>			
Commitments to acquire investment properties	-	-	-
Guarantee commitments in favour of lending institutions <sup>(1)</sup>	-	-	21,020
<b>Commitments received</b>	<b>71,000</b>	<b>59,000</b>	<b>82,170</b>
Funding commitments received from lending institutions	71,000	59,000	82,170
Guarantee commitments received from lending institutions	-	-	-
<b>Commitments on forward financial instrument contracts</b>	<b>600,000</b>	<b>590,000</b>	<b>675,000</b>
Interest rate swap contracts	65,000	110,000	110,000
Rate cap contracts	535,000	480,000	565,000

(1) Pledging of SCIs shares.

**NOTE 14 - REVENUE AND CHARGES ON INVESTMENT PROPERTIES**

	31/12/2012	31/12/2013	31/12/2014
<b>REVENUE</b>	<b>27,964</b>	<b>42,034</b>	<b>49,558</b>
<b>Rental revenue</b>	<b>25,122</b>	<b>33,020</b>	<b>38,615</b>
Net rental income	19,282	26,747	28,591
Re-invoiced expenses	2,166	3,121	3,193
Other revenue	3,674	3,152	6,471
<b>Recoveries of provisions for contingencies and charges</b>	<b>-</b>	<b>-</b>	<b>1,080</b>
<b>Recoveries of impairment of assets</b>	<b>2,832</b>	<b>8,608</b>	<b>9,782</b>
<b>Other revenue</b>	<b>11</b>	<b>406</b>	<b>82</b>
Recovery of provision for retirement benefits	-	-	-
Other revenue	11	406	82
<b>EXPENSES</b>	<b>7,975</b>	<b>12,566</b>	<b>10,768</b>
<b>Expenses on investment properties</b>	<b>7,975</b>	<b>12,566</b>	<b>10,768</b>
Depreciation and amortisation	4,914	6,922	7,042
Provisions for R&C	-	1,076	-
Expenses on doubtful accounts	-	-	-
Re-invoiceable expenses	2,166	3,121	3,193
Non re-invoiceable expenses	387	498	517
Other expenses	509	948	16
<b>Provisions for contingencies and charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Provisions for impairment of assets</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTE 15 - CHANGE IN PROVISIONS FOR CONTINGENCIES AND CHARGES**

	31/12/2012	31/12/2013	31/12/2014
Recovery of provisions for contingencies and charges	709	-	1,080
Provisions for contingencies and charges	-	1,076	-
Recovery of provisions for free shares	-	-	105
Provisions for free shares	53	-	-
Provisions for retirement incentive bonus	39	704	180

**NOTE 16 - GENERAL OPERATING REVENUE AND EXPENSES**

	31/12/2012	31/12/2013	31/12/2014
<b>Other operating revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other operating expenses</b>	<b>2,358</b>	<b>3,100</b>	<b>3,137</b>
Payroll expenses	1,250	1,303	1,656
Other administrative expenses	698	770	779
Taxes and similar payments	155	214	319
Depreciation of operating capital assets and provisions	107	664	234
Other operating expenses	148	147	149

**NOTE 17 - FINANCIAL INCOME/LOSS**

	31/12/2012	31/12/2013	31/12/2014
Net revenue on sales of marketable securities and equity investments	716	363	327
Interest revenue	1,707	2,694	1,176
Other financial revenue (caps, etc.)	-	-	-
Revenues from marketable securities and dividends	4,262	4,429	1,452
Interest expenses	(5,208)	(7,208)	(9,274)
Net expenses on the sale of marketable securities	(761)	(3,717)	(168)
Other financial expenses	(1,074)	(1,420)	(1,628)
<b>TOTAL</b>	<b>(358)</b>	<b>(4,859)</b>	<b>(8,115)</b>

<b>NOTE 18 - EXTRAORDINARY INCOME/LOSS</b>			
	31/12/2012	31/12/2013	31/12/2014
Miscellaneous extraordinary revenue	32	49	57
Miscellaneous extraordinary expenses	(13)	(20)	(127)
<b>TOTAL</b>	<b>19</b>	<b>29</b>	<b>(70)</b>

#### **NOTE 19 - INCOME TAX**

Taxable income for SIICs' sector was €18,104 thousand and taxable income for taxable sector (non-exempt sector) was negative €(6) thousand. As a result, no income tax expense was recorded in the financial statements for the year.

At December 31<sup>st</sup>, 2014, the Company had €2,420 thousand in tax loss carryforwards.

#### **NOTE 20 - OTHER INFORMATION**

Gross compensation for the five highest-paid individuals was €872 thousand for the 2014 period, before the re-invoicing of €120 thousand (excluding social security contributions).

The Company's workforce at December 31<sup>st</sup>, 2014 was composed of eight people, including two corporate officers.

Gross compensation for executive officers and members of the Board of Directors was €562 thousand at December 31<sup>st</sup>, 2014 (including €147 thousand in directors' fees), before re-invoicing of €84 thousand.

The General Meeting of April 11<sup>th</sup>, 2013 authorised the Board of Directors to grant, to executives and employees of the Company and of related companies, within the limit of 1% of equity capital, options entitling the holder to purchase shares resulting from a buyback carried out by the Company itself before the option can be exercised, under the conditions specified in Articles L 225-179 et seq. of the French Commercial Code.

At December 31<sup>st</sup>, 2014, no stock option plan had been implemented for corporate officers or employees of the Company.

The General Meeting of April 11<sup>th</sup>, 2013 also authorized the Board of Directors to grant free shares, on one or more occasions, within the limit of 1% of equity capital, to salaried employees and to executives of the Company and of related companies as defined in Article L 225-197-2 of the French Commercial Code.

At December 31<sup>st</sup>, 2014, no stock option plan had been implemented under this authorisation.

Current 2014, pursuant the authorisation given by the General Meeting held on April 7<sup>th</sup>, 2010, 5,900 free shares granted in 2011 and 2012, were transferred to their holders, bearing on 0.5% of the capital. The total number of free shares granted, pursuant the authorisation, amounted to 68,030 shares, representing 0.27% of the capital. The last allocation recorded net reversals for risks and expenses of €105 thousand over the period, leading the total amount of provisions to €292 thousand on December 31<sup>st</sup>, 2014.



41/43, rue Saint-Dominique - Paris 7<sup>th</sup> ▲



In thousands of Euros

**NOTE 21 - SUBSIDIARIES AND ASSOCIATES**

Characteristics	Shares in renting property SCIs					Hotel subsidiaries	
	SCI du 4 rue Danton	SCI du 136 bis rue de Grenelle	SCI du 138 bis rue de Grenelle	SCI Saints-Pères Fleury	SCI Bellechasse Grenelle <sup>(1)</sup>	SAS HRD	SAS GEI
Equity capital	100	100	100	3,000	5,000	150	140
Reserves and retained earnings before net income appropriation	-	-	-	-	-	15	16
% of capital owned/of voting rights	99.99%	99.99%	99.99%	100%	99.99%	100%	99.95%
Gross balance sheet value	99	99	99	21,020	4,999	150	16,492
Net balance sheet value	99	99	99	21,020	4,999	150	16,492
Loans and advances granted by the Company not yet repaid	32,612	30,104	12,161	22,805	134,613	1,244	5,255
Amount of guarantees and endorsements provided	-	-	-	-	-	-	-
Pre-tax turnover for the last financial year	1,815	1,257	513	3,642	2,102	7,661	7,364
Income/loss for the last financial year	1,327	801	289	2,436	1,615	721	725
Revenue distributed to the Company during the last financial year	-	-	-	-	-	750	701
Closing	31/12/2014	31/12/2014	31/12/2014	31/12/2014	31/12/2015	31/12/2014	31/12/2014

(1) The SCI Bellechasse-Grenelle will close its first financial year as at December 31st, 2015.



▲ 45/47, rue Saint-Dominique - Paris 7<sup>th</sup>  
Let to Latham & Watkins



# General report of the Statutory Auditors on the corporate financial statements

Financial year ended December 31<sup>st</sup>, 2014

To Shareholders,

In execution of the assignment that was entrusted to us by your General Meeting of Shareholders, we hereby present our report relating to the financial year ended December 31<sup>st</sup>, 2014, concerning:

- the audit of the annual financial statements of the Company Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC), as attached to this report,
- the justification of our assessments,
- the specific verifications and information required by law.

The annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these annual financial statements based on our audit.

## **I-Opinion on annual financial statements**

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we plan and perform the audit with due diligence in order to obtain reasonable assurance that the annual financial statements are free of significant anomalies. An audit involves the examination, on a test basis or by other means of selection, of audit evidence justifying the amounts and disclosures in the annual statements. An audit also consists of an assessment of the accounting principles followed, significant estimates made and the overall presentation of the financial statements. We believe that the audit evidence that we have obtained provides sufficient and appropriate basis for our opinion.

We certify that, in accordance with French accounting rules and principles, the annual financial statements are in good order and true and present a fair picture of the operating results for the financial year just ended, as well as of the financial situation and assets of the Company at the end of the aforesaid financial year.

## **II-Justification of assessments**

In accordance with the provisions of Article L 823-9 of the French Commercial Code relating to the justification of our assessments, we hereby bring the following elements to your attention:

- The rental assets have been subject of assessment procedures by independent property surveyors. We made sure that the level of depreciation constituted was sufficient based on the accounting principles of your Company described in paragraph I-B-1-E in the appendix, with regard to external expert appraisals.
- The securities held by the Company are eventually reviewed for impairment depending on their value at-year-end. We ensure that the recognised level of impairments is sufficient based on the accounting principles of our Company and detailed in note 1-B-2 of the appendix.

The assessments thus carried out are in line with our approach to the audit of annual financial statements, taken as whole, and they therefore contributed to the formation of the opinion expressed in the first part of this report.

## **III-Specific verifications and information**

We have also conducted the specific verifications required by law, in accordance with the professional standards applicable in France.

We have no matters to report regarding the fair presentation and conformity with the annual financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the Shareholders with respect to the financial position and the annual financial statements.

Concerning the information supplied in application of the provisions of Article L 225-102-1 of the French Commercial Code in relation to the remuneration and benefits paid to corporate officers and the commitments granted in their favour, we have checked their compliance with the accounts or with the data that was used to establish these accounts and, where necessary, with the elements collected by your Company from companies controlling your Company or controlled by it. Based on this work, we certify that this information is accurate and true.

In application of the law, we have made sure that the various items of information relative to new investments and takeovers and to the identity of the holders of the capital or voting rights have been communicated to you in the management report.

Executed in Paris and Courbevoie, on February 23<sup>rd</sup>, 2015

**The Statutory Auditors**

**Mazars**  
Odile Coulaud

**Saint-Honoré Sereg**  
Denis Van Strien



# Special report of the Statutory Auditors on regulated agreements and commitments

General Meeting called to approve the financial statements for the year ended December 31<sup>st</sup>, 2014

To Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present our report on regulated agreements and commitments.

It is our responsibility to inform you, based on the information given to us, of the characteristics and essential terms and conditions of the agreements and commitments of which we have been advised or which we discovered during our assignment, without having to state our opinion on their usefulness or validity or seek the existence of other agreements and commitments. Under the provisions of Article R 225-58 of the French Commercial Code, it is the responsibility of the Shareholders to assess the potential benefit of the conclusion of these agreements and commitments with a view to their approval.

Also, it is our responsibility, where appropriate, to give you the information specified in Article R 225-58 of the French Commercial Code relative to the execution, during the elapsed year, of the agreements and commitments already approved by the General Meeting.

We have made the checks that we considered necessary with regard to the professional doctrine of the French National Board of Statutory Auditors relative to this assignment. These procedures consisted in verifying the consistency of the information provided to us based on the source documents.

## **AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL MEETING**

### **Agreements and commitments authorised during the last financial year**

In accordance with Article L 225-88 of the French Commercial code and prior the approval by your General Meeting, we were informed of the following agreements and commitments.

#### **1. Sale of OSRAs Foncière de Paris SIIC**

##### **Persons concerned**

- Sophie Beuvaden, Chairwoman of the Supervisory Committee of Foncière de Paris SIIC and Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).
- François Thomazeau, Chairman of the Executive Board of Foncière de Paris SIIC and Chairman of the Board of Directors of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).
- Olivier Riché, Managing Director of Foncière de Paris SIIC and Deputy Managing Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).
- Arnaud Pomel, Member of the Executive Board of Foncière de Paris SIIC and Managing Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).
- Luc Guinefort, Member of the Supervisory Committee of Foncière de Paris SIIC and Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).
- Société GMF Vie, Member of the Supervisory Committee of Foncière de Paris SIIC and Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).
- Société Allianz Vie, Member of the Supervisory Committee of Foncière de Paris SIIC and Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).
- Société Assurances du Crédit Mutuel - Vie, Member of the Supervisory Committee of Foncière de Paris SIIC and Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).



# Special report of the Statutory Auditors on regulated agreements and commitments (continuation)

## Nature and purpose

On July 7<sup>th</sup>, 2014, the Company Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) sold 131,917 Foncière de Paris SIIC OSRAs to the company Foncière de Paris SIIC for an amount of €116.28 each. This sale which amounts to €15,339,309 was subject to a prior approval of the Board of Directors on February 13<sup>th</sup>, 2014.

## 2. Acquisition of SCI Saints-Pères Fleury shares from Foncière de Paris SIIC

### Persons concerned

- Sophie Beuvadén, Chairwoman of the Supervisory Committee of Foncière de Paris SIIC and Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).
- François Thomazeau, Chairman of the Executive Board of Foncière de Paris SIIC and Chairman of the Board of Directors of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).
- Olivier Riché, Managing Director of Foncière de Paris SIIC and Deputy Managing Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).
- Arnaud Pomel, Member of the Executive Board of Foncière de Paris SIIC and Managing Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).
- Luc Guinefort, Member of the Supervisory Committee of Foncière de Paris SIIC and Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).
- Société GMF Vie, Member of the Supervisory Committee of Foncière de Paris SIIC and Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).
- Société Allianz Vie, Member of the Supervisory Committee of Foncière de Paris SIIC and Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).
- Société Assurances du Credit Mutuel - Vie, Member of the Supervisory Committee of Foncière de Paris SIIC and Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).

## Nature and purpose

On July 16<sup>th</sup>, 2014, the company Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) purchased 97,500 shares of SCI Saints-Pères Fleury from Foncière de Paris SIIC for an amount of €92.85 each.

This acquisition which amounts to €9,052,875 plus €7,508,742 concerning the reimbursement of the operating accounts was subject to a prior approval of the Board of Directors on February 13<sup>th</sup>, 2014.

## 3. Acquisition of SCI Saints-Pères Fleury shares from PHRV

### Persons concerned

- François Thomazeau, Chairman of the Board of Directors of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) and Chairman of the Board of Directors of PHRV.
- Arnaud Pomel, Deputy Managing Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) and Deputy Managing Director of PHRV.
- Olivier Riché, Deputy Managing Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) and Deputy Managing Director of PHRV.
- Alain Le Véel, Deputy Managing Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) and Managing Director of PHRV.
- Luc Guinefort, Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) and Director of PHRV.
- Sophie Beuvadén, Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) and Director of PHRV.
- Société Foncière de Paris SIIC, Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) and Director of PHRV.
- Société Allianz Iard, Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) and Director of PHRV.





# Special report of the Statutory Auditors on regulated agreements and commitments (continuation)

## Nature and purpose

On July 15<sup>th</sup>, 2014 the company Foncière 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) purchased 105,000 shares of SCI Saints-Pères Fleury from PHRV for an amount of €92.85 each.

This acquisition which amounts to €9,749,533 plus €8,141,638 concerning the reimbursement of the operating accounts was subject to a prior approval of the Board of Directors on February 13<sup>th</sup>, 2014.

## AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

We hereby inform you that we have received no notice of any agreement or commitment already approved by the General Meeting for which execution took place during the elapsed year.

Executed in Paris and Courbevoie, on February 23<sup>rd</sup>, 2015

The Statutory Auditors

**Mazars**  
Odile Coulaud

**Saint-Honoré Sereg**  
Denis Van Strien



24, rue de l'Université - Paris 7<sup>th</sup>





# Consolidated financial statements as of December 31<sup>st</sup>, 2014

## Consolidated balance sheet as of December 31<sup>st</sup>, 2014 (IFRS standards)

In thousands of Euros

ASSETS	31/12/2014	31/12/2013	31/12/2012
<b>INTANGIBLE ASSETS</b>	<b>14,029</b>	<b>14,032</b>	<b>14,033</b>
Investment properties (notes 1 and 2)	852,929	621,631	615,356
Operating capital assets (notes 1, 3 and 4)	53,666	55,025	56,369
<b>TANGIBLE ASSETS</b>	<b>906,595</b>	<b>676,656</b>	<b>671,725</b>
Other fixed investments	-	-	-
Securities and receivables held to maturity	-	-	-
Securities in associated undertakings (notes 5 and 23)	-	1,623	1,447
Available-for-sale securities (note 5)	885	18,514	88,375
Interest-rate instruments (caps) (notes 5, 13, 14 and 19)	660	1,554	453
Deferred tax assets (note 20)	1,786	2,019	2,262
Other receivables (note 5)	-	7,048	6,778
<b>OTHER NON-CURRENT ASSETS</b>	<b>3,331</b>	<b>30,758</b>	<b>99,316</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>923,955</b>	<b>721,446</b>	<b>785,074</b>
Properties held for sale	-	-	-
Inventories	58	65	80
Accounts receivable on investment properties (note 6)	8,768	8,509	8,212
<b>OPERATING RECEIVABLES</b>	<b>8,768</b>	<b>8,509</b>	<b>8,212</b>
<b>MISCELLANEOUS RECEIVABLES</b> (note 7)	<b>2,923</b>	<b>1,994</b>	<b>4,054</b>
Securities available for sales (note 5)	-	-	-
Securities held for trading	-	13,000	22,002
Cash and cash equivalents	8,340	44,079	12,587
<b>CURRENT ASSETS</b>	<b>20,089</b>	<b>67,647</b>	<b>46,935</b>
<b>TOTAL ASSETS</b>	<b>944,044</b>	<b>789,093</b>	<b>832,009</b>
<b>LIABILITIES</b>	<b>31/12/2014</b>	<b>31/12/2013</b>	<b>31/12/2012</b>
Capital	383,920	383,920	383,920
Reserves	17,107	20,899	31,747
• Transferable reserves	(3,050)	173	4,457
• Treasury shares	(6,738)	(5,579)	(5,198)
• Other consolidated reserves	26,895	26,305	32,488
• Other equity instruments	-	-	-
Net income/loss	30,247	22,030	15,705
Share in the income of associated undertakings	407	813	636
<b>NET INCOME/LOSS GROUP SHARE</b>	<b>30,654</b>	<b>22,843</b>	<b>16,341</b>
<b>SHAREHOLDERS' EQUITY GROUP SHARE</b> (note 12)	<b>431,681</b>	<b>427,662</b>	<b>432,007</b>
Minority interest income	-	-	-
Minority interest reserves	-	-	-
<b>Minority interest</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities due in more than one year</b> (note 8)	<b>425,359</b>	<b>232,789</b>	<b>314,663</b>
Interest-rate instruments swaps	3,050	192	1,157
Deferred tax liabilities	-	7	2,135
Other debts (note 9)	4,398	4,005	3,997
Miscellaneous debts	4,398	4,012	6,132
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>864,488</b>	<b>664,655</b>	<b>753,959</b>
Provisions for contingencies and charges (note 10)	1,402	2,302	1,231
<b>Financial liabilities due in less than one year</b> (note 8)	<b>71,669</b>	<b>113,612</b>	<b>61,749</b>
Miscellaneous debts (note 11)	6,485	8,524	15,070
<b>TOTAL CURRENT LIABILITIES</b>	<b>79,556</b>	<b>124,438</b>	<b>78,050</b>
<b>TOTAL LIABILITIES</b>	<b>944,044</b>	<b>789,093</b>	<b>832,009</b>

## Consolidated income statement as of December 31<sup>st</sup>, 2014 (IFRS standards)

In thousands of Euros

	31/12/2014	31/12/2013	31/12/2012
<b>OPERATING REVENUE</b>	<b>62,976</b>	<b>54,523</b>	<b>40,289</b>
Revenue on investment properties	47,412	39,124	25,080
Rental revenues	36,550	30,110	22,248
• Net rental income	33,121	26,466	18,484
• Re-invoiced expenses	3,417	3,273	2,282
• Other revenue	12	371	1,482
Recoveries of impairment of assets	9,782	8,608	2,832
Recoveries of provisions for contingencies and charges	1,080	406	-
Recoveries of impairment of accounts receivable	-	-	-
<b>Other operating revenue</b>	<b>15,564</b>	<b>15,399</b>	<b>15,209</b>
Hotel operating revenue	15,424	15,348	15,164
Other revenue	140	51	45
<b>Other recoveries of provisions for contingencies and charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING EXPENSES</b>	<b>26,408</b>	<b>26,935</b>	<b>21,112</b>
<b>Expenses on investment properties</b>	<b>11,912</b>	<b>12,647</b>	<b>7,949</b>
Depreciation and amortisation	7,204	6,972	4,576
Expenses on doubtful accounts	-	-	-
Provisions for assets	730	-	-
Provisions for contingencies and charges	-	1,076	379
Re-invoiceable expenses	3,417	3,273	2,282
Non re-invoiceable expenses	545	607	550
Other expenses	16	719	162
<b>General operating expenses</b>	<b>3,185</b>	<b>3,140</b>	<b>2,378</b>
Payroll expenses	1,656	1,596	1,303
Other administrative expenses	808	777	704
Taxes and similar payments	325	214	155
Depreciation, amortisation and provisions	234	371	107
Miscellaneous operating expenses	162	182	109
<b>Other operating expenses</b>	<b>11,311</b>	<b>11,148</b>	<b>10,785</b>
Other hotel operating expenses (note 16)	9,341	9,201	8,893
Depreciation and amortisation for the hotel activity	1,970	1,947	1,892
<b>Other provisions for contingencies and charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING PROFIT OR LOSS</b>	<b>36,567</b>	<b>27,588</b>	<b>19,177</b>
Income from sale of investment properties	-	-	-
<b>Operating profit or loss after sale of investment properties</b>	<b>36,567</b>	<b>27,588</b>	<b>19,177</b>
Profit/loss of associated undertakings (note 23)	407	813	636
<b>Operating profit or loss after share of net profit/loss of associated undertakings</b>	<b>36,974</b>	<b>28,401</b>	<b>19,813</b>
Cost of net debt (note 17)	(9,114)	(5,355)	(3,600)
Dividends and net revenue on non-consolidated securities (note 18)	56	615	3,131
Changes in value of financial instruments (note 19)	(3,380)	59	(2,334)
Impact of discounts	6,705	-	-
<b>Pre-tax income/loss</b>	<b>31,241</b>	<b>23,720</b>	<b>17,010</b>
Taxes (including deferred tax) (note 20)	(587)	(877)	(670)
<b>NET INCOME/LOSS</b>	<b>30,654</b>	<b>22,843</b>	<b>16,341</b>
of which Minority interest share	-	-	-
<b>Group share</b>	<b>30,654</b>	<b>22,843</b>	<b>16,341</b>
<b>EARNINGS PER SHARE</b>	<b>€1.20</b>	<b>€0.89</b>	<b>€0.64</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>€1.20</b>	<b>€0.89</b>	<b>€0.64</b>

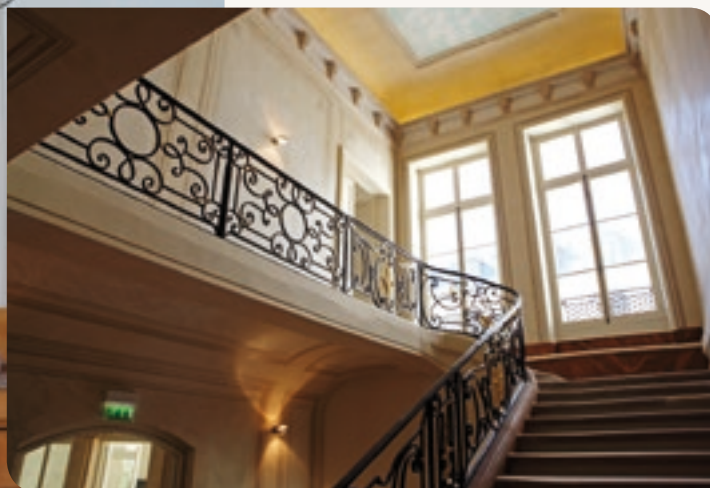


## Statement of comprehensive income

In thousands of Euros

	31/12/2014	31/12/2013	31/12/2012
<b>NET COMPREHENSIVE INCOME/LOSS FOR THE PERIOD</b>	<b>30,654</b>	<b>22,843</b>	<b>16,341</b>
Other elements of comprehensive income/loss			
• Movements on available-for-sale assets	(31)	(9,069)	6,001
• Movements on rate instruments	(2,789)	1,009	(1,234)
<b>Comprehensive income/loss for the period</b>	<b>27,834</b>	<b>14,783</b>	<b>21,108</b>
Including comprehensive income/loss attributable to:			
• Shareholders of the parent Company	27,834	14,783	21,108
• Minority interest	-	-	-

It is stated that all the elements of the comprehensive income/loss are transferable into income/loss.



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▲ 49/51, rue Saint-Dominique - Paris 7<sup>th</sup>  
Let to Châteauform'

## Cash flow statement as of December 31<sup>st</sup>, 2014

In thousands of Euros

	31/12/2014	31/12/2013	31/12/2012
<b>Cash flow from operating activities</b>			
Net income/loss for the period (Group share)	30,654	22,843	16,341
Net depreciation, amortisation and provisions on fixed assets	(724)	1,352	4,122
Net provisions for liabilities	-	-	-
Dividends from securities and change in the fair-value of financial instruments	(55)	615	(3,131)
Change in deferred tax	226	(1,885)	1,718
Goodwill	(7,947)	-	-
Change in the fair-value of financial instruments	3,380	-	-
<b>Cash flow</b>	<b>25,534</b>	<b>22,925</b>	<b>19,050</b>
Inventories	7	15	8
Accounts receivable	(259)	(297)	134
Other operating receivables	(929)	1,790	16,157
Trade accounts payable	(1,646)	(6,538)	6,433
Other changes	1,369	1,478	(775)
<b>Change in working capital requirements</b>	<b>(1,458)</b>	<b>(3,552)</b>	<b>22,118</b>
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES</b>	<b>24,076</b>	<b>19,373</b>	<b>41,168</b>
<b>Cash flow from investing activities</b>			
Acquisitions and work - investment properties	(180,600)	(17,235)	(48,943)
Sales of investment properties	-	-	-
Exit tax payments	-	-	-
Acquisitions of securities	(36,141)	(10,866)	(37,425)
Sales of and dividends from securities	19,550	79,900	4,262
Net cash flow provided by treasury share transactions	(1,640)	(64)	(378)
Other cash receipts and payments	-	-	(1,194)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(198,831)</b>	<b>51,735</b>	<b>(83,676)</b>
<b>Cash flow from financing activities</b>			
Dividend distributed	(22,647)	(19,179)	(15,315)
Net balance of movements in loans and financial liabilities	150,627	(30,011)	85,095
Other financial changes	(1,964)	572	(1,578)
Capital increases	-	-	-
<b>CASH FLOW FROM FINANCING OPERATIONS</b>	<b>126,016</b>	<b>(48,618)</b>	<b>68,202</b>
<b>Change in cash</b>	<b>(48,739)</b>	<b>22,490</b>	<b>25,694</b>
Cash at the beginning of the period	57,079	34,589	8,895
Cash at the end of the period	8,340	57,079	34,589
<b>CHANGE IN CASH</b>	<b>(48,739)</b>	<b>22,490</b>	<b>25,694</b>

## Change in shareholders' equity as of December 31<sup>st</sup>, 2014

### Change in shareholders' equity during the financial year ended December 31<sup>st</sup>, 2013

In thousands of Euros

	31/12/12	Net income appropriation	Dividends distributed by the parent Company	Change in value of financial instruments	Other non-monetary changes	Other equity instruments	Changes related to movements in treasury shares	Income for financial year 2013	31/12/13
Capital	383,920	-	-	-	-	-	-	-	383,920
Issue premium	17,056	-	-	-	-	-	-	-	17,056
Reserves	14,690	16,341	(18,964)	(8,060)	(83)	-	(79)	-	3,843
Group reserves	14,690	16,341	(18,964)	(8,060)	(83)	-	(79)	-	3,843
Minority interest reserves	-	-	-	-	-	-	-	-	-
Other equity instruments	-	-	-	-	-	-	-	-	-
Income/loss	16,341	(16,341)	-	-	-	-	-	22,843	22,843
Group income/loss	16,341	(16,341)	-	-	-	-	-	22,843	22,843
Minority interest income/loss	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>432,007</b>	<b>-</b>	<b>(18,964)</b>	<b>(8,060)</b>	<b>(83)</b>	<b>-</b>	<b>(79)</b>	<b>22,843</b>	<b>427,662</b>

### Change in shareholders' equity during the financial year ended December 31<sup>st</sup>, 2014

In thousands of Euros

	31/12/13	Net income appropriation	Dividends distributed by the parent Company	Change in value of financial instruments	Other non-monetary changes	Other equity instruments	Changes related to movements in treasury shares	Income for financial year 2014	31/12/14
Capital	383,920	-	-	-	-	-	-	-	383,920
Issue premium	17,056	-	-	-	-	-	-	-	17,056
Reserves	3,843	22,843	(22,647)	(2,820)	(8)	-	(1,160)	-	51
Group reserves	3,843	22,843	(22,647)	(2,820)	(8)	-	(1,160)	-	51
Minority interest reserves	-	-	-	-	-	-	-	-	-
Other equity instruments	-	-	-	-	-	-	-	-	-
Income/loss	22,843	(22,843)	-	-	-	-	-	30,654	30,654
Group income/loss	22,843	(22,843)	-	-	-	-	-	30,654	30,654
Minority interest income/loss	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>427,662</b>	<b>-</b>	<b>(22,647)</b>	<b>(2,820)</b>	<b>(8)</b>	<b>-</b>	<b>(1,160)</b>	<b>30,654</b>	<b>431,681</b>





# Appendix to the consolidated financial statements as of December 31<sup>st</sup>, 2014

## Significant events of the period

During the first half of 2014, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) won a call for tender organised by the State for the sale of the Penthémont building complex (approx. 12,500 sq.m. excluding adjacent premises) located 37-39, rue de Bellechasse and 104, rue de Grenelle in Paris 7<sup>th</sup>. This acquisition brought the Company's portfolio up to approximately 68,500 sq.m. (+22%).

