FONCIÈRE DES RÉGIONS

Co-créateur d'histoires immobilières




€19 billion portfolio
(+€1.5 billion vs 2015)

"Foncière des Régions achieved a record year in 2016. A total of €2.0 billion was invested in major European cities (notably Paris, Berlin and Milan), while new leases were signed for 119,000 m^2, mainly on our development pipeline. In view of the growth in financial results and the success of our recent capital increase, we confirm our ambition to make Foncière des Régions the European's leading integrated operator."

Christophe Kullmann, *CEO of Foncière des Régions*

Record results in 2016: success of the European integrated model

€1.5 billion in portfolio growth to €19 billion, focused on Paris, Berlin and Milan

€893 million
€574 m GS
Rental income
+4.5%

- An accelerated asset rotation (€2.0 billion investments and €1.6 billion disposals), that increases the growth potential
- France Offices: a pipeline always renewed
- Germany Residential: acquisitions in Berlin with a +40% rent reversion potential
- Italy Offices: transformation of the portfolio and expansion in Milan
- Hotels: acceleration of European development, in Berlin, Barcelona and Madrid

96.7%
Occupancy rate

The REIT of choice for our user partners

- Maintaining the occupancy rate (96.7%) close to its record level
- 119,000 m^2 of new leases for France and Italy Offices; 2/3 on new developments
- Development pipeline doubled, to €4.0 billion

€356 million
€5.27/share
Recurring Net Income
+7%

Strong growth in financial results

- Recurring Net Income up 7% to €356 million (€5.27 per share)
- Increase in the value of the portfolio (5% at a like-for-like scope)
- Sharp increase in EPRA NAV of 13% to €6.0 billion (€86.8 per share)

€6.0 billion
€86.8/share
EPRA NAV
+13%

2017 outlook: reinforcing the growth potential

- Successful €400 million capital increase to finance new investment
- Dividend growth of 2.3% to €4.40 per share[1]
- Objective of a growth of more than 5% in 2017 Recurring Net Income

Recurring Net Income and EPRA NAV consist of Alternative Performance Indicators as defined by the AMF and detailed in sections 3. Financial information, 5. EPRA reporting and 7. Glossary to this document. The financial statements were approved by the Board of Directors on 15 February 2017. The audit procedures on the consolidated financial statements have been completed. The certification report will be issued after the specific verifications.

[1] To be put to the vote at the General Meeting on 26 April 2017

€1.5 billion in portfolio growth to €19 billion, focused on Paris, Berlin and Milan

Foncière des Régions owns a **€19.3 billion portfolio (€12.0 billion Group share)** in four solid growth sectors where it is market leader: **France Offices** (45%), mainly in the Greater Paris area; **Italy Offices** (18%), mostly in Milan; **Germany Residential** (21%), especially in Berlin; **Hotels Europe** (14%). Foncière des Régions relies on a partnership strategy with a rental base composed of blue chip companies (Suez Environnement, Thales, Dassault Systèmes, Orange, EDF, Vinci, Eiffage, AccorHotels, Telecom Italia, etc.).

Leveraging its recognised expertise in each of its asset classes, Foncière des Régions recorded a dynamic year with **€2.0 billion (€1.2 billion Group share) of investments, mainly in Paris, Berlin and Milan, as well as €1.6 billion (€1.0 billion Group share) of disposals of non-strategic or non-core assets**. By acquiring and developing new assets, the Group is strengthening its position with a high-quality portfolio combining secure rental income and value creation, delivered through an active asset management and development policy:

- in **France Offices**, the Group spent €160 million on purchasing rental properties in Rueil Malmaison and Saint-Denis, in the Greater Paris area, acquired with a view to their long-term redevelopment and expansion. In parallel, it continued its property development strategy tailored to the needs of tenants and generating significant value (+20% on the committed pipeline), with the delivery of six assets totalling 46,700 m²
- in **Italy Offices**, the pace of investment in Milan has quickened, with €111 million of acquisitions and a development pipeline that has doubled to almost 90%. At the same time, sharing 40% of the Telecom Italia portfolio (equivalent to €618 million in assets), secured at the end of 2016, has transformed the portfolio in Italy and signals a major step forward in the strategic plan initiated in 2015
- in **Germany Residential**, Foncière des Régions has cemented its position in Berlin with €406 million (€277 million Group share) of acquisitions in the Group's growth cities. The rental growth potential of these investments stands at 40% on average
- in **Hotels**, the year saw the Group expand in major European cities with €1.2 billion of investment (€462 million Group share), mainly in Berlin where it acquired or developed leased and operating properties. With its agility and expertise, Foncière des Régions is consolidating its position as European leader.

Real-estate activity: the REIT of choice for our user partners

- Maintaining a high occupancy rate over the long term (96.7%)
- Record average firm lease term of 7.2 years
- +4.5% growth in rental income (+0.2% on a like-for-like scope)
- Growth of values on a like-for-like scope (+4.8%)

Boosted by the expansion of Germany Residential and asset deliveries and acquisitions in France Offices, **rental income rose by 4.5% year on year** to €574 million Group share. The stable rental income on a like-for-like scope (+0.2%) is due to the positive impact of renewed and renegotiated leases. This was partly offset by the temporary negative impact of incoming and outgoing tenants, with the occupancy rate ending the year up 0.4 points to 96.7%.

€million	**Rental income** 100%	**Rental income** Group Share	**Change**	**Change on like-for-like basis**	**Occupancy rate**	**Residual firm terms of leases (in years)**
Offices - France	274.8	249.7	+4.9%	-0.5%	95.6%	5.6
Offices - Italy	200.2	102.5	+0.3%	+0.2%	95.5%	9.0
Of which Telecom Italia offices	*98.8*	*50.8*	*-5.3%*	*-1.9%*	100%	13.8
Of which portfolio ex Telecom Italia	*101.5*	*51.7*	*+6.7%*	*+2.4%*	91.6%	4.6
Residential Germany	212.5	131.6	+13.5%	+3.6%	98.2%	n.a.
Hotels/Service Sector	190.5	81.4	+1.7%	-2.9%	100%	10.4
Other (French Resi.)	15.2	9.3	n.a.	n.a.	n.a.	n.a.
Total	**893.3**	**574.4**	**+4.5%**	**0.2%**	**96.7%**	**7.2**

France Offices: a development pipeline lauded by users
(€6.2 billion portfolio at 100%; €5.3 billion Group share)

- Occupancy rate: 95.6%
- Firm lease maturity: 5.6 years
- Rental income on a like-for-like scope: -0.5%
- Values on a like-for-like scope: +5.7%, including +20% for the committed pipeline
- Strong environmental performance: 65% green portfolio (+4 points)
- A development pipeline that has doubled in one year to €2.7 billion (€2.5 billion Group Share)

A leading player with close links to major tenants and local areas, **Foncière des Régions is reaping the rewards of its real estate strategy geared towards developing new assets tailored to clients' needs**. In 2016, the Group delivered six new assets totaling 46,700 m², already 94% let for nine years firm on average. New leases for more than 43,000 m² have been signed on new assets or assets in development. Foncière des Régions pre-let 10,800 m² of the EDO building in Issy-les-Moulineaux to the Transdev group. This building, purchased in 2011 with a view to its complete redevelopment-extension on the tenant's departure, has thus been fully let one year before its delivery. In Lyon, 86% of the Silex[1] building, with 10,700 m² right in the heart of the city's main business district, was let mainly to BNP Paribas and Next Door.

This strategy enhances the quality of the Group's real estate portfolio, with prime locations in the Greater Paris area and in major regional cities. In addition, 65% of the buildings are green (with a target of 100% by 2020). The development pipeline boosts the Group's revenues, **creating 20% value in 2016**.

The year was also marked by the strong performance of asset management teams. Office leases were renewed on around 450,000 m², generating €73 million (€66 million Group share) with an average +0.8% increase in rent. In particular, the Group signed two major rental agreements with its partners Orange and EDF, thereby extending the leases (to over five years firm), increasing liquidity of non-core assets and creating value.

Like-for-like rental income slipped by 0.5%. This was chiefly as a result of two properties being vacated: one, in the inner suburbs of Paris, is in the process of being sold; the other, in the Paris CBD, is undergoing renovation and is expected to yield significant growth in rental income.

Appraised values were up 5.7% at like-for-like scope. Apart from the positive effect of compressed yield rates in Paris, in the inner suburbs and in major regional cities, this strong performance is also due to successful asset management and developments.

Lastly, 2017 is set to be a good year. The development pipeline, which has doubled in size over the past year, stands at €2.5 billion Group share, nearly €500 million of which is committed. This will be a record year for deliveries, with eight buildings totaling 80,900 m² and €404 million (€372 million Group share), including Edo (10,800 m² in Issy-les-Moulineaux) and Art&Co (13,500 m² near the Gare de Lyon in the 12th district of Paris). Buoyed by dynamic rental activity in 2016, the Group expects slight growth in like-for-like rental income in 2017. Lastly, in a bid to anticipate the tenants' needs, Foncière des Régions will launch a new offer of third places and innovative services. It will also set up a new division to directly manage co-working spaces within its offices.

Italy Offices: a transforming year
(€4.1 billion portfolio at 100%; €2.1 billion Group share)

- Occupancy rate: 95.5% (portfolio excluding Telecom Italia: 91.6%, +4.2 pts)
- Average firm lease term: 9.0 years
- Rental income on a like-for-like scope: +0.2% (portfolio excluding Telecom Italia: +2.4%)
- Values on a like-for-like scope: +1.8% (Milan excluding Telecom Italia: +5.8%)

Foncière des Régions operates in Italy through its subsidiary Beni Stabili, a leading Italian REIT, owning a **high-quality portfolio with secure income, with Milan accounting for 60% of its properties**. The Italian portfolio turned a corner in 2016, when it took a major step towards achieving the targets for 2020 which had been set in late 2015:

- **diversification of the rental base, sharing 40% of the Telecom Italia portfolio** (for €1.6 billion) with international investors (EDF Invest and Predica). This transaction, which will take effect by the end of the first quarter of 2017, entails the disposal of €618 million in assets. It has reduced exposure to Telecom Italia to 27% (as against 41% at end-2015), close to the target of 20% by 2020

- **sharpening the focus on Milan, with an improvement in portfolio quality** through the acquisition of three assets totalling 41,000 m² for €111 million (6.6% yield) and the doubling of the development pipeline to €790 million, 90% of which is in Milan. Once the Telecom Italia portfolio has been split, the Italian portfolio will consist of 60% Milan properties (versus 43% in 2015 and 80% by 2020), while the percentage of green assets will be 39% (versus 22% in 2015 and 50% by 2020)

- **increase in occupancy rate** (a source of future earnings growth), with an increase of more than four points on the portfolio excluding Telecom Italia, to 91.6%.

The Group signed new leases during the year representing more than 62,000 m², half of which is for its development pipeline. For example, the first Symbiosis building (19,000 m²) has been pre-let to Fastweb (of which an option on 3,000 m²). This transaction, one of the largest in Milan, confirms the quality of this new business district in south Milan, located in an ideal setting opposite the new Prada Foundation and at the crossroads of the city's historic centre, Milan-Linate airport and Bocconi University.

The operational performance is beyond compare. Like-for-like rental income was up by 2.4% for the portfolio excluding Telecom Italia (+0.2% including Telecom Italia), with a 1.8% rise in value, or +5.8% for the Milan portfolio excluding Telecom Italia.

In line with the targets for 2020, **2017 is set to be a dynamic year**. The Group plans to continue its expansion in prime real estate in Milan, mainly via its development pipeline.

Germany Residential: accelerated growth in rental income
(€4.0 billion portfolio at 100%; €2.5 billion Group share)

- Occupancy rate: 98.2%
- Rents on a like-for-like scope: +3.6%, of which +4.6% in Berlin
- Values on a like-for-like scope: +8.4%, of which +12.4% in Berlin

Operating since 2005, **Germany Residential represents the second largest exposure of Foncière des Régions (at 21%)**. The €4.0 billion portfolio (€2.5 billion Group share) has recorded year-on-year growth of 11%. Almost **50% of the portfolio is in Berlin** (mainly in the city centre), while Hamburg, Dresden and Leipzig – also fast-growing cities – account for 15%, and North Rhine-Westphalia, with its high yield (6.3%), represents 37%.

Armed with an investment strategy focused on prime city-centre assets that combine rental potential with long-term sales margins, **the Group increased its exposure to Berlin in 2016**. The Group acquired assets worth €406 million (€277 million Group share and €1,820/m² for housing), with an average yield of 4.8%. Around 70% of acquisitions were in Berlin. This offers significant growth potential: the average rent reversion of purchased portfolios was +40%, on the basis of current rents of €7.4/m²/month for housing.

This strategy is backed by **strong indicator performance**. Rental income saw faster growth, at 3.6% on a like-for-like scope, of which +4.6% in Berlin, while occupancy rate remained stable at 98.2%. The quality of investments and the dynamic market, driven by strong demographic and economic fundamentals, is reflected in growth in value of 8.4%, including +12.4% for our Berlin portfolio.

With a strong local team, **2017 will see Foncière des Régions continue its investment drive in dynamic cities such as Berlin**, an organic source of significant growth and value creation. A portfolio of 1,800 units in central Berlin (76%) and Leipzig (24%) has already been secured in February 2017 for €202 million (€131 million Group share), representing an average price and rent in Berlin of €2,100/m² and €6.7/m²/month. The Group is also extending its development expertise to the residential sector, with plans to build 1,100 units and 70,000 m² over the next few years (with one-third to be launched in 2017). This represents a pipeline of €200 million (€122 million Group share) in Berlin, generating an average yield of 6% and creating estimated value of 40%.

In 2017, the Group sets itself the target of a higher increase in rental income on a like-for-like scope than in 2016 (+3.6%).

Hotels: strong growth in major European cities
(€4.4 billion portfolio at 100%; €1.6 billion Group share)

- Occupancy held at 100%
- Average firm lease term: 10.4 years
- Rents on a like-for-like scope: -2.9%
- Values on a like-for-like scope: +1.7%, of which +2.6% in Hotels

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

Rental income on a like-for-like scope fell by 2.9% due to the impact on the rental income of AccorHotels (indexed to revenue) of the terrorist attacks in France. The geographic diversity of the portfolio and the significant share of indexed fixed rents nevertheless mitigated this highly localised impact. Rental income was up by 2.3% on a like-for-like scope in French regions. **The portfolio value rose by 1.7% on a like-for-like scope**, buoyed by development projects (+17%) and the portfolio in Germany (+13%). Acquisitions during the year saw average growth in value of +13%.

In 2016, the expertise of Foncière des Régions was more apparent than ever with €1.2 billion in investments (€462 million Group share), mainly in French and German cities (of which 50% was in Berlin):

- in leasing, 12 B&B hotels were purchased in France and Spain for €50 million. The development pipeline was doubled to €261 million (€75 million Group share) to support operators in their expansion in Paris, Lyon, Berlin and Munich

- in operating properties, the Group purchased an €811 million flagship portfolio of nine four- and five-star hotels in Berlin, Dresden and Leipzig. The portfolio comprises 18,000 m² of street-level retail space in Berlin and 70,000 m² of prime additional land at Alexanderplatz, Berlin.

The expansion strategy for major European cities will reach a milestone in 2017. Two hotel portfolios were secured in 2016 and will be purchased this year. The first concerns five NH Hotels in Germany for €125 million. The second portfolio, mainly located in Madrid and Barcelona, allows critical mass to be reached in a thriving Spanish market. Foncière des Régions has thus secured the acquisition of 19 mostly four- and five-star city centre hotels for €542 million, or €143 thousand per room. Following these transactions, the hotel portfolio will be 24% and 16% located in Germany and Spain respectively (compared with 4% and 0% in 2014), with 17 partner hotel operators, three times more than in 2014.

Strong growth in 2016 financial results

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New improvement in liabilities

Over the full year, €2.9 billion (€1.9 billion Group share) of financing and refinancing was raised, i.e. 35% of the debt, with an average maturity of nine years. In particular, Foncière des Régions successfully placed its first issue of Green Bonds (more than five times oversubscribed) for €500 million with a ten-year maturity, offering a coupon of 1.875%. This issue confirms the Group's ambitious CSR strategy and, in particular, the efforts made to improve its France Offices portfolio through its development pipeline and asset rotation policy. This bond issue will finance or refinance office assets under development or recently delivered and benefiting from an HQE certification (minimum target of 9/14) or BREEAM certification (Very Good as a minimum).

This particularly active approach to liability management has yielded a further improvement in the debt profile: **debt maturity has increased from 5.0 years to 5.7 years, while the average interest rate has fallen 59 bps to 2.2%**. In a volatile financial environment, the Group can rely on diversified debt (57% unsecured debt) combining flexibility, safety and optimized costs. ICR saw a further improvement (3.6 versus 3.0), while LTV fell from 45.4% to 44.6% at end-2016, in line with the Group's target of between 40% and 45%.

7% growth in Recurring Net Income to €356 million

Recurring Net Income was €356 million Group share, up 7.0% year on year. This solid performance is the result of asset acquisitions and deliveries and the reinforcement of Germany Residential (increasing rental income by 4.5%), along with the reduced cost of debt.

Recurring Net Income stood at €5.27 per share, up 3.9% year on year due to the impact of share issues that financed the capital increase of our hotel subsidiary FDM.

The Net Result stood at €783 million, up 63% year on year.

Proposed increase in dividend, at €4.40 per share

Given the strategic success of 2016 and the solid financial results, the Group will recommend a dividend of €4.40 per share to the General Meeting on 26 April, a year-on-year increase of 2.3%. This dividend represents a payout ratio of 83% and a yield of 5.6% on the basis of the closing price on 14 February 2017.

Strong growth in EPRA NAV, up 13% to €6.0 billion and €86.8 per share

The steady increase in Recurring Net Income and the 4.8% rise in asset values on a like-for-like scope resulted in **strong growth in EPRA NAV, up 12.7% year on year** to €5,995 million (€5,331 million in EPRA NNNAV, a rise of 15.7%).

EPRA NAV per share stood at €86.8, a year-on-year increase of 9.3% (€77.2 for EPRA NNNAV, or +12.2%).

2017 outlook: reinforcing the growth potential

Thanks to a successful year in 2016 and a more favourable economic environment, Foncière des Régions is ideally placed to generate more growth. The Group will rely on:

- expansion in major European cities
- growth in rental income across all of its asset classes
- a €4 billion development pipeline, and €762 million in acquisitions already secured

Building on its dynamic, Foncière des Régions confirms its ambition to be the Europe's leading integrated operator, and sets a Recurring Net Income growth target of more than 5% in 2017.

Paris, 16 February 2017

A conference call for analysts and investors

will take place today at 2:30 p.m. (Paris time)

The presentation for the conference call will be available

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

***LiveTweet**: follow live at 2.30 PM the 2016 results presentation on @fonciereregions*

Financial calendar

Q1 2017 revenue: 26 April 2017

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APPEL GRATUIT DEPUIS UN POSTE FIXE

Foncière des Régions, co-author of real estate stories

As a key player in real estate, Foncière des Régions has built its growth and its portfolio on the key and characteristic value of partnership. With a total portfolio valued at €19Bn (€12Bn in group share), located in the high-growth markets of France, Germany and Italy, Foncière des Régions is now the recognised partner of companies and territories which it supports with its two-fold real estate strategy: adding value to existing urban property and designing buildings for the future.

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

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

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1. Business analysis

Changes in scope:

Foncière des Régions increased its stake in its subsidiary Beni Stabili in the first half of 2016, owning 52.2% of the share capital at 31 December 2016, versus 48.5% at 31 December 2015. The 2016 income statement reflects the average rate of 51.2%.
Foncière des Régions also increased its stake in its hotel subsidiary Foncière des Murs in early 2016, owning 49.9% of the share capital at 31 December 2016, versus 43.1% at 31 December 2015. The 2016 income statement reflects the average rate of 47.7%.

A. RECOGNISED RENTAL INCOME: 4.5% GROWTH

(€ million)	100%			Group Share				
	2015	2016	Change (%)	2015	2016	Change (%)	Change (%) LfL*	% of rent
Offices France	**258,9**	**274,8**	**6,2%**	**238,0**	**249,7**	**4,9%**	**-0,5%**	**43%**
Paris	86,5	84,4	-2,4%	82,2	79,8	-3,0%		14%
Paris Region	112,1	132,0	17,8%	95,7	111,4	16,4%		19%
Other French regions	60,3	58,4	-3,1%	60,1	58,5	-2,6%		10%
Offices Italy	**210,6**	**200,2**	**-4,9%**	**102,1**	**102,5**	**0,3%**	**0,2%**	**18%**
Offices - excl. Telecom Italia	81,8	81,4	-0,5%	39,7	41,5	4,5%		7%
Offices - Telecom Italia	110,6	98,8	-10,7%	53,6	50,8	-5,3%		9%
Retail & Others	18,2	20,1	10,1%	8,8	10,2	15,7%		2%
Hotels and Service sector	**203,6**	**190,5**	**-6,4%**	**80,0**	**81,4**	**1,8%**	**-2,9%**	**14%**
Hotels	151,5	143,9	-5,0%	57,5	59,3	3,2%		10%
Healthcare	15,2	9,7	-36,1%	6,5	4,5	-31,2%		1%
Operating properties	36,9	36,9	0,0%	15,9	17,6	10,4%		3%
Residential Germany	**190,3**	**212,5**	**11,6%**	**115,9**	**131,6**	**13,5%**	**3,6%**	**23%**
Berlin	52,7	84,3	60,0%	31,8	52,2	63,9%		9%
Dresden & Leipzig	16,3	17,8	9,4%	9,9	11,1	12,5%		2%
Hamburg	7,1	13,0	n/a	4,6	8,5	85,7%		0%
NRW	114,2	97,4	-14,8%	69,6	59,8	-14,2%		10%
Total strategic activities	**863,4**	**878,1**	**1,7%**	**536,0**	**565,1**	**5,4%**	**0,2%**	**98%**
Residential France	21,8	15,2	-30,2%	13,3	9,3	-30,2%	n.a	2%
Total rents **	**885,2**	**893,3**	**0,9%**	**549,4**	**574,4**	**4,5%**	**0,2%**	**100%**

**LfL : Like-for-Like*

*** excl. Logistics (€ 15.9 million in 2015 - € 3.4 M€ in 2016) - classified as discontinued operations*

Rental income increased by 4.5% over one year In group share, including +5.4% for the strategic activities. This €25 million increase is due primarily to the following factors:

- An increase in Hotel real estate income due to the increase in the ownership stake in Foncière des Murs in 2016 (+€7.5 million)
- An increase in Italy Offices due to the increase in the ownership stake in Beni Stabili (+€5.4 million)
- Acquisitions (+€36.8 million), especially in Germany Residential (+€22.6 million), where the Group strengthened its position in Berlin through several asset portfolios with high growth potential
- Deliveries of new assets (+€14.6 million), mainly in France Offices
- Indexation and the mixed effect of departures and renewals (+€2.1 million), in particular in Germany Residential (+€4.7 million)
- Releases of assets intended to be restructured or redeveloped (-€5.9 million)
- Disposals (-€36.9 million), in particular in Germany Residential in NRW (-€11.8 million) and in France Residential (-€3.4 million).

On a like-for-like scope, Rental Income increased slightly (+0.2%) in a non-inflationary environment. The performance of France Offices was down slightly (-0.5%), primarily due to the temporary decrease in the occupancy rate of a building in Paris's 8th district.

For Italy Offices, the +0.2% increase was negatively affected by the residual effect of the renegotiation of Telecom Italia leases in Italy in 2015 (extension of the leases to a term of 15 years firm in return for a 6.9% decrease in rental income).

The rental income increased +2.4% in Italy Offices excluding Telecom Italia, thanks to the success of the new strategy implemented at the end of 2015.

The decrease in rental income on a like-for-like basis in the Hotels and Service Sector (-2.9%) relates to the impact of the terror attacks in Paris and Brussels on the rental income of AccorHotels (which varies depending on the revenue of the hotels in question), partially offset by growth in the other French regions.

Finally, Germany Residential saw growth of +3.6% following +2.4% in 2015, due to a strengthened position in Berlin.

B. LEASE EXPIRATIONS AND OCCUPANCY RATES

1. Annualised lease expirations: a still high average lease term (7.2 years)

(years)	By lease end date (1st break)		By lease end date	
Group share	**2015**	**2016**	**2015**	**2016**
France	5,4	5,6	6,4	6,2
Italy	9,7	9,0	15,3	14,6
Hotels & Service	10,7	10,4	11,0	10,7
Total	**7,3**	**7,2**	**9,3**	**9,0**

The average remaining firm lease term remains high at 7.2 years, thanks to the Group's partnership strategy.

The average maturity improved to 5.6 years firm in the France Offices segment following leasing agreements during the year, in particular renegotiations with Orange and EDF, as well as asset deliveries. The term stabilised at a particularly high level for Italy Offices and the Hotels and Service Sector after major agreements signed with Telecom Italia and AccorHotels in 2015.

(€ million)* Group share	By lease end date (1st break)	% of total	By lease end date	% of total
2017	21,2	5%	13,4	3%
2018	39,3	9%	13,0	3%
2019	58,6	13%	28,7	6%
2020	18,7	4%	23,7	5%
2021	36,1	8%	43,5	9%
2022	43,3	9%	34,7	8%
2023	41,3	9%	37,6	8%
2024	13,0	3%	19,5	4%
2025	61,4	13%	70,6	15%
2026	27,6	6%	31,3	7%
Beyond	100,7	22%	145,2	31%
Total	**461,3**	**100%**	**461,3**	**100%**

** Residential excluded*

The share of maturities of less than four years were reduced from 35% of rental income at end-2015 to 30% at 31 December 2016, thereby strengthening the Group's visibility and securing cash flow in the medium term.

2. Occupancy rate: up at 96.7%

(%)	Occupancy rate	
Group share	**2015**	**2016**
Offices - France	95,8%	95,6%
Offices - Italy	92,8%	95,5%
Hotels & Service sector	100,0%	100,0%
Residential Germany	98,0%	98,2%
Total	**96,3%**	**96,7%**

The occupancy rate increased towards the record level of 97%, primarily due to a 2.7 points growth in Italy Offices, in turn due to new leases in the portfolio excluding Telecom Italia.

The situation is stable over the other segments, with a consistently high level of occupancy in Germany Residential and in the Hotels and Service Sector.

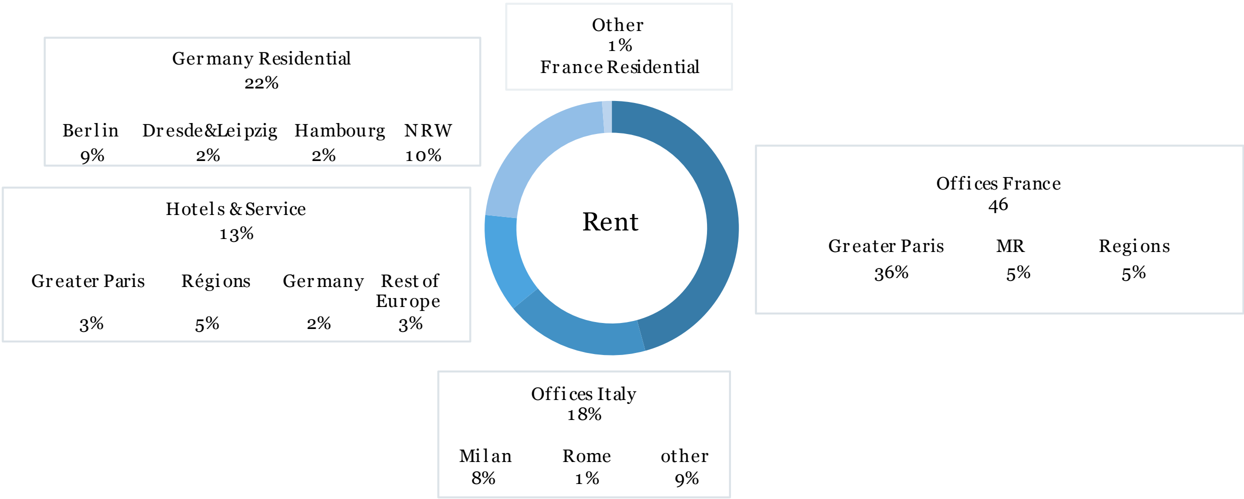
C. BREAKDOWN OF RENTAL INCOME - GROUP SHARE

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

(€ million)	Annualised rental income	
Group share	**2016**	**%**
Orange	81,4	14%
Telecom Italia	51,4	9%
AccorHotels	26,1	4%
Suez Environnement	21,5	4%
B&B	19,2	3%
EDF	17,4	3%
Vinci	16,7	3%
Dassault Systèmes	12,3	2%
Eiffage	11,4	2%
Thales	10,8	2%
Natixis	10,6	2%
Quick	8,4	1%
Sunparks	7,1	1%
Jardiland	6,7	1%
AON	5,4	1%
Lagardère	5,3	1%
Cisco System	4,8	1%
Other tenants < € 4 m	144,9	24%
Germany residential	133,1	22%
France residential	7,4	1%
Total loyers	**601,7**	**100%**

In 2016, Foncière des Régions continued its strategy of diversifying its tenant base. As a result, its exposure to its three largest tenants continued to decrease (26% versus 29% at the end of 2015). The Group also actively pursued its partnership strategy by signing new leases with some of its key accounts (Vinci, EDF, Dassault Systèmes, AccorHotels, Cisco, etc.).

2. Geographic breakdown



The geographic breakdown illustrates a continuous trend towards the concentration of activities in capital cities and major European cities. The Group pursue its strategic plan aiming at the constant improvement of the portfolio quality. As a result, nearly 57% of the rental income is located in Greater Paris, Berlin and Milan, versus 53% at the end of 2015.

D. COST TO REVENUE BY BUSINESS

	Offices France	Office Italy	Hotels & Service Sector	Residential Germany	Other (Residential France)	Total	
Group Share	**2016**	**2016**	**2016**	**2016**	**2016**	**2015**	**2016**
Rental Income	249,7	102,5	81,4	131,6	9,3	**549,4**	**574,4**
Unrecovered property operating costs	-8,0	-12,5	-0,0	-3,8	-2,4	**-24,4**	**-26,7**
Expenses on properties	-2,9	-4,6	-0,0	-10,4	-1,2	**-16,8**	**-19,1**
Net losses on unrecoverable receivable	0,2	-1,0	0,0	-1,3	-0,2	**-3,4**	**-2,2**
Net rental income	**239,0**	**84,3**	**81,4**	**116,1**	**5,6**	**504,8**	**526,3**
Cost to revenue ratio	**4,3%**	**17,7%**	**0,0%**	**11,7%**	**40,3%**	**8,1%**	**8,4%**

The cost-to-revenue ratio (8.4%) remained under control despite a slight Increase over the year mainly due to the aggressive disposal policy in France Residential, in particular to the liberations.

The cost-to-revenue ratio for Germany Residential has decreased over the last several years, reaching 11.7% (versus 12.2% at the end of 2015 and 14.2% at the end of 2014) due to the strengthening of Berlin as well as cost optimisation.

The ratio was low for France Offices and for the Hotels and Service Sector since the Group primarily signs triple net leases.

In Italy, cost to revenue has increased and does not yet reflect the recent improvement in vacancy.

E. DISPOSALS AND DISPOSAL AGREEMENTS: €906 MILLION GROUP SHARE

(€ million)		Disposals (agreements as of end of 2015 closed)	Agreements as of end of 2015 to close	New disposals 2016	New agreements 2016	Total 2016	Margin vs 2015 value	Yield	Total Realized Disposals
		1		2	3	= 2+3			= 1 + 2
Offices - France	100 %	113	25	11	84	**95**	4,4%	7,5%	**124**
Offices - Italy	100 %	55	3	7	694	**701**	1,5%	6,0%	**62**
	Group share	29	2	4	363	**366**	1,5%	6,0%	**32**
Residential - Germany	100%	126	2	227	21	**249**	10,8%	6,7%	**353**
	Group share	77	1	139	13	**152**	10,8%	6,7%	**215**
Hotels & Service sector	100 %	367	3	296	10	**305**	26,3%	4,9%	**662**
	Group share	183	2	148	5	**152**	26,3%	4,9%	**331**
Other	100 %	258	0	173	50	**223**	4,3%	1,2%	**431**
	Group share	195	0	106	35	**140**	2,5%	1,2%	**301**
Total asset disposals	100 %	919	33	714	859	**1 573**	8,2%	5,3%	**1 632**
	Group share	**597**	**30**	**407**	**499**	**906**	**7,7%**	**5,4%**	**1 003**

In 2016, Foncière des Régions entered into agreements for the disposal of non-strategic assets worth €906 million, which contributed to the improvement of the portfolio quality, including, in particular:

- The disposal agreement relating to 40% of the Telecom Italia portfolio at the appraised value, which transformed the portfolio in Italy
- The 100% disposal of the Healthcare portfolio for a total of €301 million (€295 million net of costs) with a margin of 26% over the appraisal value
- Disposal of housings in North Rhine-Westphalia and underperforming hotels in France.

The disposals were signed with a substantial margin over the most recent appraisal values (7.7% over the year).

F. ASSET ACQUISITIONS: €1.4 BILLION IN SECURED ACQUISITIONS GROUP SHARE

	Acquisitions 2016			Acquisitions 2017 (signed in 2016)		
(€ million Including Duties)	**Acquisitions 100%**	**Acquisitions Group share**	**Yield Group share**	**Acquisitions 100%**	**Acquisitions Group share**	**Yield Group share**
Offices - France	160	160	7,8%			n.a
Offices - Italy	87	45	6,6%	25	13	6,6%
Reinforcement Beni Stabili	0	147	6,5%			0,0%
German Residential	406	277	4,8%	70	44	4,6%
Hotels & Service sector	50	15	6,4%	667	333	5,5%
Operating Hotel properties	988	192	7,6%*			0,0%
Reinforcement FDM	0	217	5,9%			0,0%
Total	**1 691**	**1 054**	**6,3%**	**762**	**390**	**5,5%**

**EBITDA yield*

With €1.4 billion in Group share in secured acquisitions achieved across all asset categories, in particular Hotels in lease properties and Operating Hotel properties, Foncière des Régions continued its asset acquisition strategy in strategic markets this year, with:

- France Offices acquisitions, including €129 million for Vinci's head office in Rueil Malmaison.
- Germany Residential acquisitions, in particular in Berlin, of several asset portfolios for €277 million in Group share.
- The signature in late 2016 for a portfolio of 19 hotels in Spain, located primarily in Madrid and Barcelona, for €271 million in Group share. The acquisition will close in 2017.
- Acquisitions of hotel operating properties for a total of €192 million in Group share, in particular with the purchase of the Rock portfolio in Germany, in Berlin and Dresden, for €156 million in Group share, which has already generated value creation of 11.5% at the end of 2016.

G. DEVELOPMENT PROJECTS: €4.0 BILLION (€3.1 BILLION GROUP SHARE)

Foncière des Régions renewed and more than doubled the size of its pipeline this year, to €4.0 billion (€3.1 billion in Group share) versus €1.3 billion at the end of 2015. Thirteen new projects were launched in 2016, while eleven properties were delivered. At the same time, ten new managed projects will be added to the development pipeline between now and 2020, and beyond. The Group also benefits from a €200 million pipeline (€121 million in Group share) in Germany Residential, almost entirely in Berlin. One quarter of these projects will be launched in 2017.

The Group set a value creation objective of over 20% on the committed pipeline.

1. 11 projects delivered in 2016 in France Offices and Hotels

The growth in rental income in 2016 was driven in particular by the real estate strategy, focusing on the development pipeline. France Offices delivered approximately 47,000 m² of office space during 2016. In the Hotels and Service Sector, five new B&B assets were delivered, including four in Germany.

2. Committed projects: €705 million in Group share, up 15% over the year

The pro-active strategy of renewing the pipeline in France Offices and Italy Offices as well as in Hotels led to growth of 15% in the committed pipeline in 2016, to €705 million Group share. The pre-letting rate for the pipeline stood at 44% as at 31 December 2016.

In France Offices, the renewal was accomplished mainly through the Hélios project in Lille, for 8,700 m², as well as through the Riverside project in Toulouse, for 11,000 m². Both projects will be delivered in 2018.

The Italy Offices pipeline increased by €182 million (€101 million Group share) with the entry of four new projects in Milan.

Lastly, in Hotels, the Group signed new development agreements with Meininger in Paris, B&B in France, and with Club Med in Samoëns.

	Projects in Group share	Location	Project	Surface* (m²)	Target rent (€/m²/year)	Pre-leased (%)	Total Budget** (M€)	Target Yield***	Progress	Capex to be invested
Offices France	Silex I	Lyon	Construction	10 700 m²	280	86%	47	6,5%	85%	5
	Euromed Center -Offices Hermione (FdR share 50%)	Marseille	Construction	10 400 m²	265	0%	14	>7%	85%	2
	Thaïs	Levallois - Greater Paris	Construction	5 500 m²	480	0%	40	6,2%	80%	4
	Euromed Center - Offices Floreal (FdR share 50%)	Marseille	Construction	13 400 m²	265	0%	18	>7%	70%	5
	O'rigin	Nancy	Construction	6 300 m²	195	81%	20	6,2%	55%	7
	Edo	Issy Les Moulineaux - Greater Paris	Regeneration-Extension	10 800 m²	430	100%	83	6,0%	55%	19
	ENEDIS - New Saint Charles	Reims	Construction	10 300 m²	141	100%	19	>7%	20%	13
	Art&Co	Paris	Régénération	13 500 m²	520	5%	130	5,0%	20%	20
	Total deliveries 2017			**80 900 m²**	**407**	**44%**	**372**	**6,0%**	**49%**	**75**
	Hélios	Lille	Construction	8 700 m²	160	0%	21	>7%	10%	16
	Riverside	Toulouse	Construction	11 000 m²	195	0%	32	7,0%	20%	23
	Ilot Armagnac (FdR share 35%)	Bordeaux	Construction	31 700 m²	200	29%	35	6,5%	5%	33
	Total deliveries 2018			**51 400 m²**	**189**	**11,6%**	**89**	**6,8%**	**12%**	**72**
	Total Offices France			**132 300 m²**	**365**	**38%**	**460**	**6,1%**	**42%**	**147**
Offices Italy	Via Colonna	Milan	Regeneration	3 500 m²	260	0%	8	5,1%	9%	2
	Via Cernaia	Milan	Regeneration	8 300 m²	420	0%	30	5,2%	21%	6
	Corso Ferrucci	Turin	Regeneration	45 600 m²	130	22%	46	5,7%	26%	13
	Total deliveries 2017			**57 400 m²**	**246**	**12%**	**84**	**5,5%**	**22%**	**21**
	Milan, P. Amedeo	Milan	Regeneration	7 000 m²	460	0%	30	5,1%	0%	7
	Milan, Piazza Monte Titano	Milan	Regeneration	6 000 m²	190	100%	12	5,0%	9%	4
	Symbiosis A+B	Milan	Construction	19 000 m²	300	80%	45	6,8%	24%	21
	Total deliveries 2018			**32 000 m²**	**340**	**55%**	**86**	**6,0%**	**14%**	**33**
	Total Offices Italie			**89 400 m²**	**294**	**34%**	**170**	**5,7%**	**18%**	**54**
Hotels & Service	B&B Lyon	Lyon - France	Construction	113 rooms	na	100%	2	5,5%	33%	1
	Club Med Samoëns	France	Construction	420 rooms	na	100%	12	5,9%	60%	5
	B&B Berlin	Berlin - Germany	Construction	140 rooms	na	100%	6	7,0%	34%	4
	Total deliveries 2017			**673 rooms**	**na**	**100%**	**20**	**6,2%**	**50%**	**10**
	B&B Chatenay Malabry	Châtenay Malabry - Greater Paris	Construction	255 rooms	na	100%	2	6,3%	23%	2
	B&B Nanterre	Nanterre - Greater Paris	Construction	150 rooms	na	100%	3	6,2%	70%	1
	Motel One Porte Dorée	Paris	Construction	173 rooms	na	100%	9	6,2%	66%	3
	Meininger Munich	Munich - Germany	Construction	420 rooms	na	100%	15	6,0%	55%	7
	Total deliveries 2018			**998 rooms**	**na**	**100%**	**29**	**6,1%**	**58%**	**12**
	Meininger Porte de Vincennes	Paris	Construction	249 rooms	na	100%	23	6,2%	35%	15
	B&B Bagnolet	Paris	Construction	108 rooms	na	100%	2	6,3%	16%	2
	Total deliveries 2019 and beyond			**357 rooms**	**na**	**100%**	**25**	**6,2%**	**34%**	**17**
	Total Hotels & Service			**2 028 rooms**	**na**	**100%**	**75**	**6,2%**	**47%**	**39**
	Total			**221 700 m²**	**na**	**44%**	**705**	**6,0%**	**37%**	**240**

**Surface 100%*

***Including land cost and financial cost*

****yield on total rents including parkings, restaurants, etc.*

3. Managed projects: €2.3 billion Group share

	Projects	Location	Project	Surface* (m²)	Delivery timeframe
Offices France	Cité Numérique	Bordeaux	Regeneration-Extension	18 600 m²	2018
	Opale	Meudon - Greater Paris	Construction	30 000 m²	2019
	Campus New Vélizy Extension (QP FdR 50%)	Vélizy - Greater Paris	Construction	14 000 m²	2019
	ENEDIS Angers	Angers	Construction	4 700 m²	2019
	Silex II	Lyon	Regeneration-Extension	30 900 m²	2020
	Canopée	Meudon - Greater Paris	Construction	47 000 m²	2020
	Avenue de la Marne	Montrouge - Greater Paris	Construction	21 200 m²	2020
	Montpellier Majoria	Montpellier	Construction	64 000 m²	2018-2020
	Philippe Auguste	Paris	Regeneration	13 200 m²	>2020
	Cap 18	Paris	Construction	50 000 m²	>2020
	Rueil Vinci	Rueil-Malmaison - Greater Paris	Regeneration-Extension	43 000 m²	>2020
	Omega	Levallois-Perret - Greater Paris	Regeneration-Extension	21 500 m²	>2020
	Citroën PSA - Arago	Paris	Regeneration	19 500 m²	>2020
	Anjou	Paris	Regeneration	11 000 m²	>2020
	Orange Gobelins	Paris	Regeneration	4 100 m²	>2020
	DS Campus Extension 2 (QP FdR 50%)	Vélizy - Greater Paris	Construction	11 000 m²	>2020
	Total Offices - France			**403 700 m²**	
Italy	Via Schievano	Milan	Regeneration	31 800 m²	2019
	Symbiosis (autres blocs)	Milan	Construction	101 500 m²	2022
	Total Offices - Italy			**133 300 m²**	
	Total			**537 000 m²**	

**Surface at 100%*

The pipeline growth was also observed in the managed projects sector, with an increase of €1.6 billion compared to end-2015, mainly in France Offices. This increase was marked by the strategy of concentrating on large European cities, with an additional 270,000 m² in Paris and Milan, which will nourish the Group's future value creation.