This building was purchased by the dedicated SCI (French real-estate company), named SCI Bellechasse-Grenelle which joins the consolidated scope of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC). Intended to be totally restructured, it is accounted for as asset under construction.

Beginning July 2014, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris acquired 67.5% and the current accounts of the SCI Saints-Pères Fleury, of which it already held 32.5%, bringing its ownership to 100%. This takeover was considered subject to IFRS 3, because the SCI Saints-Pères Fleury develops a business activity contained under this standard. This analysis resulted in an acquisition profit (badwill) of €6.7 million mainly related to the revaluation of the Company's capital share, previously held by Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris, after deduction of acquisition fees. This SCI is the owner of the building located 26-28 rue des Saints-Pères in Paris 7<sup>th</sup>, totally let to "Sciences Po Paris" on a long-term lease. This acquisition allows the Company to group in full ownership a high quality asset (9,200 sq.m.) which generates €3.8 million rental revenue per year.

On November 4<sup>th</sup>, 2014, the Board of Directors approved the principle of rapprochement of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris with Foncière de Paris SIIC. This merger transaction should occur during the first half of 2015.

## I - Accounting methods and principles

### A) Presentation of the financial statements

The consolidated financial statements are presented in thousands of euros.

In application of European regulation 1606/2002 of July 19<sup>th</sup>, 2002 on the application of international accounting standards, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) has established the consolidated financial statements for the financial year ended December 31<sup>st</sup>, 2014 in compliance with the IFRS reference framework as adopted in the European Union and applicable at that date.

This reference framework includes IFRS (International Financial Reporting Standards), IAS (International Accounting Standards), and their interpretations (SIC and IFRIC) published by the International Accounting Standards Board (IASB).

The establishment of the consolidated financial statements in accordance with international accounting standards implies that the Company makes various estimates and uses certain realistic and reasonable assumptions, particularly when valuing financial instruments and the rental real-estate. The most important estimates are given in the appendix.

In particular, the investment properties are surveyed annually by an independent appraiser and the valuation of interest rate hedging instruments (caps and swaps) is assigned in the counterparty banks.

Future final results may be different from these estimates.

These accounting principles are identical to those used for preparing the Group's consolidated financial statements as of December 31<sup>st</sup>, 2013 and for the Registration Document D14-0282 registered with the AMF, with the exception of the standards and interpretations newly adopted by the European Union and which became mandatory on January 1<sup>st</sup>, 2014 :

- Standard IFRS 10: Consolidated financial statements
- Standard IFRS 11: Partnerships
- Standard IFRS 12: Information on shareholdings in other group entities
- Standard IAS 27 revised: Individual financial statements
- Standard IAS 28 revised: Shareholding in associated entities and joint-ventures
- Amendments to IAS 32: Financial assets and financial liabilities compensation
- Amendments to IAS 36: Information on the recoverable value of non-financial assets
- Amendments to IAS 39: Novation of derivatives and hedge accounting
- Amendments to IFRS 10, 11 and 12: Transitional provisions IFRS 10, 11 and 12
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities

## B) Information on the choice of methods used

The application of these new standards and amendments has had no significant impact on the accounts of the financial year.

### 1. Scope of consolidation

The scope of consolidation covers:

- Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC), parent Company
- SCI du 4 rue Danton (99.9%-owned subsidiary)
- SCI du 136 bis rue de Grenelle (99.9%-owned subsidiary)
- SCI du 138 bis rue de Grenelle (99.9%-owned subsidiary)
- SCI Bellechasse-Grenelle ((99.9%-owned subsidiary)
- SAS Groupement Européen de l'Immobilier (99.9%-owned subsidiary)
- SAS Hôtelière de la rue Danton (wholly owned subsidiary)
- SCI Saints-Pères Fleury (wholly owned subsidiary)

All the subsidiaries prepared their accounts at December 31<sup>st</sup>, 2014 as part of the preparation of the Company's consolidated financial statements at that same date.

### 2. Method of consolidation

Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) fully consolidates the companies in its scope, with the exception of SCI Saints-Pères Fleury which was consolidated by the equity method up to June 30<sup>th</sup>, 2014. After the acquisition of the SCI shares formerly held by PHRV and Foncière de Paris SIIC, the SCI was consequently consolidated under the full consolidation method (July 1<sup>st</sup> – December 31<sup>st</sup>, 2014).

### 3. Main restatements made in the consolidated financial statements

#### A – Goodwill or negative goodwill – Business combinations

Business combinations are recorded in accordance with IFRS 3. The acquisition cost corresponds to the fair value on the date of the exchange of the assets and liabilities contributed and the equity instruments issued in exchange for the acquired entity. Property acquisitions made through companies are not business combinations within the meaning of IFRS 3 as they are not purchases of business lines but of isolated assets. They are therefore considered property acquisitions.

When a company comes into the scope, the goodwill or negative goodwill resulting from the difference between the cost of acquiring the shares and the proportion that they represent in the fair value of the acquired assets and liabilities is treated either as:

- a fair- value adjustment relating to certain identifiable elements of the assets and liabilities, classified with the items on the balance sheets concerned and amortised according to the same rules as the assets to they are attached ;
- goodwill, if there is any, booked:
  - when it is positive, to the asset side of the balance sheet and subject, at each closure, to a value analysis,
  - when it is negative, it is shown in the income statement.

In a business combination, the previously held ownership interest is revalued at its fair value and the difference in value is booked in profit or loss.

The related acquisition costs, such as duties and taxes, are booked as charges for the period.

As all the SCIs' subsidiaries were created by Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC), their consolidations leads neither to a fair value adjustment nor to goodwill, except for SCI Saints-Pères Fleury of which the takeover occurred during the financial year.

In 2008, the contribution of SAS GEI led to the recognition of goodwill of €16.2 million calculated by the difference between the cost of acquiring the shares (€16.5 million) and SAS GIE's shareholders' equity on May 1<sup>st</sup>, 2008 (€0.3 million). This goodwill was broken down into the value of the business of the Holiday Inn St-Germain-des-Prés hotel (€14.0 million) and a deferred tax asset resulting from loss carryforwards (€2.2 million).

#### B - Taxation – Deferred taxes

##### Tax regime for SIICs (Listed Real-estate Investment Companies)

Having opted for Listed Real-estate Investment Company (SIIC) tax status, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) is subject to a specific form of taxation that provides for a full exemption from corporate income tax on the property leasing activity (renting property transactions, including arbitrages). This exemption is conditional on the distribution of:

- 95% of the earnings from property leasing transactions before the end of the financial year following the year in which they were generated;

- 60% of the capital gains on the sale of buildings and of holdings in companies having the same purpose as SICs or of securities of subsidiaries subject to corporate income tax and having opted for this regime, before the end of the second financial year following the year in which they were generated,
- 100% of dividends from SIICs' subsidiaries, before the end of the financial year following the year in which they were generated.

Owing to the choice of SIIC status, there are two distinct sectors from a tax perspective, one subject to corporate income tax, the other exempt. The exempt sector includes the expenses and revenues inherent in renting property transaction operations; the taxable sector includes interest and similar revenue, revenues from variable-income securities and investment portfolio transactions. Financial and operating expenses relating to each sector are allocated in accordance with the administrative instruction of September 25<sup>th</sup>, 2003.

#### General law tax regime and deferred taxes

Deferred taxes resulting from other consolidation entries and specific restatements are recorded on the balance sheet and income statement. The same applies to deferred taxes resulting from significant temporary differences relating to identifiable assets and liabilities.

No discount is applied on deferred taxes.

At December 31<sup>st</sup>, 2014, the balance of the deferred tax assets from GEI stood at €1.8 million. The operating outlook for the Holiday Inn Paris Saint-Germain-des-Prés hotel appears favourable for the gradual use of these deferred tax assets.

### C – Inter-Company transactions

When consolidating the accounts, the receivables, debts, commitments and reciprocal transactions between consolidated companies are eliminated. Likewise, intra-group revenue and expenses were neutralised. Dividends from intra-group shareholdings are deducted from consolidated income and booked to consolidated reserves.

## 4. Other valuation methods and accounting principles

### A – Renting property transaction

#### Asset valuation

The IAS 40 standard defines the rules for recognising investment properties. When valuing fully-owned buildings, this arrangement leads to a choice being made between the "fair value" method or the "depreciation historical cost" method.

In case the "fair value" method is chosen, the concept of depreciation becomes inapplicable. In case the historical cost is chosen, the approach by components must be established to depreciate buildings. This approach consists of distinguishing several elements that compose the value of a given building (land, main structure, fixtures and fittings, etc.), each depreciated over their own period of use.

Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) has opted for the method of historical cost.

In addition to land, five components have been identified for each type of asset :

	<i>Term of depreciation</i>
• Main structure	70 or 90 years depending on the nature of the building
• Facades and roofs	35 years
• Technical installations	25 years
• Facades renovation	15 years
• Fixtures and fittings	9 years

Each component's term of depreciation is calculated on the basis of the building's acquisition date, except when a component is replaced (for example, during a refurbishment), and in which case the latest component replacement date applies. The residual value is not used for any of the identified components.

The main structure is depreciated over 70 years and exceptionally over 90 years for office buildings of very high quality, made of dressed stone, and either included in the French historic monuments register (Inventaire Supplémentaire des Monuments Historiques) or located in immediate proximity to Paris historic monuments. This exception also applies to the "Main Structure" component for the one residential building owned by the Company and which is also depreciated over 90 years.

The main structure of most of the Company's buildings is designed to last for centuries and for some of them this has already proven to be the case.

The Company provides, as supplemental information, the market value of the investment properties in its asset portfolio in the appendix. The Company's portfolio is thus assessed each year by independent appraisers with recognized competence in

real-estate. The market value approach involves the use of the so-called income capitalisation method, or of the discounted cash flow method, which is then cross-checked using the so-called sales comparison method. Any change in this value is closely correlated with trends in the real-estate market.

These valuations are made pursuant the IFRS 13 standard. On this basis, it is noted that the valuation appraisers did not identify an optimal use (high and best use) other than the one used by the Company.

The above mentioned valuation techniques are notably based on observable parameters as well as on non-observable parameters. The fair value of the Company's buildings is classified level 3 as regard to the defined hierarchy of the IFRS 13 standard.

Additional information on the application of these methods is published, henceforth, pursuant the standard and the level of hierarchy of the fair value applied.

The main valuation criteria used by the appraisers by asset category are provided below:

	OFFICES	HOTELS (PROPERTY AND BUSINESS)	RESIDENTIAL
Market value excluding transfer duties	€753 m	€101.1 m	€25.8 m
Market value excluding transfer duties per sq.m.	€8,696 - €18,713	-	€13,243
Market value excluding transfer duties per room	-	€336.6 K - €523.3 K	-
Discount rate	4%	-	-
Capitalisation rate <sup>(1)</sup>	3.96% - 5.38%	4.55% - 5.75%	2.42%

(1) (Net rental income of the let premises + rental market value of vacant premises) / market value including transfer duties.

### Acquisition expenses

Acquisition expenses are divided between land and buildings, as applicable.

### Leases

The IAS 17 standard specifies that the financial consequences of all of the provisions defined in the leasing contract must be divided over the firm period of the lease (any rent-free periods granted to lessees are divided over the first firm period of lease).

Any cancellation payments received from lessees when they terminate a lease before its contractual expiration must be recognised as revenue during the year in which they were recorded. To date, this situation has not arisen at the Company.

In addition, when the lessor terminates an ongoing lease, it pays eviction compensation to the lessee in place. If the payment of eviction compensation results in a positive change in the value of the asset, this expenditure can be capitalised in the cost of the asset (revised IAS 16); otherwise, the expenditure is booked under expenses. To date, the Company has not paid any eviction compensation to its lessees.

### Borrowing costs

Following the mandatory application of the IAS 23 standard on January 1<sup>st</sup>, 2009, borrowing costs have been capitalised within capital assets under construction.

Borrowing costs attributable to the acquisition and renovation of an asset are capitalised during the period of renovation of the asset. These borrowing costs form part of the total cost of this asset.

In 2014, no amount was recorded.

These costs are calculated from the real rate for collateralised funding and from a weighted average rate for non-collateralised funding. These rates are before any effect of rate hedging instruments.

Only borrowing costs that may be associated with the funding of eligible assets are capitalised. The other borrowing costs are booked as expenses.

### Impairments

The IAS 36 standard imposes a check on whether an indication exists that shows that an asset may have lost value. An indication of impairment may be:

- a significant drop in the market value of the asset,
- a change in the technological, economic or legal environment.

For this test, the capital assets are grouped into Cash Generating Units (CGU). For the Company, each building is considered as a CGU. The business of the Holiday Inn Paris-Saint-Germain-des-Prés hotel is also considered as a CGU.

At each close, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIIC) therefore assesses the existence of indications (relying mainly on independent expert appraisals) showing that an asset may have lost value. In such a case, depreciation for impairment may be booked to profit/loss, as may recovery if applicable. Regarding the hotel's business more specifically, which resembles goodwill, any impairment would be irreversible.



The level of any impairment is determined on the basis of the change in the recoverable amount, which corresponds to market value or going-concern value, whichever is higher. The market value is determined on the basis of experts appraisals centred on two approaches: the so-called sales comparison method and the so-called income capitalisation method.

This depreciation, which constitutes the non-definitive and non-irreversible drop in the value of certain building assets in relation to their book value, is booked to assets, where applicable; reducing them, under the "Impairment of Assets" line item.

The reversals of provisions for the property buildings amount to €9.8 million. The endowments amount to €0.7 million, carrying the impairment balance to €7.5 million

### **Investment properties held for sale**

In accordance with IFRS 5 standard, investment properties in the process of being sold are, where applicable, presented under a separate line item on the balance sheet. To date, no properties have been entered under this line item.

### **Related receivables**

Related receivables correspond in particular to rents receivable.

### **Doubtful accounts**

An account is considered doubtful when it remains unpaid for more than three months. Rental payments classified as doubtful are provisioned at 100% of their amount excluding taxes, with any security deposits or collateral obtained deducted.

## **B – Transactions related to the hotel activity**

### **Inventories**

Inventories relate to the hotel activity of SAS GEI and SAS Hôtelière de la rue Danton. They are valued using the first in, first out method.

A provision for impairment of inventories equal to the difference between the gross value determined using the procedures cited above and the current market value or the realisable value, less business expenses relating to the sale, is recorded when this gross value is greater than the other term stated.

## **C – Financial instruments**

The Company applies the IAS 32 and 39 standards.

### **Classification and valuation of financial assets and liabilities**

The IFRS standards require financial instruments to be defined by category and valued at each closure according to the categories used. Therefore, four categories of assets have been defined:

- trading securities, valued at fair value through the income statement,
- securities available for sale, valued at fair value through equity,
- assets held to maturity, booked at amortised cost,
- loans and receivables, booked at amortised cost.

The March 2009 amendment to IFRS 7 standard creates an obligation to provide information on the three levels of fair value depending on whether the instrument is quoted in an active market (level 1), whether it is valued using techniques based upon observable market data (level 2) or whether it is based on non-observable data (level 3).

It should be noted that the Company's assets available for sale must now be valued as quoted instruments on an active market. (level 1).

Significant and sustainable depreciation criteria are determined as follows:

- a negative gap between the fair value and the purchase price greater than 50%,
- a negative gap between the fair value and the purchase price of a period greater than 36 months.

The Company will have to recognise depreciation if one of two criteria is fulfilled.

None of the Company's financial assets are pledged as a liability guarantee.

There are two categories of financial liabilities:

- trading liabilities, valued at fair value through the income statement,
- other liabilities, entered at amortised cost.

All financial liabilities are entered on the balance sheet at amortised cost.

All of the Company's loans are contracted at variable references; the impact of amortisation on effective interest rates is therefore not significant.

### Treasury shares

All the treasury shares held by the Company are entered at their acquisition cost as a reduction in shareholders' equity. The revenue from any sale of treasury shares is allocated directly as an increase in shareholders' equity, so that any capital gain or loss on sale does not affect net income for the year.

### Hedging instruments

The Company uses derivative instruments as part of its policy to hedge interest-rate risk. These instruments, presented at their notional value and off-balance sheet under French standards, constitute, under IFRS standards, financial assets and liabilities and must be booked to the balance for their fair value.

These instruments must be qualified as hedging or non-hedging transactions, for which the efficiency must be checked.

Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) hedges against an increase in interest rates on present loans and loans it may contract to finance its future growth, though the subscription of caps and swaps.

### Caps

The premiums paid are incorporated into the market value of the cap and their inefficient portion is recorded as an expense.

In consolidated financial statements, the cap contracts are recorded at market value. When a hedging relationship is established (hedging future cash flow or hedging investments), the change in value of the instrument, corresponding solely to the efficient part of the hedge is entered into shareholders' equity. The change in the inefficient portion (which corresponds to time value) is always entered under profit/loss.

Regarding the caps held by the Company, a hedging relationship was established (hedging future cash flow) for both drawn and undrawn credit lines.

The Group had €400 million in active caps at December 31<sup>st</sup>, 2014, of which €35 million from SCI Saints-Pères Fleury (compared to €340 million at December 31<sup>st</sup>, 2013) as well as €200 million in caps with a differed start. The Company subscribed €200 million caps during the first half year 2014 (of which €100 million with a differed start). These caps subscribed at maximum rates of 1.5% to 4.25% had a positive value of €0.7 million at December 31<sup>st</sup>, 2014 (€1.6 million at December 31<sup>st</sup>, 2013), with a change in the inefficient portion of €3.4 million.

### Swaps

The Company also has swaps for a notional amount of €110 million, of which €65 million in deferred-start.

Concerning the swap contracts, a hedging relationship was established according to the meaning of IFRS standards. This is because they are held in order to hedge the debt subscribed at variable rates, in order to protect the Company against an increase in interest rates. The swaps are fully backed.

The efficient part of the variation in the value of swaps is therefore entered to shareholders' equity. The swaps had a negative value of €3.1 million at December 31<sup>st</sup>, 2014.

These hedging instruments were subscribed with leading European banks. For standardised products, the fair value of these instruments on the closing dates used by the Company is that communicated by the corresponding bank counterparties, or determined by an independent institution.

The fair value of these hedging instruments is classified level 2 in regard to the defined hierarchy of IFRS 13 standard. Note 19 details the change in value of financial instruments.

### Risks arising from financial instruments

#### *Credit risks*

The Company's credit risk is particularly limited. It mainly concerns receivables related to the renting property activity (rents pending collection). Any receivable that remain unpaid for more than three months is fully provisioned, subject to any existing security deposits.

#### *Liquidity risks*

The liquidity risk is managed by constant monitoring of the period of funding, keeping permanent credit lines available and diversifying resources. This risk is managed via a projected cash flow statement.

At December 31<sup>st</sup>, 2014, the Company had cash assets of €8.3 million and undrawn confirmed credit lines of €82.1 million.

At December 31<sup>st</sup>, 2014, the Company was in compliance with the covenants included in its primary loans. These covenants require that the Company meets certain financial ratios that determine compensation conditions or accelerations of maturity clauses, the most significant of which are:

- shareholder clause,
- loan to ratio value ranging between 50% and 60%,
- financial expense coverage ratio ranging between 200% and 250% according to bank counterparties.

At December 31<sup>st</sup>, 2014, the Company fully respects these ratios.

### **Market risk and equity risk**

Owning real-estate assets intended for leasing exposes the Company to the risk of fluctuations in the value of the real-estate assets and in rental income. However, this exposure is mitigated as the assets are primarily owned for the long term and remain valued in the financial statements at their historical cost.

### **Interest-rate risk**

To hedge against the risk of a rise in interest rates, the Company has €400 million in caps and €45 million in active swaps.

The Company intends to limit the sensitivity of financial expenses to changes in interest rates by implementing interest-rate hedging instruments. To that end, the Company has caps for notional outstandings of €400 million as an overall hedge against a potential mismatch risk. The Company took advantage of the favourable economic conditions in H1 2014 to subscribe €200 million in caps, of which €100 million in deferred-start caps, which will gradually replace the existing caps as they mature. These hedging instruments, concluded at a weighted average rate of 2.28%, were valued at a positive €0.7 million at December 31<sup>st</sup>, 2014.

As the weighted average rate for active caps is 2.47%, a 100-basis-point increase in interest rates would affect income as follows:

- below 2.47%, the impact on net income would be €4.89 million,
- above 2.47%, as debts are fully hedged, net income would not be affected.

The swaps concluded against three-month Euribor guarantee the Company a weighted average rate of 1.34%.

### **Counterparty risk**

The hedging instruments set up to limit the risks of change and interest rates, exposes the Company to eventual counterparty default. The counterparty risk is the risk of replacing the hedging transactions at current market rates in the case of a counterparty default. The Group applied the IFRS 13 standard to calculate the market value of its derivative financial instruments and has not identified any counterparty risk.

## **D – Provisions**

Provisions are recorded when the Company has a present obligation (legal or constructive) as a result of a past event for which the expense incurred can be reasonably estimated. Provisions are determined taking into account the impact of discounting if it has a significant effect.

## **E – Capital**

At December 31<sup>st</sup>, 2014, the Company's equity capital stood at €383.9 million and consolidated shareholders' equity share was €431.7 million (€427.7 million at December 31<sup>st</sup>, 2013).

As a reminder, the SIIcs tax regime, which the Company opted for effective April 1<sup>st</sup>, 2007, requires that companies wishing to benefit from this status maintain minimum equity capital of €15 million.

The Company intends to use bank financing to continue its buildings' renovation and real-estate asset acquisition programme. Use of bank leverage should nevertheless remain limited.

## **F – Discounting of non-current liabilities**

The line items concerned are mainly security deposits and provisions for contingencies and charges. The discounting of these line items is considered insignificant in light of the amounts and maturities in play.

## **G – Employee benefits and payments in shares**

### **Employee benefits**

The revised IAS 19 standard requires that all present and future commitments of the Company to its personnel in the form of remuneration or benefits be taken into account. Personnel costs and benefits must be entered to expenses over the period of acquisition of entitlements.

Short-term benefits (salaries, annual leave, incentive schemes, profit-sharing, employer's top-up contribution, etc.) are recognised as expenses for the financial year.

Concerning post-employment benefits, as far as the Company is concerned, the contribution paid to obligatory pension schemes are recorded in the profit/loss for the period (defined contributions and pensions paid by specialised external organisations).

Lastly, retirement benefits are covered by a provision resulting from the calculation of the net present value of future benefits (€1.1 million at December 31<sup>st</sup>, 2014).

Excluding provision for retirement, there is no other long-term or post-employment commitment to be provisioned for personnel benefits.

### Payment in shares

The General Meeting held on April 11<sup>th</sup>, 2013, authorised the Board of Directors to grant, to executives and employees of the Company and of related companies as defined in Article L 225-180 of the French Commercial Code, options entitling the holder to purchase shares resulting from a buyback carried out by the Company itself, within the limit of 1% of capital, under the conditions specified in Articles L 225-179 to L 225-184 and in Articles L 225-208 and L 225-209 of the French Commercial Code.

The duration of this stock purchase option plan may not exceed 10 years.

The purchase price of the shares may not be less than 95% of the average of the prices during the twenty trading sessions preceding the assignment date.

The General Meeting decided that this authorisation shall be valid for a period of 38 months.

At December 31<sup>st</sup>, 2014, no stock option plan had been implemented for corporate officers or employees of the Company.

The General Meeting of April 11<sup>th</sup>, 2013 also authorised the Board of Directors to grant free shares, on one or more occasions, to salaried employees and to corporate officers of the Company and of related companies as defined in Article L 225-197-2 of the French Commercial Code, knowing that it shall be the Board of Director's responsibility to identify the beneficiaries and to set the conditions for the share grants.

The total number of free shares granted may not represent more than 1% of the equity capital; the beneficiaries' shares shall not vest until the end of a vesting period of at least two years, and the beneficiaries must hold the shares for a minimum of two years from the end of the vesting period.

This authorisation shall be valid for 38 months.

During 2014 financial year, no free shares were granted.

The IFRS 2 standard requires the income statement to show the effect of all transactions involving payments in shares.

Payments in shares are valued at their fair value (determined on the basis of the average acquisition value for the shares in question), which, for the year of acquisition, constitutes a personnel expense for which the counterpart increases shareholders' equity (meaning that it has no impact on the net equity of the Company).

### H – Turnover

The Group's turnover is broken down as follows:

- rental income booked as revenues in investment properties. These revenues include:
  - gross rents of which are deducted the provisions spread over the rent-free period, stepped rents and other advantages defined in the leasing contracts and granted by the lessor to the lessees,
  - cancellation payments received from lessees when they terminate a lease before its contractual expiration,
  - the rental charges re-invoiced to the lessees.
- hotel operating income booked in other operating revenues in profit/loss account.

### I – Segment reporting

The IFRS 8 standard imposes to identify the main segments followed up by the main operational decision-maker and for each identified segment to present the profit/loss report, the segment assets and the segment liabilities.

Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) presents a detailed segment analysis in note 22, established according to the Managing Director (the main operational decision-maker):

- renting activity (investment properties),
- hotel activity (hotels of the Group),
- other activities (available-for-sale securities).

Concerning the segment liabilities, the financial debts finance all segments and cannot be detailed by segment. Indeed, the bank indebtedness of the Group is contracted totally by Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC), the parent Company, under unaffected corporate loans. Consequently the liabilities are reported in regrouped segments.

### J – Earnings per share

At December 31<sup>st</sup>, 2014, there were 25,594,655 shares outstanding (with a par value of €15).

Earnings per share are calculated by dividing net income Group share by the number of shares outstanding at the end of the period. Diluted earnings per share are equal to earnings per share as there are no other rights that give future access to the capital.

### K – Current/non-current assets/liabilities

Assets and liabilities other than shareholders' equity are presented on the balance sheet in the "non-current" category in accordance with IAS 1, as much as they can be realised within a maximum period of twelve months after closing date.



## L – Standards and interpretations whose application was optional at December 31<sup>st</sup>, 2014

The new standards and interpretations published on December 31<sup>st</sup>, 2013 and applicable from January 1<sup>st</sup>, 2014, listed in paragraph “L – standards and interpretations whose application is optional at December 31<sup>st</sup>, 2013” of the appendix to the consolidated financial statements of 2013 (*i.e.* 2013 Registration Document – p.60) do not have any significant impact on the Company’s consolidated accounts of December 31<sup>st</sup>, 2014.