H. PORTFOLIO

Portfolio value up 4.8% at a like-for-like scope

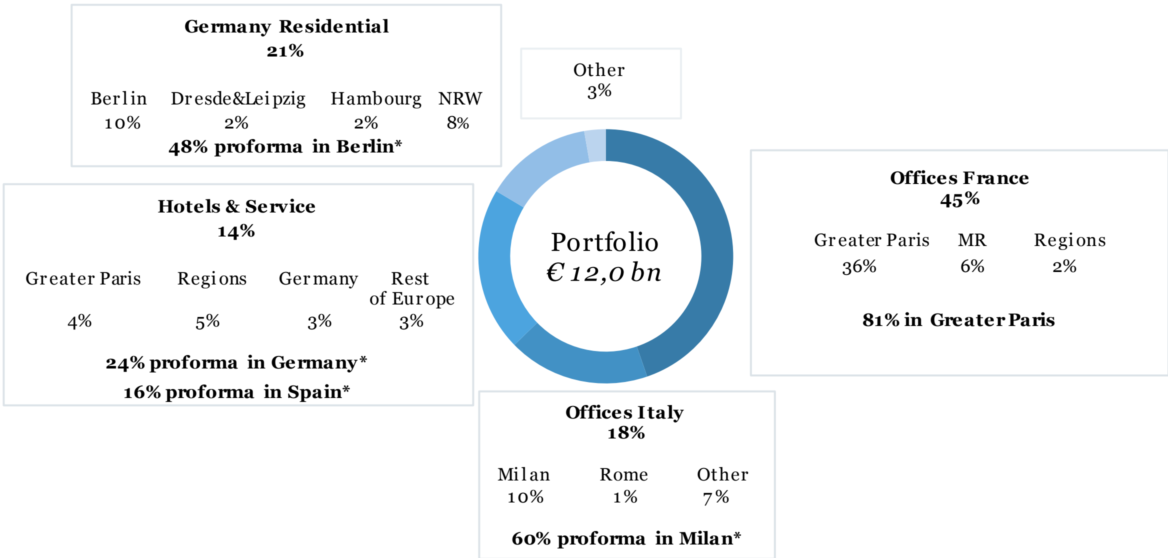
(€ million, Excluding Duties)	Value 2015 100%	Value 2016 100%	Value 2016 Group share	LfL* change 12 months	Yield 2015	Yield 2016	% of portfolio
Offices - France	5 589	6 183	5 318	5,7%	6,0%	5,7%	45%
Offices - Italy	3 905	4 094	2 139	1,8%	5,7%	5,7%	18%
Residential Germany	3 603	4 004	2 477	8,4%	6,0%	5,4%	21%
Hotels & Service	3 663	4 413	1 631	1,7%	6,0%	5,7%	14%
Other	772	489	323	-0,7%	4,0%	2,9%	3%
Parking facilities	186	57	34	n/a	n/a	n/a	0%
Portfolio	**17 718**	**19 240**	**11 921**	**4,8%**	**5,8%**	**5,5%**	**100%**
Equity affiliates	41	46	46				
Total - Consolidated	**17 759**	**19 286**	**11 967**				
Total - Group share	**10 992**	**11 967**					

**LfL: Like-for-Like*

The Group share of Foncière des Régions' total asset portfolio at 31 December 2016 stood at €12.0 billion (€19.3 billion at 100%) compared to €11.0 billion at end-2015, a like-for-like increase of 4.8% compared to end-2015.

Like-for-like change in value reflects the pertinence of the Group's strategic allocation choices: +5.7% in France Offices (thanks to the developments launched, increasing 20% at like-for-like scope in 2016) and +8.4% in Germany Residential (including +12.4% in Berlin). In Italy, the trend continues to improve with 5.8% like-for-like growth in asset value in Milan, excluding Telecom Italia.

Geographic breakdown



**Proforma of the acquisition of the hotel porfolio in Spain and the sharing of the Telecom Italia portfolio, realized in early 2017.*

60% in Paris, Berlin, Milan

75% in large European cities

I. LIST OF MAJOR ASSETS

The value of the ten main assets represents almost 14% of the portfolio Group share.

Top 10 Assets*	Location	Tenants	Surface (m²)	FdR share
Tour CB 21	La Défense (Greater Paris)	Suez Environnement, AIG Europe, Nokia, Groupon	68 077	75%
Carré Suffren	Paris 15	AON, Institut Français, Ministère Education	24 864	60%
Dassault Campus	Velizy Villacoublay (Greater Paris)	Dassault Systèmes	56 554	50%
New Velizy	Velizy Villacoublay (Greater Paris)	Thales	46 163	50,1%
Tours Garibaldi	Milan	Maire Tecnimont, Linkedin, etc.	44 650	52,2%
Natixis Charenton	Charenton-le-Pont (Greater Paris)	Natixis	37 835	100,0%
Paris Carnot	Paris 17	Orange	11 182	100,0%
Green Corner	St Denis	HAS et Systra	20 817	100,0%
Anjou	Paris 8	Orange	10 067	100,0%
Percier	Paris 8	Chloe	8 781	100,0%

**Excluded assets under commitments*

2. Business analysis by segment

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

A. FRANCE OFFICES

1. An intense year in 2016, driven by a strong market[1]

The €5.3 billion France Offices portfolio of Foncière des Régions is mainly located in the Paris region, while keeping a significant exposure to major regional cities. In parallel with the rise in asset values, rental activity in the office market remained steady during the year.

- At 2.4 million m² in 2016, take-up increased by 7% in the Paris region (of which +28% in central Paris), amid a strong appetite for premises of more than 5,000 m² (+23%) and new or redeveloped premises (72% of demand)
- The vacancy rate is at its lowest since 2009, at 6.7%. The vacancy rate is particularly low in Paris (around 3%), but has also fallen in the inner suburbs, particularly La Défense (9% vacancy rate versus more than 10% at end-2015)
- There was an unprecedented fall in the supply of new premises, which represented less than 15% of the 3.5 million m² available. Paris region saw around 1.2 million m² of large new or refurbished premises being built, of which only 570,000 m² are still available
- The average nominal rents were stable at €374/m² for new premises and €323/m² for second-hand premises. Conversely, prime rents have risen to €760/m², up 8% year-on-year and significantly higher than the low of €705/m² recorded in mid-2015
- In Lyon, take-up continued to grow in 2016 to 290,000 m², an increase of 7%. The Group is mainly exposed to the sought-after business district of La Part-Dieu, which saw its vacancy rate fall to an all-time low of 3% and where the lack of new premises has resulted in lower incentives.
- In Marseille, tenants are targeting the Euroméditerranée business district, which has accounted for more than 80% of the demand for new premises in recent years, and where the Group has most of its properties, some of which are under construction. New offices are in short supply (at just 8,000 m²), as is the case elsewhere in Marseille, where the vacancy rate has fallen to a record level of 4%
- For France Offices, investment remains strong at €23.6 billion (of which €17.2 billion in the Paris region), close to the record highs of 2007 and 2015. At between 3.0% and 5.5%, the yield rates continued to decline in the Paris region. The spread with the government bond rate is still significant.

In 2016, the France Offices segment reported:

- Strong development project activity, with delivery of six buildings already 94% pre-let and an increase in the pipeline to €2.5 billion
- Intense rental activity, with leases agreed or renewed for more than 500,000 m² (i.e. more than a quarter of the portfolio), guaranteeing cash flows and providing a source of value creation
- The continued qualitative rotation of the portfolio, with €124 million in non-core asset disposals and targeted acquisitions for €160 million in Greater Paris
- a +5.7% increase in values at a like-for-like scope, reflecting the success of projects under development, rental agreements with key accounts and the continuing strong performance of the Group's core markets.

[1] *Source: Immostat, CBRE, JLL*

Assets held partially are the following:

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

2. Recognised rental income: €250 million, up 5%

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

(€ million)	Surface (m²)	Number of assets	Rental income 2015 100%	Rental income 2015 GS	Rental income 2016 100%	Rental income 2016 GS	Change GS (%)	Change GS (%) LfL*	% of rental income
Paris Centre West	90 293	12	35,5	35,9	37,4	37,5	4,5%	-1,3%	15,0%
Southern Paris	77 902	11	30,4	25,7	27,8	23,2	-10,0%	2,2%	9,3%
North Eastern Paris	110 191	6	20,6	20,6	19,1	19,1	-7,0%	-1,3%	7,7%
Wester Crescent and La Défense	230 144	22	58,5	51,5	69,0	61,6	19,7%	-0,5%	24,7%
Inner suburbs	369 142	21	40,8	31,5	51,8	38,5	22,3%	-2,1%	15,4%
Outer suburbs	111 104	47	12,8	12,8	11,3	11,3	-12,0%	-3,1%	4,5%
Total Paris Region	**988 775**	**119**	**198,6**	**177,9**	**216,4**	**191,2**	**7,4%**	**-1,0%**	**76,6%**
MRC	425 683	73	30,8	30,6	30,4	30,5	-0,4%	1,2%	12,2%
Other French regions	454 272	170	29,4	29,4	28,0	28,0	-4,9%	0,3%	11,2%
Total	**1 868 730**	**362**	**258,9**	**238,0**	**274,8**	**249,7**	**4,9%**	**-0,5%**	**100,0%**

**LfL : Like-for-Like*

Rental income rose 4.9% to €250 million Group share (+€11.7 million). This change is the combined result of:

- Asset acquisitions and deliveries (+€22.6 million):
    - €10.1 million due to acquisitions, including the Vinci head office in Rueil Malmaison in April 2016 (€7.6 million) and the Omega B building in Levallois, purchased in late 2015
    - Deliveries of pre-let properties accounting for €12.6 million including:
        - Steel in July 2015, in Paris Centre West, fully rented to One Point (effective 2016)
        - Campus Eiffage in August 2015, a turnkey project leased to Eiffage in Vélizy for 12 years firm
        - Green Corner in September 2015, in Saint-Denis, 89% leased to the French Health Authority for a term of ten years firm, effective March 2016) and to Systra
        - Turnkey property rented to Bose in January 2016 in St Germain en Laye
        - Turnkey property rented to Schlumberger in February 2016 in Montpellier
        - Two buildings at Euromed in Marseille
        - Turnkey property rented to Vinci in May 2015 in Nanterre
        - Turnkey property rented to ENEDIS in May 2015 in Avignon.

- An increase at a like-for-like scope of -0.5% (-€1.0 million) related to:
    - The positive effect of indexation (+€0.6 million, or +0.3%)
    - Rental activity (-€1.4 million, or -0.7%), with an unfavourable calendar effect in terms of the rental/vacating of premises and the slightly negative impact of 2015 renewals. Conversely, leases renewed and renegotiated in 2016 contributed to a 0.8% increase in rental income and bode well for 2017.
- Disposals (-€7.4 million), particularly outside Paris and in regional cities.

3. Annualised rental income: €275 million, up 4.4%

3.1. Breakdown by major tenants

(€ million) Group share	Surface (m²)	Number of assets	Annualised rental income 2015	Annualised rental income 2016	Change (%)	% of rental income
Orange	424 323	143	87,4	81,4	-6,9%	29,6%
Suez Environnement	58 866	2	21,4	21,5	0,7%	7,8%
EDF	167 702	22	19,0	17,4	-8,4%	6,3%
Eiffage	55 352	5	6,6	16,7	152,4%	6,1%
Thalès	68 935	2	9,8	12,3	25,2%	4,5%
Natixis	139 466	65	11,5	11,4	-1,2%	4,1%
AON	88 274	2	10,7	10,8	0,7%	3,9%
Lagardère	37 887	3	10,5	10,6	0,5%	3,8%
Cisco	15 592	1	5,4	5,4	-0,4%	1,9%
Lagardère	12 953	3	5,3	5,3	0,3%	1,9%
Cisco	11 461	1	4,8	4,8	0,0%	1,7%
Other tenants	787 918	113	71,1	77,7	9,4%	28,2%
Total	**1 868 730**	**362**	**263,5**	**275,2**	**4,4%**	**100%**

The 11 biggest tenants account for 72% of annualised rental income, versus 73% in 2015. The Group is diversifying its tenant base by signing new partnerships with key account tenants.

The main changes affecting Key Accounts were as follows:

- Vinci: acquisition of the company's head office in Rueil Malmaison
- Orange: decrease in exposure associated with partial disposals of assets
- EDF/ENEDIS: impacts of the renegotiation and vacating of premises rented in the Patio building in Lyon
- Dassault: delivery of the Vélizy Dassault Extension and inception of the lease in advance of completion for ten years firm on the existing campus and extension.

3.2. Geographic breakdown: the Paris region and major regional cities account for 90% of the annualised rental income

(€ million) GS	Surface (m²)	Number of assets	Annualised rental income 2015	Annualised rental income 2016	Change (%)	% of rental income
Paris Centre West	90 293	12	39,8	41,5	4,4%	15%
Southern Paris	77 902	11	21,2	21,3	0,7%	8%
North Eastern Paris	110 191	6	21,1	19,4	-7,9%	7%
Wester Crescent and La Défense	230 144	22	59,8	70,3	17,6%	26%
Inner suburbs	369 142	21	46,7	51,3	9,8%	19%
Outer suburbs	111 104	47	12,3	11,0	-9,9%	4%
Total Paris Region	**988 775**	**119**	**200,9**	**214,9**	**7,0%**	**78%**
MRC	425 683	73	33,0	32,8	-0,7%	12%
Other French regions	454 272	170	29,7	27,5	-7,3%	10%
Total	**1 868 730**	**362**	**263,5**	**275,2**	**4,4%**	**100%**

The Paris region still generates the highest annualised rental income, with a similar share compared to 2015. The growth in rental income from the Western Crescent and inner suburbs is due to asset deliveries in 2016, including the DS Campus extension, and to the acquisitions of the Vinci head office as well as a property situated in St Denis Pleyel, combining high yield and development potential.

4. Indexation

The indexation effect is +€0.6 million over one year (+0.3%). Specifically, 82% of rental income is indexed to the French Office Rent Index (ILAT), 17% to the Construction Cost Index, with the remainder indexed to the Commercial Rent Index (ILC) or Rental Reference Index (IRL). Rents benefiting from an indexation floor (1%) represent 30% of the annualised rental income and are indexed to the ILAT.

5. Rental activity

(€ million) Group share	Surface (m²)	Annualised rental income 2016	Annualised rental income (€/m²)
Vacating	61 302	7,3	119,5
Letting	19 881	2,5	125,1
Pre-letting	36 424	11,5	315,2
Renewal	448 077	65,5	146,1

Various agreements were signed in 2016, which also saw active asset management. Concerning the renewal and renegotiation of current leases, 20% of the nominal annualised rents were positively impacted by an asset management procedure, including numerous agreements signed with Key Accounts:

- Global memorandum signed with Orange covering 63 leases (€17 million in rental income) to extend their average maturity (+4,0 years). At the same time, preliminary purchase agreements were signed by Orange for eight regional properties totalling €23 million
- Memorandum signed with EDF/ENEDIS: extension of the average firm lease term for seven properties (€5.7 million in rental income), tacit renewal for seven properties, and signing of a lease for nine years firm as of 2018 for the Lyon Duguesclin building, including works (€2.1 million in rental income)
- Thalès: extension of the New Vélizy and TED leases: +3 years, €10.7 million in rental income (Group share)
- Cisco: renegotiation successfully conducted with a five-year extension of the lease (for six years firm) in exchange for a works programme.

On average, lease renegotiations and renewals resulted in a +0.8% increase on existing IFRS rents (Group share) and an extension of the leases by four years.

The pre-letting of assets continued with 36,424 m² let in 2016 generating €11.5 million in rental income, including 29 745 m² on assets under development (€8.7 million in rents). This mainly consisted of the pre-letting of the entire EDO building in Issy-les-Moulineaux, due to be delivered in 2017, for nine years firm to Transdev (a leading public transport group), and the signing of agreements for a total of 8,690 m² of office and retail space in the Silex 1 building in Lyon to BNP Paribas (six years firm), Axxes (nine years firm) and Nextdoor.

A total of 19,881 m² was leased out during the year, generating rental income of €2.5 million (Group share), notably with:

- the continuation of the leasing agreements for Euromed in Marseille concerning buildings delivered in 2015/2016, with leases signed for the Astrolabe and Calypso buildings for 9,177 m²
- the full letting of the CB21 tower at La Défense following the leasing of 1,384 m² to Regus
- the continued letting of Green Corner, 89% let following the additional lease agreed with Systra for 1,751 m²
- the leasing by the French National Forestry Office of 100% of the Villers les Nancy property for 3,790 m²
- the signing of a lease by Kering for the entire Paris Littré building on rue du Cherche Midi for 3,507 m².

A total of 61,302 m² were vacated, equivalent to €7.3 million in rent.

6. Lease expirations and occupancy rates

6.1. Lease expirations: residual lease term of 5.6 years firm (+0.2 years)

(€ million)	By lease end date (1st break)	% of total	By lease end date	% of total
2017	16,7	6%	12,7	5%
2018	32,0	12%	8,8	3%
2019	37,4	14%	19,2	7%
2020	14,3	5%	22,7	8%
2021	25,0	9%	42,5	15%
2022	27,8	10%	29,2	11%
2023	33,2	12%	34,3	12%
2024	10,5	4%	16,1	6%
2025	44,5	16%	50,7	18%
2026	25,3	9%	25,5	9%
Beyond	8,5	3%	13,5	5%
Total	**275,2**	**100%**	**275,2**	**100%**

The firm residual duration of leases improved by 0.2 points to 5.6 years. This was largely due to the rental agreements with Orange and EDF.

6.2. Occupancy rate: 95.6%

(%)	2015	2016
Paris Centre West	100,0%	97,2%
Southern Paris	100,0%	100,0%
North Eastern Paris	97,0%	96,7%
Wester Crescent and La Défense	97,0%	98,5%
Inner suburbs	93,6%	96,2%
Outer suburbs	89,7%	91,2%
Total Paris Region	**96,7%**	**97,2%**
MRC	94,8%	90,0%
Other French regions	91,6%	90,5%
Total	**95,8%**	**95,6%**

The occupancy rate remains high at 95.6% (versus 95.8% at end-2015). The positive impact of the rental activity (new leases) partially offsets the delivery of assets not yet fully let, such as Calypso in Marseille, where a lease for 2,000 m² was signed in February 2017.

7. Reserves for unpaid rent

No additional amounts were set aside for unpaid rents in the portfolio in 2016.

8. Disposals and disposal agreements: €95 million in new commitments in 2016

(€ million)	Disposals (agreements as of end of 2015 closed) 1	Agreements as of end of 2015 to close	New disposals 2016 2	New agrements 2016	Total 2016	Margin vs 2015 value	Yield	Total Realized Disposals = 1 + 2
Paris Centre West	0	11	0	0	**0**			0
Southern Paris	1	6	0	20	**20**	2,6%	6,2%	1
North Eastern Paris	25	0	0	2	**2**	0,0%	10,2%	25
Wester Crescent and La Défense	5	0	2	0	**2**	0,0%	9,4%	6
Inner suburbs	61	0	0	0	**0**			61
Outer suburbs	3	0	1	14	**15**	20,2%	4,5%	4
Total Paris Region	95	18	**2**	**36**	**38**	**8,6%**	**5,8%**	**97**
MRC	7	6	**6**	**6**	**12**	**-7,0%**	**8,6%**	**14**
Other French regions	11	1	**2**	**42**	**45**	**4,3%**	**8,6%**	**13**
Total	**113**	**25**	**11**	**84**	**95**	**4,4%**	**7,5%**	**124**

The new commitments (new disposals and new agreements) reflect the efforts made to improve the quality of the portfolio. In terms of volume, these new commitments are mainly located in non-strategic areas. They are composed of:

- 31% of the agreements signed with Orange, i.e. €29.7 million: implementation of the 2016 global memorandum (€22.7 million) and previous agreements (sale of part of the surface areas for €7 million)
- Four non-core assets of more than €5 million representing 39% of sales, i.e. €37.0 million: Avignon Gabriel, Paris Choisy, Paris Châtillon and Arras Victor Leroy;
- The remainder, i.e. €28.1 million, concerns sales of small assets in the outer Paris suburbs and in French regions other than the Paris region, and in major regional cities.

Over the period, effective disposals totalled €124 million, including the full sale of 23 assets for €76 million (of which €31 million for the Saint-Mandé property and €29 million for the Fontenay-sous-Bois property) and partial sales, in particular to Orange, within the framework of the partnership agreements signed between 2012 and 2013.

9. Acquisitions: €160 million in 2016, high yield and with the potential to create significant value

(€ million, including Duties	Surface (m²)	Location	Tenants	Acquisition Price	Yield
Rueil Lesseps	38 000	Rueil Malmaison	Vinci	129	7,8%
VPJ Orange (4)	1 973	/	Orange	6	9,0%
Cap 18 - Cicobail share (14,29%)	/	Paris	/	5	7,1%
St Ouen Victor Hugo - Building 3	1 400	St Ouen	Le Parisien	3	7,4%
Saint Denis / 175 Pleyel	11 584	Saint Denis	/	18	0,0
Total	**52 957**			**160**	**7,8%**

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

At year-end, Foncière des Régions acquired a multi-let property in Saint Denis Pleyel, which it plans to redevelop and extend in the medium term.

Foncière des Régions also made acquisitions aimed at expanding its ownership of real estate complexes it already partially owned:

- acquisition of Cicobail's 15% stake in tranche 1 of Cap 18 for €4.9 million in January 2016: Foncière des Régions now fully owns Cap 18, a high-potential business park in the 18th arrondissement of Paris with more than 50,000 m² of land reserves to be developed in the medium term.

10. Development projects: a pipeline of €2.5 billion, doubling in one year

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

In the Paris region, this strategy has translated as strategic locations in established business districts with solid public transport links. In major regional cities (with an annual take-up of more than 50,000 m²), the Group targets prime locations such as the La Part-Dieu district in Lyon.

The Group aims to create value of more than 20% on the pipeline.

10.1. Projects delivered

Approximately 46,700 m² were delivered in 2016, including 23,900 m² in established business districts in the Paris region and 22,800 m² in major regional cities.

For projects delivered in 2016, the occupancy rate stood at 94% in February 2017 versus 68% at end-2015.