The new standards, amendments to existing standards and interpretations published and potentially applicable by the Company for the financial statements at December 31<sup>st</sup>, 2014 and that were not applied early are:

Texts adopted by the European Union whose application was not mandatory during the financial year:

- Amendments to IAS 19: Staff benefits,
- IFRIC 21: Taxes levied by public authority,
- Annual improvements of cycles 2010-2012, 2011-2013.

Texts not yet adopted by the European Union:

- Annual amendments of cycles 2012 - 2014,
- Amendments to IAS 16 and IAS 38: Classification on acceptable impairment methods,
- Amendments to IFRS 10 and IAS 28: Contribution or sales of assets between the Group and equity accounted entities,
- Amendments to IFRS 11: Acquisition of interests in joint operations,
- Amendments to IAS 16 and IAS 41: Producing plants,
- Amendments to IAS 27: Use of the equity method in individual financial statements,
- IFRS 9: Financial instruments,
- IFRS 14: Regulatory deferral accounts,
- IFRS 15: Revenue for ordinary activities from contracts with customers.

Concerning the above mentioned texts, the Group is currently conducting analysis to measure the practical consequences and the effects of their application on the accounts. At this stage of the analysis, the Group does not anticipate there will be any significant impact on the consolidated financial statements.

## M – Principal transactions between related parties

The Company has capital ties with Foncière de Paris SIIC and PHRV, companies with which it is likely to carry out transactions. Executives common to these companies were as follows at December 31<sup>st</sup>, 2014 :

	<b>Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC)</b>	<b>PHRV</b>	<b>Foncière de Paris SIIC</b>
François Thomazeau	Chairman of the Board of Directors	Chairman of the Board of Directors	Chairman of the Management Board
Sophie Beuvaden	Director	Director	Chairwoman of the Supervisory Committee
Olivier Riché	Deputy Managing Director	Deputy Managing Director	Managing Director and member of the Management Board
Alain Le Véel	Deputy Managing Director	Managing Director Permanent representative of Foncière de Paris SIIC	General Secretary
Arnaud Pomel	Managing Director	-	Member of the Management Board

Compensation of executive corporate officers and members of the Board of Directors is presented in note 21.

The Company has concluded no service-provision contract with related parties and had carried out no transaction with related parties intended to transfer resources, services or obligations either free of charge or in return for payment during the half year. The Company is totally independent and has its own management team. Each company pays its corporate officers according to their fulfilled duties.

On July 7<sup>th</sup>, 2014, the Company transferred to Foncière de Paris SIIC the totality of the 131,917 OSRAs 2010 Foncière de Paris SIIC that it held, for a cost price at €14.9 million. This cession is in compliance with regulated agreement procedures.

Also, on July 15<sup>th</sup>, 2014, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris acquired for €34.4 million shares and the current accounts of SCI Saints-Pères Fleury, formerly held by PHRV (35%) and by Foncière de Paris SIIC (32.5%). The Company already held 32.5%. This SCI is the owner of the building located 26-28, rue des Saints-Pères in Paris 7<sup>th</sup>. It is entirely let since April 1<sup>st</sup>, 2009, to “Sciences Po Paris” on a long-term lease.

## II - Detailed notes

In thousands of Euros

### NOTE 1 - CHANGE IN CAPITAL ASSETS, DEPRECIATION, AMORTISATION AND PROVISIONS

Change in gross capital assets	31/12/2012	31/12/2013	Acquisitions	Transferts	Sales	31/12/2014
<b>Intangible assets <sup>(1)</sup></b>	14,052	14,055	1	-	-	14,056
<b>Investment properties</b>	652,349	656,988	232,878	(2,690)	-	887,175
Leased properties – land	424,212	424,212	79,351	-	-	503,562
Leased properties – buildings, initial acquisition cost	227,401	228,459	13,435	873	-	242,767
Leased properties – post acquisition construction	-	-	-	-	-	-
<b>Capital assets under construction</b>	736	4,317	140,092	(3,563)	-	140,846
Capital assets under construction-post acquisition construction	-	-	-	-	-	-
Capital assets under construction - capitalised interest	-	-	-	-	-	-
Properties held for sale	-	-	-	-	-	-
<b>Operating capital assets</b>	63,785	64,227	856	(187)	(127)	64,769
Operating capital assets	63,782	64,224	318	-	(127)	64,415
Capital assets under construction	3	3	538	(187)	-	354
<b>TOTAL</b>	<b>730,186</b>	<b>735,269</b>	<b>233,735</b>	<b>(2,877)</b>	<b>(127)</b>	<b>966,000</b>
Change in depreciation, amortisation and provisions	31/12/2012	31/12/2013	Acquisitions	Transferts	Sales	31/12/2014
<b>Intangible assets</b>	19	23	4	-	-	27
<b>Investment properties</b>	36,991	35,357	7,934	736	9,782	34,246
Leased properties	11,757	18,730	7,204	736	-	26,671
Impairments	25,234	16,627	730	-	9,782	7,575
Impairments of properties under construction	-	-	-	-	-	-
<b>Operating capital assets</b>	7,419	9,203	1,900	-	-	11,103
<b>TOTAL</b>	<b>44,429</b>	<b>44,583</b>	<b>9,838</b>	<b>736</b>	<b>9,782</b>	<b>45,376</b>

(1) Corresponds to the value of the business of the Holiday Inn Paris Saint-Germain-des-Prés hotel in the amount of €14 million.

### NOTE 2 - INVESTMENT PROPERTIES

Net values	31/12/2012	31/12/2013	31/12/2014	Market value <sup>(1)</sup>
<b>Investment properties</b>				
Leased properties	614,620	617,314	712,083	776,758
Capital assets under construction	736	4,317	140,846	140,846
Properties held for sale	-	-	-	-
<b>TOTAL</b>	<b>615,356</b>	<b>621,631</b>	<b>852,929</b>	<b>917,604</b>

(1) Based on appraisals dated December 2014.

### NOTE 3 - HOTEL OPERATING CAPITAL ASSETS

Net values	31/12/2012	31/12/2013	31/12/2014	Market value <sup>(1)</sup>
<b>Intangible assets <sup>(2)</sup></b>	14,033	14,032	14,029	14,029
<b>Property, plant and equipment</b>	56,366	54,909	53,111	86,717
Property, plant and equipment under construction	3	3	354	354
<b>TOTAL</b>	<b>70,402</b>	<b>68,943</b>	<b>67,494</b>	<b>101,100</b>

(1) Based on appraisals dated December 2014.

(2) Corresponds to the value of the business of the Holiday Inn Paris Saint-Germain-des-Prés hotel in the amount of €14 million.

### NOTE 4 - FONCIERE 6&7'S OPERATING CAPITAL ASSETS

Net values	31/12/2012	31/12/2013	31/12/2014
Property, plant and equipment	70	113	201
<b>TOTAL</b>	<b>70</b>	<b>113</b>	<b>201</b>

### NOTE 5 - OTHER NON-CURRENT ASSETS

Net values	31/12/2014	31/12/2013	31/12/2012
Securities in associated undertakings	-	1,623	1,447
Available-for-sale securities	885	18,514	88,375
Of which listed securities	885	3,248	67,247
Interest-rate instruments	660	1,554	453
Deferred tax assets	1,786	2,019	2,262
Financial advantages to associated undertakings	-	7,048	6,778

NOTE 6 - CHANGE IN OPERATING RECEIVABLES						
	31/12/2012	31/12/2013	Allocations	Contributions	Recoveries	31/12/2014
Accounts receivable	8,212	8,508	-	-	-	8,768
Net doubtful account	-	1	-	-	1	-
Doubtful accounts	6	2	-	-	2	-
Provisions	6	1	-	-	1	-
<b>OVERALL TOTAL</b>	<b>8,212</b>	<b>8,509</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,768</b>

The phasing of rent-free periods represents €7,668 thousand of operating receivables whose maturity is more than one year.

NOTE 7 - CHANGE IN MISCELLANEOUS RECEIVABLES			
Miscellaneous receivables	31/12/2012	31/12/2013	31/12/2014
Government (corporate income tax – VAT)	2,735	886	613
Advance payments	12	1	-
Prepaid charges	429	511	1,680
Other miscellaneous receivables	857	574	609
Working capital	21	21	21
Liquidity agreement	-	-	-
Advance payments on investment property transactions	-	-	-
<b>OVERALL TOTAL</b>	<b>4,054</b>	<b>1,994</b>	<b>2,923</b>

All miscellaneous receivables are due in less than one year.

NOTE 8 - MATURITIES OF FINANCIAL LIABILITIES					
Financial liabilities	Net values	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Fixed term	496,291	11,972	58,963	361,832	63,525
On demand	737	686	51	-	-
<b>TOTAL</b>	<b>497,028</b>	<b>12,658</b>	<b>59,014</b>	<b>361,832</b>	<b>63,525</b>

NOTE 9 - MISCELLANEOUS NON-CURRENT LIABILITIES			
	31/12/2012	31/12/2013	31/12/2014
Deferred tax liabilities	2,135	7	-
Other debts (due in more than one year)	3,997	4,005	4,398
Security deposits	3,997	4,005	4,398
Tax debts (corporate income tax – exit tax)	-	-	-
Tax and social security debts	-	-	-
Miscellaneous	-	-	-
<b>TOTAL</b>	<b>6,132</b>	<b>4,012</b>	<b>4,398</b>

NOTE 10 - PROVISIONS FOR CONTINGENCIES AND CHARGES						
	31/12/2012	31/12/2013	Allocations	Recoveries		31/12/2014
				Used	Not used	
Provisions for retirement benefits	510	921	180	-	-	1,101
Provisions for contingencies and charges	721	1,381	-	797	283	301
Deferred taxes	-	-	-	-	-	-
<b>TOTAL</b>	<b>1,231</b>	<b>2,302</b>	<b>180</b>	<b>797</b>	<b>283</b>	<b>1,402</b>

The provisions for contingencies and charges include in particular provisions for disputes related to rental litigations.

NOTE 11 - MISCELLANEOUS CURRENT LIABILITIES			
	31/12/2012	31/12/2013	31/12/2014
Tax debts (corporate income tax-other taxes)	185	97	110
Security deposits	-	-	1,234
Subsidies	-	-	-
Tax and social security debts	1,430	1,393	1,049
Accrual accounts (including rent invoiced in advance)	500	238	35
Other debts	12,955	6,796	4,057
<b>TOTAL</b>	<b>15,070</b>	<b>8,524</b>	<b>6,485</b>

**NOTE 12 - CHANGE IN SHAREHOLDERS' EQUITY**

Composition of shareholders' equity	31/12/2012	31/12/2013	31/12/2014
<b>Capital</b>	<b>383,920</b>	<b>383,920</b>	<b>383,920</b>
Share premium account	-	-	-
<b>Consolidated reserves Group share</b>	<b>31,747</b>	<b>20,899</b>	<b>17,107</b>
Transferable reserves	4,457	173	(3,050)
Treasury shares	(5,198)	(5,579)	(6,738)
Other consolidated reserves	32,488	26,305	26,895
Other equity instruments	-	-	-
Minority interests	-	-	-
<b>Income/loss for the period</b>	<b>16,341</b>	<b>22,843</b>	<b>30,654</b>
Group share	16,341	22,843	30,654
Minority interest share	-	-	-
<b>TOTAL</b>	<b>432,007</b>	<b>427,662</b>	<b>431,681</b>

**NOTE 13 - MATURITIES OF SWAPS AND CAPS (NOTIONAL OUTSTANDINGS)**

	TOTAL	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Interest rate swap contracts	110,000	-	-	110,000	-
Rate cap contracts	600,000	-	75,000	475,000	50,000
<b>TOTAL</b>	<b>710,000</b>	<b>-</b>	<b>75,000</b>	<b>585,000</b>	<b>50,000</b>

**NOTE 14 - OFF-BALANCE SHEET ITEMS**

	31/12/2012	31/12/2013	31/12/2014
<b>Commitments given</b>			
Commitments to acquire investment properties	-	-	-
Guarantee commitments in favour of lending institutions <sup>(1)</sup>	-	-	39,577
<b>Commitments received</b>	<b>71,000</b>	<b>59,000</b>	<b>82,170</b>
Funding commitments received from lending institutions	71,000	59,000	82,170
Guarantee commitments received from lending institutions	-	-	-
<b>Commitments on forward financial instruments contracts</b>	<b>600,000</b>	<b>590,000</b>	<b>710,000</b>
Interest rate swap contracts	65,000	110,000	110,000
Rate cap contracts	535,000	480,000	600,000

(1) Conventional mortgage of a building to guarantee the loan which outstanding capital amounts to €39,577 K as of December 31<sup>st</sup>, 2014.

**NOTE 15 - REVENUE AND EXPENSES ON INVESTMENT PROPERTIES**

	31/12/2012	31/12/2013	31/12/2014
<b>Revenue</b>	<b>25,080</b>	<b>39,124</b>	<b>47,412</b>
<b>Rental revenues</b>	<b>22,248</b>	<b>30,110</b>	<b>36,550</b>
Net rental income	18,484	26,466	33,121
Re-invoiced expenses	2,282	3,273	3,417
Other revenue	1,482	371	12
<b>Recoveries of provisions for contingencies and charges</b>	<b>-</b>	<b>406</b>	<b>1,080</b>
Recoveries for impairments of assets	2,832	8,608	9,782
<b>Expenses</b>	<b>7,949</b>	<b>12,647</b>	<b>11,912</b>
<b>Expenses on investment properties</b>	<b>7,949</b>	<b>12,647</b>	<b>11,912</b>
Depreciation and amortisation	4,576	6,972	7,204
Expenses on doubtful accounts	-	-	-
Re-invoiceable expenses	2,282	3,273	3,417
Non re-invoiceable expenses	550	607	545
Other expenses	162	719	16
<b>Provisions for contingencies and charges</b>	<b>379</b>	<b>1,076</b>	<b>-</b>
Provisions for impairments of assets	-	-	730



<b>NOTE 16 - OTHER GENERAL OPERATING REVENUE AND EXPENSES</b>			
	31/12/2012	31/12/2013	31/12/2014
<b>Other operating revenue</b>	<b>15,209</b>	<b>15,399</b>	<b>15,564</b>
Other hotel operating revenue	15,164	15,348	15,424
Other operating revenue	45	51	140
Recovery of provisions for contingencies and charges	-	-	-
<b>Other operating expenses</b>	<b>2,378</b>	<b>3,140</b>	<b>3,185</b>
Payroll expenses	1,250	1,303	1,656
Free share grants	53	293	-
Other administrative expenses	704	777	808
Tax and similar payments	155	214	325
Depreciation of operating capital assets	18	20	54
Provisions for contingencies and charges	89	351	180
Other operating expenses	109	182	162
<b>Other hotel operating expenses</b>	<b>10,785</b>	<b>11,148</b>	<b>11,311</b>
Purchase of goods and raw materials	456	461	499
Other purchases and external charges	3,911	4,151	4,244
Taxes and similar payments	343	286	319
Salaries and social security contributions	3,065	3,079	2,924
Depreciation of operating capital assets	1,892	1,947	1,970
Other expenses	1,118	1,224	1,355

<b>NOTE 17 - COST OF NET DEBT</b>			
	31/12/2012	31/12/2013	31/12/2014
<b>Financial revenue</b>	<b>1,609</b>	<b>1,790</b>	<b>559</b>
Interest and similar revenue (including cash revenues)	1,609	1,790	559
Interest and revenue on financial instruments (caps)	-	-	-
<b>Financial expenses</b>	<b>5,209</b>	<b>7,145</b>	<b>9,673</b>
Interest and similar expenses	5,209	7,145	9,673
Interest and expenses on financial instruments (caps)	-	-	-
Taxes, commissions and brokerage fees on sales of securities	-	-	-
<b>COST OF NET DEBT</b>	<b>(3,600)</b>	<b>(5,355)</b>	<b>(9,114)</b>

<b>NOTE 18 - DIVIDENDS AND NET REVENUE ON NON-CONSOLIDATED SECURITIES</b>			
	31/12/2012	31/12/2013	31/12/2014
<b>Dividends</b>	<b>3,124</b>	<b>3,188</b>	<b>-</b>
Net revenue on sales of securities held for trading	-	-	-
Net revenue on sales of available-for-sale securities	7	(2,573)	56
Net revenue on sales of TIAP and marketable securities	-	-	-

<b>NOTE 19 - CHANGE IN VALUE OF FINANCIAL INSTRUMENTS</b>			
	31/12/2012	31/12/2013	31/12/2014
<b>Change recorded through the income statement</b>			
Marketable securities & TIAP	-	-	-
Securities held for trading	-	-	-
Available-for-sale securities (actual sale)	-	-	-
Interest-rate instruments	-	-	-
Ineffective portion of hedging instruments	(2,334)	59	(3,380)
<b>Change recorded through equity</b>			
Available-for-sale securities	9,100	(9,069)	(31)
Interest-rate instruments	-	-	-
Effective portion of hedging instruments	-	1,009	(2,789)

**NOTE 20 - TAXATION FOR THE CURRENT FINANCIAL YEAR**

	31/12/2012	31/12/2013	31/12/2014
General – law taxable income of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris	(568)	(536)	(6)
Exempt taxable income of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris	15,105	15,284	18,104
General – law taxable income of the consolidated hotel subsidiaries	987	1,923	1,075
Corporate income tax of the parent Company	-	237	-
Corporate income tax of the consolidated hotel subsidiaries	361	398	354
Other changes in deferred taxes <sup>(1)</sup>	310	243	143

**BREAKDOWN OF DEFERRED TAX ASSETS AND LIABILITIES**

	31/12/2012	31/12/2013	31/12/2014
<b>Deferred tax assets</b>	<b>2,262</b>	<b>2,019</b>	<b>1,786</b>
Of which GEI loss carryforward	2,262	2,019	1,786
Of which HRD loss carryforward	-	-	-
<b>Deferred tax liabilities</b>	<b>2,135</b>	<b>7</b>	<b>-</b>
Of which impact on income	-	-	-
Of which impact on shareholder's equity			
• Tax deferred capital gains on available-for-sale securities	2,135	7	-

(1) Mainly linked to the IDA change of GEI (Groupement Européen de l'Immobilier) which tax result is nil, given the loss carryovers.

**NOTE 21 - REMUNERATION**

The consolidated workforce of the Company and its hotel subsidiaries at December 31<sup>st</sup>, 2014 was 75 people including 2 corporate officers, of which 67 in the hotel activity.

At December 31<sup>st</sup>, 2014, the remunerations and social security charges (compensation and employee benefits) amounted to €4,580 thousand of which €2,924 thousand in the hotel activity.

Compensation for executive corporate officers and members of the Board of Directors was €561 thousand at December 31<sup>st</sup>, 2014 (including directors' fees).

Executive corporate officers are not entitled to any compensation, payments or benefits payable or likely to be payable due to termination of or a change in their duties or subsequent thereto, with the exception of retirement incentive bonuses, corresponding to 1 year of salary for 10 years of employment and beyond that in proportion to length of employment. This measure also concerns all employees.

Statutory Auditors' fees were €106 thousand at December 31<sup>st</sup>, 2014.

**EXECUTIVES' COMPENSATION ACCORDINGLY TO THE FIVE CATEGORIES NOTED IN IAS 24.17 STANDARDS**

	31/12/2013	31/12/2014
<b>Executives</b>		
Short term benefits	586	598
Post-employment benefits	31	20
Long-term benefits	-	-
Share-based payment		
• Number of performance shares	11,700	-
• Equity valuation	213	-
Benefits in-kind	-	-
Severance fees	-	-
<b>TOTAL (excluding number of shares)</b>	<b>830</b>	<b>618</b>
<b>Non-executive corporate officers</b>		
Directors' fees	111	125

NOTE 22 - SEGMENT REPORTING								
Revenues and expenses by business segment	31/12/2013				31/12/2014			
	TOTAL	Investment properties	Hotel activities	Other activities	TOTAL	Investment properties	Hotel activities	Other activities
<b>Operating revenue</b>	<b>54,523</b>	<b>39,124</b>	<b>15,399</b>	-	<b>62,976</b>	<b>47,412</b>	<b>15,564</b>	-
Net rental income/Sales of services	41,814	26,466	15,348	-	48,545	33,121	15,424	-
Re-invoiced expenses	3,273	3,273	-	-	3,417	3,417	-	-
Other revenue	422	371	51	-	152	12	140	-
Recoveries of impairment of assets	8,608	8,608	-	-	9,782	9,782	-	-
Recoveries of provisions for contingencies and charges	406	406	-	-	1,080	1,080	-	-
Recoveries of impairment of accounts receivable	-	-	-	-	-	-	-	-
<b>Operating expenses</b>	<b>23,509</b>	<b>12,647</b>	<b>10,862</b>	-	<b>22,786</b>	<b>11,912</b>	<b>10,874</b>	-
Depreciation, amortisation and provisions	8,919	6,972	1,947	-	9,174	7,204	1,970	-
Provisions of doubtful accounts	-	-	-	-	-	-	-	-
Provisions for impairments of assets	-	-	-	-	730	730	-	-
Provisions for contingencies and charges	1,076	1,076	-	-	-	-	-	-
Re-invoiceable expenses	3,273	3,273	-	-	3,417	3,417	-	-
Non re-invoiced expenses/ Purchase of goods	5,219	607	4,612	-	5,288	545	4,743	-
Salaries and wages	2,067	-	2,067	-	1,922	-	1,922	-
Social security contributions	1,012	-	1,012	-	1,002	-	1,002	-
Other expenses	1,943	719	1,224	-	1,253	16	1,237	-
Revenue from sale of investment properties	-	-	-	-	-	-	-	-
<b>Dividends</b>	<b>3,188</b>			<b>3,188</b>	-			-
<b>Net revenue on non-consolidated securities</b>	<b>(2,573)</b>	-	-	<b>(2,573)</b>	<b>56</b>	-	-	<b>56</b>
<b>OPERATING INCOME</b> (before financial and general operating expenses)	<b>31,629</b>	<b>26,477</b>	<b>4,537</b>	<b>615</b>	<b>40,246</b>	<b>35,500</b>	<b>4,690</b>	<b>56</b>
Segment assets and liabilities	TOTAL 31/12/2013				TOTAL 31/12/2014			
<b>Segment assets</b>	<b>709,202</b>				<b>921,509</b>			
Investment properties	621,631				852,929			
Hotel activities	69,057				67,695			
Other activities	18,514				885			
<b>Segment liabilities</b>	<b>346,401</b>				<b>497,028</b>			
Financial debts payable in more than 1 year	232,789				425,359			
Financial debts payable in less than 1 year	113,612				71,669			

## NOTE 23 - SECURITIES IN ASSOCIATED UNDERTAKINGS

Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris does not have any securities accounted for by the equity method as of December 31<sup>st</sup>, 2014.

The share in income/loss of equity-accounted companies booked at €407 thousands on December 31<sup>st</sup>, 2014, is equal to the share in income/loss of SCI Saints-Pères Fleury, accounted for by equity method up to June 30<sup>th</sup>, 2014 and then fully consolidated since July 1<sup>st</sup>, 2014, consequently to the acquisition of all the remaining share capital (67.5%).



# Report of the Statutory Auditors on the consolidated financial statements

Financial year ended December 31<sup>st</sup>, 2014

To Shareholders,

In execution of the assignment that was entrusted to us by your General Meeting of Shareholders, we hereby present our report relating to the financial year ended December 31<sup>st</sup>, 2014, concerning:

- the audit of the consolidated financial statements of the company Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC), as attached to this report;
- the justification of our assessments;
- the specific verification specified by law.

The consolidated financial statements were approved by the Board of Directors. Our role is to express an opinion on these annual statements based on our audit.

## I - Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we plan and perform the audit with due diligence in order to obtain reasonable assurance that the consolidated financial statements are free of significant anomalies. An audit involves the verification, on a test basis or by other means of selection, of audit evidence justifying the amounts and disclosures in the consolidated financial statements. An audit also consists of an assessment of the accounting principles applied, significant estimates made and the overall presentation of the financial statements. We believe that the audit evidence that we have obtained provides a sufficient and appropriate basis for our opinion.

We certify that the consolidated accounts are, with regard to the IFRS reference framework as adopted by the European Union, in good order and true and present a fair picture of the assets, financial situation and earnings of the whole constituted by the personnel and entities included in the consolidation.

## II - Justification of assessments

In accordance with the provisions of Article L 823-9 of the French Commercial Code relating to the justification of our assessments, we hereby bring the following elements to your attention:

- The rental assets have been the subject of assessment procedures by independent property surveyors. We made sure that the level of depreciation constituted was sufficient based on your Company's accounting principles as described in note 4-A (*§ Asset valuation and § Impairments*) in the appendix, particularly with regard to external expert appraisals.

The assessments thus carried out are in line with our approach to the audit of the consolidated financial statements, taken as a whole, and they therefore contributed to the formation of the opinion expressed in the first part of this report.

## III - Specific verification

In accordance with the professional standards applicable in France, we also made the specific verification assessed by the law of the information given in the report on the management of the Group.

We have no comment to make about its honesty and consistency with the consolidated accounts.

Executed in Courbevoie and Paris on February 23<sup>rd</sup>, 2015

**The statutory Auditors**

**Mazars**  
Odile Coulaud

**Saint-Honoré Sereg**  
Denis Van Strien



41/43, rue Saint-Dominique - Paris 7<sup>th</sup>





# Resolutions submitted to the General Meeting held on May 12<sup>th</sup>, 2015

## RESOLUTIONS SUBJECT TO THE RULES APPLICABLE TO ORDINARY GENERAL MEETINGS

### First resolution

*Approval of the Company accounts for the financial year ending 2014.*

After receiving and reviewing the reports of the Board of Directors and the Statutory Auditors, the General Meeting approves the corporate financial statements at December 31<sup>st</sup>, 2014, as submitted, as well as all the transactions reflected therein or summarised in these reports.

### Second resolution

*Appropriation of the income and payment of the dividend*

The General Meeting, on the proposal of the Board of Directors, decides to allocate net income for the past year, which was €27,469,103 as follows:

• Net profit for the financial year	€27,469,103
• Retained earnings	€4,628,696
<b>Total to be distributed</b>	<b>€32,097,799</b>
• Dividend distributed	€25,594,655
• Allocation to legal reserve	€1,373,455
• Retained earnings	€5,129,689

This allocation corresponds to a dividend of €1.00 per share for the 25,594,655 shares comprising the equity capital. This dividend per share will be broken down between €0.75 resulting from SIIC earnings and €0.25 resulting from non exonerated activity.

The dividend will be paid as from May 14<sup>th</sup>, 2015 with an ex-dividend date of May 12<sup>th</sup>, 2015. The part of the dividend relating to treasury shares held by the Company will be added to retained earnings for the financial year as set out above.

In accordance with legal requirements, it should be noted that distributions per fully redeemed share for the last three years were as following:

	2011	2012	2013
Total distribution	€0.60	€0.75	€0.90

### Third resolution

*Approval of the consolidated financial statements for the financial year ended December 31<sup>st</sup>, 2014*

After receiving and reviewing the reports of the Board of Directors and the Statutory Auditors, the General Meeting approves the consolidated financial statements at December 31<sup>st</sup>, 2014, as submitted, as well as all the transactions reflected therein or summarised in these reports.

### Fourth resolution

*Discharge for the Directors and the Statutory Auditors*

The General Meeting fully and unconditionally discharges the members of the Board of Directors from liability for the financial year ended December 31<sup>st</sup>, 2014. The General Meeting also discharges the Statutory Auditors from liability for the financial year ended.

### Fifth resolution

*Approval of the transfer of 131,917 OSRAs 2010 to Foncière de Paris SIIC*

After having acknowledged the special report established by the Statutory Auditors, according to Articles L 225-38 et in compliance with the French Commercial Code, the General Meeting approves the cession of 131,917 OSRAs 2010 to Foncière de Paris SIIC for an amount of €15.3 million, equal to the nominal value of the securities, increased by accrued interests and the unavailable reserve assigned to the shareholders.

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### Sixth resolution

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*Approval of the acquisition of 32.5% of SCI Saints-Pères Fleury capital from Foncière de Paris SIIC*

After having acknowledged the special report established by the Statutory Auditors, according to Articles L 225-38 and seq. in compliance with the French Commercial Code, the General Meeting approves the acquisition of 32.5% of SCI Saints-Pères Fleury capital from Foncière de Paris SIIC for an amount of €9.1 million and the repayment of the partner's current account for €7.5 million. This transaction occurred in July 2014, on the basis of the last appraised value set by two real-estate experts (€89.4 million) and submitted to the fair opinion of an independent appraiser.