- the building in Saint-Germain-en-Laye was delivered in January 2016 and has been fully rented to Bose since its delivery
- the building built for Schlumberger in Montpellier was delivered in February 2016
- the hotel in the Euromed Center, fully rented to Golden Tulip, was delivered in April
- the Calypso office building in the Euromed Center was delivered in April with a leasing rate of 29% on delivery. The leasing rate in early 2017 was 63%
- the Dassault Systèmes campus extension, fully let in November 2016.

Note: the psychiatric clinic with 120 rooms in Saint-Mandé was sold on its delivery in September 2016 for €32 million (with a 26% margin).

10.2. Committed projects: €460 million Group share

Projects at 100%	Location	Project	Surface (m²)	Target rent (€/m²/year)	Pre-leased (%)	Total Budget* (M€)	Target Yield**	Progress	Capex to be invested
Silex I	Lyon	Construction	10 700 m²	280	86%	47	6,5%	85%	5
Euromed Center - Bureaux Hermione	Marseille	Construction	10 400 m²	265	0%	29	>7%	85%	3
Thaïs	Levallois - Greater Paris	Construction	5 500 m²	480	0%	40	6,2%	80%	4
Euromed Center - Bureaux Floreal	Marseille	Construction	13 400 m²	265	0%	36	>7%	70%	10
O'rigin	Nancy	Construction	6 300 m²	195	81%	20	6,2%	55%	7
Edo	Issy Les Moulineaux - Greater Paris	Regeneration-Extension	10 800 m²	430	100%	83	6,0%	55%	19
ENEDIS - New Saint Charles	Reims	Construction	10 300 m²	141	100%	19	>7%	20%	13
Art&Co	Paris	Restructuration	13 500 m²	520	5%	130	5,0%	20%	20
Total deliveries 2017			**80 900 m²**	**395**	**41%**	**404**	**6,1%**	**52%**	**82**
Riverside	Toulouse	Construction	11 000 m²	195	0%	32	7,0%	20%	23
Hélios	Lille	Construction	8 700 m²	160	0%	21	>7%	10%	16
Ilot Armagnac	Bordeaux	Construction	31 700 m²	200	29%	102	6,5%	5%	95
Total deliveries 2018			**51 400 m²**	**194**	**19%**	**155**	**6,7%**	**9%**	**133**
Total			**132 300 m²**	**339**	**35%**	**559**	**6,3%**	**40%**	**215**
Total Group share				**365**	**38%**	**460**	**6,1%**	**42%**	**147**

**Including land and financial costs*

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

Several projects were launched during 2016:

- Riverside in Toulouse, involving the demolition and construction of a new 11,000 m² office building close to the centre of Toulouse. Construction work is under way with delivery scheduled for 2018
- Art&Co located on rue Traversière in Paris (12th arrondissement) near the Gare de Lyon, with 13,500 m² of office space undergoing restructuring. Work has been under way since the summer of 2016
- Bordeaux Armagnac, next to the station for the future high-speed rail link, where there are plans to construct a group of three new office buildings purchased off-plan in partnership with ANF Immobilier. Foncière des Régions has a 35% stake in the project and will retain 100% ownership of one of the buildings. Work is under way with delivery expected in 2018
- Hélios in Lille-Villeneuve d'Ascq, involving the construction of two new buildings of 8,700 m² in one of Lille's main business districts. Building permit was obtained in May 2016 and work started in late 2016.

A record number of deliveries will take place in 2017, with 80,800 m² of real estate valued at €404 million (€372 million group share).

Silex 1 (Lyon) was delivered in early January 2017 and was 86% pre-let. Work is continuing on the Hermione and Floreal buildings in the Euromed Center, as well as on the Thaïs (Levallois), O'rigin' (Nancy) and Edo (Issy) buildings, with deliveries scheduled for 2017.

10.3. Managed projects: €2.0 billion pipeline group share, almost tripling in one year

Around 390,000 m² are managed by Foncière des Régions for new developments and future redevelopments.

Projects	Location	Project	Surface* (m²)	Delivery timeframe
Cité Numérique	Bordeaux	Regeneration-Extension	18 600 m²	2018
Opale	Meudon - Greater Paris	Construction	30 000 m²	2019
Campus New Vélizy Extension (QP FdR 50%)	Vélizy - Greater Paris	Construction	14 000 m²	2019
ENEDIS Angers	Angers	Construction	4 700 m²	2019
Silex II	Lyon	Regeneration-Extension	30 900 m²	2020
Canopée	Meudon - Greater Paris	Construction	47 000 m²	2020
Avenue de la Marne	Montrouge - Greater Paris	Construction	21 200 m²	2020
Montpellier Majoria	Montpellier	Construction	64 000 m²	2018-2020
Philippe Auguste	Paris	Regeneration	13 200 m²	>2020
Cap 18	Paris	Construction	50 000 m²	>2020
Rueil Vinci	Rueil-Malmaison - Greater Paris	Regeneration-Extension	43 000 m²	>2020
Omega	Levallois-Perret - Greater Paris	Regeneration-Extension	21 500 m²	>2020
Citroën PSA - Arago	Paris	Regeneration	19 500 m²	>2020
Anjou	Paris	Regeneration	11 000 m²	>2020
Orange Gobelins	Paris	Regeneration	4 100 m²	>2020
DS Campus Extension 2 (QP FdR 50%)	Vélizy - Greater Paris	Construction	11 000 m²	>2020
Total			**403 700 m²**	

**Surface at 100%*

The Opale (30,000 m²) and Canopée (47,000 m²) projects in Meudon, as well as the Silex II project (30,900 m²) in Lyon are currently in the pre-letting phase and are liable to be launched, depending on the leasing agreements that may ensue.

A demolition permit was obtained in June 2016 for the property located on Avenue de la Marne in Montrouge. Asbestos dismantling/removal work has already begun. The project will be launched after the pre-letting phase.

Several turnkey rental projects are under study in the Pompignane business park in Montpellier (Majoria), with launches scheduled between end-2016 and 2018, for total office space of nearly 64,000 m².

Lastly, studies have been launched on certain assets in the operating portfolio, with a view to potential redevelopments in the medium/long term, particularly at Omega Levallois, Arago Paris (17th arrondissement) and Cap18 in Paris (18th arrondissement).

11. Portfolio values

11.1 Change in portfolio values: increase of €494 million (+10%) in Group share in 2016

(€ million, Excluding Duties Group share)	Value 2015	Value adjustment	Acquisitions	Disposals	Invest.	Value creation on Acquis./Disposals	Transfer	Value 2016
Assets in operation	4 405	235	160	-92	57	3	65	4 833
Assets under developement	420	41	0	-32	114	7	-65	485
Total	**4 824**	**276**	**160**	**-124**	**171**	**10**	**0**	**5 318**

11.2 Like-for-like change: +5.7%, i.e. +€277 million

(€ million, Excluding Duties)	Value 2015 100%	Value 2016 100%	Value 2016 GS	LfL change 12 months	Yield 2015	Yield 2016	% of total value
Paris Centre West	854	942	942	10,0%	4,7%	4,4%	18%
Southern Paris	539	589	456	8,2%	5,1%	4,7%	9%
North Eastern Paris	339	350	350	6,4%	6,2%	5,5%	7%
Wester Crescent and La Défense	1 181	1 379	1 219	5,4%	5,8%	5,8%	23%
Inner suburbs	1 195	1 325	898	4,0%	5,7%	5,7%	17%
Outer suburbs	149	144	144	-1,5%	8,2%	7,7%	3%
Total Paris Region	**4 257**	**4 730**	**4 009**	**6,3%**	**5,6%**	**5,4%**	**75%**
MRC	529	628	542	4,2%	6,8%	6,0%	10%
Other French regions	307	282	282	-5,1%	9,7%	9,8%	5%
Total in operation	**5 094**	**5 640**	**4 833**	**5,3%**	**6,0%**	**5,7%**	**91%**
Assets under development	495	543	485	9,8%	n.a	n.a	9%
Total	**5 589**	**6 183**	**5 318**	**5,7%**	**6,0%**	**5,7%**	**100%**

The 5.7% like-for-like increase in values was mainly driven by developments (+20% on the committed pipeline), rental agreements for the period, and higher values in the Paris region, particularly in Paris itself.

The yield on the operating portfolio stands at 5.7%, a drop of 29 bps versus year-end 2015 as a result of the compression of market rates and the improvement in portfolio quality.

12. Strategic asset segmentation

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

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

	Core Portfolio	Pipeline	No Core Portfolio	Total
Number of assets	79	16	267	**362**
Value Excluding Duties GS (€ million)	4 232	485	601	**5 318**
Annualised rental income	224	0	52	**275**
Yield	5,3%	n.a	8,6%	**5,7%***
Residual firm duration of leases (years)	5,9	n.a	4,2	**5,6**
Occupancy rate	97,1%	n.a	89,5%	**95,6%**

**Yield excluding development*

At the end of 2016, the *core* portfolio represented 80% of the portfolio, particularly following the five deliveries during the year, acquisitions and the increase in value of the Parisian assets.

The development portfolio has been reduced by two assets, with five deliveries transferred to the Core Portfolio and the sale of the Saint-Mandé clinic, partially offset by four new development projects. This segment totalled €485 million, equivalent to 9% of the portfolio.
The "Non-core" portfolio continued its downward trend and accounted for 11% of the portfolio (Group share) at the year-end, down 1 point in comparison to year-end 2015, particularly due to disposals.

B. ITALY OFFICES

Listed on the Milan stock exchange since 1999, Beni Stabili is the largest listed Italian property firm and is a 52.2% subsidiary of Foncière des Régions versus 48.5% at the end of December 2015. Beni Stabili is consolidated at 51.2% in the income statement of Foncière des Régions.

(€ million, 100% and Group share)	Surface (m²)	Number of assets	Rental income 2015 100%	Rental income 2015 GS FdR	Rental income 2016 100%	Rental income 2016 GS FdR	Change (%)	Change (%) LfL*	% of total
Offices - Telecom Italia	1 069 917	149	110,6	53,6	98,8	50,8	-5,3%	-1,9%	49%
Offices - excl. Telecom Italia	511 161	53	81,8	39,7	81,4	41,5	4,5%	0,7%	41%
Retail	98 226	18	18,1	8,8	20,0	10,2	16,2%	10,5%	10%
Others	4 567	18	0,1	0,0	0,0	0,0	n.a	n.a	0%
Sub-total	**1 683 871**	**238**	**210,6**	**102,1**	**200,2**	**102,5**	**0,3%**	**0,2%**	**100%**
Developement portfolio	230 690	6	0,0	0,0	0,1	0,0	n.a	n.a	0%
Total	**1 914 561**	**244**	**210,6**	**102,1**	**200,2**	**102,5**	**0,3%**	**0,2%**	**100%**

**LfL: Like-for-Like*

1. Milan: a growing market[2]

The strategy of Foncière des Régions in Italy is focused on Milan, where the Group's acquisitions and developments are concentrated. As of 31 December 2016, the company had a portfolio of €2.1 billion in Group share. The offices market in Milan had a robust year, continuing the trend from 2015:

- Take-up climbed 12% to 330,000 m² in Milan, due to the business centres outside of downtown and in the suburbs. Large retail spaces in new buildings were the most in demand (72% of take-up concerned so-called Grade A buildings)
- The overall vacancy rate was 10.5% (including 7% in the CBD, 5.8% in the Porta Nuova business district, and 7% in the semi-centre), but the global rate hides a strong disparity based on the type of building, with new or rebuilt assets representing only 20% of the supply, as compared to 28% at the end of 2015 and 45% in 2010
- Prime rents reached €515/m², its highest since 2012, with similar levels between the CBD and the Porta Nuova business district. At the same time, rental incentives fell to 2012 levels and stabilised at 12 months of rent
- Italy Offices' property investments reached a record level of €3.5 billion in 2016, with Milan accounting for the lion's share with €2.3 billion. The end of the year was extremely active, despite the political environment, with €1.2 billion in transactions in November and December

The acceleration of the Italy Offices strategy during 2016 can be seen in:

- The increasing exposure to the Milanese market, which accounted for 100% of the Group's acquisitions (€111 million) and four of its five development projects (€238 million)
- The diversification of the tenant base, with the sharing of 40% of the Telecom Italia portfolio representing the equivalent of €618 million disposal at 100% realized at appraisal values
- The success of the Group's rental strategy, which led to letting or renewing close to 80,000 m² in leases, including 30,000 m² in pre-let space.

[2] *Source CBRE, JLL, C&W*

2. Accounted rental income: +0.2% at a like-for-like scope

(€ million, 100% and Group share)	Surface (m²)	Number of assets	Rental income 2015 100%	Rental income 2015 GS FdR	Rental income 2016 100%	Rental income 2016 GS FdR	Change (%)	Change (%) LfL*	% of total
Offices - Telecom Italia	1 069 917	149	110,6	53,6	98,8	50,8	-5,3%	-1,9%	49%
Offices - excl. Telecom Italia	511 161	53	81,8	39,7	81,4	41,5	4,5%	0,7%	41%
Retail	98 226	18	18,1	8,8	20,0	10,2	16,2%	10,5%	10%
Others	4 567	18	0,1	0,0	0,0	0,0	n.a	n.a	0%
Sub-total	**1 683 871**	**238**	**210,6**	**102,1**	**200,2**	**102,5**	**0,3%**	**0,2%**	**100%**
Developement portfolio	230 690	6	0,0	0,0	0,1	0,0	n.a	n.a	0%
Total	**1 914 561**	**244**	**210,6**	**102,1**	**200,2**	**102,5**	**0,3%**	**0,2%**	**100%**

**LfL: Like-for-Like*

Between 2015 and 2016, the rental income grew by €0.4 million, or +0.3%, primarily due to:

- The acquisitions of Corso Italia, Scarsellini and the Messina A-C towers in Milan: €2.1 million
- Renewals and new leases: +€4.1 million
- The impact of the vacating of premises and of indexation (in part the impact of the vacating of an asset located in Milan – Via Cernaia, which entered in development in 2016): -€2.0 million
- The signing in the second trimester 2015 of a major agreement with Telecom Italia for renewal on all of its leases (€61 million in rent) for 15 years firm in return for a decrease in rents of 6.9%. Over the course of 2016, the impact of this renegotiation was -€1.0 million
- Asset disposals: -€6.7 million
- The reinforcement of Foncière des Régions in the capital of its subsidiary: +€5.4 million.

The change on a like-for-like basis of +0.2% over the period is primarily explained by the performance of the portfolio excluding Telecom Italia (+2.4%) due to the increase in the occupancy rate, which more than offsets the decrease resulting from the renegotiation of the Telecom Italia leases.

3. Annualised rental income: €110.6 million in Group share

3.1 Breakdown by portfolio

(€ million, Group share)	Surface (m²)	Number of assets	Annualised rental income 2015	Annualised rental income 2016	Change (%)	% of total
Offices - Telecom Italia	1 069 917	149	49,7	51,4	3,5%	46%
Offices - excl. Telecom Italia	511 161	53	41,0	47,8	16,6%	43%
Retail	98 226	18	10,0	11,3	12,8%	10%
Others	4 567	18	0,0	0,0	15,6%	0%
Sub-total	**1 683 871**	**238**	**100,7**	**110,5**	**9,8%**	**100%**
Developement portfolio	230 690	6	0,0	0,1	n.a	n.a
Total	**1 914 561**	**244**	**100,7**	**110,6**	**9,8%**	**100%**

The annualised rental income increased by 9.8% over the period, mainly due to the reinforcement of Foncière des Régions in the capital of its subsidiary (+7.7%). Besides that, the increase relating to acquisitions was partially offset by the effect of disposals of *non-core* assets with a global effect of +2.1%.

3.2 Geographic breakdown

(€ million, Group share)	Surface (m²)	Number of assets	Annualised rental income 2015	Annualised rental income 2016	Change (%)	% of total
Milan	611 559	46	41,0	48,6	18,5%	44%
Rome	89 371	29	7,6	6,2	-17,4%	6%
Turin	159 919	12	5,6	6,1	8,1%	6%
North of Italy (other cities)	635 113	92	29,0	31,0	6,9%	28%
Others	418 599	65	17,5	18,6	6,6%	17%
Total	**1 914 561**	**244**	**100,7**	**110,6**	**9,8%**	**100%**

Nearly 83% of rents come from assets located in the North of Italy and in Rome. Milan, which is the focus of the Group's strategy, represents close to 44% of rental income (versus 18% at the end of 2012) or +6 pts on average per year since 2012 and +13 pts after the Telecom Italia disposal (realised in 2017).

4. Indexation

The annual indexation of the rental income is usually calculated by taking 75% of the increase in the Consumer Price Index (CPI) applied on each anniversary of the signing date of the agreement. All of the leases are protected against negative indexation.

5. Rental activity

€ million, group share	Surface (m²)	Annualised rental income 2016
Vacating	17 541	2,6
Letting	31 878	4,0
Letting Development	30 634	3,0
Renewal	19 535	3,3

The main new leases relate to the Via Dante property in Milan, with a new tenant, Arav Fashion (total rental income of €1.3 million), and the Via Durini to McDonald's (total rental income of €1 million). Another major transaction is the letting of the Via Messina asset (Towers B and D) to Widiba (total rental income of €1.2 million for 6,530 m²). Finally, agreements were signed with H&M for the Vigevano and Monterero shopping centres.

On the development projects, FastWeb signed a 10.5 years lease, pre-letting 16,000 m² of the 19,000 m² of the Symbiosis building in Milan and an option to lease the remaining 3,000 m². The Monte Titano project was pre-let to the Meininger hotel group (total rental income of €1.0 million) and the Corso Ferrucci building in Turin was the subject of two leases with Eaton (total rental income of €0.8 million) and macFit (total rental income of €0.2 million).

Renewed leases concern mainly the Galleria del Corso - Gruppo Coin property in the centre of Milan. The structure of the rent has been renegotiated, with the fixed part decreasing and the variable part increasing.

The principal premises vacated this year in Milan concerned the following assets:

- Amadei in Milan (1,363 m²), with the tenant entering into a lease for another asset owned by the Group in Milan, Via Rombon
- Via Cernaia in Milan (7,497 m²), on which a redevelopment project began in 2016 for a planned delivery in the third quarter of 2017
- In Turin, the Via Lugaro and Viale Industria assets (1,117 m²).

6. Lease expirations and occupancy rates

6.1 Lease expirations: residual lease term of 9.0 years firm

(€ million Group share)	By lease end date (1st break)	% of total	By lease end date	% of total
2017	3,7	3%	0,7	1%
2018	4,1	4%	1,1	1%
2019	12,6	11%	0,9	1%
2020	4,3	4%	0,9	1%
2021	10,7	10%	0,7	1%
2022	15,5	14%	5,4	5%
2023	8,0	7%	3,3	3%
2024	2,4	2%	3,3	3%
2025	0,4	0%	3,3	3%
2026	0,0	0%	3,5	3%
Beyond	48,8	44%	87,4	79%
Total	**110,6**	**100%**	**110,6**	**100%**

Following the lease renegotiation with Telecom Italia in 2015, the firm lease term remains very long, at 9.0 years versus 9.7 years at 31 December 2015 (full term of 14.6 years).

6.2 Occupancy rate: a strong increase of +2.7 pts over the year

(%)	2015	2016
Offices - Telecom Italia	100,0%	100,0%
Offices - excl. Telecom Italia	85,9%	91,0%
Retail	89,5%	96,0%
Others	11,7%	9,8%
Total	**92,8%**	**95,5%**

The spot financial occupancy rate at 31 December 2016 was 95.5% for the operating portfolio, up from 92.8% at the end of 2015, thanks to two new leases (+2.0 pts). The assets entering the pipeline also contributed +0.7 pts to this increase. In particular, the portfolio's occupancy rate excluding Telecom Italia increased by 5.1 pts to 91.0% as a result of the plan to improve the quality of the portfolio launched at the end of 2015.

7. Reserves for unpaid rent

(€ million)	2015	2016
As % of rental income	0,9%	1,0%
In value *	0,9	1,0

** net provision / reversals of provison*

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

8. Disposals and disposal agreements: €701 million (€366 million in Group share)

(€ million, 100%)	Disposals (agreements as of end of 2015 closed)	Agreements as of end of 2015 to close	New disposals 2016	New agrements 2016	Total 2016	Margin vs 2015 value	Yield	Total Realized Disposals
	1		2	3	= 2 + 3			= 1 + 2
Milan	0	0	0	65	**65**	16,9%	4,1%	**0,0**
Rome	50	0	0	0	**0**	n.a	n.a	**50,2**
Other	5	3	7	11	**18**	5,3%	5,9%	**11,8**
Total	**55**	**3**	**7**	**76**	**83**	**14,2%**	**4,0%**	**62,0**
Telecom Italia portfolio	0	0	0	618	618	0,0%	6,3%	0,0
Total incl. TI	**55**	**3**	**7**	**694**	**701**	**1,5%**	**6,0%**	**62,0**
Total Group share	**29**	**2**	**4**	**363**	**366**	**1,5%**	**6,0%**	**32,4**

The sharing of 40% of the Telecom Italia portfolio represents the equivalent of €618 million in disposals (€323 million in Group share). This transaction enables the Group to improve the quality of its portfolio in Italy, to refocus the portfolio on Milan, and to diversify the tenant base, illustrating the acceleration of the Italy strategy in 2016. The operation will be carried out in the first half of 2017.

At the same time, €83 million in disposals of non-strategic assets were signed. The first principal agreements include two shopping centres in Milan.

9. Acquisitions: €111 million in 2016 and 2017 in Milan (€58 million in Group share)

		Acquisitions 2016			Acquisitions 2017 (signed in 2016)		
(€ million, Including Duties, 100% and Group share)	Location	Acquisition price 100% Beni	Acquisition Price GS FdR	Gross Yield	Acquisition price 100% Beni	Acquisition Price GS FDR	Gross Yield
Via Scarsellini 14	Milan	59,6	31,1	6,5%			
Via Messina Torre A Hotel	Milan	13,3	6,9	6,8%			
Via Messina Torre C	Milan	13,7	7,2	7,5%			
Marostica	Milan				24,7	12,9	6,6%
Total		**86,5**	**45,2**	**6,6%**	**24,7**	**12,9**	**6,6%**

In 2016, €111 million in acquisitions were secured, including one transaction with a property transfer set to take place during the first half of 2017. These four assets are located in the inner and outer suburbs of Milan, in strategic zones with low occupancy rates. They enable the company to strengthen its position in Milan and to improve the portfolio quality. The Group intends to create value through active asset management.

10. Development projects: a €790 million pipeline

10.1 Committed projects: an increase of €182 million to €325 million mainly in Milan

Projects at 100%	Location	Project	Surface (m²)	Delivery	Target offices rent (€/m²/year)	Pre-let (%)	Total Budget (€m)*	Target Yield**	Progress	Capex to be invested
Corso Ferrucci	Turin	Regeneration	45 600 m²	2017-19	130	22%	87	5,7%	26%	25
Via Colonna	Milan	Regeneration	3 500 m²	2017	260	0%	16	5,1%	9%	4
Via Cernaia	Milan	Regeneration	8 300 m²	2017	420	0%	57	5,2%	21%	11
Piazza Monte Titano	Milan	Regeneration	6 000 m²	2018	190	100%	22	5,0%	9%	8
Symbiosis A+B	Milan	Construction	19 000 m²	2018	300	80%	86	6,8%	24%	40
P. Amedeo	Milan	Regeneration	7 000 m²	2018	460	0%	56	5,1%	0%	14
Total			**89 400 m²**		**294**	**34%**	**325**	**5,7%**	**18%**	**103**
Total Group share					**294**	**34%**	**170**	**5,7%**	**18%**	**54**

**Including land and financial costs*

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

Six development projects were launched (two of them started in 2015 and four new projects started in Milan in 2016):

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

- The planned redevelopment of the existing Ferrucci asset in Turin, with delivery of one half of the surface area in 2017 and delivery of the other half in 2019-2020

- The planned redevelopment of the existing Piazza Monte Titano asset located in Milan, to be transformed into a Meininger hotel. The delivery is expected in the third trimester 2017

- The redevelopment project of an asset located on Via Colonna in Milan, whose delivery is expected in the third trimester 2017

- The redevelopment project of the Via Cernaia asset (Milan, Brera office district), which will involve the complete refurbishment of the asset and the addition of a luxurious rooftop extension. Delivery by the third trimester 2017

- The redevelopment of the Principe Amadeo building, located in the Porta Nuova area, which is intended to become a reference in Milan CBD.

10.2 Managed projects: €465 million of projects in Milan

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

Two projects are in the managed pipeline:

- The Schievano project consists of the construction of three office buildings for a total of 31,800 m², located at the southern limit of central Milan
- The Symbiosis project in Milan (except for parts A and B, already committed) with close to 75,000 m² of land held by the Group in a developing business district.

11. Portfolio values

11.1 Change in portfolio values

(€ million, Group share Excluding Duties)	Value 2015	Change in value	Acquisitions	Change in value on acq.	Disposals	Invest.	Rate var.	Value 2016
Offices - Telecom Italia	780	-2			-29	2	60	810
Offices - excl. Telecom Italia	821	23	65	1	-3	6	29	943
Retail	167	13				2	13	196
Others	4							4
Subtotal	**1 772**	**34**	**65**	**1**	**-32**	**10**	**102**	**1 953**
Development portfolio	121	3				18	44	186
Total	**1 894**	**36**	**65**	**1**	**-32**	**28**	**147**	**2 139**

The portfolio is valued at €2.1 billion in Group share at 31 December 2016, an increase of €245 million over the year, primarily due to the growth in appraised values on a like-for-like basis and to the acquisitions over the period.

The increase in the development portfolio is explained by the reclassification of the Vittorio Colonna asset (€6 million), the Piazza Monte Titano asset (€7 million), the Via Cernaia asset (€24 million), previously part of the *core* portfolio.

11.2 Like-for-like change: +1.8%

(€ million, Excluding Duties, 100% and Group share)	Value 2015 GS FdR	Value 2016 100%	Value 2016 GS FdR	LfL* change 12 months	Yield 2015	Yield 2016	% of total
Offices - Telecom Italia	780	1 551	810	-0,3%	6,4%	6,3%	38%
Offices - excl. Telecom Italia	821	1 804	943	2,6%	5,0%	5,1%	44%
Retail	167	375	196	7,2%	6,0%	5,8%	9%
Others	4	8	4	-10,1%	0,8%	1,0%	0%
Subtotal	**1 772**	**3 738**	**1 953**	**1,8%**	**5,7%**	**5,7%**	**91%**
Development portfolio	121	355	186	1,6%	n.a	n.a	9%
Total	**1 894**	**4 094**	**2 139**	**1,8%**	**5,7%**	**5,7%**	**100%**

**LfL: Like-for-Like*

The portfolio value increased by 1.8% at a like-for-like scope in 2016, thanks to the increase in the Offices portfolio excluding Telecom Italia (+2.6%). The value of the Telecom Italia portfolio remained basically stable despite the increase in the property tax on certain assets. In Milan, the values increased by +4.4% on average, on a like-for-like basis, including 5.8% excluding Telecom Italia.

(€ million, Excluding Duties)	Value 2015 GS FdR	Value 2016 100%	Value 2016 GS FdR	LfL* change 12 months	Yield 2015	Yield 2016	% of total
Milan	934	2 178	1 138	4,4%	4,9%	4,9%	53%
Turin	133	234	122	0,8%	6,9%	6,8%	6%
Rome	108	222	116	-1,3%	5,7%	5,4%	5%
North of Italy	460	930	486	-1,7%	6,3%	6,4%	23%
Others	258	530	277	-0,1%	6,8%	6,7%	13%
Total	**1 894**	**4 094**	**2 139**	**1,8%**	**5,7%**	**5,7%**	**100%**

**LfL: Like-for-Like*

C. HOTELS & SERVICE SECTOR

Foncière des Murs (FDM), a 49.9%-owned subsidiary of Foncière des Régions (43.1% owned at end-2015), is a listed property investment company (SIIC) specialising in the hotel real estate sector. Through its subsidiary, Foncière des Régions is now the leader in hotel investment in the large European cities and positioned as privileged partner of high-performing hotel operators. The figures are expressed as 100% and as Foncière des Régions Group share. In the Foncière des Régions income statement, FDM is consolidated at 43.15% for the first quarter of 2016, at 47.49% for the second quarter of 2016 and at 49.91% for the second semester. In the balance sheet, FDM is consolidated at 49.91%.

1. A growing European market with varying performances[3]

Foncière des Régions holds hotel assets of €1.6 billion Group share that are geographically diversified (in four Western European countries), operationally diversified (in investment and operating properties) and have a diversified rental base (with 25 brands). The European hotel market ended 2016 with growth but with varied performances, due to the impacts of the attacks in Paris, Nice and Brussels:

- The income per room increased on average by +0.8% in Europe in 2016, including +6% in December and +5% in November, as a result of the average price per room, while occupancy rates remained stable. While performances in Paris (-14%), Nice (-8%) and Belgium (-11.8%) were affected by the attacks, the rest of Europe saw sustained growth. The most highly performing countries in the portfolio in terms of income per room were Germany (+5%) and Spain (+12%), while France excluding the total Paris region saw 3% growth in income per room

- The outlook for the European hotel market is promising for 2017: income per room is expected to increase +8% in Spain and approximately +3% in Germany. The forecasts for France are at about +2% following a dynamic finish to 2016

- In the medium term, the trend remains positive thanks to the strong growth anticipated in the number of tourists (+56% forecast in Europe between 2010 and 2030) and the improvement of the growth outlook in Europe. In this promising environment, the sector is undergoing significant change with the arrival of innovative concepts (such as Meininger or Motel One, partners of Foncière des Régions), which should satisfy clients' new requirements, and competition from collaborative platforms such as Airbnb, which are facing increased regulation (such as in Berlin and Barcelona)

- Investments in the European hotel market remain high, at €18.2 billion, following a record year in 2015. The largest share of transactions was in Germany, with €5.2 billion, an increase of +18%, the largest of which was an €811 million transaction realized by Foncière des Régions. Spain remained stable at €2.3 billion with the second largest transaction of the year, also carried out by the Group, for €542 million.

In 2016, the hotels segment was characterised by:

- Significant external growth thanks to €1.7 billion (€541 million in Group share) in acquisitions signed on hotels under lease, but also in operating properties and through developments. Foncière des Régions was thus able to increase its exposure to the large European cities, in particular Berlin, Barcelona and Madrid

- A development pipeline that has doubled since the end of 2015, to €261 million (€75 million Group share) with the Group's long-time partners (B&B) and recent partners (Meininger, Motel One) and in strategic locations (Paris, Lyon, Berlin, Munich, etc.)

- A 1.8% increase in rental income on a like-for-like basis (Foncière des Régions Group share), illustrating the increased strength of Foncière des Régions in this asset class.

[3] *Source: MKG, BNP Real Estate*

2. Recognised rental income: +1.8% in Group share

Assets not held at 100% by FDM consist of the 175 B&B Hotels properties acquired since 2012 (held at 50.2%), as well as the 22 B&B assets in Germany (held at 93.0%) and two Motel One properties (held at 94.0%), acquired in 2015.

2.1. Breakdown by business sector

(€ million 100% and Group share)	Number of rooms	Number of assets	Rental income 2015 100% FDM	Rental income 2015 GS FdR	Rental income 2016 100% FDM	Rental income 2016 GS FdR	Change (%) 100%	Change (%) GS FdR	Change (%) LFL *GS	% of rental income
Hotels (leases)	38 093	363	151,5	57,5	143,9	59,3	-5,0%	3,2%	-3,9%	73%
Healthcare	0	26	15,2	6,5	9,7	4,5	-36,1%	-31,1%	0,0%	6%
Retail Premises	0	185	36,9	15,9	36,9	17,6	0,0%	10,4%	-0,3%	22%
Total	**38 093**	**574**	**203,6**	**80,0**	**190,5**	**81,4**	**-6,4%**	**1,8%**	**-2,9%**	**100%**
Operating properties (EBITDA)	**6 282**	**30**	**4,1**	**0,7**	**38,4**	**7,3**				

**LfL: Like-for-Like*

The consolidated rental income totalled €81.4 million in Group share at end-December 2016, an increase of 1.8% (+€1.4 million) compared to December 2015.

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

- Acquisitions and deliveries of assets under development, which increased rental income by €3.1 million
- Disposals of non-core assets (mainly poorly-performing AccorHotels hotels and Korian assets), which impacted rental income negatively, in the amount of -€7.6 million.
- The reinforcement of the Group in the capital of its subsidiary: +€7.5 million.

The 2.9% like-for-like decline in rental income is due to the decrease in performance by AccorHotels properties (down 7.3%, indexed to hotel revenue) following the terrorist attacks in Paris and Brussels. In the AccorHotels portfolio, the rental income fell by 12% in Paris, and 15% in Belgium, but increased by 2% in the rest of France.

For the hotels in operating properties, EBITDA grew significantly, to €7.3 million in 2016 due to the acquisitions completed in 2016.

3. Annualised rental income: €75.5 million in Group share

3.1. Breakdown by business sector

(€ million, Group share)	Number of rooms	Number of assets	Annualised rental income 2015	Annualised rental income 2016	Change (%)	% of rental income
Hotels	33 002	315	58,5	57,0	-2,6%	76%
Healthcare	0	1	6,2	0,1	-98,8%	0%
Retail Premises	0	184	16,0	18,4	15,2%	24%
Total	**33 002**	**500**	**80,7**	**75,5**	**-6,5%**	**100%**

Since the end of 2015, the distribution of rental income has evolved, particularly with the sale of the Healthcare portfolio and of the AccorHotels assets: Hotels now represent 76% of the total rents, as compared to 73% and the end of 2015, and will increase in 2017 with the signature of a preliminary agreement to acquire a portfolio of 19 hotels in Spain. The transfer of ownership is expected to occur in the first quarter of 2017.
The increased stake of Foncière des Régions in the share capital partly offset the decrease in rental income, with an impact of +15.7%.

3.2. Breakdown by tenant

(€ million, Group share)	Number of rooms	Number of assets	Annualised rental income 2015	Annualised rental income 2016	Change (%)	% of rental income
AccorHotels	10 249	78	34,1	26,1	-23,5%	35%
B&B	18 871	229	14,7	19,2	30,7%	25%
Korian	0	1	6,2	0,1	-98,8%	0%
Quick	0	81	7,3	8,4	15,7%	11%
Jardiland	0	48	5,8	6,7	14,1%	9%
Sunparks	2 801	4	6,0	7,1	18,2%	9%
Courtepaille	0	55	2,8	3,3	15,8%	4%
Club Med	392	1	1,5	2,0	34,1%	3%
NH	232	1	1,4	1,7	16,4%	2%
Motel One	457	2	0,9	1,0	n/a	1%
Total	**33 002**	**500**	**80,7**	**75,5**	**-6,5%**	**100%**

The exposure to the AccorHotels group decreased significantly in 2016 (-23.5% of rental income) following the disposal of 45 assets, from 42% at the end of 2015 to 35% at the end of 2016. The share of the hotel operator B&B has increased since the end of 2015 (+7 pts) with the delivery of five assets developed in 2016 and the acquisition of a portfolio of eight hotels in France.

3.3. Geographic breakdown

(€ million, Group share)	Number of rooms	Number of assets	Annualised rental income 2015	Annualised rental income 2016	Change (%)	% of rental income
Paris	3 470	16	13,0	10,4	-20,3%	14%
Inner suburbs	528	6	1,5	1,6	5,7%	2%
Outer suburbs	3 324	64	8,1	7,5	-6,8%	10%
Total Paris Regions	**7 322**	**86**	**22,5**	**19,4**	**-13,7%**	26%
MRC France	6 254	89	14,2	12,1	-15,3%	16%
Other French Regions	8 978	256	25,0	20,9	-16,6%	28%
Germany	5 196	49	6,7	8,8	30,0%	12%
Belgium	4 166	14	9,3	10,4	11,4%	14%
Other	1 086	6	2,9	4,0	37,9%	5%
Total	**33 002**	**500**	**80,7**	**75,5**	**-6,5%**	**100%**

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

Spain will represent 16% of the annualised rental income following the acquisition of 19 Spanish hotels.

4. Indexation

65% of the rental income is indexed to benchmark indices. Indexation had a limited impact in 2016, given the movement in benchmark indices (Construction Cost Index, consumer price index for international assets).

35% of the rental income is indexed to the revenues of AccorHotels, whose decline explains about 15% of the decrease in rental income.

5. Lease expirations and occupancy rates

(€ million, Group share)	By lease end date (1st break)	% of total	By lease end date	% of total
2017	0,8	0%	0,0	0%
2018	3,1	4%	3,1	4%
2019	8,6	11%	8,6	11%
2020	0,1	0%	0,1	0%
2021	0,3	0%	0,3	0%
2022	0,1	0%	0,1	0%
2023	0,0	0%	0,0	0%
2024	0,1	0%	0,1	0%
2025	16,5	22%	16,5	22%
2026	2,3	3%	2,3	3%
Beyond	43,5	58%	44,3	59%
Total	**75,5**	**100%**	**75,5**	**100%**

At the end of December 2016, the firm residual duration of leases remained very high, at 10.4 years on average compared to 10.7 years at 31 December 2015, and the occupancy rate was still 100%.

6. Reserves for unpaid rent

As in 2015, no additional amounts were set aside for unpaid rents in the portfolio in 2016.

7. Disposals and disposal agreements: portfolio quality improvements

(€ million, 100%)	Disposals (agreements as of end of 2015 closed)	Agreements as of end of 2015 to close	New disposals 2016	New agrements 2016	Total 2016	Margin vs 2015 value	Yield	Total Realized Disposals
	1		2	3	= 2 + 3			= 1 + 2
Hotels	361	0	0	8	8	0,0%	6,4%	361
Healthcare	2	0	296	2	298	27,1%	4,8%	298
Retail Premises	3	3	0	0	0	n.a	n.a	3
Total	**367**	**3**	**296**	**10**	**305**	**26,3%**	**4,9%**	**662**
Total Group share	**183**	**2**	**148**	**5**	**152**	**26,3%**	**4,9%**	**331**

In 2016, Foncière des Régions accelerated its policy of improving the quality of its portfolio by disposing of 45 poorly-performing hotels (AccorHotels) for €361 million. At the same time, 27 assets were sold for €301 million. These disposals related to 26 nursing homes, with a 27% margin over the appraisal value, and one nursery.

8. Acquisitions: €716 million in Hotels and €988 million in operating properties

				Acquisitions 2016			Acquisitions 2017 (signed in 2016)		
(€ million, Including Duties 100% and Group share)	**Number of rooms**	**Location**	**Tenants**	**Acquisition Price 100%**	**Acquisition Price GS FdR**	**Gross Yield**	**Acquisition Price 100%**	**Acquisition Price GS FdR**	**Gross Yield**
B&B France (8 assets)	734	France	B&B	39	10	6,3%			
B&B Spain (4 assets)	462	Spain	B&B	11	6	6,5%			
NH portfolio (effective in 2017)	901	Germany	NH	0	0	0,0%	125	62	6,1%
Roca portfolio (19 assets)	3 825	Spain	Multi-tenant				542	271	5,4%
Total Acquisitions Investment properties	**1 196**			**50**	**15**	**6,4%**	**667**	**333**	**5,5%**
Rock	4 131	Germany	Multi-tenant	811	156	7,7%*			
Hermitage	648	France & International	Multi-tenant	125	25	7,6%*			
Crowne Plaza Brussels Airport	315	Belgium	IHG	52	11	6,0%*			
Total Acquisitions Operating properties	**5 094**			**988**	**192**	**7,6%***	**n.a.**	**n.a.**	**n.a.**

***EBITDA yield*

Foncière des Régions continued its strategy of strengthening its presence in the large European cities, in particular Berlin, Madrid, and Barcelona, with €717 million (€348 million Group share) of acquisitions in hotels investment properties and €988 million (€192 million Group share) in operating hotel properties.

In Hotels, the Group strengthened its partnership with B&B and its European exposure, with:

- Four B&B Hotels properties in Spain for €6 million Group share, with firm 15-year leases
- A portfolio of eight B&B Hotels located in France, for a total of €10 million Group share
- Entry into preliminary sale agreements for the acquisition of five NH Hotels in Germany for €62 million in Group share at a yield of 6.1%. Completion of the acquisition is expected to occur in 2017
- A €542 million (€271 million in Group share) portfolio in Spain, enabling the Group to penetrate the rapidly growing Spanish market with a portfolio of critical size. The 19 hotels and 3,825 rooms acquired are primarily located in Barcelona and Madrid. It enables Foncière des Régions to establish new partnerships with the principal operators in the sector (Barcelo, Melia, Hotusa, and NH).

In operating properties, the size of the portfolio is ten times larger, through the following acquisitions:

- A portfolio of €811 million (€156 million in Group share) located mostly in Berlin, Dresden and Leipzig. The portfolio includes nine hotels (4,131 rooms), 18,000 m² of ground-floor retail (located at 88% in Berlin) and a land reserve of 70,000 m² in Berlin, Alexanderplatz, representing large development potential in the medium term
- A portfolio of nine hotels (648 rooms) located in the north of France and in Belgium, for an amount of €125 million (€25 million in Group share)
- The Crowne Plaza Brussels Airport Hotel for €52 million (€11 million in Group share).

9. Development projects: a €261 million pipeline (€75 million group share)

9.1. Committed projects: €261 million, 100% pre-let

Projects 100%	Location	Project	Number of rooms	Pre-let (%)	Total Budget* (€ m)	Yield**	Progress	Capex to be invested (€ m)
B&B Lyon	Lyon - France	Construction	113	100%	8,8	5,5%	33%	6
Club Med Samoëns	France	Construction	420	100%	99,5	5,9%	60%	40
B&B Berlin	Berlin - Germany	Construction	140	100%	11,3	7,0%	34%	7
Total deliveries 2017			**673**	**100%**	**119,6**	**6,0%**	**56%**	**53**
B&B Chatenay Malabry	Châtenay Malabry - Greater Paris	Construction	255	100%	8,8	6,3%	23%	7
B&B Nanterre	Nanterre - Greater Paris	Construction	150	100%	11,1	6,2%	70%	3
Motel One Porte Dorée	Paris	Construction	173	100%	36,8	6,2%	66%	12
Meininger Munich	Munich - Germany	Conversion	420	100%	29,3	6,0%	55%	13
Total deliveries 2018			**998**	**100%**	**86,0**	**6,1%**	**59%**	**36**
Meininger Porte de Vincennes	Paris	Construction	249	100%	47,0	6,2%	35%	30
B&B Bagnolet	Paris	Construction	108	100%	7,8	6,3%	16%	7
Total deliveries 2019-2020			**357**	**100%**	**54,9**	**6,2%**	**33%**	**37**
Total			**2 028**	**100%**	**260,5**	**6,1%**	**52%**	**126**
Total Group share				**100%**	**74,7**	**6,2%**	**47%**	**39**

**Including land and financial costs*

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

In 2016, Foncière des Régions supported the development of B&B in France and Germany with the delivery of five new hotels. Five pre-let B&B hotels will also be delivered by 2020:

- A 140-room hotel in Berlin
- Four hotels in France, offering a total of 626 rooms.

Moreover, Foncière des Régions is pursing its strategy of supporting its new partners in their development in the large European cities, while diversifying its rental base and its European exposure, with the creation of several partnerships:

- A partnership with Meininger to develop two hotels in strategic locations. The first, a 420-room hotel in Munich, enables Foncière des Régions to strengthen its presence in Germany. The second, a 249-room hotel in Paris (Porte de Vincennes), is part of the German hotel group's strategy to penetrate the French market
- A partnership with Motel One in Paris (*Porte Dorée*) for the opening of their first hotel in France, launched in 2015 with delivery expected in 2018.