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### Seventh resolution

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*Approval of the acquisition of 35% of SCI Saints-Pères Fleury capital from PHRV*

After having acknowledged the special report established by the Statutory Auditors, according to Articles L 225-38 and seq. in compliance with the French Commercial Code, the General Meeting approves the acquisition of 35% of SCI Saints-Pères Fleury capital from PHRV for an amount of €9.7 million and the repayment of the partner's current account for €8.1 million. This transaction occurred in July 2014, on the basis of the last appraised value set by two real-estate experts (€89.4 million) and submitted to the fair opinion of an independent appraiser.

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### Eighth resolution

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*Approval of the renewal of the appointment of the Statutory Auditor office Saint-Honoré Sereg*

After having acknowledged the report of the Board of Directors, the General Meeting decides to renew for a term of six financial years Saint-Honoré Sereg as Statutory Auditor, which offices are located 140, rue du Faubourg Saint-Honoré Paris 8<sup>th</sup> and identified under RCS 322 452 061 Paris Registry Trade Code.

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### Ninth resolution

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*Approval of the renewal of the appointment of the Deputy Statutory Auditor Mr. Philippe Gautier*

After having acknowledged the report of the Board of Directors, the General Meeting decides to renew for a term of six financial years Mr. Philippe Gautier as Deputy Statutory Auditor, born on November 26<sup>th</sup>, 1954 in Lyon (69), of French nationality, resident 306, Bureaux de la Colline 92210 Saint-Cloud.

## RESOLUTIONS SUBJECT TO THE RULES APPLICABLE TO EXTRAORDINARY GENERAL MEETINGS

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### Tenth resolution

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*Approval of the merger of the Company into Foncière de Paris SIIC*

The General Meeting, ruling under the quorum and the majority conditions required for Extraordinary General Meetings, after having reviewed:

- The Board of Directors report,
- The merger treaty project, dated March 5<sup>th</sup>, 2015, agreed by the Company Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) a limited company with a capital of €383,919,825 which Head office is located 209, rue de l'Université Paris 7<sup>th</sup> and identified under 389,857,707, RCS Paris Registry Trade Code (hereafter "the Company") and the Company Foncière de Paris SIIC, a limited company with an Executive Board and a Supervisory Board and a capital of €99,386,355 which Head office is located 43, rue Saint-Dominique Paris 7<sup>th</sup> and identified under 331 250 472 RCS Paris Registry Trade Code (hereafter "Foncière de Paris SIIC) whereby the Company conveys under merger to Foncière de Paris SIIC the totality of its holdings, assets and liabilities, with retroactive tax and accounting effect as of January 1<sup>st</sup>, 2015, as described in the merger treaty project (hereafter "the merger treaty project"),
- The reports established by Mr. Didier Kling and Dominique Ledouble, appointed as Merger Auditors by the President of the Commercial Court of Paris on November 24<sup>th</sup>, 2014.

1. Approves in all terms the merger treaty project and decides, subject to suspensive conditions set out in the merger treaty project, the merger by acquisition way of the Company into Foncière de Paris SIIC,

2. Approves the universal transfer of the Company's portfolio, as well as its fixed valuation, the net value of the transferred portfolio amounts to €493,811,360.33,

3. Approves the compensation of the transaction, as provided in the merger treaty project and namely the exchange ratio of three (3) shares of Foncière de Paris SIIC for seventeen (17) shares of the Company, it being stipulated that in the event of fractional shares, the shareholders of the Company who do not hold enough shares to exercise their full rights, will have to sell or buy enough shares for that purpose. However, at the General Meeting of Foncière de Paris SIIC, subject to the merger approval, it will be proposed that



the shareholders of the Company who at the date of the merger, would not hold enough shares of the Company necessary to have a whole number of shares of Foncière de Paris SIIC, the non-allocated shares of Foncière de Paris SIIC corresponding to the fractional shares, would be sold on the market and the fund raised in this way would be distributed among the holders of allotment rights for fractional shares, in proportion to their rights.

4. decides, subject to suspensive conditions set out in the merger treaty project, that the final completion of the merger is on May 12<sup>th</sup>, 2015 at 23h59, date on which all the assets and liabilities of the Company will be transferred to Foncière de Paris SIIC, with retroactive tax and accounting effect as of January 1<sup>st</sup>, 2015.

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### Eleventh resolution

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#### *Dissolution of the Company without liquidation*

The General Meeting, ruling under the quorum and the majority conditions required for Extraordinary General Meetings, after having acknowledged the merger treaty project and the Board of Directors report, decides, by sole fact of the definitive completion of the merger of the Company into Foncière de Paris SIIC, the Company will be dissolved as of right. Accordingly, the General Meeting decides that there will be no liquidation of the Company, given that all the assets and liabilities of the Company will be transferred to Foncière de Paris SIIC.

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### Twelfth resolution

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#### *Powers to carry out formalities*

The General Meeting grants full powers to the bearer of an original or a copy hereof to carry out the necessary formalities.

45 / 47, rue Saint-Dominique - Paris 7<sup>th</sup> ▼



138 bis rue de Grenelle - Paris 7<sup>th</sup> ▲





## Social and environmental report

### The challenges of sustainable development in the real-estate sector

The real-estate sector represents a large part of the energy consumption, greenhouse gas emissions and production of waste, with a foresight of a strong increase in the coming years.

Nowadays the environmental management in construction is unanimously recognised, as a strong challenge in this sector. The subjects of energy and sustainable development were initially discussed in the "Grenelle de l'Environnement" law (Environmental agreements), which required for new building constructions, to maintain the primary energy consumption at an average of 50KWh/sq.m. per year after 2012 and for the existing building park targeted to reduce its consumption of 38% by 2020, aim set by the "Grenelle I" law of August 3<sup>rd</sup>, 2009. The requirements in the thermal regulations and the diagnosis of energy performance were the measures adopted to reduce environmental impact in the real-estate sector, in terms of the Grenelle de l'Environnement law.

The law N° 2010-788, called "Grenelle II" dated July 12<sup>th</sup>, 2010, a national commitment for environment, strengthened the achievements of "Grenelle I" law and it organised more specifically the thermal regulations and the target of 2012 (Thermal Regulations 2012): the law decree N° 2010-1269 of October 26<sup>th</sup>, 2010 and the resolution taken at the same date set the ceiling of consumption at 50 KWh/sq.m/year for new buildings. The threshold of consumption is modulated in function of three factors (geographical area, altitude and nature of the use and occupancy).

The thermal regulation 2012 will be applicable to all submitted building permits:

- from October 28<sup>th</sup>, 2011, for all new buildings concerning office buildings, public buildings or buildings used for residential purposes and built in an ANRU zone (National Agency for Urban Renovation);
- from January 1<sup>st</sup>, 2013, for all the other types of new buildings and more specifically for single and collective housing.

The tertiary leasing property is concerned by these measures in the same way.

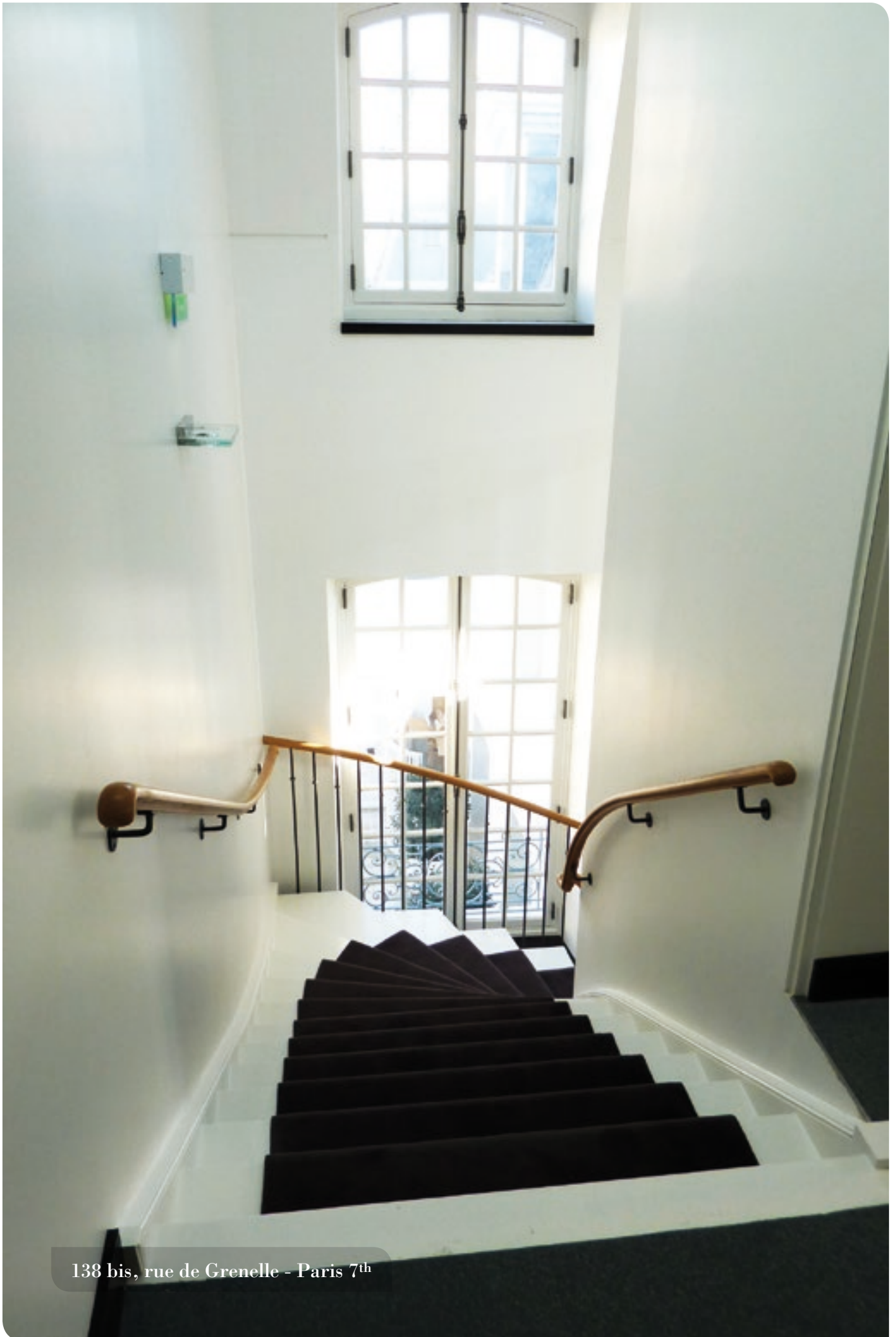
Moreover, other environmental issues must be considered, such as: the reduction of the water consumption, biodiversity, the soil consumption, the use of clean materials, the transport, the management of waste, combating noise pollution, the respect of always higher safety standards...

### The Company's commitments in its support toward sustainable development

The Company pays special attention to the quality of its buildings and renovations that it undertakes by applying the best current standards and fully integrating the sustainable development issues. The Company pursues a policy for sustainable development with the following aims:

- optimise the energy performance and reduce the carbon footprint in the buildings by controlling the energy consumptions (heating, air-conditioning, energy, hot water, bathroom settings, lighting...);
- encourage the use of sustainable energies in the maintenance of its buildings;
- contribute to reducing energy consumptions;
- contribute to the sorting and recycling of waste by working with innovating companies in respect of waste-sorting, equipment and installations;
- improve users' comfort related with working conditions, acoustic and lighting challenges, sanitary and technical conditions;
- ensure the air and water quality, by measuring and testing the good conditions of the facilities;
- guarantee sanitary quality and safety of its buildings by prohibiting harmful materials and products for the health and by pursuing its risk prevention policy;
- eases access to all types of disabilities by increasing the number of buildings easily accessible.

The Company, of which the asset portfolio is nearly fully comprised of totally new or renovated properties, will keep informed of the maintaining and of the respect by the users of the applicable regulations. The other properties are undergoing regular maintenance and improvement work to be brought to the best standards of today's performances.



138 bis, rue de Grenelle - Paris 7<sup>th</sup>

## Social information

TYPE OF SO-CALLED "GRENELLE 2"	QUANTITATIVE AND/OR QUALITATIVE INFORMATION
<b>Employment</b>	
Total headcount and split of employees by sex, age and geographical areas	<p>The headcount for the Group at the closure of the financial year was 73 persons, including 6 persons for its parent Company (including 2 company officers) and 67 persons in both hotel businesses. The distribution of the headcount was as follows:</p> <ul style="list-style-type: none"> <li>• by sex: 47 women and 26 men;</li> <li>• by age: 49 persons are less than 40 years old and 24 are over 40;</li> <li>• by geographical area: 6 persons work in the 7<sup>th</sup> arrondissement of Paris and 67 work in the 6<sup>th</sup> arrondissement of Paris.</li> </ul>
Hiring and termination	<p>The Company hired or terminated no employee for the financial year 2014.</p> <p>In 2014, the hotel subsidiaries hired 39 employees and terminated 3 employees.</p>
Remuneration compared to previous year	<p>The Group payroll amounted to €3,578 thousands in 2014 (including €1,922 thousands for hotel businesses), compared to €3,370 thousands in 2013 (including €2,067 thousands for the hotels).</p>
<b>Work arrangement</b>	
Organisation of the working week	<p>The organisation of the working week is compliant with the national collective bargaining agreements for financial companies as regards the parent Company, thus a 35 hour-working week.</p> <p>The organisation of the working week is compliant with the national collective bargaining agreements HCR (for hotels and catering trades) as regards the hotel subsidiaries, thus a 35 hour-week or a 39 hour-week, which is then compensated by one week of additional leave or an additional overtime allocation.</p>
Absenteeism	<p>In 2014, the Company was not confronted to significant absenteeism.</p> <p>Absenteeism for the hotel subsidiaries amounted to 233 days.</p>
<b>Industrial relations</b>	
Organisation of the industrial relations dialogue, including procedures for informing and consulting staff and negotiating with staff	<p>The Group does not have any staff representative bodies.</p> <p>The employees of the Company dialogue directly with the Managing Director.</p> <p>An Operational Director in each hotel puts in place a policy to assure direct dialogue with the employees of the hotel. The operational Director informs, consults the employees and leads the negotiation in the hotel under his responsibility.</p>
Review of collective agreements	<p>The Company has set up a profit sharing-plan and an incentive plan, ratified by a majority of the two-thirds of the employees. The money is invested in a legally-prescribed company employee savings plan (<i>Plan d'Épargne Entreprise PEE</i>), decided by the manager.</p> <p>The Company has also set up a supplemental defined contribution pension plan.</p>
<b>Health and safety</b>	
Health conditions and safety at work	<p>The Company is in compliance with the provisions of the French Labour Code (<i>Code du Travail</i>) applicable to the office buildings for the employees of the parent Company and the provisions applicable to the hotel and catering trades as regards the hotel subsidiaries.</p> <p>All employees of the Group work in very good health and safety conditions.</p> <p>At the end of 2009, the Company moved into the office building, located 41-43 rue Saint-Dominique in Paris 7<sup>th</sup> which benefits from working areas with the best comfort levels, after being completely restructured.</p> <p>The Holiday Inn hotel on rue Danton opened in 2008 after the building underwent a complete reconstruction (conversion from offices into a hotel).</p> <p>The Holiday Inn hotel on rue de Vaugirard underwent renovations which were completed in 2010.</p>
Health and safety at work reviews signed off by the trade union organisations or staff representatives	<p>The Group has not signed any agreement with trade union organisations or staff representatives concerning health and safety at work.</p>
Frequency and severity of work-related accidents as well as occupational diseases	<p>The number of work related accidents in the Group are close to nil. Therefore the frequency rate or the severity rates are not significant.</p> <p>One occupational disease was noted in the Group.</p>

## Social information (continuation)

TYPE OF SO-CALLED "GRENELLE 2"	QUANTITATIVE AND/OR QUALITATIVE INFORMATION
<b>Training</b>	
Training policy	Vocational training courses are set up to keep pace with the growth of the total workforce and their needs in terms of skills and competencies.
Total number of training hours	One employee of the parent company benefitted from 80 hours of training during the financial year 2014. The total number of training hours amounts to 806 hours for the hotel activity of the Group in 2014.
<b>Equal opportunities</b>	
Measures taken in favour of equality between women and men	The Group workforce consists of 47 women and 26 men. The Group is particularly attentive to providing equal opportunity between men and women. The Board of Directors of the Company deliberates yearly on that point and the Managing Director makes sure the equality is respected in the Group.
Measures taken in favour of the employment and induction of people with disabilities	In view of its headcount, Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris is not subject to any obligation as to employment of disabled staff. However, it takes advantage of each renovation or departure of a tenant to facilitate access to buildings for people with all types of disability. The Group uses suppliers who specialise in the employment of disabled worker (for example sheltered workshops) for some of their supplies (paper and office supplies).
Policy to combat discrimination	The Group has not adopted a charter or Code of Ethics, but it is careful not to find itself in a situation of being involved in discrimination practices.
<b>Promotion of and respect for the stipulations of the basic ILO conventions</b>	
Respect for freedom of association and the right to collective bargaining	The Group respects the freedom of association and the right to collective bargaining.
The elimination of discrimination in employment and occupation	The Group is careful to avoid any practices which could give rise to possible discrimination in employment and training.
The elimination of forced or compulsory labour	Not applicable.
The effective abolition of child labour	Not applicable.

Signature of a sponsorship agreement between Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris and the Rodin Museum for the restoration of the woodworks, in January 2015 ▼





## Environmental information

TYPE OF SO-CALLED "GRENELLE 2"	QUANTITATIVE AND/OR QUALITATIVE INFORMATION
<b>General policy on environmental matters</b>	
<p>Organisation of the Company to take into account environmental issues and, where appropriate, any assessment and certification initiatives</p>	<p>The Company, which has renovated all of its assets in recent years, sought to obtain energy performance labels for properties undergoing construction.</p> <p>In order to place the energy performance at the heart of its strategy for its renovation projects, the Group carried out energy audits to determine the possible improvements and adjust work programs in 2014.</p> <p>In early 2013, the works at 45-51, rue Saint-Dominique obtained "NF Tertiary Buildings in combination with the High Energy Performance Label" certification.</p> <p>The Company is aiming to obtain energy saving label certification (CEE) for the refurbishment of 45-51, rue Saint-Dominique. The technical file has been submitted to the administrative authorities.</p>
<p>Staff training and information in environmental protection matters</p>	<p>Staff in the hotel activities is made aware to avoid over consumption and energy waste, such as water and supplies. Environment-friendly practices are promoted as recycling, double-sided printing, pens, switching off electrical appliances and lights, testing heaters and air-conditioners or eventual leaks in sanitary fittings.</p>
<p>Resources devoted to the prevention of environmental risks and pollution</p>	<p>The Company remains particularly attentive to compliance with all regulations. Each asset is subject of diagnostics before work begins (asbestos, lead, etc.).</p>
<p>Amount of provisions and guarantees for risks in relation to the environment</p>	<p>The Company has not set up any provisions nor guarantees for risks in relation to the environment.</p>
<b>Pollution and waste management</b>	
<p>Measures for prevention, reduction or repair of discharges in the air, water and soil that seriously harm the environment</p>	<p>During construction, the companies as well as the supervisors working for the Company are aware of the risks related to the building sites. Contractual documents, CCAP or general clauses common to all companies, support these prerogatives.</p>
<p>Measures for prevention, recycling and disposal of waste</p>	<p>Despite heavy rehabilitation work in dense urban areas, the Company has taken the option of applying "soft" management on all sites (sorting of waste, water decantation, etc.).</p> <p>The hotels of the Group were equipped with waste compactors which reduce the amount of evacuated waste (by approx. 50%) and therefore the number of containers necessary for storage. As a consequence, the waste-collecting vehicles work faster and therefore reduce nuisance in urban environment (noise, exhaust emissions, traffic congestions).</p> <p>In the offices of the parent Company, several initiatives were taken in order to optimise waste management and promote recycling: recycling of empty printer cartridges, of photocopying supplies, of plastic from bottle caps, of used batteries in specific bins outside the Company, of coffee capsules and of outdated IT equipment. The maintenance contract includes removal, process and waste recycling.</p>
<p>Taking into account of noise and any other form of pollution specific to a business</p>	<p>The Company has always been very attentive to sound insulation for its tenants as well as for the neighbourhood while refurbishment or upgrading of the buildings. Renovation being performed in urban environment, the Company requires that builders use more respectful methods for the direct vicinity (for heavy demolition, concrete sawing instead of breaking or smashing).</p> <p>Very specific improvements were made to the Holiday Inn Hotel on rue Danton to account to its historic urban environment, especially in high-performance sound traps installed on heating, air-conditioning and ventilation device.</p>

## Environmental information

(continuation)

TYPE OF SO-CALLED "GRENELLE 2"	QUANTITATIVE AND/OR QUALITATIVE INFORMATION
<b>Sustainable use of resources</b>	
Consumption of water and water supply depending on local constraints	<p>Each time the Company rehabilitates a property it provides for arrangements allowing for savings and better management of water.</p> <p>Examples: double-flush toilets, rainwater harvesting.</p> <p>The Group's hotels were equipped with variable flow hot/cold water taps, which enable to reduce the average water flow by approximately 50%.</p> <p>The Holiday Inn hotel on rue Danton is equipped with a double sanitary circuit, allowing re-treatment and recycling of grey water in bathrooms in order to be reused in the toilets process.</p>
Consumption of raw materials and measures taken to improve efficiency in their use	<p>In the offices of the Company, the cleaning company favours the use of certified products and is committed to sort the waste for recycling, to train its employees on water waste and electricity savings. A washing machine is on site to limit the use of wiping cloths.</p> <p>For its supplies the Company favours the CSR product range (Corporate Social Responsibility).</p> <p>Use of recyclable paper and envelopes in the offices and automatic recycling of fax papers in the hotels.</p> <p>Furthermore, a special attention is drawn to sustainable materials used in respect with their purpose. Despite optimised costs, the emphasis is placed on common spaces.</p>
Energy consumption, measures taken to improve energy efficiency and the use of renewable energy	<p>The aim of the Company is to lead its renovations toward energy-saving buildings in order to reduce rental charges for the tenants.</p> <p>The Group's hotel subsidiaries use the "Equilibre+" plan from the electricity supplier EDF which imposes a share of renewable energy in the energy provided and funding of research in this area.</p> <p>To compensate the extra costs due to this kind of electricity supply, each hotel room is equipped with energy saving installations, enabling automatic lights shut-off and limitation of room temperature at 22°C, when customers are out of their rooms. Furthermore, all the hotels are mostly equipped with LED lights, with motion detection and pre-set time delay in the common areas.</p>
Land usage	<p>The Company's business being essentially in urban area, its activity does not cause artificialisation of the soil. As soon as a possibility arises, it uses free spaces to create re-vegetated gardens.</p>
<b>Climate change</b>	
Greenhouse gas emissions	<p>The Company has established a policy of sustainable development aimed at optimising energy performance and reducing the carbon footprints of buildings, by controlling energy consumption (heating, air conditioning, energy, hot water, toilets, lighting).</p> <p>The Group is studying the Diagnosis of Energy Performances set up in 2011, to estimate the medium level of its properties. This data will allow a follow up of its real-estate portfolio over time.</p>
Adapting to the impact of climate change	<p>When planning refurbishment works, the Company always improves the building's insulation (window replacement, insulation of exterior walls), reducing energy consumption and thus greenhouse gas emissions.</p>
<b>Protection of biodiversity</b>	
Measures taken to preserve or develop biodiversity	<p>When planning refurbishment works, the Company always improves the existing gardens by adding new plants to the old plantations, in order to foster an ecological balance as well as the biodiversity.</p>

## Societal information

TYPE OF SO-CALLED "GRENELLE 2"	QUANTITATIVE AND/OR QUALITATIVE INFORMATION
<b>Territorial, economic and social impact of the Company's businesses</b>	
As regards employment and regional development	The Group supports local employment in its contracts with suppliers.
Impact on neighbouring or local population	The Company tries to limit its territorial impact on neighbouring and local population. In particular, the Company always integrates "landscape projects" in its reconstruction or refurbishment schemes, and this from the start.
<b>Relations with persons or organisations interested in the activity of the Company, including job-seeker associations, educational institutions, associations for the protection of the environment, consumer associations and neighbourhood residents</b>	
Conditions for dialogue with these people or organisations	Contact mainly with the neighbouring residents affected by the work (dialogue box at the site entrance, for example) and communication on the project.
Partnerships and sponsorship	The Company participates in several sponsorships (publication or re-release of books on architectural heritage, cultural events, funding of work...) through the "City and Heritage Foundation" (Fondation Ville et Patrimoine) (a corporate foundation). In 2014, la Fondation Ville et Patrimoine contributed to the funding of the publication of the monograph of the painter Perronneau (1715-1783). At last, the Hotels of the Group offer a financial contribution to the association "Les Enfants du Mékong".
<b>Sub-contractors and suppliers</b>	
Taking social and environmental issues into account in procurement policy	Making construction companies and subcontractors aware of a responsible purchasing policy: recyclable packaging (pallets, etc.) and products from recycled materials.
Importance of subcontracting and the taking into accounts of suppliers' and subcontractors' social and environmental responsibility in relations with them	The hotel subsidiaries have decided to work with subcontractors who work with the aim of improving their social and environmental responsibility. For example: Elis Company, supplier of the hotels linen, which has a policy and action programme for sustainable development.
<b>Loyal practices</b>	
Actions taken to prevent corruption	The Group believes it is not subject to a risk of corruption.
Measures taken in favour of the health and safety of consumers	<p>Arrangements when constructing or renovating:</p> <ul style="list-style-type: none"> <li>• Improve user comfort, in terms of quality of working conditions, acoustics, lighting, health and technical requirements.</li> <li>• Ensure the sanitary quality and the safety of buildings by prohibiting the use of materials and products harmful for the health.</li> </ul> <p>All renovations undertaken by the Company have had as an objective to offer its tenant customers buildings that are the most efficient and secure for their occupants.</p>
<b>Other actions taken in favour of human rights</b>	
Other actions taken in favour of human rights	Not applicable.





49/51, rue Saint-Dominique - Paris 7<sup>th</sup>  
Let to Châteauforn!





# Report of the Independent Third Party Body

## Concerning the consolidated social, environmental and societal information recorded in the financial statements ended December 31<sup>st</sup>, 2014.

To Shareholders,

In our capacity as accounting appraisers designated by an Independent Third Party Body, having received the operating admissibility of the French Accreditation Committee (COFRAC), list of locations and scope available under [www.cofrac.fr](http://www.cofrac.fr), we hereby present our report related to social, environmental and societal information of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris in accordance with Article L 225-102-1 of the French Commercial Code recorded in the financial statements ended December 31<sup>st</sup>, 2014.

### Responsability of the Company

The Board of Directors of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris is required to establish an Annual Report including CSR Information provided in Article R 225-105-1 of the French Commercial Code.

### Independence et quality control

Our independence is specified in the regulatory and professional standards, and in the professional Code of Ethics included in the decree of March 30<sup>th</sup>, 2012 relating to Statutory Auditors. On the other hand, we have set up a quality control system which comprises documented policies and procedures aiming to assure our independence and the accordance of our audit with the legal and regulatory texts applicable.

### Responsability of the third party body

It is of our responsibility, based on our audit:

- to certify that the requested CSR Information are recorded in the Annual Report and if not, an explanation of the failure pursuant to Article R 225-105, §3, of the French Commercial Code (Certification of the contained CSR Information);
- to draw a conclusion expressing a moderate assurance on the fact that the required information is recorded, with all its significant aspects, in a sincere manner (Notice on the sincerity of the CSR Information).

Our work was carried out by a team of 4 persons between December 11<sup>th</sup>, 2014 and February 13<sup>th</sup>, 2015 for a period of 5.5 days and an on-site audit on January 26<sup>th</sup> and 27<sup>th</sup>, 2015.

Our work was carried out as following and in accordance with May 13<sup>th</sup>, 2013 decree, which determines the conditions in which the independent third party leads its mission, in accordance to the professional auditing standards related to specific certifications.

## 1. Certification of the contained CSR Information

We carried out the following work:

- Based on interviews with the appropriate managers, we acknowledged the outlines of the sustainable development policy and their different approaches depending on the social and environmental consequences linked to the Company's business as well as societal engagements and when required the actions or programs resulting therefrom;
- we compared the CSR Information recorded in the annual report with the list provided in Article R 225-105-1 of the French Commercial Code;
- we checked that the CSR Information covered the consolidated scope, that is the Company as well as its subsidiaries in the meaning of Article L 233-1 and the companies under its control in the meaning of Article L 233-3 of the French Commercial Code;
- in the absence of certain consolidated information, we verified that the explanations presented were pursuant to the provisions of Article R 225-105, §3, of the French Commercial Code.

**Base on this audit, we hereby certify the record of the required information in the annual report.**



# Report of the Independent Third Party Body

## (Continuation)

## 2. Notice on the sincerity of the CSR Information

### Nature and scope of the work

We identified the persons responsible for collecting, compiling, processing and controlling data aiming at coherent and comprehensive information.

We acknowledged the internal control procedures and the risk management related to CSR Information.

We interviewed the Deputy General Secretary to ensure the correct implementation of the process and procedures.

The nature and the extent of our tests and controls were conducted according to the nature and importance of the CSR Information, with regard to the characteristics of the Company, the social and environmental issues of its activities, its sustainable development approaches and its good sector specific policies.

We studied in particular:

- the social information: workforce, layoffs and hiring, absenteeism, total number of hours of training;
- environmental information: evaluation and certification procedures, energy consumption and all the relevant measures to improve energy efficiency, etc.;
- societal information: taking into account their social and environmental responsibility in their relations with suppliers and sub-contractors as well as their responsibility regarding their procurement policy, the social and environmental issues.

Concerning the CSR Information, we have considered as most important:

- **At the entity level**, we studied the necessary resources, we lead interviews to back up qualitative information (organisation, policies, actions), and we applied analytical procedures on the qualitative information and checked, on a random basis the calculations and the data consolidation. We verified their coherence and their accuracy with the other information given in the financial statement.
- **At a representative sample level**, we lead interviews to check the correct application of the procedures, carried out detailed tests, on a sample basis, to verify the calculations and reconciliation of the data with supporting documents. Thus the selected sampling represents 100%.

For the other CSR consolidated Information, we valued their coherence with our understanding of the Company.

At last, we valued the relevance of the explanations, if needed, concerning the absence or partial information of some data.

We estimate that the sampling methods as well as the sample sizes exercising our independent and professional judgment allows us to conclude to a moderate assurance; a higher assurance would have needed further audits. However, detection risk of a significant misstatement in CSR Information is not completely ignored, as a result of the sampling methods and of other limits inherent in any control system or internal control.

### Conclusion

Based on our appraisals, the CSR Information is free of significant misstatements that could eventually alter its statement and is presented in a sincere way.

Toulouse, February 13<sup>rd</sup>, 2015  
The Independent Third Party Body,  
**Cabinet de Saint Front**  
Jacques de Saint Front





OUR PROPERTIES  
Penthémont Complex





## Presentation

### **Penthémont Abbey**

The walls of the Penthémont Abbey, transferred from Beauvais to rue de Grenelle in Paris, after a flooding that demolished entirely the convent, probably remember all these young women from very good families that stayed here for some time. Like Joséphine de Beauharnais, when separated from her first husband Alexandre, or like the Countess de Polastron, married at fifteen and judged “too young” by her relatives to be allowed to live with her marital spouse.

In 1743, the new Prioress Marie-Catherine Bethisy de Mezieres decided to totally rebuild the Monastery because it was considered too decayed and too confined. The last Prioress of the convent sought the assistance of several architects, of which François Franque and Pierre Contant d'Ivry.

The project of the first one, although very lavish, was not selected but his plans were noted as an example in the Encyclopaedia. The second one carried out the work, with a new main building set between court and garden and a church located on the street, which delimited two main courtyards on each side but without a cloister. In 1780, more works were undertaken and an additional building-wing was built to shelter comfortable apartments for ladies, a source of important revenue for the abbey.

But during the Revolution, just ten years later, the abbey disappears and the buildings become state property. From there on, the buildings will only shelter military troops, the National Guard, the pensions' department for the War Ministry and at last the department of Veterans Affairs. In 1814, the site will even be used as cavalry barracks with almost 200 horses. Concerning the chapel, where the Dauphin had laid the first stone in 1753, it was changed into a protestant temple in 1843. Several protection policies are decided in 1983 by the Historical Monuments of France, concerning the facades and the roofs of the main building. In 2014, the State gets rid of the exceptional lot of buildings and Foncière de 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris becomes the new owner. In a few months the military will move to Balard Headquarters and the renovation and refurbishment of the site will start. Respecting a very nice tradition “the pathway of the newlyweds” the future bride and groom will still have access to the temple to get married, without passing by the buildings.





# Additional information







# General Information

## General information about the Issuer

### Corporate name and corporate purpose

The corporate name of the Company is "Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC)".

The trade name of the Company is "Foncière de Paris Rive Gauche".

The Company's purpose (Article 2 of the articles of association) is:

- the acquisition, leasing, construction, refurbishment, sale, maintenance, operation or management of all land, buildings or property rights for professional, industrial, commercial, residential or hotel use,
- the establishment, administration and management of all forms of companies, and of real-estate companies in particular,
- the acquisition, sale, exchange and subscription of all securities composing the capital of said companies,
- the financing through loans, advances, guarantees, endorsements or any other means, of any undertaking or company with a view to their real-estate investments in particular,
- and in general, all movable property, real-estate, financial, industrial and commercial transactions relating directly or indirectly to the corporate purpose or to any similar or related purposes.

### Place and unique identification number

The Company is registered with the Paris Trade and Corporate Registry under the unique identification number 389 857 707.

### Date of incorporation, term of the Company and corporate financial year

The Company was incorporated on January 22<sup>nd</sup>, 1993 for a term of ninety-nine years expiring on January 25<sup>th</sup>, 2092. The corporate financial year begins on January 1<sup>st</sup> and ends on December 31<sup>st</sup>.

### Head office, legal form and applicable legislation

The Company's head office is located at 209, rue de l'Université, 75007 Paris (phone: 01 53 70 77 77).

Its office address is located at 41- 43, rue Saint-Dominique, 75007 Paris.

The Company is a French public limited company (*société anonyme*) with a Board of Directors, governed in particular by the provisions of the French Commercial Code.

Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) is listed under Compartment B of NYSE Euronext's Euronext Paris market under ISIN code FR0010436329.

### Documents accessible to the public

Documents concerning the Company, in particular its articles of association, its financial statements, and the reports presented to its General Meetings by the Board of Directors and the Statutory Auditors, may be accessed at 41- 43, rue Saint-Dominique, 75007 Paris.

## Investments

The Company makes its investments directly or by acquiring interests in companies, in any form whatsoever, or through special purpose vehicles that are acquired or formed for the purpose of making these investments.

As the Company's investments are its core business, they are detailed in the section relating to its real-estate assets.

## Research and development, patents and licenses

The Company has no research and development activities. It makes no investments in this area.

The Company furthermore considers that it is not dependent on any brand, patent or license for its activities or profitability.

## Organisation - subsidiaries

The Company does not belong to any group in the legal or tax sense. It is not controlled by any company or person that may own the majority of the equity capital and voting rights. Its shareholder base is composed of the founding large insurance companies. There are no shareholders' agreements and there is no concerted action among shareholders of the Company. Additionally, to the Company's knowledge, no agreement exists whose implementation could subsequently lead to a change of control.

The Company is part of a group of real-estate investment and financing companies that includes Foncière de Paris SIIC and the PHRV group. There is no hierarchy in the relationships between the entities and these relationships have not been formalised; each company retains its independence *vis-à-vis* the others and has its own management team.

With the exception of the transactions presented below, the Company has concluded no service-provision contract with related parties and has carried out no transaction with related parties intended to transfer resources, services or obligations either free of charge or in return for payment. The Company is totally independent and has its own management team. Each company pays its corporate officers according to the work performed by them for the benefit of said Company.

There is no significant economic relationship, other than the capital relationship, between these companies. They are connected through a management team and a shareholder base which they have, in part, in common. It is composed of insurance companies that have owned capital in these companies since they were founded in 1984. The capital structure of these three companies gives them autonomy *vis-à-vis* the others in the absence of controlling shareholders.

### Common shareholders at December 31<sup>st</sup>, 2014 (in percentage of the capital)

In %

	Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC)	Foncière de Paris SIIC	PHRV
Covéa Group	26.8	28.4	31.4
Allianz Group	26.5	17.2	31.4
Foncière de Paris SIIC	17.4	-	31.1
ACM Vie	9.5	10.0	-
PHRV Group	1.1	-	-

Early 2014, the Company transferred its residual holdings to Foncière de Paris SIIC (0.6% of the capital). After the three first months of 2014, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) no longer held shares in Foncière de Paris SIIC.

### Common corporate officers at December 31<sup>st</sup>, 2014

	Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC)	PHRV	Foncière de Paris SIIC
François Thomazeau	Chairman of the Board of Directors	Chairman of the Board of Directors	Chairman of the Executive Board
Sophie Beuvaden	Director	Director	Chairwoman of the Supervisory Board
Olivier Riché	Deputy Managing Director	Deputy Managing Director	Deputy Managing Director and member of the Executive Board
Alain Le Véel	Deputy Managing Director	Managing Director Permanent representative of Foncière de Paris SIIC	General Secretary
Arnaud Pomel	Managing Director	-	Member of the Executive Board

Over the last three financial years, several transactions have been carried out between the Company and other related companies by executives or directors that they have, in part, in common. These routine transactions were carried out under market conditions.



## Related-party transactions in 2014

On July 7<sup>th</sup>, 2014, the Company transferred to Foncière de Paris SIIC the totality of the 131,917 OSRAs 2010 Foncière de Paris SIIC that it held for an amount of €15.3 million corresponding to the nominal value of the securities, plus accrued interest and the unavailable reserve allotted to the shareholders. The cost price of these OSRAs was €14.9 million. This cession is in compliance with regulated agreement procedures.

Also, on July 15<sup>th</sup>, 2014, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris acquired for €34.4 million the shares and the current accounts of SCI Saints-Pères Fleury, formerly held by PHRV (35%) and by Foncière de Paris SIIC (32.5%). The Company already held 32.5%. This SCI is the owner of the building located 26-28, rue des Saints-Pères in Paris 7<sup>th</sup>. It is entirely let since April 1<sup>st</sup>, 2009, to "Sciences Po. Paris" on a long-term lease. This transaction based on the last valuation appraisal carried out by two real-estate experts (€89.4 million) was submitted to the fairness opinion of an independent appraiser, in accordance with the regulated agreements procedure.

## Related-party transactions in 2013

The Company had purchased 92,798 OSRAs 2010 ex-Foncière Paris France, of which 90,909 from Foncière de Paris SIIC and 1,889 from executive corporate officers, for a total amount of €11 million.

## Related-party transactions in 2012

In connection with the takeover bid launched by PHRV on Foncière Paris France, the Company had agreed to acquire from PHRV, upon completion of the bid, €40.09 million in securities [shares, OSRAs (*obligations subordonnées remboursables en actions*/subordinated bonds redeemable in shares) and BSAs (*bons de souscription d'actions*/share warrants)] and to join the concert that already existed between PHRV and Cofitem-Cofimur, so that this concert would retain at least a 50.01% interest in the existing capital. At the end of 2012, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) held 7.3% of the capital of Foncière Paris France.

The Board of Directors of both companies approved the re-invoicing to Foncière Paris France of 25% of the salary paid by Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) to its Managing Director and to one employee, since April 1<sup>st</sup>, 2012. This re-invoicing is done pursuant to a management agreement that also concerned Cofitem-Cofimur and PHRV. This agreement was continued with Foncière de Paris (SIIC) after the merger in 2013.

## Subsidiaries

The Company owns 100% of each of the renting property SCIs established for the purpose of acquiring the real-estate assets in the portfolio:

- The Company incorporated SCI du 4 rue Danton in 2006 to acquire the real-estate asset located 4, rue Danton and 3, rue Suger in Paris 6<sup>th</sup>, and let to SAS Hôtelière de la Rue Danton which manages the Holiday Inn hotel.
- The Company incorporated SCI du 136 bis rue de Grenelle in 2006 to acquire the real-estate asset located 136 bis, rue de Grenelle in Paris 7<sup>th</sup>.
- The Company incorporated SCI du 138 bis rue de Grenelle in 2006 to acquire the real-estate asset located 138 bis, rue de Grenelle in Paris 7<sup>th</sup>.
- The Company incorporated SCI Bellechasse-Grenelle in 2014 to acquire the Penthémont Complex located 37-39, rue de Bellechasse and 104, rue de Grenelle in Paris 7<sup>th</sup>.

At the end of 2008, the Company purchased a 32.5% interest in SCI Saints-Pères Fleury, which acquired the Hôtel de Fleury located at 26-28, rue des Saints-Pères and rue du Pré-aux-Clercs in Paris 7 (the former École Nationale des Ponts et Chaussées) with a total surface area of approximately 10,000 sq.m, fully let to « Sciences Po. Paris » under a long term lease since April 1<sup>st</sup>, 2009.

In July 2014 Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) acquired for €34.4 million the shares (67.5% of the capital) and the current accounts of this SCI held by PHRV and Foncière de Paris SIIC. The securities of this SCI are pledged for a value of €21.0 million (*see social appendix – note 13*) and the building is subject to a conventional mortgage as guarantee for the loan contracted by the SCI which outstanding capital loan is of €39.6 million on December 31<sup>st</sup>, 2014 (*see consolidated appendix – note 14*).

The Company holds 99.95% of the capital of Groupement Européen de L'immobilier company (GIE), owner and operator of the Holiday Inn de Paris-Saint-Germain-des-Prés hotel (134 rooms) business located 92, rue de Vaugirard in Paris 6<sup>th</sup>.

The Company created in 2009, the company Hôtelière de la Rue Danton (HRD), of which it holds 100% of the capital, and is owner and operator of the Holiday Inn de Paris-Notre-Dame hotel (108 rooms) business located 4, rue Danton and 3, rue Suger in Paris 6<sup>th</sup>.

The Company does not own any foreign subsidiaries or associates.

SUBSIDIARIES AND ASSOCIATES							
Characteristics	Shares in renting property SCIs					Hotel subsidiaries	
	Name	SCI du 4 rue Danton	SCI du 136 bis rue de Grenelle	SCI du 138 bis rue de Grenelle	SCI Saints-Pères Fleury	SCI Bellechasse Grenelle <sup>(1)</sup>	SAS HRD
Equity capital	100	100	100	3,000	5,000	150	140
Reserves and retained earnings before net income appropriation	-	-	-	-	-	15	16
% of capital owned/of voting rights	99.99%	99.99%	99.99%	100%	99.99%	100%	99.95%
Gross balance sheet value	99	99	99	21,020	4,999	150	16,492
Net balance sheet value	99	99	99	21,020	4,999	150	16,492
Loans and advances granted by the Company not yet repaid	32,612	30,104	12,161	22,805	134,613	1,244	5,255
Amount of guarantees and endorsements provided	-	-	-	-	-	-	-
Pre-tax turnover for the last financial year	1,815	1,257	513	3,642	2,102	7,661	7,364
Income/loss for the last financial year	1,327	801	289	2,436	1,615	721	725
Revenue distributed to the Company during the last financial year	-	-	-	-	-	750	701
Closing	31/12/2014	31/12/2014	31/12/2014	31/12/2014	31/12/2015	31/12/2014	31/12/2014

(1) The SCI Bellechasse-Grenelle will close its first corporate financial year on December 31<sup>st</sup>, 2015.

## Important events in the development of the Company's business and significant change in financial or trading position

There has been no significant change in the Company's financial or trading position since the end of the last financial year for which audited financial statements have been published.

After acknowledging the appraisals of Mr. Didier Kling and Dominique Ledouble, appointed as Merger Auditors on November 24<sup>th</sup>, 2014, the Supervisory Board of Foncière de Paris SIIC and the Board of Directors of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) met on March 5<sup>th</sup>, 2015 and agreed on the exchange ratio of 3 shares Foncière de Paris SIIC for 17 shares of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) for the merger of the two companies. This exchange ratio was based on a multi-criteria approach, suiting a merger parity of 0.176. The merger treaty project signed on March 5<sup>th</sup>, 2015 will be submitted for approval by the General Meetings of the two companies which will be held on May 12<sup>th</sup>, 2015 and will namely base their decision on the Document E which received AMF visa.

## Dividend distribution policy

Each share entitles the holder to a share of earnings. Distributable earnings are determined by applicable laws and regulations.

Dividends are paid annually, at the time determined by the General Meeting or by the Board of Directors, no later than six months after the close of the financial year. On the proposal of the Board of Directors, the Ordinary General Meeting may propose that the dividend be paid in shares and establish the practical procedures therefore.

Since opting for the tax regime for Listed Real-estate Investment Companies (SIIC) provided for in Article 208 C of the French General Tax Code (*Code Général des Impôts*) on April 1<sup>st</sup>, 2007, the Company has had to comply with the following distribution obligations:

- annual distribution of at least 95% of net income from rental activities;
- distribution of at least 60% of net income from capital gains on sales within the following two years (sales of properties or of certain shareholdings in real-estate companies);
- full redistribution of dividends received from subsidiaries subject to corporate income tax covered by the scope of this option.

The Board has decided to propose a distribution of €1.00 per share for financial year 2014, an 11.1% increase compared with the previous year (€0.90). This proposal takes into account the distribution obligation required by SIIC regime, as well as operating result linked to dividends received from the hotel subsidiaries.

This €1.00 dividend per share breaks down as follows:

- portion related to SIIC status: €0.75 per share,
- portion related to redemption value: €0.25 per share.

The dividend will be payable as from May 14<sup>th</sup>, 2015, detachment of the coupon date May 12<sup>th</sup>, 2015, thus before the approval of the merger by Foncière de Paris SIIC.

## Asset valuation and real-estate appraisals

The Company applies the Code of Ethics for SIICs. With all its assets fully let, the Company has now its properties appraised twice a year.

Based on the external appraisals performed as at December 31<sup>st</sup>, 2014, the market value of the buildings in the portfolio was €1,018.7 million<sup>(1)</sup> at December 31<sup>st</sup>, 2014, enabling the Company to record a total unrealised capital gain of €98.3 million on the investment properties and hotel assets, including the unrealised capital gain on the building located rue des Saints-Pères, held by SCI Saints-Pères Fleury, which is consolidated by the equity method. The Company's net asset value was thus €20.97 per share excluding transfer duties on that date, an increase of 1.8%.

Appraised value of properties excluding transfer duties at 31/12/14		Total unrealised capital gain on properties excluding transfer duties at 31/12/14		
€1,018,704 K		€98,281 K		
NAV excluding transfer duties	31/12/14	Number of shares	NAV/Share at 31/12/14	NAV/Share at 31/12/13
Appraisal value of net assets	€536,700 K	25,594,655	€20.97	€20.60
Appraisal value of properties including transfer duties at 31/12/14		Total unrealised capital gain on properties including transfer duties at 31/12/14		
€1,064,095 K		€143,672 K		
NAV including transfer duties	31/12/14	Number of shares	NAV/Share at 31/12/14	NAV/Share at 31/12/13
Appraisal value of net assets	€582,091 K	25,594,655	€22.74	€21.12

As almost all of the properties in the portfolio were recently acquired under the real-estate VAT system, the impact of the transfer duties is limited. The rate of the transfer duties is set at a flat rate of 1.8% for properties recently acquired under the real-estate VAT system and at 6.2% for the other properties [AFREXIM (French Association of Property Valuation Companies) standards]. The appraiser calculates the transition from market value excluding transfer duties to market value including transfer duties.

Based on the specific characteristics of certain properties and on their complexity, the Company arranged for several appraisals, to give it the best possible understanding of their market value. It employed DTZ Eurexi to replace Euroflemming and Foncier Expertise firm, which have recognised real-estate expertise, to value its real-estate assets. These appraisers have the necessary skills to perform, in an independent manner, the valuation requested by the Company, as well as to monitor it over several financial years. The appraisers selected by the Company are legal entities. As such and in accordance with the appraiser rotation principle recommended by the Code of Ethics for SIICs, the internal appraisers at the specialist firms will be replaced every seven years.

Appraiser	Foncier Expertise	DTZ Eurexi
Address	19, rue des Capucines 75001 PARIS	8, rue de l'Hôtel de Ville 92200 NEUILLY-SUR-SEINE
Trade and Corporate Registry	Paris 788 276 806	Nanterre 332 111 574
French professional association	AFREXIM and IFEI	AFREXIM and IFEI
Signatory to the <i>Charte de l'Expertise en Évaluation Immobilière</i> (French code of professional valuation standards for real-estate)	Yes	Yes
Appraiser's interest in the Issuer	None	None
Amount of fees paid excluding taxes in 2014	€15,750 excl. tax	€11,500 excl. tax

(1) Of which €917.6 million for the hotel assets (the Company owns the property and business).

In compliance with the *Charte de l'Expertise en Évaluation Immobilière* and in accordance with the mission assigned, the findings outlined in the valuation report refer to the concept of market value. This concept, exclusive of any other, corresponds to the price at which a property right may be reasonably sold on the open market. The market value is equal to the amount at which a building might be exchanged, at the date of the appraisal between a willing buyer in an arm's length transaction, after appropriate marketing, and in which both parties are well informed, agree and act prudently and without pressure. This amount, determined on the day of the appraisal, is estimated in compliance with the following conditions, all of which must first be met:

- willing seller and willing buyer;
- reasonable time frame for negotiations depending on the category of the asset and market situation;
- value maintained at a relatively stable level during this time frame;
- asset proposed for sale under market conditions, without reservations, with appropriate disclosures;
- absence of personal reasons and notion of balance in negotiation.

The result is not necessarily the same as the price discussed between the parties, which may include factors specific to any negotiations. An analysis of two sets of factors is considered when determining market value:

- intrinsic factors: scope and condition, equipment, potential utilisation (flexibility).
- extrinsic factors: general and specific location, economic and financial environment, market situation and trends.

Two approaches are used to determine the market value of investment properties: the sales comparison and the income capitalisation methods. This second approach may draw on two methods:

### **1<sup>re</sup> approach - Sales comparison method:**

- This is based on current prices in the geographic segment in question for similar or comparable premises. The comparison is made through an appropriate unit of measurement for the property in question (surface area, possibly weighted, number of buildings).

### **2<sup>nd</sup> approach - Income capitalisation method:**

- This consists of applying a reasonable capitalisation rate to previously assessed income, leading to a value excluding transfer duties and expenses; the term "rate of return" is conversely reserved for the "deed in hand" value, which includes transfer duties and expenses. The income used may be gross or net, depending on the information provided. The tax regime used corresponds to the documents included in the file or, by default, general-law legislation.
- Discounted future cash flow method: this takes into account all revenues and disbursements. Only information specific to the owner of the building (cost of financing, loan repayment, tax on income or profits, etc.) is excluded from future cash flow. The discount rate incorporates a financial element corresponding to interest paid on low-risk cash, adjusted for premiums for general real-estate related risks and specific risks associated with the property.

The determination mode of the market value for the operating buildings (hotels), structure and business, is based on two approaches. The first global approach is based on the gross operating profit GOP. The second mixed approach combines the capitalisation method of net rental income of the structure's market value with the turnover-based multiple method, before tax, of the operating business market value.

In order to determine the market value, the appraisers set the rental market value to compare it to the rents actually received for the property, within the signed leases and/or to evaluate the potential rental income of vacant premises.

The rental market value is equal to the amount at which the building might be reasonably rented, at the date of the appraisal. It can be considered as being an annual financial compensation for the use of a real-estate asset within the framework of a lease. The rental market value is therefore equal to the amount that should be received from the lessee in order to benefit of the asset, pursuant the usual occupation terms of the concerned category and the following conditions should be met:

- free will of the owner and the renter,
- conclusion of a contract compliant the conditions and procedures of the considered real-estate market,
- a reasonable time frame for negotiation before the signature of the agreement,
- presentation of the asset provided prior the agreement and under the market conditions, without any reservations, with appropriate lease,
- the absence of personal convenience,
- a fair relationship between the lessor and the lessee.



As a consequence, the rental market value is estimated depending on the market's data at the date of the appraisal and can therefore be higher or lower than the contractual leases received.

If the rental market value is higher than the actual rentals, this highlights a positive reversionary potential of the rents, in case of a new lease (re-leasing after lessee's departure or renewal of the lease agreement arrived to maturity). On the other hand if the rental market value is lower than the actual rentals, this highlights a negative reversionary potential of the rents.

In the latter type, in order to determine the income, the appraisers usually and prudently level the actual rents received for the property, on the rental market value. This is the case for some buildings leased by Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) which offers rents above the estimated rental market value, for lease agreements signed for fixed terms.

The particular assumptions used by the appraisers, that are specific to each property are based on a conservative approach, mainly for the rental market value estimated under the actual lease agreements that aim to use the negative reversionary potential on these assets. The main valuation criteria used by the appraisers by asset category are provided below:

	Offices	Hotels (property and business)	Residential
Market value excluding transfer duties	€891.8 m <sup>(1)</sup>	€101.1 m	€25.9 m
Market value excluding transfer duties/sq.m.	€8.696 - €18.713	-	€13.243
Market value excluding transfer duties/room		€336.6 K - €523.3 K	
Capitalisation rate of retained rents	3.96% - 5.38%	4.55% - 5.75%	2.42%
Notional yield rate	3.71% - 4.89%	4.55% - 5.75%	2.56%
Net potential yield rate	4.01% - 5.38%	4.55% - 5.75%	2.42%
Future discounted cash flow rates	4%	-	-
Growth rates of cash flows <sup>(2)</sup>	-	-	-

(1) Including the Penthémont building complex booked as asset under construction with the outlook of future restructuring works.

(2) For the discounted future cash flow method, where applicable.

The capitalisation of rental rates used is those of the appraisers to evaluate the market value of a property within the net income capitalisation method.

The notional yield rate corresponds to the total rental market value of the property adjusted to the market value of the property, including transfer duties.

The net potential yield rate corresponds to the total amount of the net rental income of the leased surfaces and the rental market value of the vacant surfaces of the property adjusted to the market value of the property, including transfer duties.

It is also noted that the average fixed leasing period is of 4.7 years at December 31<sup>st</sup>, 2014.

The appraisers' valuations break down as follows:

Property	Foncier Expertise	DTZ Eurexi
<b>Offices</b>		
3, avenue Octave Gréard - Paris 7 <sup>th</sup>	Update certificate	-
24, rue de l'Université - Paris 7 <sup>th</sup>	Update certificate	-
136 bis, rue de Grenelle - Paris 7 <sup>th</sup>	Update certificate	-
138 bis, rue de Grenelle - Paris 7 <sup>th</sup>	Update certificate	-
83, boulevard du Montparnasse - Paris 6 <sup>th</sup>	Update certificate	-
24-26, 41-43 et 45-51, rue Saint-Dominique - Paris 7 <sup>th</sup>	Update certificate	Appraisal report
209, rue de l'Université - Paris 7 <sup>th</sup>	Update certificate	-
26-28, rue des Saints-Pères - Paris 7 <sup>th</sup>	-	Appraisal report
37-39, rue de Bellechasse - Paris 7 <sup>th</sup>	-	-
<b>Hotels</b>		
4, rue Danton and 3, rue Suger - Paris 6 <sup>th</sup>	Update certificate	-
92, rue de Vaugirard - Paris 6 <sup>th</sup>	Appraisal report	-
<b>Residential</b>		
10-20, rue de Bourgogne - Paris 7 <sup>th</sup>	Update certificate	-

## Competitive position of the Issuer

With a capitalisation of circa €468.3 million at the end of 2014, the Company is a moderate-sized player in its business sector. Nevertheless, with post-renovation assets located exclusively in Paris 6<sup>th</sup> and 7<sup>th</sup>, its positioning gives it an undeniable competitive advantage, due to the shortage of supply of new or renovated buildings in these districts, in both the office and hotel segments.

Other listed real-estate companies hold a high quality property portfolio that can also be partially located in the best business districts of Paris, mainly in the Rive Droite Arrondissements of Paris, mainly on the right bank, for example: Gecina, Société Foncière Lyonnaise, Eurosic, Foncière de Paris SIIC, Terreis or Immobilière Dassault.

## Legal and arbitration proceeding

As of the date of this Registration Document and for the last twelve months, there are not and there have not been any governmental, legal or arbitration proceedings that may have or have had significant effects on the financial position or profitability of the Issuer or of the Group.