10. Portfolio values

10.1. Change in portfolio values

(€ million, Excluding Duties)	Value 2015	Rate Change	Value adjustment	Acquisitions	Disposals	Invest.	Value creation on Acquis./Disposals	Others	Value 2016
Assets in operation	1372	215	17	15	-297	11	0	13	**1 346**
Assets under development*	15	2	4	0	0	30	0	-13	**39**
Total	**1387**	**217**	**21**	**15**	**-297**	**41**	**0**	**0**	**1 385**
Hotel operating properties	24	0	2	192	0	0	24	4	**245**
Total	**1411**	**217**	**23**	**208**	**-297**	**41**	**24**	**4**	**1 631**

**Including Motel One Porte Dorée GS (held at 50%)*

The value of the portfolio is €1,631 million in Group share, an increase of €220 million, or +16%. It was positively impacted by a like-for-like improvement in value of +1.7%. For the operating properties portfolio, the appraisal values are 13.2% greater than the acquisition values, thanks to the combined effects of the rate compression, the Capex strategy for 2017-2018, and the hotels' performance.

10.2. Like-for-like change: +1.7%

(€ million, Excluding Duties)	Value 2015 Group share	Value 2016 100%	Value 2016 Group share	LfL* change 12 months	Yield 2015	Yield 2016	% of total value
Hotels	1 021	2 448	1 061	2,1%	5,7%	5,4%	55%
Healthcare	100	2	1	n.a	6,2%	n.a	0%
Retail Premises	251	569	284	-1,6%	6,4%	6,5%	13%
Total in operation	**1 372**	**3 019**	**1 346**	**1,3%**	**5,9%**	**5,6%**	**68%**
Assets under development**	15	139	39	16,7%	n.a	n.a	3%
Total	**1 387**	**3 158**	**1 385**	**1,6%**	**5,9%**	**5,6%**	**72%**
Hotel Operating properties***	24	1 255	246	5,9%	7,3%	6,5%	28%
Total including Hotel operating properties	**1 411**	**4 413**	**1 631**	**1,7%**	**6,0%**	**5,7%**	**100%**

**LfL: Like-for-Like*

***Including Motel One Porte Dorée GS (held at 50%)*

***EBITDA yield excluding duties

The hotel portfolio increased by 2.1% on a like-for-like basis as compared to the end of 2015, thanks to the creation of value on projects in development (+17%) and the hotels located in Germany (+13%). On the other hand, the Retail portfolio declined by 1.6%, with the fast food sector having difficulty in 2016.

In operating properties, the portfolio's appraisal value totalled €1,255 million, an increase of €1,119 million, following the various acquisitions carried out.

(€ million, Excluding Duties)	Value 2015 Group share	Value 2016 100%	Value 2016 Group share	LfL* change 12 months	Yield 2015	Yield 2016	% of total value
Paris	267	594	274	1,3%	4,9%	4,0%	17%
Inner suburbs	29	76	36	-0,6%	5,0%	4,7%	2%
Outer suburbs	141	314	132	-1,1%	5,8%	5,7%	8%
Total Paris Regions**	**437**	**984**	**442**	**0,4%**	**5,2%**	**4,6%**	**27%**
MRC France	245	491	205	1,0%	5,9%	5,8%	13%
Other French Regions	391	852	329	-1,6%	6,4%	6,5%	20%
Germany	118	351	169	12,8%	6,2%	5,7%	10%
Belgium	151	352	175	0,5%	6,2%	5,9%	11%
Other	45	128	64	5,0%	6,4%	6,3%	4%
Total	**1 387**	**3 158**	**1 385**	**1,6%**	**5,9%**	**5,6%**	**85%**
France***	11	210	43	0,0%	n.a	5,8%	3%
Germany***	10	968	187	13,4%	7,2%	6,7%	11%
Belgium***	3	77	16	3,0%	7,4%	6,4%	1%
Hotel operating properties***	**24**	**1 255**	**246**	**5,9%**	**7,3%**	**6,5%**	**15%**
Total including Operating hotel properties	**1 411**	**4 413**	**1 631**	**1,7%**	**6,0%**	**5,7%**	**100%**

**LfL: Like-for-Like*

***Including Motel One Porte Dorée GS (held at 50%)*

****EBITDA yield excluding duties*

The Group pursued its strategy of diversifying its portfolio geographically, and now holds 37% of its portfolio abroad (versus 23% at the end of 2015). After integration of the portfolio in Spain, 46% of the portfolio will be outside France, including 15% in Spain and 19% in Germany.

10.3 Operating hotel properties - value per room

(€ thousand)	Number of rooms 2016	Value per room 2015	Value per room 2016	Var. (%)
France	880	206	239	15,9%
Germany	4881	74	153	106,3%
Belgium	521	132	148	12,2%
Total	**6282**	**114**	**164**	**43,8%**

The strategy to improve the quality of the portfolio and to strengthen the mid-level and high-end segments led to a 44% increase in prices per room from 2015 to 2016. In Germany in particular, the value per room more than doubled thanks to the acquisition of high-end hotels such as the Westin Grand and the Park Inn in the centre of Berlin. The level, at €153 thousand per room, remains lower than the average in other European capitals.

D. GERMANY RESIDENTIAL

Foncière des Régions operates in the Residential sector in Germany via its 61.0% -owned subsidiary, Immeo SE. The figures presented are divided into 100% Immeo, and Foncière des Régions Group share.

1. The Germany residential market is booming[4]

Foncière des Régions owns over 40,700 units, located in Berlin, Hamburg, Dresden, Leipzig and North Rhine-Westphalia (NRW). The portfolio represents €4.0 billion at 100% and €2.5 billion Group share. The German residential market has been growing for several years, in particular in Berlin where the Group started its investment in 2011 and holds close to 50% of its portfolio:

- The German macro-economic indicators are robust, driven by a GDP growth of 1.9% and an unemployment rate at a historical low of 3.9%. Berlin posts the highest GDP growth rate at 3% and its unemployment rate has fallen by 2.5 pts in two years to around 10%

- The German population has increased steadily since 2010 and has reached a record level of 82.8 million inhabitants. Berlin has seen an addition of around 50,000 inhabitants per year since 2011, generating a demand estimated at 10,000 to 20,000 new housing units per year

- On the other hand, the supply of housing remains limited in Berlin, where the population grew by 8% in 2016 for a supply of new homes of only 2%. The number of building permits for 2017 remains insufficient, at around 15,000 units

- As a result, rental income increased by 41% in Berlin over the period 2011-2015 and by 6% in 2016, to reach €9/m², a level which remains among the lowest of the major German and European cities

- Purchase prices have also increased continuously and rose, by +9.6% last year in Berlin, or €3,289/m². This level is still much lower than prices prevailing in European capitals of comparable size.

The business highlights for 2016 were as follows:

- A rapid increase in the growth of rental income to +3.6% at a like-for-like scope after +2.4% in 2015 and +1.8% in 2014. The rent reversion potential of the portfolio remains high, particularly in Berlin where it reached 40%, in Hamburg around 25-30% and in Dresden and Leipzig around +20-25%

- The continued improvement in the quality of the portfolio via €476 million (€321 million Group share) of acquisitions, mainly in the centre of Berlin, to attractive values (around €1,820/m²). At the same time, €249 million of non-strategic assets disposals were undertaken in NRW in secondary cities

- The portfolio continued to increase in value with +8.4% at a like-for-like scope of which +12.4% in Berlin after +12.2% in 2015.

[4] *Source: JLL, BBSR, CBRE*

2. Recognised rental income: +3.6% at a like-for-like scope

2.1. Geographic breakdown

€ million 100% and Group share	Surface (m²)	Number of units	Rental income 2015 100% Immeo	Rental income 2015 GS FDR	Rental income 2016 100% Immeo	Rental income 2016 GS FDR	Change (%)	Change (%) LfL*	% of rental income
Berlin	1 006 416	13 421	52,7	31,8	84,3	52,2	63,9%	4,6%	40%
Dresden & Leipzig	259 239	4 333	16,3	9,9	17,8	11,1	12,5%	3,7%	8%
Hamburg	145 142	2 309	7,1	4,6	13,0	8,5	85,7%	3,8%	6%
NRW	1 387 419	20 680	114,2	69,6	97,4	59,8	-14,2%	2,8%	45%
Essen	*400 042*	*5 855*	*31,5*	*19,2*	*28,3*	*17,3*	*-9,8%*	*2,9%*	*13%*
Duisburg	*322 587*	*4 816*	*35,2*	*21,5*	*26,4*	*16,2*	*-24,6%*	*3,1%*	*12%*
Müllheim	*159 701*	*2 653*	*12,4*	*7,5*	*11,3*	*7,0*	*-7,9%*	*1,9%*	*5%*
Oberhausen	*172 844*	*2 422*	*11,9*	*6,1*	*12,8*	*7,8*	*29,1%*	*3,5%*	*6%*
Other	*332 245*	*4 934*	*23,3*	*15,3*	*18,5*	*11,4*	*-25,2%*	*2,8%*	*9%*
Total	**2 798 216**	**40 743**	**190,3**	**115,9**	**212,5**	**131,6**	**13,5%**	**3,6%**	**100%**

**LfL: Like-for-Like*

The recognised rental income stood at €131.6 million in 2016 compared to €115.9 million in 2015 (in Group share). This 13.5% increase is attributable to the combined impact of disposals, as well as a steady flow of acquisitions in 2016 (€277 million in Group share) and an increase in rents at like-for-like scope, which came to +3.6% over one year, bolstered in particular by the good performance of the Berlin portfolio (+4.6%).

The growth at like-for-like scope results for 38% from indexation, 55% from renewal and 7% from modernisation works.

Berlin, Hamburg, Dresden and Leipzig now account for 55% of the recognised rental income, versus 40% at 31 December 2015.

3. Annualised rental income: €133 million Group share

3.1. Geographic breakdown

(€ million Group share)	Surface (m²)	Number of units	Annualised rental income 2015	Annualised rental income 2016	Change (%)	Average rent €/m²/month	% of rental income
Berlin	1 006 416	13 421	44,1	**54,9**	24,5%	7,4	41%
Dresden & Leipzig	259 239	4 333	10,6	**11,6**	9,9%	6,0	9%
Hamburg	145 142	2 309	8,2	**9,4**	15,1%	8,3	7%
NRW	1 387 419	20 680	67,7	**57,2**	-15,4%	5,6	43%
Essen	*400 042*	*5 855*	*18,9*	***17,5***	*-7,3%*	6,0	*13%*
Duisburg	*322 587*	*4 816*	*20,7*	***12,5***	*-39,6%*	5,3	*9%*
Mülheim	*159 701*	*2 653*	*7,6*	***6,9***	*-9,9%*	5,9	*5%*
Oberhausen	*172 844*	*2 422*	*6,2*	***9,3***	*49,2%*	7,2	*7%*
Others	*332 245*	*4 934*	*14,2*	***11,1***	*-22,3%*	4,5	*8%*
Total	**2 798 216**	**40 743**	**130,5**	**133,1**	**2,0%**	**6,4**	**100%**

The 2.0% increase in annualised rental income reflects the portfolio rotation strategy:

- Major disposals of non-core assets in North Rhine-Westphalia leading to a 15% fall in rental income,
- Acquisitions in high-growth markets (+17%), particularly in Berlin, which is growing by 25%.

The relatively low level of rental income per m² (€6.4/m²) in Berlin suggest a significant growth potential (40% of reversion in Berlin, 25-30% in Hamburg and 20-25% in Dresden and Leipzig).

4. Indexation

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

- rents for re-leased properties:

In principle, rents may be increased freely.

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

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

- for current leases:

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

- for current leases with work done:

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

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

5. Occupancy rate

(%)	2015	2016
Berlin	98,1%	98,2%
Dresden & Leipzig	98,2%	98,1%
Hamburg	99,1%	98,9%
NRW	97,7%	98,2%
Total	**98,0%**	**98,2%**

The occupancy rate of the assets in operation remains at a high level of 98.2%, on the increase compared to the end of 2015, particularly in NRW (+0.5 pts).

6. Reserves for unpaid rent

(€ million)	2015	2016
As % of rental income	1,4%	1,0%
In value *	1,6	1,3

** net provision / reversals of provison*

The unpaid rent amount is 1.0% of rents, showing a significant decrease from 2015, thanks to a pro-active property management policy.

7. Disposals and disposal agreements: €249 million mainly in NRW (€152 million Group share)

(€ million, 100%)	Disposals (agreements as of end of 2015 closed)	Agreements as of end of 2015 to close	New disposals 2016	New agrements 2016	Total 2016	Margin vs 2015 value	Yield	Total Realized Disposals
	1		2		= 2 + 3			= 1 + 2
Berlin	7,9	0,2	8,0	7,4	**15,3**	45,8%	3,4%	**16**
Dresden & Leipzig				10,3	**10,3**	-	-	**0**
Hamburg					**0,0**	n.a	n.a	**0**
NRW	117,7	2,0	194,9	3,8	**198,7**	-	-	**313**
Participations			24,6		**24,6**	n.a	n.a	**25**
Total	**126**	**2**	**227**	**21**	**249**	**10,8%**	**6,7%**	**353**
Total Group share	**77**	**1**	**139**	**13**	**152**	**10,8%**	**6,7%**	**215**

The new commitments signed in 2016 amount to €249 million (€152 million Group share) and show a gross margin of 10.8%, of which 45.8% in Berlin (where some unit sales were made).

The disposals made in 2016 for €353 million, of which €313 million in the North Rhine-Westphalia region, reflect the portfolio rotation strategy implemented by Foncière des Régions aimed at focusing on core assets in high-growth areas.

A disposal of non-consolidated shares was made during 2016 for €25 million (in asset value).

8. Acquisitions: a new buoyant year with €476 million secured

			Acquisitions 2016			Acquisitions 2017 (signed in 2016)		
(€ million, Including Duties, 100% and Group share)	Surface (m²)	Number of units	Acquisition price 100% Immeo	Acquisition Price GS FDR	Gross Yield	Acquisition price 100% Immeo	Acquisition Price GS FDR	Gross Yield
Berlin	165 025	1 394	278	194	4,8%	70	44	4,6%
Dresden & Leipzig	6 953	63	10	7	4,6%			
Hamburg	21 956	290	38	25	4,3%			
NRW	51 830	717	79	52	4,9%			
Total	**245 764**	**2 464**	**406**	**277**	**4,8%**	**70**	**44**	**4,6%**

Foncière des Régions continued with a dynamic investment policy in high-growth cities, in particular in Berlin, with €476 million of acquisitions made (€321 million in Group share). The acquisitions made during the year include Housing (93%), Retail (6%) and Offices (1%) mainly in Berlin, Leipzig and Hamburg.

The purchase prices (€1,820 and €7.4/m² of average rent) suggest a significant growth potential, in particular given the difference of 40% on average compared to the market rental income in Berlin.

9. Portfolio values

9.1. Change in portfolio value: 10% growth

(€ million, Group share Excluding Duties	Value 2015	Value adjustment	Acquisitions	Disposals	Value creation on Acquis./Disposals	Others	Value 2016
Berlin	863	131	194	-33	18	17	1190
Dresden & Leipzig	160	16	7	-	1	8	192
Hamburg	153	13	25	-	-0	-	190
Subtotal NRW	999	37	52	-180	-3	-	905
Essen	*301*	*12*	-	*-27*	-	-	*286*
Duisburg	*278*	*6*	-	*-97*	-	-	*187*
Müllheim	*113*	*7*	-	*-13*	-	-	*107*
Oberhausen	*149*	*4*	-	*-0*	*-2*	-	*150*
Other	*158*	*9*	*52*	*-43*	*-1*	-	*174*
Total	**2175**	**196**	**277**	**-213**	**16**	**25**	**2477**

As at 31 December 2016, the portfolio was valued at €2,477 million Group share (€4.0 billion at 100%) compared to €2,175 million at the end of 2015. This change was due to the investments net of disposals and the sharp increase in values (€212 million of which €16 million over the 2016 acquisitions or +9.7%).

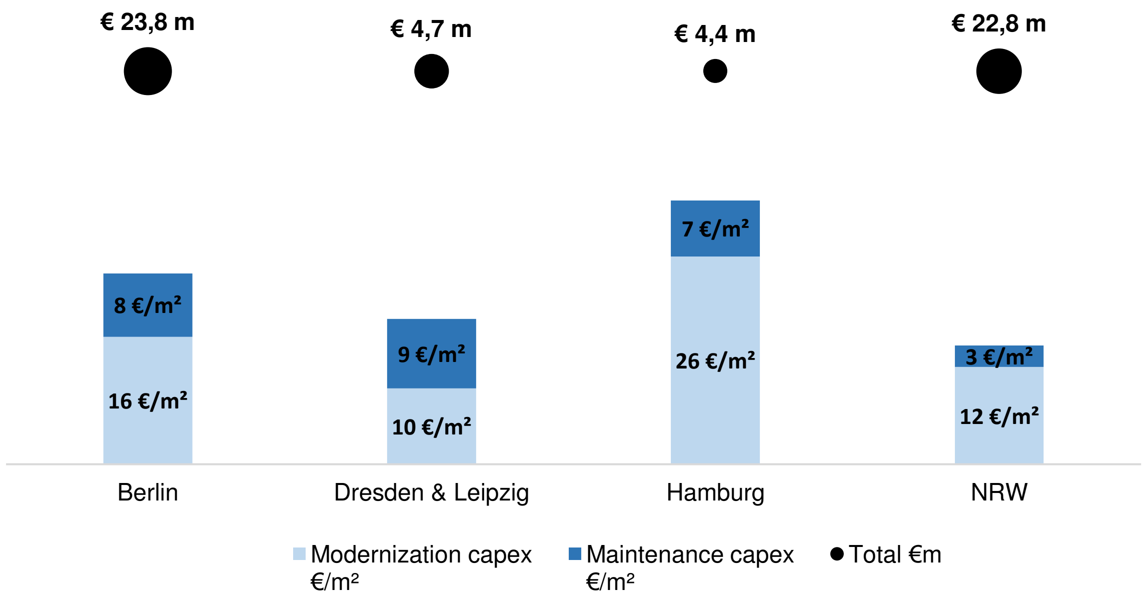
9.2. Like-for-like change: +8.4%, including +12.4% in Berlin

(€ million, Excluding Duties, 100% and Group share	Value 2015 100%	Value 2015 GS FDR	Value 2016 100% Immeo	Value 2016 GS FDR	LfL* change 12 months	Yield 2015	Yield 2016	% of total value
Berlin	1 457	863	1 928	1 190	12,4%	5,1%	4,6%	48%
Dresden & Leipzig	273	160	307	192	8,2%	6,4%	6,1%	8%
Hamburg	239	153	293	190	6,8%	5,2%	4,9%	8%
Subtotal NRW	1 634	999	1 476	905	4,6%	6,8%	6,3%	37%
Essen	*493*	*301*	*469*	*286*	*4,3%*	*6,3%*	*6,1%*	*12%*
Duisburg	*455*	*278*	*306*	*187*	*3,4%*	*7,5%*	*6,7%*	*8%*
Müllheim	*185*	*113*	*175*	*107*	*6,7%*	*6,8%*	*6,4%*	*4%*
Oberhausen	*149*	*149*	*243*	*150*	*4,1%*	*6,9%*	*6,7%*	*6%*
Other	*351*	*158*	*283*	*174*	*5,1%*	*6,6%*	*6,1%*	*7%*
Total Germany	**3 603**	**2 175**	**4 004**	**2 477**	**8,4%**	**6,0%**	**5,4%**	**100%**

**LfL: Like-for-Like*

At like-for-like scope, the values increased by +8.4% year-on-year, reflecting the success of the Group's investment policy: +12.4% in Berlin as well as in other dynamic cities such as Hamburg (+6.8%), Dresden and Leipzig (+8.2%).

10. Maintenance and modernisation Capex



In 2016, €56 million of CAPEX (€33 million Group share) or €19.3/m² and €16 million of OPEX (€5.5/m²) were made, overall stable versus 2015. Modernisation CAPEX account for 70% of the committed amounts hence leading to an improvement in the quality of the portfolio and an increase in the growth potential of rental income.

E. FRANCE RESIDENTIAL

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

1. Recognised rental income

(€ million, 100%)	Rental income 2015	Rental income 2016	Change (%)	% of rental income
Paris and Neuilly	10,1	6,7	-34%	45%
Greater Paris Excl. Paris and Neuilly	4,3	3,1	-29%	21%
Rhône-Alpes	1,9	1,3	-35%	9%
PACA	3,4	2,6	-25%	18%
Great West	0,9	0,7	-20%	5%
East	0,4	0,4	-2%	3%
Total France	**21,1**	**14,7**	**-30,4%**	**97%**
Total Luxembourg	**0,6**	**0,5**	**-25%**	**3%**
Total	**21,8**	**15,2**	**-30,2%**	**100%**

The rental income amounted to €15.2 million in 2016, down from €21.8 million a year earlier. This change was due mainly to:

- the impact of the continuation of the disposal strategy (-€5.6 million)
- the impact of vacant properties facilitating unit sales (-€1 million).

2. Annualised rental income

(€ million, 100%)	Annualised rental income 2015	Annualised rental income 2016	Change (%)	% of rental income
Paris and Neuilly	6,8	4,8	-30%	40%
Greater Paris Exclud. Paris et Neuilly	3,4	2,7	-23%	22%
Rhône-Alpes	1,4	1,1	-22%	9%
PACA	3,0	2,4	-21%	20%
Great West	0,8	0,7	-19%	6%
East	1,1	0,4	-65%	3%
Total France	**16,7**	**12,0**	**-27,9%**	**100%**
Total Luxembourg	**0,6**	**0,0**	**-100%**	**0%**
Total	**17,3**	**12,0**	**-30,6%**	**100%**

The 30.6% decrease in annualised rental income is the result of stepping-up the disposal programme.

3. Indexation

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

4. Disposals and disposal agreements: €200 million

(€ million, 100%)	Disposals (agreements as of end of 2015 closed) 1	Agreements as of end of 2015 to close	New disposals 2016 2	New agreements 2016 3	Total 2016 = 2 + 3	Margin vs 2015 value	Yield	Total Realized Disposals = 1 + 2
France	30	0	151	38	**189**	4,3%	1,1%	181
Luxembourg	-	-	11	-	**11**			11
Total	**30**	**0**	**162**	**38**	**200**	**4,3%**	**1,1%**	**191**

The year continued to see sustained disposal activity, with €200 million in disposals and agreements for a particularly low average yield of 1.1%, in line with the sale strategy concerning vacant buildings. 76% of the disposals and agreements took place in the Paris region.

5. Portfolio value: up 0.7% at a like-for-like scope

(€ million, Excluding Duties, 100%)	Value 2015 100%	Value 2016 100%	LfL* change 12 months	Yield 2015	Yield 2016
Total	**609,0**	**427,9**	**0,7%**	**2,8%**	**2,8%**

**LfL: Like-for-Like*

As at 31 December 2016, the France Residential portfolio was valued at €428 million, practically stable at like-for-like scope at +0.7% over one year.

This increase is mainly due to two assets being transferred from a “block” value to a “retail” value pursuant to the disposals of these assets, and an increase in the price of existing properties in France in 2016.

3. Financial information and comments

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

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

CONSOLIDATED ACCOUNTS

3.1. Scope of consolidation

As at 31 December 2016, the consolidation scope of Foncière des Régions included companies located in France and in a number of European countries (Offices: Italy; Residential; Germany, Austria, Denmark and Luxembourg; Hotels & Service Sector: Germany, Portugal, Belgium, Netherlands, Spain and Luxembourg). The main ownership interests in the fully consolidated but not wholly-owned companies are the following:

Subsidiaries	2015	2016
Foncière Développement Logements	61,3%	61,3%
Foncière des Murs	43,1%	49,9%
Immeo	61,0%	61,0%
Beni Stabili	48,5%	52,2%
OPCI CB 21 (Tour CB 21)	75,0%	75,0%
Republique (ex-Urbis Park)	59,5%	59,5%
Fédérimmo (Carré Suffren)	60,0%	60,0%
SCI Latécoëre (DS Campus)	50,1%	50,1%
SCI 11, Place de l'Europe (Campus Eiffage)	50,1%	50,1%

Foncière des Régions increased its stake in Foncière des Murs following its contribution in kind of shares of FDM in exchange for FDR shares equal to 4.3% of the share capital of FDM. This contribution in kind was followed by a public exchange offer. At the close of the two public exchange offer periods (second half of 2016), 2.4% of FDM's capital was acquired, increasing the stake to 49.91%. FDM was therefore integrated in the income statement of Foncière des Régions at 43.15% for the first quarter, at 47.2% for the second quarter and 49.9% for the second semester, and recorded at 49.9% in the balance sheet.

Foncière des Régions increased its stake in Beni Stabili. The average stake in Beni Stabili in the first half of the year was 50.12% (used in the income statement), 52.24% in the second half, and 52.24% on 31 December 2016.

3.2. Accounting standards

The consolidated financial statements have been prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Union on the date of preparation. These standards include the IFRS (International Financial Reporting Standards), as well as their interpretations. The financial statements were approved by the Board of Directors on 15 February 2017.

3.3. Simplified income statements Group share

(€ million) - Group share	2015	2016	var.	%
Net rental income	504,8	526,1	21,3	4,2%
Net operating costs	-57,3	-62,1	-4,8	8,5%
Income from other activities	18,8	10,0	-8,8	-46,6%
Depreciation of operating assets	-9,6	-5,9	3,7	-38,7%
Net change in provisions and other	-25,8	-5,5	20,3	-
Current operating income	**430,9**	**462,6**	**31,7**	**7,4%**
Net income from inventory properties	-3,1	-2,8	0,3	-
Income from asset disposals	3,2	37,4	34,2	-
Income from value adjustments	347,6	465,2	117,6	-
Income from disposal of securities	0,1	11,3	11,2	-
Income from changes in scope	-7,0	-11,2	-4,2	-
Operating income	**771,7**	**962,4**	**190,7**	**24,7%**
Income from non-consolidated companies	0,2	0,0	-0,2	-
Cost of net financial debt	-167,0	-147,7	19,3	-11,5%
Value adjustment on derivatives	-105,3	31,4	136,7	-129,8%
Discounting of liabilities and receivables	-4,6	-4,6	0,0	-0,7%
Net change in financial and other provisions	-19,8	-40,6	-20,8	105,1%
Share in earnings of affiliates	43,3	24,7	-18,6	-
Income from continuing operations	**518,5**	**825,5**	**307,0**	**-**
Deferred tax	-19,2	-32,6	-13,4	69,6%
Corporate income tax	-4,8	-6,0	-1,2	-
Net income from continuing operations	**494,5**	**787,0**	**292,5**	**-**
Post-tax profit or loss of discontinued operations	-13,0	-4,2	8,8	-
Net income for the period	**481,5**	**782,8**	**301,3**	**-**

The discontinued operations correspond to properties in the process of being sold in the Logistics and Car Parks segments.

◆ Net rental income increase of 4.2% in Group share

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

The net rental income by operating segment is the following:

(€ million) - Group share	2015	2016	var.	%
Offices - France	229,7	239,0	9,3	4,0%
Offices - Italy	84,7	84,0	-0,7	-0,8%
Hotels & Service sector	79,8	81,4	1,6	2,0%
Residential Germany	101,8	116,1	14,3	14,0%
Residential France	8,9	5,6	-3,3	-37,1%
Total Net rental income	**504,8**	**526,1**	**21,3**	**4,2%**

France Offices: Increase of €12.6 million in net rental income due to delivery of assets under development, +€10 million in asset acquisitions (Rueil, Omega B), diminished by the disposals of assets and vacating.

Italy Offices: Stable rental income at €84 million following the increase in the stake in Beni Stabili. Notwithstanding this, the average rental income in Italy decreased slightly due to disposals of buildings and the renegotiation of the Telecom Italia leases.

Hotels & Service: Increase in net rental income due to the increase in the stake in Foncière des Murs. The impact of disposals (-€7.6 million) and the decrease in the variable rental income from AccorHotels (-€1.8 million) is offset by the increase in ownership interest (+€7.5 million) and the impact of acquisitions and the delivery of assets under development (+€3 million).

Germany Residential: Increase in rental income of +€14.3 million due to acquisitions and like-for-like growth in rental income, reduced by the impact of disposals.

Net cost of operations

The net operating costs were €62.1 million as compared to €57.3 million as at 31 December 2015, i.e. an increase of €4.8 million primarily related to staff increases, following the growth of the portfolio.

Income from other activities

The income from other activities mainly concerns real estate development activities. It is to be noted that, unlike 2015, the net income from the Parking business is no longer presented as "Income from other activities" but as "Net income from discontinued operations". Given the sale of the bulk of this operating segment and in accordance with IFRS 5, the net income from this business is presented in a separate line in the income statement.

Net allowances to provisions and other

Net allowances to provisions and other had a negative impact of €5.5 million on the 2016 income statement. 2015 was affected by provisions for the Comit Fund dispute in Italy. This dispute ended with the payment in 2016 of the amount provisioned.

Change in the fair value of assets

The income statement recognises changes in the fair value of assets based on appraisals conducted on the portfolio. For the year 2016, the change in the fair value of investment assets is positive and stands at €465.2 million. Change in the fair value of investment assets by operating segment can be broken down as follows:

- France Offices: +€249 million
- Italy Offices: +€38 million
- Hotels & Service Sector: +€19 million
- Germany Residential: +€160 million

The operating income therefore amounted to €962.4 million compared to €771.7 million at 31 December 2016.

Financial aggregates

The changes in the fair value of financial instruments stand at +€31.4 million compared to -€105.3 million at 31 December 2016. These mainly consist of negative changes of €48 million in the fair value of the hedging instruments and positive changes of €79 million in the value of the bonds redeemable in cash and new or existing shares.

It is to be noted that the net change of -€40.6 million in the financial provisions for the year 2016 includes the impact of the early repayment of the loan issue costs (-€13 million) following debt restructuring and redemption of the 2018 bond issue (-€15 million).

Share in earnings of affiliates

GS information	% interest	Value 2015	Contribution to earnings	Value 2016	Change (%)
OPCI Foncière des Murs	9,93%	31,4	2,7	37,0	17,7%
Lénovilla (New Velizy)	50,10%	36,0	7,5	59,6	65,6%
Euromed	50,00%	27,5	13,7	41,2	49,8%
SCI Latécoëre 2 (Extension DS)	50,10%	-0,9	2,5	1,5	-266,7%
FDM Management	20,31%	7,5	-1,6	71,1	848,2%
Other Equity Interests	n/a	13,4	0,0	14,4	6,9%
Total		**115,0**	**24,7**	**224,8**	48,9%

The change in the value of FDM Management is mainly due to its capital increase of +€65 million (in Group share). It is to be noted that the change in the fair value of the assets of Latécoëre 2 has a positive impact on its contribution to earnings for +€2.4 million.

Recurring Net Income of affiliates

€ million - Group share FdR	France offices	Italy offices	Hotel investment properties	Hotel operating properties	2016
Net rental income / Revenue of hotel operating properties	7,6		4,1	24,6	36,3
Operating costs	-0,5		-0,3	-17,3	-18,1
Income from other activities	-1,1		-1,3	-2,1	-4,5
Cost of net financial debt	-0,5	0,9	0,0	0,0	0,4
Corporate income tax	0,0		0,0	-0,5	-0,6
Share in RNI of affiliates	**5,5**	**0,9**	**2,5**	**4,7**	**13,6**

Tax regime

Taxes determined are for:

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

The corporate income tax of -€6.0 million consists mainly of the Italy Offices segment -€1.7 million (due to the change in the value of the bonds redeemable in cash and new or existing shares), -€1.3 million for the Hotels segment (excluding hotel operating properties) and -€2.6 million for Germany Residential.

- ## The recurring net income was up by 7% or +€23.4 million

	Net income Group Share	Restatements	RNI 2016	RNI 2015
Net rental income	**526,1**	**0,3**	**526,3**	**505,3**
Operating costs	-62,1	1,7	-60,3	-55,5
Income from other activities	10,0	-0,4	9,6	18,9
Depreciation of operating assets	-5,9	5,9	0,0	0,0
Net change in provisions and other	-5,5	5,5	0,0	0,0
Current operating income	**462,6**	**13,0**	**475,6**	**468,7**
Net income from inventory properties	-2,8	2,8	0,0	0,0
Income from asset disposals	37,4	-37,4	0,0	0,0
Income from value adjustments	465,2	-465,2	0,0	0,0
Income from disposal of securities	11,3	-11,3	0,0	0,0
Income from changes in scope	-11,2	11,2	0,0	0,0
Operating income	**962,4**	**-486,9**	**475,6**	**468,7**
Income from non-consolidated companies	0,0	0,0	**0,0**	0,2
Cost of net financial debt	**-147,7**	**18,6**	**-129,1**	**-155,3**
Value adjustment on derivatives	31,4	-31,4	0,0	0,0
Discounting of liabilities and receivables	-4,6	4,6	0,0	0,0
Net change in financial provisions	-40,6	40,6	0,0	0,0
Share in earnings of affiliates	24,7	-11,1	13,6	11,2
Pre-tax net income	**825,6**	**-465,4**	**360,1**	**324,8**
Deferred tax	-32,6	32,6	0,0	0,0
Corporate income tax	-6,0	1,7	-4,3	-1,9
Net income for the period	**787,1**	**-431,2**	**355,8**	**322,9**
Profits or losses on discontinued operations	-4,2	4,6	0,4	10,0
Net income for the period	**782,9**	**-426,6**	**356,2**	**332,8**

- The income from changes in consolidation scope (-€11.2 million) consists exclusively of the acquisition costs for the shares of companies consolidated in accordance with IFRS3 R.
- The cost of debt was impacted by €18.6 million in early debt restructuring costs.

Recurring Net Income by activity

€ million - Group share FdR	France offices	Italy offices	Hotels & Service	Germany Residential	France Residential	Corporate or non-attributable sector	Intercos Inter-sector	2016
Net rental income	234,4	84,3	80,1	116,1	5,5	-0,3	6,2	526,3
Operating costs	-19,3	-7,6	-2,9	-21,6	-1,7	-1,0	-6,2	-60,3
Income from other activities	5,6	-0,4	0,0	0,3	0,0	4,2	0,0	9,6
Cost of net financial debt	-12,3	-22,4	-17,2	-27,9	-3,1	-46,1		-129,1
Share in earnings of affiliates	5,5	0,9	7,2	0,0	0,0	0,0		13,6
Corporate income tax	-0,1	-0,2	-1,3	-2,6	0,0	-0,1		-4,3
RNI of discontinued operations						0,4		0,4
Recurring Net Income	**213,7**	**54,6**	**65,9**	**64,2**	**0,8**	**-42,9**	**0,0**	**356,2**

3.4. Simplified consolidated income statement

(€ million) - 100%	2015	2016	var.	%
Net rental income	810,1	815,4	5,3	0,7%
Net operating costs	-89,5	-93,6	-4,1	4,5%
Income from other activities	23,8	13,1	-10,7	-45,0%
Depreciation of operating assets	-14,8	-8,5	6,3	-42,7%
Net change in provisions and other	-53,3	-9,1	44,2	-
Current operating income	**676,2**	**717,2**	**41,0**	**6,1%**
Net income from inventory properties	-6,4	-5,6	0,8	-
Income from asset disposals	2,7	72,4	69,7	-
Income from value adjustments	445,0	644,5	199,5	-
Income from disposal of securities	0,0	17,7	17,7	-
Income from changes in scope	-10,0	-17,6	-7,6	-
Operating income	**1 107,5**	**1 428,8**	**321,3**	**29,0%**
Income from non-consolidated companies	0,2	0,0	-0,2	-
Cost of net financial debt	-265,5	-236,3	29,2	-11,0%
Value adjustment on derivatives	-141,6	27,4	169,0	-119,3%
Discounting of liabilities and receivables	-4,6	-3,6	1,0	-21,6%
Net change in financial and other provisions	-33,5	-52,8	-19,3	57,7%
Share in earnings of affiliates	47,4	27,4	-20,0	-
Income from continuing operations	**709,9**	**1 190,9**	**481,0**	**-**
Deferred tax	-34,4	-56,9	-22,5	65,5%
Corporate income tax	-8,3	-10,7	-2,4	28,4%
Net income from continuing operations	**667,3**	**1 123,3**	**456,0**	**-**
Post-tax profit or loss of discontinued operations	-13,0	-4,2	8,8	-
Net income for the period	**-13,0**	**-4,2**	**8,8**	**-**
Non-controlling interests	-172,8	-336,3	-163,5	-
Net income for the period - Group Share	**481,5**	**782,8**	**301,3**	**-**

Increase in consolidated net rental income of €5.3 million (0.7%)

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

(€ million) - 100%	2015	2016	var.	%
Offices - France	250,7	264,0	13,3	5,3%
Offices - Italy	174,6	164,2	-10,4	-6,0%
Net rental income - Offices	**425,3**	**428,2**	**2,9**	**0,7%**
Hotels & Service sector	203,2	190,5	-12,7	-6,2%
Residential Germany	167,1	187,7	20,6	12,3%
Residential France	14,5	9,1	-5,4	-37,2%
Total Net rental income	**810,1**	**815,4**	**5,3**	**0,7%**

3.5. Simplified consolidated balance sheet Group share

(€m) - Group Share Assets	2015	2016	Liabilities	2015	2016
Fixed assets	9 444	10 377			
Investment properties under development	463	653			
Equity affiliates	115	225			
Financial assets	206	213	**Shareholders' equity**	**4 639**	**5 302**
Deferred tax assets	10	6	Borrowings	6 389	6 879
Financial instruments	47	35	Financial instruments	459	345
Assets held for sale	551	228	Deferred tax liabilities	202	241
Cash	853	991	Other	424	335
Discontinued operations	174	69	Discontinued operations	35	27
Other	286	334			
Total	**12 148**	**13 130**	**Total**	**12 148**	**13 130**

Fixed assets

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

(€m) - Group Share	2015	2016	var.	incl. Like-for-like change
Offices - France	4 399	4 825	426	250
Offices - Italy	1 804	2 088	285	38
Hotels & Service sector	1 219	1 398	180	19
Residential Germany	2 110	2 467	357	160
Residential France	353	237	-116	-1
Car parks	23	14	-9	0
Total Fixed Assets	**9 907**	**11 030**	**1 123**	**466**

The value of the fixed assets in France Offices is mainly affected by the change in the fair value of investment properties (+€250 million) and the acquisition of the Vinci head office in Rueil (€129 million including duties).

The value of the fixed assets in Italy Offices was affected by the change in the ownership interest (+3.7 pts) and by the acquisition of assets in Milan for €65.6 million in Group Share.

The value of the fixed assets in the Hotels & Service Sector is mainly linked to the increase in the ownership interest and the payment of the option to acquire NH assets in Germany (+€29 million Group share) which will be undertaken in 2017.

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

Assets held for sale

The assets held for sale primarily consist of assets for which a preliminary sales agreement has been signed. The change of €323 million between 2015 and 2016 is mainly due to the disposals of the AccorHotels assets in the Hotels & Service Sector (-€181 million) and the disposal of the Healthcare portfolio (-€116 million).

Other assets

The increase of €48 million of this line item includes an increase in tax receivables excluding corporate tax, including in particular receivables from a disputed tax adjustment (€17 million).

Total shareholders' equity Group share

The shareholders' equity increased from €4,639 million at the end of 2015 to €5,302 million at 31 December 2016, i.e. an increase of €663 million due mainly to:

- income for the period: +€789.0 million
- the capital increase net of expenses used for the additional acquisition of FDM shares: +€118.9 million
- impact of the cash dividend distribution: -€286.6 million
- impact of the ORNANE 2011 conversion : +€29 million
- financial instruments included in shareholders' equity: +€1.9 million
- the change in the ownership interest in Beni Stabili and FDM: +€10.2 million.

Other liabilities

The change of -€89 million in this line item is mainly due to the decrease in advances and pre-payments received in 2015 on the disposal of a portfolio of residential assets in Germany (-€58 million) and the reversal of a provision for the Comit Fund dispute in Italy (-€28.6 million).

3.6. Simplified consolidated balance sheet

(€m) - 100% **Assets**	**2015**	**2016**	**Liabilities**	**2015**	**2016**
Fixed assets	15 262	16 036	Shareholders' equity	4 639	5 302
Investment properties under construction	593	904			
Equity affiliates	179	345	Non-controlling interests	3 089	3 166
Financial assets	211	255	**Shareholders' equity**	**7 728**	**8 468**
Deferred tax assets	19	11	Borrowings	9 492	9 737
Financial instruments	54	41	Financial instruments	597	429
Assets held for sale	956	298	Deferred tax liabilities	357	410
Cash	950	1 083	Discontinued operations	35	27
Discontinued operations	174	69	Other liabilities	604	429
Other	414	458			
Total	**18 813**	**19 501**	**Total**	**18 813**	**19 501**

Fixed assets

The fixed assets increased by €1,085 million, mainly as a result of value adjustments (+€644.5 million) and acquisitions and delivery of assets.

Investments in equity affiliates

The investments in equity affiliates are up by €166 million. This change is linked to the earnings of the period (+€27 million) and the capital increase of FDM Management (+€128 million).

Discontinued operations (Logistics business)

Following the disposal of an asset portfolio for €101 million, the discontinued operations line item was €69 million at 31 December 2016 compared to €174 million at 31 December 2015.

Deferred tax liabilities

The deferred taxes amounted to €399 million compared to €337 million at 31 December 2015. This €62 million increase is mainly due to the acquisitions completed and the increase in the value of assets in the sectors Germany Residential and Hotels & Services abroad.

Other assets

The increase of €44 million in this line item includes in particular tax receivables following paid and disputed tax adjustments (€20 million).

Other liabilities

The change of -€175 million in this line item is mainly due to the decrease in advances and pre-payments received in 2015 on the disposal of a portfolio of residential assets in Germany (-€95 million) and the reversal of a provision for the Comit Fund dispute (-€55 million).

4. Financial resources

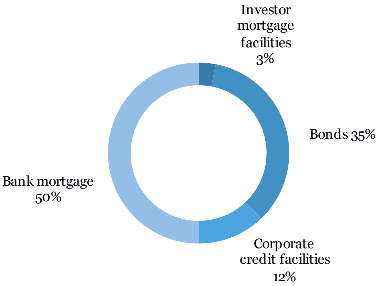
4.1. Main debt characteristics

Group Share	2015	2016
Net debt, Group share (€ million)	5 536	**5 888**
Average annual rate of debt	2,80%	**2,21%**
Average maturity of debt (in years)	5,0	**5,7**
Debt active hedging spot rate	88%	**81%**
Average maturity of hedging	5,4	**5,7**
LTV Including Duties	45,4%	**44,6%**
ICR	3,02	**3,60**

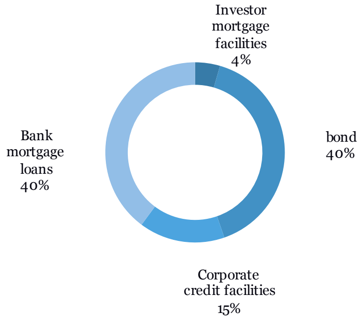
4.2. Debt by type

The net debt (Group share) of Foncière des Régions amounted to €5.9 billion at 31 December 2016 (€8.7 billion on a consolidated basis). As a share of total debt, the corporate debt remains the highest at 56% at 31 December 2016.