4 rue Danton - Paris 6<sup>th</sup> >  
Holyday Inn Paris Notre-Dame >





# Corporate governance and internal control

Report of the Chairman on the functioning of the Board of Directors and on the internal control procedures (Article L 225-37 of the French Commercial Code).

## Corporate governance and functioning of the Board of Directors

The Company has taken the necessary measures to comply with the corporate governance rules in force in France, adapting them to the specifics of its shareholder base and its modest size.

The Board of Directors adopted the Corporate Governance Code for Smallcaps and Midcaps, published by MiddleNext in December 2009, as the set of standards for the Company's corporate governance policy. It believes that the recommendations and points to monitor set out in this Code, which the Board has reviewed, reflect this policy. Therefore, pursuant to the July 3<sup>rd</sup>, 2008 act transposing community directive 2006/46/EC of June 14<sup>th</sup>, 2006, the MiddleNext code is the one to which the Board of Directors now refers to as the framework for preparing this report which is submitted to its approval. The Company respects all the regulations of this Code.

### A) Board of Directors

#### 1. Composition of the Board of Directors

The administration of the Company is entrusted to a Board of Directors composed of at least three (3) and at most twelve (12) members, selected from among the shareholders and appointed by the General Meeting. Directors are appointed for a renewable term of six (6) years.

The Board of Directors had 10 Directors and 2 Censors during the financial year ended December 31<sup>st</sup>, 2014. The composition of the Board of Directors complies with Act no. 2011-103 of January 27<sup>th</sup>, 2011 as men and women are both represented. The Company will ensure that it complies with the legal deadlines for achieving a balanced representation of men and women on Boards of Directors.

The Company has no reference shareholder, and its shareholder structure is balanced among several institutional shareholders owning more than 5% of the capital. The directors representing these major shareholders, as well as the qualified individuals selected for their experience and expertise, may be considered as independent members. In fact, they have no significant financial, contractual or family relationship likely to impair the independence of their judgment.

The Board of Directors believes that the presence of large independent shareholders and experienced individuals contributes to the successful fulfilment of its duties.

Each director must hold at least one share of the Company.

The offices and positions of the Company's directors and corporate officers during the financial year ended December 31<sup>st</sup>, 2014 were as follow:

NAME AND ADDRESS	OFFICE AND TERM	OTHER OUTSIDE DIRECTORSHIPS AND POSITIONS
<b>François Thomazeau</b> 209, rue de l'Université 75007 PARIS	Chairman of the Board of Directors since August 2010 Director since 2006  Expiration of current term: 2018	<b>Directorships:</b> Chairman of the Board of Directors of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC) and PHRV. Chairman of the Executive Board of Foncière de Paris SIIC. Director of Bolloré. Permanent representative of Foncière de Paris SIIC on the Board of Directors of Eurosic. Member of the Supervisory Board of IDI (SCA). Censor of Locindus and Idinvest Partners. Abroad, Chairman of the Board of Directors of Allianz Belgium.

NAME AND ADDRESS	OFFICE AND TERM	OTHER OUTSIDE DIRECTORSHIPS AND POSITIONS
<b>François Thomazeau</b> <b>(continuation)</b> 209, rue de l'Université 75007 PARIS	Chairman of the Board of Directors since August 2010 Director since 2006  Expiration of current term: 2018	<p><b>Other directorships held in the last five years:</b></p> <p>Member of the Supervisory Board of Idinvest Partners.            Vice-Chairman of the Board of Directors of Locindus.            Chairman and Managing Director of Foncière Paris France.            Director of Foncière de Paris SIIC.            Permanent representative of PHRV at the Board of Directors of Eurosic.            Deputy Managing Director and Director of Allianz France (ex AGF (SA)).            Deputy Managing Director and Director of AGF Holding France (SAS).            Chairman and Managing Director of Allianz France International (formerly AGF International).            Managing Director of Allianz Holding France (SAS).            Chairman of the Board of Directors of ACAR, Allianz Africa (formerly AGF Afrique), Château Larose Trintaudon.            Chairman of the Supervisory Board of AGF Private Equity.            Vice-Chairman of the Supervisory Board of Euler Hermès.            Director of Allianz Global Investors France, Allianz Vie (formerly AGF Vie) Allianz IARD (formerly AGF IART), Allianz Alternative Asset Management, SIIC de Paris, Carene, GIE Allianz Investment Management Paris, Protexia France, MAG (SAS) (formerly called Mondial Assistance AG).            Member of the Supervisory Board of GIE Allianz Informatique (formerly GIE AGF Informatique).            Permanent representative of Allianz France on the Board of Directors of Allianz Banque.            Permanent representative of AGF Vie, Director of Bolloré.            Member of the Supervisory Board of Locindus, ARSA BV, W Finance.            Chairman of the Board of Directors of Allianz Brasil Seguros, AGF Holdings UK, AGF Insurance, Allianz Belgium et Compania Colombiana de Inversion Colseguros.            Chairman of the Board of Directors of AGF Brasil Seguros, Adriatico de Seguros, Inmobiliara Driavena, AGF Belgium Holding, AGF Bénélux, Caisse de retraite AGF, and Immo biara Driavena.            Vice-Chairman of the Board of Directors of AGF RAS Holding and of AGF Brasil Seguros.            Deputy Vice-Chairman of Mondial Assistance AG.            Foreign Director of Thompson Clive (Jersey no. 3) Ltd and Allianz Seguros y Reaseguros.            Member of the Supervisory Board of Allianz Nederland Groep.            Managing Director of AGF IART.            Director of AGF Assurances Financières.            Member of the Executive Board of Holland Beleggingsgroep.            Member of the Supervisory Board of ZA Leven, ZA Schade.            Director of Europe Expansion, Restauration Investissement.            Foreign Director of AZ Mena Holding (Bermuda) Ltd.</p>
<b>Arnaud Pomel</b> 209, rue de l'Université 75007 PARIS	Managing Director Since 2009  Expiration of current term: 2015	<p><b>Directorships:</b></p> <p>Managing Director of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC).            Member of the Executive Board of Foncière de Paris SIIC.</p> <p><b>Other directorships held in the last five years:</b></p> <p>Deputy Managing Director of Foncière de Paris SIIC and of Foncière Paris France.            Permanent representative of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) on the Board of Directors of Foncière Paris France.            Director of Foncière Cofitem.</p>



NAME AND ADDRESS	OFFICE AND TERM	OTHER OUTSIDE DIRECTORSHIPS AND POSITIONS
<b>Alain Le Véel</b> 43, rue Saint-Dominique 75007 PARIS	Deputy Managing Director since 2009  Expiration of current term: 2015	<b>Directorships:</b> Managing Director of PHRV. Deputy Managing Director of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC). Permanent representative of Foncière de Paris SIIC on the Board of Directors of PHRV. Permanent representative of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC) at the Supervisory Board of Foncière de Paris SIIC. <b>Other directorships held in the last five years:</b> Chairman of the Board of Directors of Foncière Cofitem. Deputy Managing Director of Foncière de Paris SIIC and of Foncière Paris France. Permanent representative of PHRV on Board of Directors of Foncière Paris. Permanent representative on Board of Directors of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC).
<b>Olivier Riché</b> Permanent representative of <b>Foncière de Paris SIIC</b> 43, rue Saint-Dominique 75007 PARIS	Deputy Managing Director since 2009 Director since 2009  Expiration of current term: 2015	<b>Directorships:</b> Managing Director, member of the Executive Board of Foncière de Paris SIIC. Deputy Managing Director of PHRV and Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC). Permanent representative of Foncière de Paris SIIC on Board of Directors of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC). <b>Other directorships held in the last five years:</b> Deputy Managing Director of Foncière Paris France. Director of Foncière Paris France and Foncière Cofitem. Permanent representative of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC) on the Board of Directors of Foncière de Paris SIIC.
<b>Sophie Beuvalden</b> 76, rue de Prony 75017 PARIS	Director since 2006  Expiration of current term: 2016	<b>Directorships:</b> Deputy Managing Director of Assistance Protection Juridique (SA), Assurances Mutuelles de France (SAM), Fidélia Assistance (SA), GMF Assurances (SA), GMF Vie (SA), La Garantie Mutuelle des Fonctionnaires (SAM), La Sauvegarde (SA), MAAF Assurances (SAM), MAAF Assurances (SA), Covéa Coopérations (SA), MMA IARD Assurances Mutuelles (SAM), MMA IARD (SA), MMA Vie Assurances Mutuelles (SAM) and MMA Vie (SA). Foreign Director of CSE ICO, CSE Insurance Services, CSE Safeguard and GMF Financial. Permanent representative of Covéa (SGAM) on the Supervisory Board of Covéa Finance (SAS). Chairwoman of the Supervisory Board of Foncière de Paris SIIC. Chairwoman of the Supervisory Committee of Covéa Immobilier (SAS). Director of PHRV and Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC) and of Société d'Exploitation de l'Hôtel du Parc de Bougival (SAS). Permanent representative of Maaf Assurances (SA) at the Board of Directors of Korian-Medica (SA) and Member of the Investment Committee.

NAME AND ADDRESS	OFFICE AND TERM	OTHER OUTSIDE DIRECTORSHIPS AND POSITIONS
<b>Sophie Beuvaden</b> <b>(continuation)</b> 76, rue de Prony 75017 PARIS	Director since 2006  Expiration of current term: 2016	<b>Other directorships held in the last five years:</b> Chairwoman of the Board of Directors of Foncière de Paris SIIC. Director, Chairwoman of the Appointments and Compensation Committee, Member of the Investment Committee of Foncière Paris France. Vice-Chairwoman of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC). Chairwoman and Managing Director of Grands Millésimes de France. Member of the Management Committee of SC du Château Beychevelle and SCE du Château Beaumont. Foreign Director of AME Life Lux, AME Lux (SA). Permanent representative of Azur-GMF Mutuelles d'Assurances Associées on the Supervisory Committee of Covéa Finance. Permanent representative of Boissy Finances on the Board of Directors of GMF Vie (SA). Permanent representative of Assurances Mutuelles de France on the Board of Directors of Covéa Immobilier Services (GIE). Foreign member of the Supervisory Board of LMIH. Permanent representative of MAAF Assurances (SA) to the Chair of Chauray Valeurs, on the Supervisory Board of OFI Reim and on the Board of Directors of Ucar (SA) and Medica. Permanent representative of MAAF Assurances on the Supervisory Board of Ofivalmo Partenaires. Permanent representative of Covéa Finance on the Board of Directors of Assistance Protection Juridique. Foreign Director of Assurances Mutuelles d'Europe. Permanent representative of GMF Vie on the Board of Directors of Cofitem-Cofimur and Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC). Permanent representative of GMF Assurances on the Board of Directors of PHRV. Permanent representative of GMF Vie on the Board of Directors of Covéa Finances Actions Japonaises, Covéa Finances Actions Françaises and Covéa Finances Moyen Terme. Permanent representative of La Sauvegarde on the Board of Directors of Boissy Finances. Deputy Managing Director of Azur-GMF Mutuelles d'Assurances Associées and MMA Coopérations.
<b>Philippe Blavier</b> 319, avenue Molière 01180 BRUXELLES	Director since 2007  Chairman of the Audit Committee  Expiration of current term: 2018	<b>Directorships:</b> Foreign Director of Algonquin (Brussels). <b>Other directorships held in the last five years:</b> Foreign Director of Banca Nazionale del Lavoro (Roma), Trafigura Beheer (Amsterdam), Iberian Minerals (Toronto).
<b>Matthias Seewald</b> Permanent representative of <b>Allianz IARD</b> 87, rue de Richelieu 75002 PARIS	Director since 2012  Expiration of current term: 2018	<b>Directorships:</b> Member of the Executive Committee of Allianz Finance France, in charge of the Investments Unit. Chairman of Allianz Cash (SAS) an Allianz France Richelieu 1 (SAS). Director of Allianz Banque and Immovalor Gestion. Permanent representative of Allianz France at the Board of Directors of Allianz IARD and Allianz Vie. Permanent representative of Allianz IARD at the Board of Directors of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC). Permanent representative of Allianz France at the Supervisory Board of Idinvest Partners. <b>Other directorships held in the last five years:</b> Director of Allianz Taiwann Life Insurance.

NAME AND ADDRESS	OFFICE AND TERM	OTHER OUTSIDE DIRECTORSHIPS AND POSITIONS
<b>Peter Etzenbach</b> Permanent representative <b>Allianz Vie</b> 87, rue de Richelieu 75002 PARIS	Director since 2010 Expiration of current term: 2016	<b>Directorships :</b> Member of the Executive Committee of Allianz France, in charge of the Financial Unit and Chief Financial Officer. Director of Allianz IARD, Allianz Vie and Génération Vie. Member of the Supervisory Committee of Allianz Informatique GIE. Vice-Chairman of the Supervisory Board of Foncière de Paris SIIC. Permanent representative of Allianz Vie on the Board of Directors of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris and STEF. Permanent representative of Allianz France on the Supervisory Board of Oddo and Cie (SCA). <b>Other directorships held in the last five years:</b> Member of the Executive Committee of Allianz France, in charge of the Investment Unit. Chairman and Managing Director of Allianz France Richelieu I (SA). Chairman of Allianz France Richelieu I (SAS) and Allianz Cash (SAS). Director of Allianz Banque, Château Larose Trintaudon, Immovalor Gestion and AXA Japan Holding. Chairman of the Board of Directors of Allianz Investment Management Paris GIE. Permanent representative of Allianz France on the Supervisory Board of Idinvest Partners (SA). Permanent representative of Allianz Vie on the Board of Directors of Foncière de Paris SIIC and Foncière Paris France. Deputy General Manager/Director of AXA Life Japan. Permanent representative of Allianz France at the Board of Directors of Sequana.
<b>Luc Guinefort</b> 4, rue Seveste 75018 PARIS	Honorary Chairman Director since 2006 Expiration of current term: 2018	<b>Directorships:</b> Chairman of Restauration et Renovation. Director of PHRV, Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissement de Paris (SIIC), Fime and SIIC de Paris. Member of the Supervisory Board of Foncière de Paris SIIC and Châteauform. <b>Other directorships held in the last five years:</b> Director of Foncière de Paris SIIC, Foncière Paris France and Foncière Cofitem. Chairman of the Board of Directors of Foncière de Paris SIIC, PHRV, Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissement de Paris (SIIC) and Foncière Cofitem.
<b>Olivier Le Borgne</b> Permanent representative of <b>GMF Vie</b> 76, rue de Prony 75017 PARIS	Director since 2010 Member of the Audit Committee Expiration of current term: 2018	<b>Directorships:</b> Director of CSE ICO, CSE Insurance Services, CSE Safeguard, GMF Financial et AME Life Lux (SA). Permanent representative of Covéa Finance at the Board of Directors of Fidélia Services (SA). Permanent representative of Assistance Protection Juridique at the Supervisory Board of Covéa Finance (SAS). Permanent representative of GMF Vie at the Board of Directors and Member of the Audit Committee of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC). Permanent representative of GMF Vie at the Board of Directors of Cegereal. Permanent representative of GMF Vie at the Board of Directors of Foncière de Paris SIIC. Member of the Supervisory Board of GMF Inter Entreprise. <b>Other directorships held in the last five years:</b> Permanent representative of GMF Vie at the Supervisory Board of Anthemis (SAS). Permanent representative of GMF Vie at the Board of Directors of Barrière Frères, Foncière de Paris SIIC and Foncière Paris France. Permanent representative of GMF Assurances at the Board of Directors of Cofitem-Cofimur. Permanent representative of La Sauvegarde at the Board of Directors of Grands Millésimes de France and Azur-GMF-BF. Director of Assurances Mutuelles d'Europe Lux (SA) and Univers Mutualité. Member of the Directors Committee of SCE Château de Beaumont and SC Château Beychevelle.

NAME AND ADDRESS	OFFICE AND TERM	OTHER OUTSIDE DIRECTORSHIPS AND POSITIONS
<b>Pierre Reichert</b> Permanent representative of <b>Assurances du Crédit Mutuel Vie</b> 34, rue du Wacken 67000 STRASBOURG	Director since 2006  Expiration of current term: 2018	<b>Directorships:</b> Deputy Managing Director of Assurances du Crédit Mutuel. Permanent representative of ACM Vie (SA) on the Board of Directors of ACMN IARD (SA). Permanent representative of ACM Vie (SA) on the Board of Directors of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC). Permanent representative of ACM IARD (SA) at the Supervisory Board of of Foncière Massena SCA. Permanent foreign representative of ACM IARD (SA) on the Board of Directors of RACC Seguros, Compania de Seguros y Reaseguros (SA), a Spanish company. Permanent foreign representative of Sérénis Vie (SA) on the Board of Directors of Agrupacio AMCI, a Spanish company. Permanent foreign representative of ACM Vie (SA) on the Board of Directors of ACM Ré (SA), a Luxembourg company. Permanent foreign representative of ACM Vie (SA) on the Board of Directors of Partners Assurances (SA), a Belgian company. Permanent foreign representative of Groupe des Assurances du Crédit Mutuel on the Board of Directors of Astree, a Tunisian company. <b>Other directorships held in the last five years:</b> Chairman of Euro Protection Services. Permanent representative of Euro Protection Services at the Board of Directors of Sepsad (SA). Foreign Director of ICM RE (Luxembourg). Permanent representative of ACM Vie (SA) at the Board of Directors of Foncière Développements Logements (SCA). Permanent representative of Sérénis Vie (SA) at the Supervisory Board of Foncière Massena (SCA).
<b>Tatiana Nourissat</b> 18, avenue Matignon 75008 PARIS	Director since 2014  Expiration of current term: 2018	<b>Directorships:</b> Member of the Board of Directors of Albingia and Member of Supervisory Committee of Financière Miro. Member of the Supervisory Board of Idinvest Partners (French law Limited Company with an Executive Board and a Supervisory Board). Permanent representative of IDI at the Board of Directors of IDI Asset Management (SA). Member of the Supervisory Board of Domosys Finance. Member of the Board of Directors of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC). Permanent representative of IDI at the Supervisory Board of Lilas. Manager of IDI Services (SARL). Member of the Supervisory Board of IDI Emerging Markets (Luxembourg). Member of the Board of Directors of Fidinv Limited (Malte). <b>Other directorships held in the last five years:</b> Permanent representative of ADFI 5 at the Supervisory Committee of Financière Alti.
<b>Michel Dufief</b> 18, rue de Bourgogne 75007 PARIS	Censor since 2014 Member of the Audit Committee  Expiration of current term: 2018	<b>Directorships:</b> Censor of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC). <b>Other directorships held in the last five years:</b> Chairman of the Supervisory Board of Saltiel (SA). Director of Cofitem-Cofirmur and PHRV. Director of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC).
<b>Jean-Marie Soubrier</b> 18, rue de Reuilly 75012 PARIS	Censor since 2014  Expiration of current term: 2018	<b>Directorships:</b> Chairman and Managing Director of Fletirec and T.C.B. Director of S.N.G.I and Soubrier Ameublement. Director of SIIC de Paris. Manager of JMS Conseil SARL. <b>Other directorships held in the last five years:</b> Director of SIIC de Paris 8 <sup>e</sup> . Director of Foncière des 6 <sup>e</sup> et 7 <sup>e</sup> Arrondissements de Paris (SIIC).

There are no other corporate officers.



## 2. Functioning of the Board of Directors

The Company is represented in its dealings with third parties by its executive corporate officers. In accordance with the provisions of the articles of association, there are no limitations on the legal powers of the Managing Director and the Deputy Managing Directors.

At its meeting of February 11<sup>th</sup>, 2009, the Board of Directors decided to opt for a dual management system for the Company, separating the roles of Chairman and Managing Director, as permitted by the articles of association. Thus Arnaud Pomel, previously Deputy Managing Director, was appointed Managing Director for a six-year term.

The Board of Directors held on February 13<sup>th</sup>, 2015 renewed Mr. Arnaud Pomel's six years term as Managing Director of the Company and reaffirmed the separation of roles between the Chairman of the Board of Directors and the Managing Director.

At its meeting of February 13<sup>th</sup>, 2015, the Board of Directors also decided to renew Olivier Riché and Alain Le Véel as Deputy Managing Directors for six-year terms.

At its meeting of July 28<sup>th</sup>, 2010, the Board of Directors appointed François Thomazeau Chairman of the Company from August 1<sup>st</sup>, 2010, for the remainder of his term as Director, which was renewed by the General Meeting of April 17<sup>th</sup>, 2012.

The Board of Directors sets the Company's business strategy and oversees its implementation. It has the powers granted to it by law and by the articles of association.

The Board has established three Committees whose method of operation and duties are presented below. The purpose of these specialised Committees is to assist the Board in its decision-making by providing opinions on certain subjects.

The relevant Committee will have to consider any matters within its area of expertise before the Board of Directors deliberates on them. The Board may deliberate only after the relevant Committee has presented its recommendations or proposals.

The purpose of the consultation with the Committees may not be to delegate to them the powers granted to the Board of Directors by law or by the articles of association.

The Board of Directors, a collegial body, must at all times act in the best interest of the Company.

The members of the Board are regularly informed of the financial position, market conditions and outlook, asset acquisition projects and disputes regarding the Company's activities. Members are consulted on strategic development projects and significant transactions.

Before the Board meeting takes place, Board members receive key information on the matter that will come before them. Once a year, directors are asked to express their opinion on the functioning of the Board during the year and on the quality of the preparation of its work, and to propose possible improvements.

The Board of Directors meets when necessary and at least twice a year, to renew and approve the Company's annual and interim financial statements.

It met three times during the financial year ended December 31<sup>st</sup>, 2014. The average rate of attendance reached 78.1%. In addition to the points and decisions that by the law come under this body's authority, the Board discussed all the important actions taken during this financial year: acquisitions, leasing, and financial policy.

Members of the Board of Directors are subject to internal rules and regulations which stipulate that they must perform their duties with loyalty and professionalism:

### A – Loyalty and good faith

Members of the Board of Directors shall take no actions that would harm the interests of the Company and they shall act in good faith at all times. In addition to the duty of secrecy set out in Article L 225-37 of the French Commercial Code, each member of the Board of Directors shall consider him or herself as being bound by professional secrecy with respect to all non-public information obtained in the performance of his or her duties. Members personally undertake to preserve the full confidentiality of the information they receive, the discussions in which they participate and the decisions made.

### B – Professionalism and dedication

Members of the Board of Directors :

- undertake to dedicate the necessary time and effort to their duties,
- must be diligent in attending and participating in, except when impossible, all meetings of the Board of Directors and of the Committees on which they sit,
- shall keep each other informed of the Company's business lines and of the specifics of its activity, and of its challenges and values,
- shall endeavour to update the skills required to properly fulfil their duties,
- are required to request and make every effort to obtain in a timely manner the information they believe is essential to making informed decisions within the Board of Directors.

The General Meeting shall allocate an annual fixed amount in the form of director's fees to the members of the Board of Directors to compensate them for their work.

In such a case, the Board of Directors shall freely allocate, after the relevant Committee has provided its opinion, this compensation among its members, potentially taking into consideration members' participation in one of the Committees.

The Board of Directors may allocate exceptional compensation for specific duties assigned to some of its members; in that case, the compensation is subject to the regulated agreement approval procedure.

Except in connection with a legally contracted agreement, no other compensation may be allocated to members of the Board of Directors.

## **B) Commitments Committee**

The Board of Directors decided to create a Commitments Committee in 2010. Composed of the Chairman, of Directors and of members of Executive Management, this Committee meets as often as necessary.

It is responsible for defining the general framework for investments and arbitrages, as well as for reviewing significant transactions presented by Executive Management.

## **C) Audit Committee**

By its decision of February 20<sup>th</sup>, 2006, the Board of Directors unanimously approved the creation of an Audit Committee.

It acts under the exclusive and collective responsibility of the members of the Board of Directors. It comprises only members of the Board of Directors, other than those in management positions within the Company. All its members have specific financial and accounting expertise.

Mr. Philippe Blavier, independent Director, is the Chairman.

### **1. Organisation of the Audit Committee**

The members of the Audit Committee are appointed by the Board of Directors based on the following criteria:

- independence from the entity,
- experience in the sector,
- knowledge of the Company.

The Committee includes at least three members selected from among the Company's major shareholders. It may be supplemented by the presence of qualified individuals who are members of the Board of Directors.

The Chairman and the Managing Director are not members of the Committee but may be invited to address it. The Committee may also, as necessary and independent of management, hear from Company employees to obtain clarification on specific issues.

The Statutory Auditors attend the Committee meetings at which the Company's half-yearly and annual financial statements are reviewed.

The Committee meets at least twice a year and as often as necessary, depending on the timetable for the closing of the Company's financial statements. It reports to the Board of Directors on the half-yearly and annual financial statements. It therefore meets prior to Board of Directors meetings whose agenda includes the review of a subject relating to its duties.

When the review of the annual financial statements has been completed, the Chairman of the Audit Committee reports to the Board on the work done during the financial year. At that time, the Board assesses the work performed by the Committee with regards to the objectives set and suggests ways to improve its functioning.

The frequency and length of the Audit Committee meetings must be such that they allow for an in-depth review and discussion of matters falling within the Committee scope.

The Company sends the Committee the necessary documentation before it meets. Its members receive a file that includes a detailed review of the Company's financial statements and risks and those of its subsidiaries. Minutes are drawn up after each meeting and submitted for approval to its members.

The term of the members of the Audit Committee is the same as their term as Director, unless they ask to be released from their responsibilities.

The quorum for the Committee's meetings is set at 50% of its members.

## 2. Objectives of the Audit Committee

The Audit Committee is appointed by the Board of Directors to assist it in monitoring and controlling the Company's business. More specifically, it monitors:

- the process of preparing the financial information,
- the efficiency of the internal control and risk management systems,
- the statutory audit of the annual financial statements and the consolidated financial statements by the Statutory Auditors,
- the independence of the Statutory Auditors.

The Audit Committee must therefore oversee the procedures for preparing the financial statements to ensure their transparency and fairness.

It must also ensure the efficiency of internal financial control, of risk management and of the quality of the audit procedures by taking part, in particular, in the appointment of the Statutory Auditors.

In the performance of its duties, the Audit Committee must maintain ongoing working relationships with members of Management, as well as with those responsible for the audit and the Statutory Auditors.

The Committee must ensure that the Company's business complies with applicable laws and regulations.

## 3. Roles and responsibilities of the Audit Committee

The Audit Committee is notably responsible for reviewing the financial statements and oversees the process of developing the Company's property assets. It also supervises the internal control activities.

The Committee ensures that the procedures for producing the Company's accounts and financial statements operate efficiently.

The Audit Committee thus ensures the accuracy and fairness of the Company's financial statements and the quality of the information provided. Its mission is, in particular, when preparing the financial statements, drawn up on both an annual and half-yearly basis, as well as when preparing any deliberations concerning the Company's financial statements, to make all recommendations or proposals to the Board of Directors in the areas described below:

### Regarding the financial statements

- the accounting methods and procedures applied by the Company, as well as any proposed or necessary plan to adjust or modify the accounting principles or methods;
- the annual corporate financial statements and the comments that accompany them before they are provided to the Board of Directors;
- the nature, scope and results of the verification of the financial statements by the Statutory Auditors;
- the interim and preliminary earnings as well as the comments that accompany them.

### Regarding external control

- the procedure for selecting the Statutory Auditors;
- the level and breakdown of the Statutory Auditors' fees, the extent and the nature of their assignments outside of their audit assignment.

### Regarding internal control and risk management

- satisfactory implementation of internal controls and information reporting procedures, it provides its opinion on the organization of internal control;
- it ensures the efficiency of the internal control system put in place and any adjustments that may be necessary. In that respect, it recommends any measures it believes necessary to the Board of Directors;
- it ensures that the Company has taken steps to guarantee business continuity; in particular with respect to file documentation and IT systems, and that the Company is protected against fraud and malicious acts. To that end, it must receive all internal audit reports or a periodic summary of these reports so that it may, in particular, provide its assistance in identifying major risks;
- with respect to the main financial risks, it verifies the quality of the commitments the Company makes in the course of its business, regularly reviews its asset/liability management and makes sure the Company's activities comply with the laws and regulations.

### Regarding investments

The Committee assists the Board of Directors in monitoring the Company's investment and disposal strategy and in examining the main transactions.

## D) Compensation Committee

The Compensation Committee is composed of two Directors and the Chairman of the Board of Directors who attends its meetings, except when they concern him.

The Compensation Committee makes all recommendations to the Board of Directors in all the areas described below:

- any significant changes in the methods and amounts of executive compensation;
- succession plans in the event of an unforeseen vacancy;
- the general policy on granting options and all proposals relating to grants to executives of share purchase or subscription options.

The Compensation Committee may also make any comments it considers appropriate regarding the methods and amounts of compensation for executives who are not corporate officers.

The Compensation Committee meets as often as required, at least once a year, and in any case before Board of Directors meetings whose agenda includes the review of a subject relating to its duties. The frequency and length of the Compensation Committee meetings must be such that they allow for an in-depth review and discussion of matters falling within the Committee's scope.

## E) Compensation of the Board of Directors

The General Meeting of April 17<sup>th</sup>, 2012 resolved to increase the total amount of director's fees to €147,000. The Board of Directors decided to allocate this amount equally among its members. For financial year 2014, each Director was paid €11,250 in director's fees. In addition to this fixed part, members of the Audit Committee were granted a supplement of €3,000 and its Chairman received an additional €6,000.

## F) Compensation of the executive corporate officers

Further to the adoption of the MiddleNext Code as its set of good governance standards, the Board of Directors ensures its recommendations are implemented within the Company:

- Concurrent holding of an employment agreement and a corporate officer position: at the time of his appointment as Managing Director, the Board of Directors had maintained the employment agreement with Mr. Arnaud Pomel, due to his previous employee status and due to his seniority; this employment contract had been passed prior to his status of corporate officer and linked to an effective post. It was a pre-existing employment agreement of an employee appointed to a mission as corporate officer simultaneously to his initial duties. Considering the development of the Company and the seniority as Managing Director of Mr. Arnaud Pomel, the Board of Directors decided it was time to apply the recommendation of not combining an employment contract and a corporate officer position. Therefore and mainly because there was absence of a relationship of subordination, the Board of Directors noted the suspension of the contract of Mr. Arnaud Pomel during his term, contract that had been passed with the Company before his appointment as Managing Director in February 2009. From now on the Board of Directors has decided to apply the recommendation of a non-concurrent holding of an employee agreement and a corporate officer position.
- Definition and transparency of compensation: the Company complies with the standardized presentation of executive compensation proposed in the AMF's recommendation of December 22<sup>nd</sup>, 2008. The Board also complies with the principles of comprehensiveness, balance, benchmark, consistency, readability, measurement and transparency to determine the level of executive compensation.
- Severance benefits: the Company has made no commitments to executive corporate officers with respect to compensation, payments or benefits payable or likely to be payable due to the termination or a change in their duties or subsequent thereto, with the exception of the pension benefit, which is capped at one year's salary (excluding stock options and free shares) for ten years of employment. Executive corporate officers are entitled to this pension benefit provided by the Company in proportion to the ten-year period. This measure also concerns all employees.
- Supplemental pension plan: the Company has not set up any supplemental defined benefit pension plans. It has set up a supplemental defined contribution pension plan. This contribution amounts to 9% of gross salary (excluding exceptional bonuses), capped at eight times the annual social security ceiling. All employees and executive corporate officers are eligible for this plan.
- Stock options and free share grants: the Board of Directors has not implemented any stock option plan. During 2014, no free shares were granted by the Board of Directors.



The Board of Directors held on February 13<sup>th</sup>, 2014 approved the fixed compensation allocated to the Chairman and the Managing Director which incorporates the valorisation of the benefits in kind over the period. Furthermore, the Board of Directors approved the general principals of a variable compensation to the Chairman and the Managing Director for the financial year 2014. An annual premium representing at the most 25% of their fixed compensation would be due to the Chairman and the Managing Director at the latest in March 2015; half based on the discretionary appraisal of the Board of Directors and the remaining half subject to achievements, whereby each counting as a third and based in a binary way.

Details of the compensation of the corporate officers are noted in a heading of the Annual Report called "Compensation of executive corporate officers - interests of executives - stock-option programs".

## **G) Conflicts of interest - convictions and sanctions**

There are no family relationships among the directors of the Company. No director has been convicted of fraud in the last five years. No director has been involved in a bankruptcy, receivership or liquidation in the last five years. No director has been subject of any public incrimination or sanction by the statutory or regulatory authorities (including the designated professional organizations) in the last five years. No director has been prevented by a court from acting as a member of an administrative, management or supervisory body of an Issuer or from participating in the management or running of an Issuer's business in the last five years.

There are no potential conflicts of interest between the Board of Directors' members' duties to the Company and their private interests and/or other duties.

The corporate officers have not agreed to any restrictions on the sale of their holdings in the Company's capital.

No service contracts have been entered into between the Company or one of its subsidiaries and one of its directors or executives.

## **H) Procedures for shareholder participation in General Meetings**

The procedures for shareholder participation in General Meetings required by law and by the articles of association are presented in the "Additional information regarding General Meetings" section of the annual report.

## **Risks factors and internal control**

The Company's internal control system relies on the collegiality of the decision-making processes for strategic commitments, and on an organization and set of procedures that optimize the Company's operations, while ensuring the risk control and asset protection, the quality of the accounting and financial information, and compliance with laws and regulations. The internal control system cannot provide an absolute guarantee, but aims to offer reasonable assurance that these objectives will be met.

The Company has reviewed the risks that could have a significant adverse effect on its assets, activity, financial position or earnings and considers that there are no material risks other than those disclosed below.

### **A) Risks relating to real-estate assets**

#### **1. General risks relating to real-estate investments in Paris**

Over the last 150 years, the parisian real-estate market has experienced several severe crises that led to declines in the price of real-estate assets, as well as in rental income. In general, operators and analysts did not foresee these crises.

#### **2. Risks relating to acquisitions and to ongoing operations to enhance the value of the assets**

##### **Short term**

Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) has not identified any particular short term risk. Its real-estate asset is rented at 99.3% at January 1<sup>st</sup>, 2015.

The Company holds a high quality property portfolio fully owned located on lands (sites) also fully owned. Its profitability relies on a portfolio based on 4 asset types.

	HOTELS	MULTI-USER BUILDINGS	SINGLE-USER BUILDINGS	RESIDENTIAL
Part des loyers	8.1 %	4.6 %	85.7 %	1.5 %

During 2014, the Company acquired a building complex called Penthémont (approx.12,500 sq.m.), occupied on a short-term lease agreement, by the Department of National Defence until beginning 2016, at the latest. After being released and having obtained the necessary authorisations and permits of the urban planning administration, the building will undergo total refurbishment.

Excluding the Penthémont building complex, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) holds a portfolio, in the 6<sup>th</sup> and the 7<sup>th</sup> arrondissements of Paris, almost totally refurbished and let. This exceptional portfolio of assets, of very even consistency by its quality and location, with its long-term profitability, should offer a long term attractive value.

### Medium and long term

Rental revenues and earnings could be adversely affected by the potential departure of a tenant or by any outstanding payments. Given the quality of its buildings, they are intended primarily for prominent users and major companies, which financial positions are less sensitive to economic fluctuations.

At December 31<sup>st</sup>, 2014, the average term of the leases was 4.7 years (including residential leases), leveled on rental income received.

Management has more than 20 years of experience in developing and creating value from Paris real-estate assets. The Company is therefore able to pursue an acquisition strategy targeting assets with strong long-term prospects for returns and value creation.

The asset acquisition projects undergo an economic, commercial, financial, technical and legal analysis. Members of the Commitments Committee and the Board of Directors are also consulted or informed. Technical due diligence is performed by the Group's network of appraisers, in addition to the regulatory appraisals.

As the properties are owned for the long term, the Company's policy is to maintain its assets at the highest standards of environmental quality and offer the greatest degree of comfort and safety sought by major users.

Its teams' experience with this type of construction contributes to the successful completion of these operations, for which it uses a seasoned professionals and project managers. Nevertheless, these large-scale refurbishment projects present risks while in progress relating to their complexity, their duration or their administrative and technical constraints.

### 3. Risks relating to asset values

Owning real-estate assets intended for leasing exposes the Company to the risk of fluctuations in their value. However, this exposure is mitigated as the assets are owned for the long term and remain valued in the financial statements at their historical cost.

Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) has in fact used the historical cost method to recognise its investment properties. To preserve its future distribution capacity, the Company also did not revalue its assets in either corporate financial statements or the consolidated financial statements when it opted for the SIIC regime in the financial year ended December 31<sup>st</sup>, 2007.

The Company's portfolio is assessed each year by independent appraisers with recognised competence in real-estate. The market value approach may involve the use of the so-called income capitalisation method, or of the discounted cash flow method, which is then cross-checked using the so-called sales comparison method. Any change in this value is closely correlated with trends in the real-estate market. Another review of the value of the Company's real-estate assets was conducted by outside appraisers at the end of 2014.

An increase in the economic value of its asset portfolio would have no impact on the Company's net equity or book profit or loss. However, this upward revision would result in an increase in the Company's net asset value (NAV). A decrease in the economic value of its asset would have an adverse effect on net equity, as well as on book profit or loss, if the economic value were to fall below net book value. In fact, each property must be provisioned line by line by recording a specific provision if its market value or value in use, calculated on the basis of expert appraisals, should fall below its net book value.

The external appraisals conducted on the buildings at the end of 2014 value the assets at €1,018.7 million, excluding transfer duties, at December 31<sup>st</sup>, 2014, compared to €806 million at December 31<sup>st</sup>, 2013. This valuation shows a total unrealised capital gain on properties of €98.3 million at the end of 2014, compared to €94.0 million end of 2013 (including the unrealised gains on SCI Saints-Pères Fleury).

On that basis, net asset value per share excluding transfer duties was €20.97 at the end of 2014, for 25,594,655 shares comprising the shareholder's equity, compared to €20.60 end of 2013, i.e. 1.8% increase. Net asset per share, including transfer duties was €22.74 on December 31<sup>st</sup>, 2014 compared to €21.12 on December 31<sup>st</sup>, 2013.

#### **4. Environmental and health-related risks (asbestos, legionellois, lead, classified installations)**

As a services company, the Company is not exposed to direct environmental risk. Its rental assets are composed exclusively of offices located in Paris. Whenever the Company makes a new acquisition, it has its own experts conduct due diligence, in addition to the regulatory appraisals, to verify the condition of the buildings, in particular with respect to asbestos and the buildings' networks and systems.

The Company's policy is to ensure regular maintenance of its assets and to gradually bring them up to the highest standards of safety and environmental quality.

## **B) Rental risks**

### **1. Risks relating to the rental market**

The level of rent in the services sector is strongly influenced by supply and demand, which depend on a number of factors. However, the Company's assets, consisting exclusively of independent buildings located in a segment where supply is scarce, are best able to weather real-estate cycles.

All leases benefit from full annual indexation, based on different benchmark indices.

The Company has drawn up a scoreboard that shows the impact of acquisitions in progress or under consideration, the vacancy relating to the renovation work, the effect of indexation, and the change in rental income for properties that are re-let, as well as vacancy rates relating to the departure of lessees.

The scoreboard points steady growth in rental income, upon completion of the renovation work; this income could be affected by changes in rental values.

### **2. Risks relating to reliance on lessees and counterparty**

The Company's single-user buildings are intended for prominent users and major companies, which financial position is less sensitive to fluctuations in economic conditions.

Before any leases are signed, the candidates' financial position is analysed very closely. They also have guarantees which may, as applicable, be strengthened, depending on the business sector or the risk posed by the user. Besides the prohibition of sub-letting required in the leases, the Company receives a safety deposit equivalent to three months of rent, excluding tax and rental charges, paid upon signature of the lease or provided in form of bank guaranty at first request.

The Company also has management tools that enable it to monitor and respond quickly if any lessees are having payment difficulties. Unpaid rents for over three months would be systematically provisioned after deducting the guarantee deposits.

### **3. Risks relating to commercial lease regulations and to regulations generally applicable to real-estate transactions**

Like all properties operators, the Company may be confronted with changes in legislation, regulation or case law imposing new or more onerous restrictions on commercial leases, in particular regarding term, indexation, caps on rent, or the calculation of eviction compensation due to lessees.

The Company is also required to comply with numerous specific or general regulations governing, among others, commercial urban planning, building construction, public health, the environment and safety. Any substantial change in these regulations could have an impact on its operating income or its development or growth outlook.

### **4. Regime governing guildings included in the *Inventaire Supplémentaire des Monuments Historiques* (ISMH) (French historic monuments register) and buildings located in the segment subject to the *Plan de Sauvegarde et de Mise en Valeur* (PSMV)(conservation and presentation plan) for Paris 7<sup>th</sup>**

Several buildings of the Company are listed as French Monuments Historiques (Historic Monuments register)) or classified in the *Inventaire Supplémentaire des Monuments Historiques* (ISMH ) supplementary inventory of Historic Monuments.

Inclusion in the Monuments Historiques or in the *Inventaire Supplémentaire des Monuments Historiques* offers buildings a lesser degree of protection than actual classification itself. It is justified for historical and artistic reasons. This protection may be total or partial.

As such these regulations entail certain restrictions, primarily on work. Authorisations in this area require the approval of the agencies of the Ministry for Culture. In Paris, this restriction is tempered by the fact that other protection regimes (regulations governing conservation areas, the Commission du vieux Paris (Paris heritage commission), the new protection rules in the PLU (local town planning) apply to buildings not protected as Historic Monument.

Conversely, this protection is, by definition, a sign of quality and of the interest in these buildings, which are restored with the scientific and technical assistance of government agencies. They are thus often mentioned in works on urban heritage. In addition, this measure establishes protection for the areas within 500-meter radius of these buildings.

The restoration work concerning areas included in this register may also theoretically be subsidised by the Ministry for Culture, and the owner remains free to select the architect of its choice.

These regulations are not expected to change significantly in the near future.

Moreover, almost all of the Company's buildings are located within the boundaries of the *Plan de Sauvegarde et de Mise en Valeur* (PSMV) for the 7 district. As such, they are subject to specific town planning and protection regulations, some aspects of which may be proved more restrictive. PSMV is being revised as part of a procedure that could be completed in several years.

## **B) Risks relating to subcontractors**

It is the Company's policy to perform directly all functions relating to the development of its activity and to use external service providers only on exceptional basis.

The Company has not signed any material contracts with subcontractors or any exclusivity or duration clause that might make it dependent on a specific service provider. No single client, supplier or counterparty is therefore large enough to influence the Company's activity.

## **C) Risks relating to the Company**

### **1. Risks relating to the tax regime applicable to listed real-estate investment companies (SIIcs)**

Further to the listing of the Company shares under Compartment B of NYSE Euronext Paris market and to the closing of a financial year on March 31<sup>st</sup>, 2007, the Company opted for SIIcs tax status during April 2007 backdated to April 1<sup>st</sup>, 2007. It has thus been exempt from paying corporate income tax on its real-estate activities since the financial year beginning on April 1<sup>st</sup>, 2007. The benefit of this tax status depends, in particular, on compliance with the requirement to redistribute a significant share of its earnings, in accordance with the Company's distribution policy.

This regime has been amended several times and was subject, at the end of December 2006, to the so-called SIIc 4 reform, with which the Company had to comply immediately upon opting for this status. This reform:

- limits the participation of a single shareholder or group of shareholders acting in concert with a maximum percentage holding in the capital of 60%;
- sets at 15% of the capital the minimum that must be held, on the date this status takes effect, by shareholders directly or indirectly holding less than 2% of the capital;
- subjects shareholders benefiting from an exemption under their own tax rules (an international tax agreement, for example) and holding more than 10% of the capital of a SIIc, to a 20% withholding tax on SIIcs distributions;
- lastly, provides for a variety of technical adjustments to offset the impacts of restructurings within a group of SIIcs or several SIIcs.

The law of December 29<sup>th</sup>, 2013 modified once again the tax regime of SIIcs, setting at:

- 95% the obligation of distributing the exempted benefits generated by leasing transactions, before the end of the financial year, following the one of its completion,
- 60% the obligation of distributing the exempted benefits generated by sale transactions before the second financial year following the one of its completion.

Any amendment to the SIIc regime and more generally any change in the legal or tax regulations applicable to property companies could affect the Company's earnings and distribution policy.

The assets acquired and allowing contribution or sale transactions carried out by industrial or trading companies to be covered by the regime specified in Article 210 E of the French General tax code must be held for five years. This requirement should not, however, be a burden for the company, which manages its assets with a view to long-term ownership.



## 2. Market risks

### Interest-rate risk

The Company has a reasonable level of debt and expects to borrow moderately to finance its future development. Loan and net financial liabilities were €488.7 million on December 31<sup>st</sup>, 2014, compared to €431.7 million in consolidated shareholders' equity (including 2014 net income).

The Company intends to limit the sensitivity of financial expenses to changes in interest rates by implementing interest-rate hedging instruments, such as caps and/or swaps. To hedge against the risk of a rise in interest rates, the Company has active caps for a notional outstanding amount of €400 million (excluding deferred-start caps) as an overall hedge against a mismatch risk. These hedging instruments, concluded at a weighted average rate of 2.47%, were valued at a positive €0.7 million on December 31<sup>st</sup>, 2014.

As the weighted average rate for active caps is 2.47%, a 100-basis-point increase in interest rates would affect income as follows:

- below 2.47%, the impact on net income would be €4.89 million,
- above 2.47%, as debts are fully hedged, net income would not be affected.

Swaps contracted against 3-month Euribor guaranty the Company an average weighted rate at 1.34%.

### Liquidity risk

The Company has conducted a specific review of its liquidity risk and believes it will be able to meet its future maturities.

The liquidity risk is traditionally low, given the Company's activity and the structure of its sources and uses.

Liquidity risk is managed by constant monitoring of the period of funding, keeping permanent credit lines available and diversifying resources. This risk is managed via a projected cash flow statement.

On December 31, 2014, the Company had €87.0 million in undrawn credit lines and €8.3 million in cash assets.

The Group's debt is contracted only at the parent Company level. The subsidiaries do not contract their own external debt.

The Company's primary loans include certain covenants, which require that it meets certain financial ratios that determine compensation conditions or acceleration of maturity clauses, the most significant of which are:

- a loan-to-value ratio below 50%,
- a shareholder clause,
- a LCR above or equal to 200%.

On December 31<sup>st</sup>, 2014, the Company was in compliance with its covenants. More specifically, the loan-to-value ratio reached 48%.

There is no other default or early repayment clauses contained in the loan agreement passed by the Company than those usually noted in those kinds of agreements (late payment, receivership, and change in activity etc).

### Equity risk

Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) does not itself engage in any market activity. It can hold shares in different listed real-estate companies which activities are similar to its own, such as the holding of office buildings in Paris or its surroundings.

Any unrealised capital losses would be provisioned using methods appropriate to the long-term management of these shareholdings. The fair value or balance sheet value of the securities will be determined by a multi-criteria approach to the going-concern value based notably on net asset value, economic value, yield or market price.

On December 31<sup>st</sup>, 2014, the Company held available-for-sale securities worth €0.9 million (IFRS standards).

Information relating to equity risk, including with respect to treasury shares, is presented in section "C-Financial Instruments" of the appendix to the consolidated financial statements.

### Foreign exchange risk

As none of the Company's transactions are in foreign currencies, it is not exposed to any foreign exchange risk.

## 3. Risks relating to the preparation and treatment of the accounting and financial information

The accounts are kept by a dedicated team as part of a uniform centralised information system. This should facilitate the control of the accounting treatments in keeping with the audit trail and the accounting standards and principles defined by the Group and aims to verify their completeness, veracity and accuracy.

Each closing must undergo a second-level control based on an analysis of the differences between actual results and forecasts.

The consolidation process also relies on an IT tool which reports are reconciled with the corporate book balances. Consolidation restatements are documented and are subject to a comprehensive audit by management control.

After validation by Company management, the accounting and financial information is analysed by the Audit Committee.

The Statutory Auditors intervene in the very early stages of the process of preparing the Company's financial statements, in

accordance with a work-schedule that enables them to perform their checks.

Audits are carried out as part of the internal control system and reports are submitted to the Audit Committee. Spot-checks may be carried out as necessary.

During the financial year, the checks mainly concerned the monitoring and control of the different accounting processes related to consolidation under IFRS standards.

#### **4. Other operational risks**

Other operational risks are reviewed on a regular basis in accordance with routine internal control procedures. Back-up procedures are in place to secure the Company's information systems.

To support the development of its activity, the Company has strengthened its back-up and IT security procedures. The Company can rely on its experience and its knowledge of the systems put in place previously in order to benefit from highly reliable, customized management tools (rental invoicing and re-invoicing), information tools (system for tracking work, outstanding payments, etc.) and totally reliable tools to monitor its activity (accounting treatment).

#### **5. Exceptional events and disputes**

In the Company's knowledge, there are no disputes, arbitration proceedings or exceptional events which may have, or have had in the recent past, significant adverse effects on the Company's activity, financial position or earnings.

### **D) Insurance**

The description of the insurance policies subscribed by the Group stays very general in order to preserve essential confidentiality in the matter and protect its competitiveness.

The Company insures on its behalf each of the buildings in its own portfolio through a policy covering all damage, based on replacement values. To adjust the contractual ceiling of the coverage, an update of the value of these buildings is provided at the beginning of each financial year. The Company also has Loss of Rent coverage for its rental activity, which covers two years of rent excluding taxes. The Company takes out specific per project policies for its renovation work.

For buildings in service, the Company has taken out an "All risks" insurance policy with a leading insurance company. This policy covers, for each fully owned building, both the damage caused to the building and the civil liability resulting from it. It is contracted for an automatically renewable one-year period as from the date the building is acquired.

In general the policy provides for a contractual limit on the benefit in proportion to the value of the asset, ranging between €4,000 sq.m. and €5,000 sq.m, subject to variable levels of deductibles depending on the damage sustained.

For the buildings undergoing major renovations, the Company takes out "Contractors All Risks" and "Damage to Works" insurance on a per project basis.

The total insurance premiums amount to €203,000 in 2014, as 0.42% of turnover.



# Report of the Statutory Auditors on internal control and risk management

## Report of the Statutory Auditors prepared pursuant to Article L 225-235 of the French Commercial Code, on the report of the Chairman of the Board of Directors of the company Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC)

Financial year ended December 31<sup>st</sup>, 2014

To Shareholders,

In our capacity as Statutory Auditors of Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) and pursuant to the provisions of Article L 225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of your Company, in accordance with the provisions of Article L 225-68 of the French Commercial Code for the financial year ended December 31<sup>st</sup>, 2014.

It is the Chairman's responsibility to prepare and submit to the Board of Directors for approval a report on the internal control and risk management procedures in place within the Company. This report shall also include the other information required under Article L 225-68 of the French Commercial Code relating, in particular, to its corporate governance measures.

It is of our responsibility:

- to report to you on information set out in the Chairman's report concerning the internal control and risk management procedures related to the preparation and treatment of accounting and financial information,
- to certify that the report covers the other information required under Article L 225-68 of the Commercial Code, it being understood that it is not our responsibility to verify the accuracy of such information.

We have conducted our audit in accordance with the professional standards applicable in France.

### Information concerning the internal control and risk management procedures related to the preparation and treatment of the accounting and financial information

Professional standards require that we plan and perform the audit to assess the accuracy of the information concerning the internal control and risk management procedures related to the preparation and treatment of the accounting and financial information contained in the Chairman's report.

This consists of the following:

- reviewing the internal control and risk management procedures relative to the preparation and treatment of the accounting and financial information presented in the Chairman's report as well as any existing documentation;
- reviewing the work based on which such information was prepared and any existing documentation;
- determining whether any material internal control deficiencies we may have found in our audit in relation to the preparation and treatment of the accounting and financial information has been properly disclosed in the Chairman's report.

Based on this audit, we have no comment to make on the information given concerning the Company's internal control and risk management procedures related to the preparation and treatment of the accounting and financial information contained in the report of the Chairman of the Board of Directors, prepared pursuant to the provisions of Article L 225-68 of the Commercial Code.

### Other information

We hereby certify that the report of the Chairman of the Board of Directors contains the other information required under Article L 225-68 of the French Commercial Code.

Executed in Courbevoie and Paris, on February 23<sup>rd</sup>, 2015

**The Statutory Aditors**

**Mazars**  
Odile Coulaud

**Saint-Honoré Sereg**  
Denis Van Strien



## Information supplementing the management report

### Compensation of corporate officers – executives' interest – stock-options programmes

#### Directors' fees

The General Meeting of April 17<sup>th</sup>, 2012 set the total amount of directors' fees at €147,000. The Board of Directors decided to allocate this amount equally among its members. For financial year 2014, each Director was paid €11,250 in directors' fees. In addition to this fixed part, each member of the Audit Committee was granted a supplement of €3,000 and its Chairman received an additional €6,000.

#### Compensation paid by the Company and the Group

At its meeting of February 11<sup>th</sup>, 2009, the Board of Directors decided to opt for a dual management system for the Company, separating the roles of Chairman and Managing Director, as permitted by the articles of association. Thus, Mr. Arnaud Pomel, previously Deputy Managing Director, was appointed Managing Director for a six-year term.

The Board of Directors also decided to appoint Mr. Olivier Riché and Alain Le Véel as Deputy Managing Directors for six-year terms.

At its meeting of July 28<sup>th</sup>, 2010, the Board of Directors named Mr. François Thomazeau Chairman of the Company as from August 1<sup>st</sup>, 2010.

The Board of Directors held on February 13<sup>th</sup>, 2014 approved the fixed compensation (fees) allocated to the Chairman and the Managing Director which incorporates the valorisation of the benefits in kind over the period. Furthermore, the Board of Directors approved the general principals of a variable compensation to the Chairman and the Managing Director for the financial year 2014. An annual premium representing at the most 25% of their fixed compensation would be due to the Chairman and the Managing Director at the latest in March 2015; half based on the discretionary appraisal of the Board of Directors and the remaining half subject to achievements, whereby each counting as a third and based in a binary way.

Moreover, the executive officers benefit of the same agreements than those allocated to all the Group employees:

- The Company's Saving Plan (PEE),
- Profit-sharing and incentive agreements.

During 2014, no free share was granted.

Company management, including corporate officers, is not entitled to any compensation, payments or benefits payable or likely to be payable due to the termination of or a change in their duties or subsequent thereto, with the exception of the pension benefit, which is capped at one year's salary (excluding stock options and free shares) for ten years of employment. Executive corporate officers are entitled to this pension benefit provided by the Company in proportion to the ten-year period. This measure concerns the Company's staff.

Executives receive no compensation payable by virtue of a non-compete clause.

The Company has not set up any supplemental defined benefit pension plans. It has, however, set up a supplemental defined contribution pension plan for all employees and executive corporate officers, to which they may contribute 9% of gross salary (excluding exceptional bonuses), capped at eight times the annual social security ceiling.

The executive corporate officer compensation policy is detailed in the "Report of the Chairman on the functioning of the Board of Directors and on the internal control procedures".



<b>SUMMARY OF COMPENSATION AND OF SHARES GRANTED TO EACH EXECUTIVE CORPORATE OFFICER</b>		
	Financial year 2014	Financial year 2013
<b>François Thomazeau - Chairman of the Board of Directors</b>		
Gross compensation payable for the financial year (including directors' fees and benefits in-kind)	66,375	60,998
Valuation of variable compensation running over several years which were granted during the financial year	-	-
Valuation of options granted during the financial year	-	-
Valuation of performance shares granted during the financial year	-	123,200
<b>TOTAL</b>	<b>66,375</b>	<b>184,198</b>
<b>Arnaud Pomel - Managing Director</b>		
Gross compensation payable for the financial year (including directors' fees and benefits in-kind)	359,295	340,002
Valuation of variable compensation running over several years which were granted during the financial year	-	-
Valuation of options granted during the financial year	-	-
Valuation of performance shares granted during the financial year	-	64,000
<b>TOTAL</b>	<b>359,295</b>	<b>404,002</b>
<b>Alain Le Vél - Deputy Managing Director</b>		
Gross compensation payable for the financial year	-	14,000
Valuation of variable compensation running over several years which were granted during the financial year	-	-
Valuation of options granted during the financial year	-	-
Valuation of performance shares granted during the financial year	-	-
<b>TOTAL</b>	<b>-</b>	<b>14,000</b>
<b>Olivier Riché - Deputy Managing Director</b>		
Gross compensation payable for the financial year	11,250	11,000
Valuation of variable compensation running over several years which were granted during the financial year	-	-
Valuation of options granted during the financial year	-	-
Valuation of performance shares granted during the financial year	-	-
<b>TOTAL</b>	<b>11,250</b>	<b>11,000</b>



**GROSS COMPENSATION OF EACH EXECUTIVE CORPORATE OFFICER**

François Thomazeau Chairman of the Board of Directors	Financial year 2014		Financial year 2013	
	Amount payable	Amount paid	Amount payable	Amount paid
Fixed compensation	50,000	50,000	49,998	49,998
Variable compensation	12,500	-	-	-
Variable compensation running over several years	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	11,250	-	11,000	11,000
Benefits in kind	5,375	5,375	-	-
<b>TOTAL</b>	<b>79,125</b>	<b>55,375</b>	<b>60,998</b>	<b>60,998</b>
Arnaud Pomel Managing Director	Financial year 2014		Financial year 2013	
	Amount payable	Amount paid	Amount payable	Amount paid
Fixed compensation	340,000	340,000	340,002	340,002
Variable compensation	85,000	-	-	-
Variable compensation running over several years	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	19,295	19,295	-	-
<b>TOTAL</b>	<b>444,295</b>	<b>359,295</b>	<b>340,002</b>	<b>340,002</b>
Alain Le Véel Deputy Managing Director	Financial year 2014		Financial year 2013	
	Amount payable	Amount paid	Amount payable	Amount paid
Fixed compensation	-	-	-	-
Variable compensation	-	-	-	-
Variable compensation running over several years	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	-	-	14,000	14,000
Benefits in kind	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>14,000</b>	<b>14,000</b>
Olivier Riché Deputy Managing Director	Financial year 2014		Financial year 2013	
	Amount payable	Amount paid	Amount payable	Amount paid
Fixed compensation	-	-	-	-
Variable compensation	-	-	-	-
Variable compensation running over several years	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	11,250	-	11,000	11,000
Benefits in kind	-	-	-	-
<b>TOTAL</b>	<b>11,250</b>	<b>-</b>	<b>11,000</b>	<b>11,000</b>



<b>DIRECTORS' FEES AND OTHER COMPENSATION RECEIVED BY NON-EXECUTIVE CORPORATE OFFICERS</b>				
Non-executive corporate officer	Financial year 2014		Financial year 2013	
	Directors' fees	Other compensation	Directors' fees	Other compensation
Sophie Beuvaden	11,250	-	11,000	-
Philippe Blavier	17,250	-	17,000	-
Michel Dufief	14,250	-	14,000	-
Luc Guinefort	11,250	-	11,000	-
Tatiana Nourissat	11,250	-	-	-
Jean-Marie Soubrier	11,250	-	11,000	-
Allianz IARD represented by Matthias Seewald	11,250	-	11,000	-
Allianz Vie represented by Peter Etzenbach	11,250	-	11,000	-
Assurances du Crédit Mutuel Vie represented by Pierre Reichert	11,250	-	11,000	-
GMF Vie represented by Olivier Le Borgne	14,250	-	14,000	-
<b>TOTAL</b>	<b>124,500</b>	<b>-</b>	<b>111,000</b>	<b>-</b>

<b>STOCK SUBSCRIPTION OR PURCHASE OPTIONS GRANTED DURING THE FINANCIAL YEAR TO EACH EXECUTIVE CORPORATE OFFICER BY THE ISSUER AND BY ANY GROUP COMPANY</b>				
	François Thomazeau	Arnaud Pomel	Alain Le Véel	Olivier Riché
Date of plan	-	-	-	-
Type of option	-	-	-	-
Valuation of the options	-	-	-	-
Number of options granted during the financial year	-	-	-	-
Exercise price	-	-	-	-
Exercise period	-	-	-	-

<b>STOCK SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE FINANCIAL YEAR BY EACH EXECUTIVE CORPORATE OFFICER</b>				
	François Thomazeau	Arnaud Pomel	Alain Le Véel	Olivier Riché
Plan grant date	-	-	-	-
Number of options exercised during the financial year	-	-	-	-
Exercise period	-	-	-	-

<b>PERFORMANCE SHARES GRANTED TO EACH EXECUTIVE CORPORATE OFFICER</b>				
	François Thomazeau	Arnaud Pomel	Alain Le Véel	Olivier Riché
Date of the General Meeting	April 11 <sup>th</sup> , 2013			
Bonus shares grants authorised by the General Meeting	1% of shareholders' capital			
Number of shares granted during the financial year	-	-	-	-
Valuation of the shares	-	-	-	-
Vest date	-			
End of lock-up period	-			
Performance criteria	-			

#### PERFORMANCE SHARES THAT HAVE BECOME AVAILABLE FOR EACH EXECUTIVE CORPORATE OFFICER

Corporate officer	Date of plan	Number of shares that have become available during the financial year	Vesting conditions
François Thomazeau Chairman of the Board of Directors	July 28 <sup>th</sup> , 2010	4,000	Maintain and if possible increase the dividend, maintain an average quality of the buildings, maintain and renew sufficient financing in order to ensure efficient running of the Company.
Arnaud Pomel Managing Director	July 28 <sup>th</sup> , 2010	1,000	Maintain and if possible increase the dividend, maintain an average quality of the buildings, maintain and renew sufficient financing in order to ensure efficient running of the Company.
Alain Le Véel Deputy Managing Director	July 28 <sup>th</sup> , 2010	650	Maintain and if possible increase the dividend, maintain an average quality of the buildings, maintain and renew sufficient financing in order to ensure efficient running of the Company.
Olivier Riché Deputy Managing Director	July 28 <sup>th</sup> , 2010	650	Maintain and if possible increase the dividend, maintain an average quality of the buildings, maintain and renew sufficient financing in order to ensure efficient running of the Company.

#### HISTORY OF STOCK SUBSCRIPTION OR PURCHASE OPTION AWARDS

	Plan NO. 3
Date of the General Meeting	April 11 <sup>th</sup> , 2013
Total number of share purchase options in the plan	1 % of capital
Date of the meeting of the Board of Directors	-
Total number of shares that could be purchased:	
• by corporate officers	
• by employees	
Start of option exercise period	-
Term of plan	10 years
Acquisition price	95 % of the average of the prices during the 20 trading sessions preceding the assignment date
Terms and conditions of exercise (if there are several tranches)	None
Total number of options exercised at December 31 <sup>st</sup> , 2014	-
Aggregate number of cancelled or expired options	-
Stock purchase options outstanding	-

#### STOCK SUBSCRIPTION OR PURCHASE OPTIONS AWARDED TO THE TEN HIGHEST-PAID NON-CORPORATE OFFICER RECIPIENTS, AND OPTIONS EXERCISED

	Options awarded during the financial year	Options exercised during the financial year
Plan grant date	-	-
Total number of options	-	-
Weighted average price	-	-



### HISTORY OF BONUS SHARES AWARDS

Date of the General Meeting	07/04/2010			
Date of the meeting of the Board of Directors	28/07/2010	28/07/2011	15/02/2012	25/02/2013
Total number of bonus shares allocated, including:	45,650	2,900	3,000	16,480
François Thomazeau	4,000	2,900	3,000	7,700
Arnaud Pomel	1,000	-	-	4,000
Alain Le Véel	650	-	-	-
Olivier Riché	650	-	-	-
Vest date	28/07/12	28/07/2013	15/02/2014 <sup>(1)</sup>	15/02/2015 <sup>(1)</sup>
End of lock-up period	28/07/14	28/07/2015	15/02/2016	25/02/2017
Number of shares granted at December 31 <sup>st</sup> , 2014	45,650	2,900	3,000	-
Cumulated number of cancelled or expired bonus shares	-	-	-	-
Remaining bonus shares allocated at the end of the financial year	-	-	-	16,480

(1) These allocations of bonus shares were subject to the following performance criteria:

- dividend maintained and if possible increased,
- average quality of the buildings maintained,
- sufficient financing maintained and renewed to ensure the Company's operations.

### IMPLEMENTATION OF RECOMMENDATIONS RELATING TO COMPENSATION OF EXECUTIVE CORPORATE OFFICERS

Executive corporate officers		François Thomazeau	Arnaud Pomel	Alain Le Véel	Olivier Riché
Position		Chairman of the Board of Directors	Managing Director	Deputy Managing Director	Deputy Managing Director
Start of term		2010	2009	2009	2009
End of term		2018	2015	2015	2015
Employment agreement	Yes		X		
	No	X		X	X
Supplemental defined benefit pension plan	Yes				
	No	X	X	X	X
Payments or benefits payable or likely to be payable due to the termination of or a change in duties	Yes	X <sup>(1)</sup>	X <sup>(1)</sup>		
	No			X	X
Compensation relating to a non-compete clause	Yes				
	No	X	X	X	X

(1) This payment corresponds only to the maximum retirement incentive bonus provided by the Company (i.e., one year of salary for 10 years of employment and beyond that in proportion to length of employment) to which all employees are entitled.

The reasons the Company is unlikely to implement some of the recommendations of the MiddleNext Corporate Governance Code to which it has adhered are explained in the "Report of the Chairman on the Functioning of the Board of Directors and on the Internal Control Procedures".

## Executives' and corporate officers' interest

Executives do not have significant interest in the Issuer's capital, or in that of a subsidiary of the Issuer or a client or supplier of the Issuer.

No loan or guarantee has been granted or issued for members of the administrative or management bodies.

The number of shares held by corporate officers at the beginning of 2015 was as follows:

• François Thomazeau, Chairman of the Board of Directors:	18,364
• Arnaud Pomel, Managing Director:	20,518
• Alain Le Véel, Deputy Managing Director:	2,450
• Olivier Riché, Deputy Managing Director:	650
• Philippe Blavier, Director:	9,253
• Michel Dufief, Director:	10,541
• Luc Guinefort, Honorary Chairman:	157,787
• ACM Vie, Director:	2,442,898
• Allianz Vie, Director:	5,728,443
• Allianz IARD, Director:	1,058,187
• Foncière de Paris SIIC, Director:	4,447,690
• GMF Vie, Director:	5,437,061

## Employee and corporate officer stock option plans

The General Meeting of April 11<sup>th</sup>, 2013 authorised the Board of Directors to grant, to executives and employees of the Company and of related companies, within the limit of 1% of shareholder's equity, options entitling the holder to purchase shares resulting from a buyback carried out by the Company itself before the option can be exercised, under the conditions specified in Articles L 225-179 et seq. of the French Commercial Code.

As at December 31<sup>st</sup>, 2014, no assignment of share purchase options had been made by the Board of Directors for the benefit of corporate officers or employees of the Company.



▲ 3, avenue Octave Gréard - Paris 7<sup>th</sup>

## Employee profit-sharing – bonus shares

At December 31<sup>st</sup>, 2014, the Company's workforce was composed of eight people, including the Chairman of the Board of Directors and the Managing Director. Employees and corporate officers held 78,529 shares representing 0.31% of the capital on that date.

Employees benefit from a discretionary profit-sharing plan and from a compulsory profit-sharing plan, which supplements the discretionary plan. Both plans were set up in 2007.

A Company Savings Plan was also implemented in 2007, with contributions matched by the Company. At December 31<sup>st</sup>, 2014, employees and corporate officers held 32,636 shares in the Company under this plan.

The General Meeting of April 11<sup>th</sup>, 2013 authorised the grant of bonus shares under the following conditions:

- beneficiaries : employees and corporate officers,
- maximum volume: 1,0% of shareholders' equity,
- minimum vesting period: 2 years,
- Minimum holding period: 2 years,
- period of the authorisations: 38 months.

During 2014, no shares were allocated freely to the Company's corporate officers and employees.

## Statutory Auditors' fees

The Company paid the following Statutory Auditors' fees:

*In Euros excluding VAT*

	Saint-Honoré Sereg				Mazars			
	Amount		Percentage		Amount		Percentage	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Statutory Auditors</b>	<b>76,000</b>	<b>77,000</b>	<b>100%</b>	<b>100%</b>	<b>53,000</b>	<b>54,000</b>	<b>100%</b>	<b>100%</b>
<i>Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris</i>	<i>53,000</i>	<i>54,000</i>	<i>70%</i>	<i>70%</i>	<i>53,000</i>	<i>54,000</i>	<i>100%</i>	<i>100%</i>
<i>Fully consolidated subsidiaries</i>	<i>23,000</i>	<i>23,000</i>	<i>30%</i>	<i>30%</i>	-	-	-	-
<b>Ancillary assignments</b>	-	-	-	-	-	-	-	-
<i>Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris</i>	-	-	-	-	-	-	-	-
<i>Fully consolidated subsidiaries</i>	-	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>76,000</b>	<b>77,000</b>	<b>100%</b>	<b>100%</b>	<b>53,000</b>	<b>54,000</b>	<b>100%</b>	<b>100%</b>
Other services	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>76,000</b>	<b>77,000</b>	<b>100%</b>	<b>100%</b>	<b>53,000</b>	<b>54,000</b>	<b>100%</b>	<b>100%</b>



45/47, rue Saint-Dominique - Paris 7<sup>th</sup> ▲



# Additional information regarding the control of the Company

## Additional information regarding General Meetings

### Shareholders' meetings and voting rights

#### Calling of General Meetings

Once a year, Shareholders meet at an Ordinary General Meeting, at a location designated by the Board of Directors, to review the financial statements for the past year. Apart from this annual meeting, a General Meeting, regardless of its nature and purpose, may be convened by the Board of Directors or the Statutory Auditors under the conditions specified by law.

#### Conditions of admission to General Meetings

Any holder of a share has the right to attend or be represented at the General Meeting and may exercise the right to vote by mail under the conditions specified by law.

Shareholders shall have the right to participate in the General Meetings of companies whose securities are listed for trading on a regulated market provided their securities are recorded in their name on the 3 business day prior to the Meeting at 12:00 a.m., Paris time, in the registered securities accounts kept by the Company.

#### Holding of General Meetings

The Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a Director specially appointed by the Board for that purpose. Otherwise, the Meeting elects its Chairman itself.

The Tellers are selected and perform their duties in accordance with legal requirements. The officers of the meeting appoint the Secretary, who does not have to be a shareholder. An attendance sheet is kept under the conditions specified by law.

Copies or extracts of the minutes of the Meeting are validly certified by the Chairman of the Board of Directors, by a Director performing the duties of Managing Director or by the Meeting Secretary.

#### Quorum – Voting – Powers

Ordinary and Extraordinary General Meetings, deliberating under the quorum and majority conditions stipulated by the provisions respectively governing them, exercise the powers attributed to them by law.

### Modification of shareholders' rights

The Extraordinary General Meeting has sole authority to amend the articles of association. All other decisions may be made by the Ordinary General Meeting.

Any increase in shareholders' commitments must be decided unanimously under the conditions specified by law.

### Clauses likely to have an impact on a change of control of the Company

The Company's articles of association contain no provisions that may delay, defer or prevent a change of its control.

### Disclosures relating to legal thresholds

Any individual or legal entity that owns, alone or in concert, capital shares in bearer form and that owns a number of shares representing a fraction of the capital or voting rights in the Company in excess of one of the thresholds specified by law, must disclose to the Company the total number of shares and voting rights and securities giving access to the capital or to voting rights that it owns, by sending a registered letter, return receipt requested, to the head office within the time limit specified by law.

It shall also make this disclosure to the *Autorité des Marchés Financiers* within the time limit specified by law.

It is also required to disclose, when it crosses the thresholds of 10%, 15%, 20% or 25% of the capital or voting rights, the objectives it intends to pursue over the next six months. This disclosure specifies the methods used to finance the acquisition, whether the purchaser is acting alone or in concert, the strategy it is considering with respect to the Company and the actions it will take to implement it, as well as any temporary sale agreement concerning the shares and voting rights, whether it plans to cease making purchases or to continue them, to acquire control of the Company or not, to request that it be appointed or that one or more people be appointed as Director, member of the management board or Supervisory Board. It is sent to the Company and to the *Autorité des Marchés Financiers* within the time frame specified by law.



If not disclosed under the conditions established above, in accordance with Article L 233-7 of the French Commercial Code, shares exceeding the fraction which should have been disclosed are stripped of their voting rights at any General Meeting held until the expiration of a two-year period following the date on which they were properly reported, in accordance with Article L 233-14 of the French Commercial Code. The voting rights attached to these shares may not be exercised or delegated by the non-compliant shareholder.

If the shareholder does not disclose the crossing of the thresholds of 10%, 15%, 20% or 25% of the capital or voting rights or the objectives it intends to pursue over the next six months, the non-compliant shareholder is stripped of the voting rights attached to the shares exceeding the fraction which should have been disclosed at any General Meeting held until the expiration of a two-year period following the date on which they were properly reported.

### Specific provisions governing changes in shareholders' equity

There are no specific provisions in the Company's articles of association governing changes in its capital under more stringent conditions than required by law.

## Additional information regarding the shareholders' equity

### Amount of shareholders' equity

At December 31<sup>st</sup>, 2013, shareholders' equity stood at €383,919,825, divided into 25,594,655 shares with a face value of €15 each, fully paid up and of the same class. It has not changed since the capital increases approved by the General Meeting of May 6<sup>th</sup>, 2008. All the shares are in registered form.

### Securities not representing capital

No share has been issued that does not represent the capital.

### History of shareholders' equity over the last three years

There was no change in the shareholder's equity in the last five years.

### Treasury shares

In accordance with the authorisation granted to the Board of Directors by the Ordinary General Meeting of April 8<sup>th</sup>, 2014 the Company has acquired its own shares. In the financial year ended December 31<sup>st</sup>, 2014, the Company bought 205,714 treasury shares at an average price of €17.33 and sold 136,468 treasury shares at an average price of €17.61. Thus, at December 31<sup>st</sup>, 2014, it held directly 390,112 treasury shares with a par value of €15, representing 1.52% of the capital, for a net book value of €6.7 million.

These shares were acquired mainly for the purpose of granting stock purchase options to executives and employees of the Company, within the limit of 1% of shareholders' equity; of granting free bonus shares to executives and employees of the Company, within the limit of 1% of shareholders' equity; and under the liquidity agreement managed by CM-CIC Securities.

The Ordinary General Meeting of April 8<sup>th</sup>, 2014 authorised the implementation of a share buyback programme under the following conditions:

SECURITIES CONCERNED	CAPITAL SHARE
Maximum percentage of capital that might be held	5 % of shareholders' equity
Maximum authorised unit purchase price	€25
Objectives by order of priority	<ul style="list-style-type: none"> <li>• To make a market by means of a liquidity agreement that complies with the AMAFI's Code of Ethics, recognised by the AMF.</li> <li>• To grant shares to employees or corporate officers under the conditions set by law and under any programmes seeking to encourage employee savings decided on by a General Meeting.</li> <li>• To enable the delivery of shares by way of payment or exchange, in connection with financial or external growth transactions and in accordance with market regulations.</li> </ul>
Term of programme	Maximum of 18 months maximum – October 7 <sup>th</sup> , 2015

As part of this programme, Foncière des 6<sup>e</sup> et 7<sup>e</sup> Arrondissements de Paris (SIIC) has appointed CM-CIC Securities, since March 16<sup>th</sup>, 2007 and for an automatically renewable one-year period, to implement a liquidity agreement consistent with the AMAFI's Code of Ethics approved by the *Autorité des Marchés Financiers* in its decision of March 22<sup>nd</sup>, 2005.

On December 31<sup>st</sup>, 2014, implementation of the programme stood as follows:

- number of securities held at January 1<sup>st</sup>, 2014: 323,866
- number of securities purchased: 205,714
- number of securities sold: (136,468)
- number of securities transferred: (3,000)
- number of securities cancelled in the last 24 months: 0
- number of securities held on January 1<sup>st</sup>, 2015 : 390,112
- book value of the portfolio : €6.7 m
- market value of the portfolio : €7.1 m

Movements per objective were as follows:

	LIQUIDITY AGREEMENT	LIQUIDITY AGREEMENT COVERAGE OF GRANTS	EXTERNAL GROWTH	TOTAL
Number held at January 1 <sup>st</sup> , 2014	131,994	8,000	173,872	313,866
Reserve to be transferred at January 1 <sup>st</sup> , 2014	10,000			10,000
Number purchased	108,691	11,480	85,543	205,714
Value	€1,924 K	€194 K	€1,446 K	€3,564 K
Number sold	(136,468)	-	-	(136,468)
Value	€(2,403) K	-	-	€(2,403) K
Number transferred	-	(3,000)	-	(3,000)
Number held at January 1 <sup>st</sup> , 2015	114,217	16,480	259,415	390,112

### Potential shareholder's equity

There are no other securities that give access to the capital of the Company.

### Shareholder structure and voting rights – Major shareholders

The Company had approximately 1,800 shareholders at December 31<sup>st</sup>, 2014 and 18.2% of the shareholders' equity capital were held by free float on that date.

A voting right is attached to each share in the Company. There are no double-voting rights. The treasury shares held by the Company have no voting rights. Thus, the breakdown of the voting rights percentage among shareholders is not equal to the percentage of capital they hold.

Shareholders holding more than 5% of the capital during the last 3 years were as follows:

In %

	31/12/2012	31/12/2013	31/12/2014
Covéa Group	18.56	26.83	26.83
Allianz Group	18.25	26.52	26.52
Foncière de Paris SIIC	8.39	16.79	17.38
Assurances du Crédit Mutuel Vie	9.54	9.54	9.54
PHRV Group	26.75	1.14	1.14

To the Company's knowledge, no other shareholder owns more than 5% of its capital.

The shareholder structure had not changed as of the filing date of this Registration Document.

### Control of the Company

The Company does not belong to any group in the legal or tax sense of the term. It is not controlled by any Company or person that may own the majority of the shareholder's equity and voting rights.

There are no shareholders' agreements and there is no concerted action among shareholders of the Company.

To the Company's knowledge, no agreement exists whose implementation could subsequently lead to a change of control.

## Change in shareholder structure

The table below presents the change in the Company's shareholder structure over the last three years.

In %

SHAREHOLDER CAPITAL	31/12/12		31/12/13		31/12/14	
	Capital	Voting rights	Capital	Voting rights	Capital	Voting rights
PHRV Group	26.75	27.18	1.14	1.16	1.14	1.16
Covéa Group	18.56	18.86	26.83	27.22	26.83	27.29
Allianz Group	18.25	18.54	26.52	26.90	26.52	26.97
Assurances du Crédit Mutuel Vie	9.54	9.70	9.54	9.68	9.54	9.71
Foncière de Paris SIIC Group	8.39	8.52	16.79	17.04	17.38	17.68
Free float	17.32	17.20	17.91	18.00	17.07	17.19
Treasury shares	1.19	-	1.27	-	1.52	-

The Company's shareholder structure has not known any significant change over the period since financial year 2012.

On July 1<sup>st</sup>, 2013 PHRV which held 26.75% of the Company's capital, sold 6,554,187 shares to its shareholders (mainly Allianz, Covéa and Foncière de Paris SIIC), representing almost the total of its shares. After this transaction, PHRV disclosed crossing below the thresholds by 25%, 20%, 15%, 10% and 5% of the capital and voting rights of the Company and has only 1.14% left of the capital and voting rights.

After this transaction, the Allianz Group declared exceeding thresholds by 20% and 25% of the capital and voting rights of the Company and therefore holds 26.52% of the capital and voting rights. The statement of the exceeding threshold was notified by statement no. 213C0883 related to AMF regulations, in which the Allianz Group formulated an intention statement.

The Covéa Group declared exceeding thresholds by 20% and 25% of the capital and voting rights of the Company and has now 26.83% of the capital and voting rights. The statement of the exceeding threshold was notified by statement no. 213C0844 related to AMF regulations, in which the Covéa Group formulated an intention statement.

Foncière de Paris SIIC (ex Cofitem-Cofimur) declared exceeding the thresholds by 10% and 15% of the capital and voting rights of the Company and holds now 16.79% of the capital and voting rights. The statement of the exceeding threshold was notified by statement no. 213C0870 related to AMF's regulations, in which Foncière de Paris SIIC formulated an intention statement.

In 2014, Foncière de Paris SIIC took over directly the holdings it had, partially through the Hotel Business "la Villette", its 100% owned subsidiary. After this transaction, Foncière de Paris SIIC declared exceeding the thresholds by 15% of the capital and voting rights of the Company. The statement of the exceeding threshold was notified by statement no. 214C0409 related to AMF's regulations, in which Foncière de Paris SIIC formulated an intention statement.

## Incorporation by reference

In application of article 38 of Regulation EC no. 809/2004, the following information is incorporated by reference into the present Registration Document:

- the corporate and consolidated financial statements, as well as the reports of the Statutory Auditors covering the financial year ending on December 31<sup>st</sup>, 2012 shown on pages 26 to 62 of the Registration Document, including the annual financial report from the year 2012 that was registered with the AMF on April 10<sup>th</sup>, 2013 under number D.13-0329.
- the corporate and consolidated financial statements, as well as the reports of the Statutory Auditors covering the financial year ending on December 31<sup>st</sup>, 2013 shown on pages 26 to 67 of the Registration Document, including the annual financial report from the year 2013 that was registered with the AMF on April 3<sup>rd</sup>, 2014 under number D.14-0282.



## Cross-reference table for the annual financial report

HEADING NO. (1)	INFORMATION	ANNUAL REPORT PAGES
<b>I</b>	<b>ANNUAL FINANCIAL REPORT</b>	
I-1	Corporate financial statements	32-47
I-2	Consolidated annual financial statements	53-72
I-3	Management report	24-30
I-4	Environmental and social report	78-84
I-5	Declaration of responsible persons	132
I-6-1	Report of the Statutory Auditors on the unconsolidated annual financial statements	48
I-6-2	Report of the Statutory Auditors on the consolidated annual financial statements	73
<b>II</b>	<b>REPORTS INCLUDED IN THE ANNUAL FINANCIAL REPORT</b>	
II-1	Fees of the Statutory Auditors	124
II-2	Report from the Chairman on the functioning of the Board of Directors and on the internal control procedures	100-115
II-3	Report from the Statutory Auditors on the Chairman's report	116
II-4	Description of the share buyback programme	126-127



## Cross-reference table for documents presented at the General Meeting

INFORMATION	ANNUAL REPORT PAGES
Corporate officers	8, 100-105
Draft resolutions	75-77
Report from the Board of Directors/management report	24-30
Environmental and social report	78-84
Corporate financial statements	32-47
Consolidated annual financial statements	53-72
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(1) Article 222-3 of the General Regulation of the Autorité des Marchés Financiers.

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(1) Appendix 1 of Regulation EC no. 809/2004 dated April 29<sup>th</sup>, 2004.

(2) In application of article 28 of Regulation (CE) no. 809/2004 from the European Commission, the following information is included by reference in the present Registration Document:

- the unconsolidated and consolidated financial statements, as well as the reports from the Statutory Auditors covering the financial year ending on December 31<sup>st</sup>, 2012 shown on pages 26 to 62 of the Registration Document, including the annual financial report from the year 2012 that was registered with the AMF on April 10<sup>th</sup>, 2013 under number D.13-0329;  
- the unconsolidated and consolidated financial statements, as well as the reports from the Statutory Auditors covering the financial year ending on December 31<sup>st</sup>, 2013 shown on pages 26 to 67 of the Registration Document, including the annual financial report from the year 2013 that was registered with the AMF on April 3<sup>rd</sup>, 2014 under number D.14-0282.



# Registration Document

## Person responsible for the Registration Document

François Thomazeau – Chairman of the Board of Directors

## Statement by the person responsible for the Registration Document

"I certify, after having taken all reasonable measures for this purpose, that the information contained in the present Registration Document is, to the best of my knowledge, a reflection of reality and contains no omissions likely to alter its substance.

I certify, to the best of my knowledge, that the financial statements have been established in accordance with the applicable accounting standards and give a true picture of the assets, financial situation and earnings of the Company and all of the companies included in the consolidation, and that the attached management report gives a true picture of the development of business, the earnings and the financial situation of the Company and all companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

I have obtained a certificate from the Statutory Auditors in which they state that they have checked the information on the financial situation and accounts that is given in the present Document and that they have read the entire Document. This certificate does not contain any comments.

The historical financial information presented in this Document was the subject of reports by the Statutory Auditors shown on pages 48 (corporate financial statements) and 73 (consolidated financial statements)."

François Thomazeau  
Dated March 31<sup>st</sup>, 2015



AUTORITÉ  
DES MARCHÉS FINANCIERS

*The present Registration Document was registered with the Financial Markets Authority on March 31<sup>st</sup>, 2015, in accordance with article 212-13 of the general regulations of the Financial Markets Authority. It may be used in support of financial transactions if it is supplemented by a prospectus authorised by the Financial Markets Authority. This Registration Document has been prepared by the Issuer and implicates the liability of the signatories.*

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# Foncière des 6<sup>e</sup> & 7<sup>e</sup>

ARRONDISSEMENTS DE PARIS

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