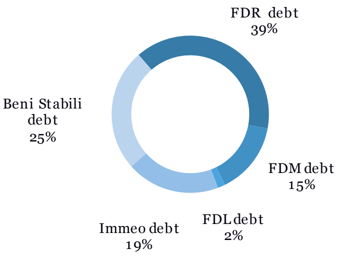
In addition, at the end of December 2016, the cash and cash equivalents of Foncière des Régions totalled nearly €2.0 billion in Group share (€2.4 billion on a consolidated basis). Foncière des Régions had €1,035 million in commercial paper outstanding at 31 December 2016.



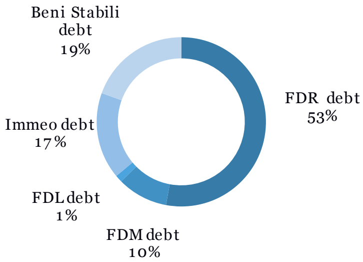
Commitments 100%



Commitments (group share)



Consolidated Commitments per company

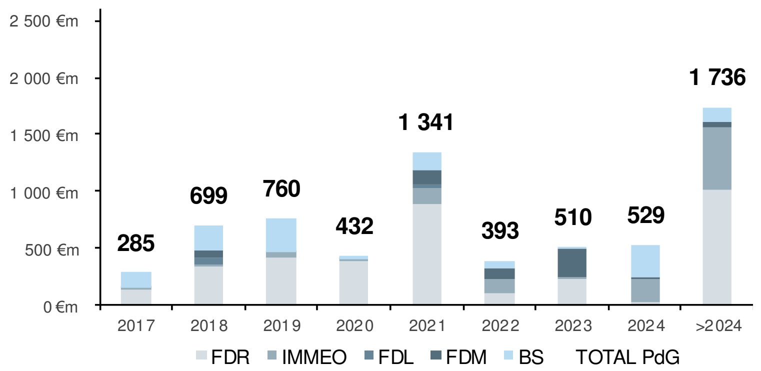


Commitments group share per company

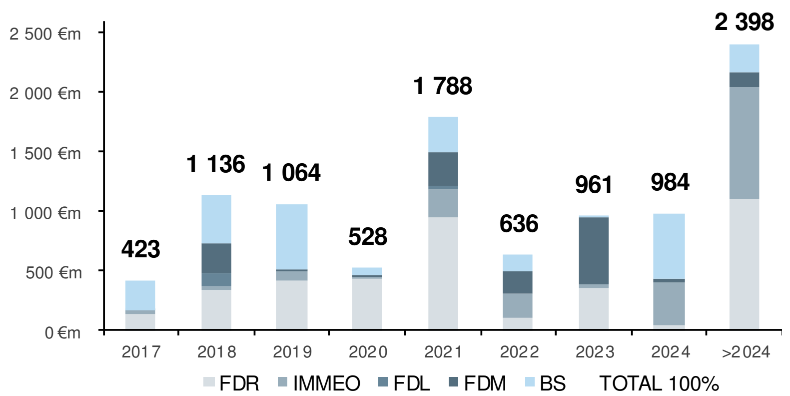
4.3. Debt maturities

The average maturity of Foncière des Régions' debt increased by 0.7 years to 5.7 years at end-December 2016. This was due to active refinancing (for €1.9 billion Group share, or 36% of the debt). The 2017 and 2018 maturities are covered by existing cash and primarily involve corporate debt (including the TOWER bond maturing in early 2018), Germany Residential (Immeo) and Italy Offices (Beni Stabili, including the Pillar bond maturing in early 2018).

Debt amortisation schedule by company (Group share)



Debt amortisation schedule by company (on a consolidated basis)



4.4. Main changes during the period

- **Strong financing and refinancing activity: €2.9 billion at 100% (€1.9 billion in Group share)**

  - Foncière des Régions: €1.1 billion (Group share: €1.1 billion):

    - during 2016, Foncière des Régions continued the process of renegotiating its corporate credit facilities to optimise their financial conditions and extend their maturities. A total of €300 million was refinanced with an average maturity of more than five years

    - in February 2016, Foncière des Régions secured the refinancing of a portfolio of office assets rented to Orange by taking out a mortgage of €300 million over ten years

    - in May 2016, Foncière des Régions successfully completed its first Green Bond issue for €500 million, maturing in 2026, with a fixed coupon of 1.875%, i.e. a spread of 137 bps. The issue was more than five times oversubscribed. At the same time, the Group redeemed €233.6 million and 47% of the bond issue maturing in 2018 and bearing interest at the rate of 3.875%.

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

- Italy Offices (Beni Stabili): €810 million raised (€423 million in Group share)

    - €810 million in mortgage financing over an eight-year term, secured against the Telecom Italia portfolio and refinancing existing debts, was set up at year-end.

- Hotels & Services sector (Foncière des Murs): €165 million (€50 million in Group share):

    - in 2016, FDM raised €165 million in new mortgage financing over an average term of more than seven years to fund notably its acquisitions of the hotel chains Motel One in Germany (Motel One) and B&B in France, as well as the development of Club Med in Samoëns.

    - post-balance sheet events: €270 million was secured to finance the acquisition of a portfolio of 19 hotels in Spain. This will be implemented in the first half of 2017.

- Germany Residential (Immeo): €725 million (€440 million in Group share):

    - in the first half of 2016, Immeo obtained ten-year refinancing for €56 million of mortgage financing on 886 units located in Berlin and €165 million of mortgage financing with a maturity of 7.8 years for 3,228 units located in Berlin, Dresden, Düsseldorf and Leipzig. These refinancing transactions significantly improved the financial terms and maturity of the loans

    - during the first half, Immeo also raised €132 million in new financing with an average maturity of ten years for acquisitions in the Berlin and Postdam areas

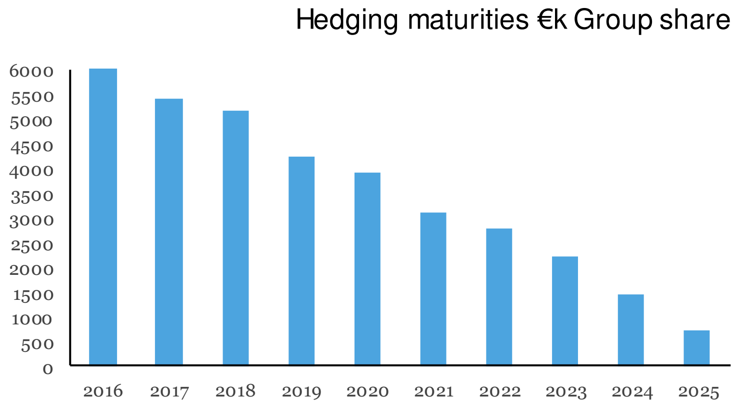
    - over the same period, Immeo refinanced loans totalling €285.5 million over ten years, of which €204 million for the Quadriga portfolio in Berlin and €81.5 million for the Berolina portfolio, also in Berlin

    - in the second half of 2016, Immeo raised a further €89 million in new financing over ten years to fund its acquisition of a portfolio of 1,270 units, mainly located in Berlin, Leipzig, Düsseldorf and Hamburg.

4.5. Hedging profile

During 2016, the hedge management policy remained unchanged, with debt hedged at 90% to 100%, at least 75% of which had short-term hedges and all of which have maturities equal to or exceeding the debt maturity.

Based on net debt at the end of December 2016, Foncière des Régions is hedged (in Group share) up to 81%, compared to 88% at the end of 2015. The average term of the hedges is 5.7 years (in Group share).



4.6. Average interest rate on the debt and sensitivity

The average interest rate on Foncière des Régions' debt continued to improve, standing at 2.2% in Group share, compared to 2.8% in 2015. This drop is mainly due to the full-year impact of the refinancing of Foncière des Murs' loans between July and November 2015, the refinancing of the Technical debt in February 2016, Foncière des Régions' ten-year green bond issue in May 2016 at a rate of 1.875%, combined with the partial redemption of the bond issue maturing in January 2018, as well as the impact of renegotiations in 2015 and 2016 and hedge restructuring. For information, an increase of 50 basis points in the three-month Euribor rate would have a negative impact of €1.4 million (0.4% of 2016 RNI) on the recurring net income in 2017.

◆ Financial structure

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

- The most restrictive consolidated LTV covenants amounted to 60% for Foncière des Régions, FDM, FDL and Beni Stabili at 31 December 2016.
- The threshold for consolidated ICR covenants differs from one REIT to another, depending on the type of assets, and may be different from one debt to another even for the same REIT, depending on debt seniority.

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

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

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

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

Ratio	Covenant	31/12/2016
LTV	60%	49,5%
ICR	200,0%	360,0%
Secured debt ratio*	25,0%	7,3%

** A €75 million credit facility is subject to a covenant at 22.5%*

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

€M Group Share	2015	2016
Net book debt*	5 617	5 888
Receivables linked to associates (full consolidated)	-23	-23
Receivables on disposals	-609	-523
Security deposits received	-15	-20
Net debt	**4 971**	**5 323**
Appraised value of real estate assets (ID)**	11 291	12 059
Preliminary sale agreements	-609	-523
Purchase Debt	-35	-22
Financial assets	13	20
Receivables linked to associates (equity method)	162	164
Share of equity affiliates	115	243
Value of assets	**10 938**	**11 941**
LTV Excluding Duties	**48,0%**	**47,2%**
LTV Including Duties	**45,4%**	**44,6%**

**Adjusted for changes infair value of convertible bond (+€5,6 million)*

***ID: Including Duties*

4.7. Reconcilation with consolidated accounts

Net debt

€ million	Consolidated accounts data	Minority interests	Group share data
Bank debt	9 737	-2 858	**6 879**
Cash and cash-equivalents	1 083	-92	**991**
Net debt	**8 654**	**-2 766**	**5 888**

Portfolio

€ million	Consolidated accounts data	Portfolio of companies under equity method	Fair value of investment properties	Discontinued activites	Fair value of trading activites	Minority interests	Group share data
Investment & development properties	16 763	1 905	124	117	32	-7 248	**11 693**
Assets held for sale	298					-70	**228**
Total portfolio	**17 061**	**1 905**	**124**	**117**	**32**	**-7 318**	**11 921**

Duties	661
Portfolio group share includong duties	12 582
(-) share of companies under equity method	-559
(+) Tangible and intangible fixed assets*	36
Portfolio LTV	**12 059**

**Including €28 million of purchasing options*

ICR

	Data 100%	Minority interests	Group share data (from RNI)
EBE (Net rents (-) operating expenses (+) results of other activites)	= 846 (-) 97 (+) 12,3 = 730,1	-246,9	**483,2**
Cost of debt	-195,2	(-) -61	**-134,2**
ICR			**x 3,60**

5. EPRA reporting

EPRA data reporting is presented only for ongoing operations.

5.1 Change in net rental income (Group share)

€ million	2015	Acquisitions	Disposals	Developements	Change in percentage held/consolidation method	Indexation, asset management and others	2016
France Offices	230	10	-7	8	0	-1	239
Italy Offices	85	2	-5	-1	4	0	84
Hotels & Services	80	2	-8	1	8	-2	81
Germany Residential	102	20	-10	0	1	4	116
France Residential	9	0	-2	0	-1	0	6
TOTAL	**505**	**33**	**-33**	**9**	**11**	**1**	**526**

Reconciliation with financial data

€ million	2016
Total from the table of changes in Net rental Income (GS)	**526**
Ajustements	0
Total net rental income (Financial data § 3.3)	**526**

5.2 Investment assets – Lease data

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

$$\frac{\text{Market rental value of vacant assets}}{\text{Contractual annualised rental income of occupied assets (+) Market rental value of vacant assets}}$$

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

$$\frac{\text{Market rental value of vacant assets}}{\text{Market rental value of occupied and vacant assets}}$$

€ million, group share	Gross rental income	Net rental income	Annualised rental income	Floor area to lease (m²)	Average rent (€/m²)	Vacancy rate at year end	EPRA vacancy rate at year end
France Offices	250	239	275	1 868 730	147	4,4%	4,8%
Italy Offices	102	84	111	1 914 561	119	4,5%	4,5%
Hotels & Services	81	81	75	1 218 094	144	0,0%	0,0%
Germany Residential	132	116	133	2 798 216	78	1,8%	1,8%
France Residential	9	6	7	99 247	121	n.a.	n.a.
Total at 31 december 2016	**574**	**526**	**602**	**7 898 848**	**0**	**3,3%**	**3,4%**

5.3 Investment assets – Asset values

- The EPRA net initial yield is the ratio of:

$$\frac{\text{Annualised rental payments received after deduction of outstanding benefits granted to tenants such as rent-free periods, rent ceilings (-) unrecovered property charges for the year}}{\text{Assets in operation including duties}}$$

€ million, Group share	Market value	Change in fair value over the year	Duties	EPRA NIY
France Offices	5 318	249	295	4,7%
Italy Offices	2 139	38	84	4,5%
Hotels & Services	2 477	160	164	4,5%
Germany Residential	1 631	19	91	5,3%
France Residential and parking facilities*	296	-1	16	1,6%
Total 2016 excl. Discontinued activities	**11 860**	**465**	**650**	**4,6%**

** The yield is presented on France residential only*

Reconciliation with financial data

€ million	2016	
Total portfolio value (group share, market value)	**11 860**	
Fair value of the operating properties	**-51**	
Fair value of companies under equity method	**-559**	
Inventories of real estate companies and others	**-18**	
Fair value of parkings facilities	**-20**	
Intangible fixed assets	**3**	
Tangible fixed assets	**43**	
Investment assets (Financial data§ 3.5)	**11 258**	(1)

(1) Fixed assets + Developments assets + asset held for sale

€ million	2016
Change in fair value over the year (group share)	**465**
Others	0
Income from fair value adjustments (Financial data § 3.3)	**465**

5.4 Assets under development

Development programmes and extensions or remodelling of existing properties that are not yet commissioned are valued at their fair value, and are treated as investment properties whenever the fair-value reliability criteria are met:

- administrative criteria: construction permits freed of all claims
- technical criteria: 50% of construction contracts signed
- sales and marketing criteria: good rental return visibility.

The list of assets that meet these criteria is as follows:

€ million	Ownership type	%of holding(Group share)	Fair value 31/12/2016	Capitalized financial expenses over the year	Forecast total cost including financial cost	%progress	Expected completion date	Floor area to lease (m²)	Pre-leasing	Expected rate of return upon completion
Silex I	FC**	100%		1,1	47,2	85%	2 017	10 700	86%	7%
Thaïs	FC	100%		0,9	40,3	80%	2 017	5 500	0%	6%
Nancy O'rFCin	FC	100%		0,4	19,9	55%	2 017	6 300	81%	6%
Edo	FC	100%		2,7	82,9	55%	2017	10 800	100%	6%
Art&Co	FC	100%		4,3	130,5	20%	2017	13 500	5%	5%
ENEDIS - New Saint Charles	FC	100%		0,1	18,7	20%	2017	10 300	100%	>7%
Riverside	FC	100%		0,3	32,1	20%	2018	11 000	0%	7%
Lezennes Hélios	FC	100%		0,0	21,0	10%	2018	8 700	0%	>7%
Total France Offices			**330**	**9,8**	**392,6**	0%	**0**	**76 800**	**42%**	0%
Turin, Corso Ferrucci 112	FC	52%		1,4	45,6	26%	2 017	45 600	22%	6%
Milan, via Colonna	FC	52%		0,0	8,5	9%	2 017	3 500	0%	5%
Milan, via Cernaia	FC	52%		0,7	29,9	21%	2 017	8 300	0%	5%
Milan, via Monte Titano	FC	52%		0,3	11,6	9%	2 018	6 000	100%	5%
Symbiosis - Phase A+B	FC	52%		4,9	44,8	24%	2 018	19 000	80%	7%
Milan, Principe Amadeo	FC	52%		0,0	29,5	0%	2 018	7 000	0%	5%
Total Offfices Italy			**169**	**7,2**	**170,0**	0%	**0**	**89 400**	**34%**	0%
B&B Lyon	FC	25%		0,0	2,2	33%	2 017	n/a	100%	6%
B&B Chatenay Malabry	FC	25%		0,0	2,2	23%	2 017	n/a	100%	6%
Club Med Samoëns	FC	13%		0,1	12,5	60%	2 017	n/a	100%	6%
B&B Berlin	FC	50%		0,0	5,6	34%	2 017	n/a	100%	7%
Meininger Munich	FC	50%		0,0	14,6	55%	2 018	n/a	100%	6%
Meininger Porte de Vincennes	FC	50%		0,0	23,5	35%	2 019	n/a	100%	6%
B&B Nanterre	FC	25%		0,0	2,8	70%	2 018	n/a	100%	6%
B&B Bagnolet	FC	25%		0,0	2,0	16%	2 020	n/a	100%	6%
Total Hotels & Service		**-**	**33**	**0,1**	**65,4**			**n/a**	**100%**	
Total			**531**	**17,2**	**628,0**			**166 200**	**46%**	

** Forecast total cost including projects held by equity affiliates (Euromed, Ilot Armagnac, MO Porte Dorée) for €77 million.*

Forecast total cost including committed projects and equity affiliates is therefore €705 million (cf. 1.G. Development projects).

***Fully consolidated*

Réconciliation with financial data

	2016
Total fair value of assets under development	**531**
Project under technical review and non-committed projects	122
Assets under development (Financial data § 3.5)	**653**

The non-committed projects represented €122 million in Group share at 31 December 2016 and related to the France Offices sector (Opale, Silex II, Canopée, Avenue de la Marne and Montpellier) and the Italy Offices sector (Via Schievano).

The projects undertaken by equity affiliates (Euromed, Ilot Armagnac, Motel One Porte Dorée), equivalent to €55 million in Group share at 31 December 2016, are not included in the above tables.

5.5 Information on leases

€ million	Firm residual term of leases	Residual term leases	Lease expiration by date of 1st exit option Annualised rental income of leases expiring					Total (€m)	Section
			N+1	N+2	N+3 à 5	Beyond	Total %		
France Offices	5,6	6,2	6%	12%	28%	54%	100%	275	2.A.6
Italy Offices	9,0	14,6	3%	4%	25%	68%	100%	111	2.B.6
Hotels & Service	10,4	10,7	1%	4%	12%	83%	100%	75	2.C.5
Total	**7,2**	**9,0**	**5%**	**9%**	**25%**	**62%**	**100%**	**461**	**1.B.1**

5.6 EPRA topped-up yield rate

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

Group share	Total * 2015	France Offices	Italy Offices	Germany residential	Hotel s& Service	France residential	Total * 2016
Investment, saleable and operating properties	**10 666**	5 318	2 139	2 477	1 631	262	**11 827**
Restatement of assets under developement	**-375**	-330	-169		-33		**-531**
Restatement of undevelopped land and other assets under development	**-179**	-155	-17		-9		**-181**
Restatement of operating hotel properties					-246		**-246**
Duties	**569**	295	84	164	91	16	**650**
Value of assets including duties (1)	**10 681**	**5 127**	**2 037**	**2 641**	**1 435**	**279**	**11 519**
Gross annualised rental income	**567**	253	107	133	75	7	**575**
Irrecoverable property charge	**-41**	-11	-16	-15		-3	**-45**
Annualised net rental income(2)	**526**	**241**	**91**	**118**	**75**	**4**	**530**
Rent charges upon expiration of rent-free periods or other reductions in rental rates	**20**	22	4				**27**
Annualised topped-up net rental income (3)	**546**	**264**	**95**	**118**	**75**	**4**	**557**
EPRA Net Initial Yield (2)/(1)	**4,9%**	**4,7%**	**4,5%**	**4,5%**	**5,3%**	**1,6%**	**4,6%**
EPRA "Topped-up" Net Initial Yield (3)/(1)	**5,1%**	**5,1%**	**4,7%**	**4,5%**	**5,3%**	**1,6%**	**4,8%**
Transtition from EPRA topped-up NIY to Foncière des Régions yields							
Impact of adjustements of EPRA rents	**0,4%**	0,2%	0,8%	0,6%	0,0%	1,1%	**0,4%**
Scope of effect							
Impact of restatement of duties	**0,3%**	0,3%	0,2%	0,3%	0,4%	0,2%	**0,3%**
Foncière des Régions yield rate*	**5,8%**	**5,7%**	**5,7%**	**5,4%**	**5,6%**	**2,8%**	**5,5%**

**The total yield rate includes Logistics*

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

$$\frac{\text{Annualised rental payments received after expiry of benefits granted to tenants such as rent-free periods and rent ceilings (-) unrecoverable property charges}}{\text{Assets in operation including duties}}$$

- EPRA net initial yield is the ratio of:

$$\frac{\text{Annualised rental payments received after deduction of outstanding benefits granted to tenants such as rent-free periods, rent ceilings (-) unrecovered property charges for the year}}{\text{Assets in operation including duties}}$$

5.7 EPRA cost ratio

K€, Group share	2015	2016
Unrecovered rental costs	-24 352	-26 374
Expenses on properties	-16 572	-19 129
Net losses on unrecoverable receivables	-3 365	-2 243
Other expenses	-3 484	-4 216
Overhead	-71 760	-75 810
Amortisation, impairment and net provisions	482	70
Income covering overheads	18 673	18 938
Cost of other activities and fair value	-6 606	-5 517
Property expenses	330	390
EPRA costs (including vacancy costs) (A)	**-106 654**	**-113 892**
Vacancy cost	8 828	10 650
EPRA costs (excluding vacancy costs) (B)	**-97 826**	**-103 242**
Gross rental income less property expenses	549 039	573 734
Income from other activities and fair value	30 387	23 874
Gross rental income	**579 426**	**597 608**
EPRA costs ratio (including vacancy costs) (A/C)	**18,4%**	**19,1%**
EPRA costs ratio (excluding vacancy costs) (B/C)	**16,9%**	**17,3%**

The calculation of the EPRA cost ratio excludes Car Parks, Logistics and operating hotel properties.

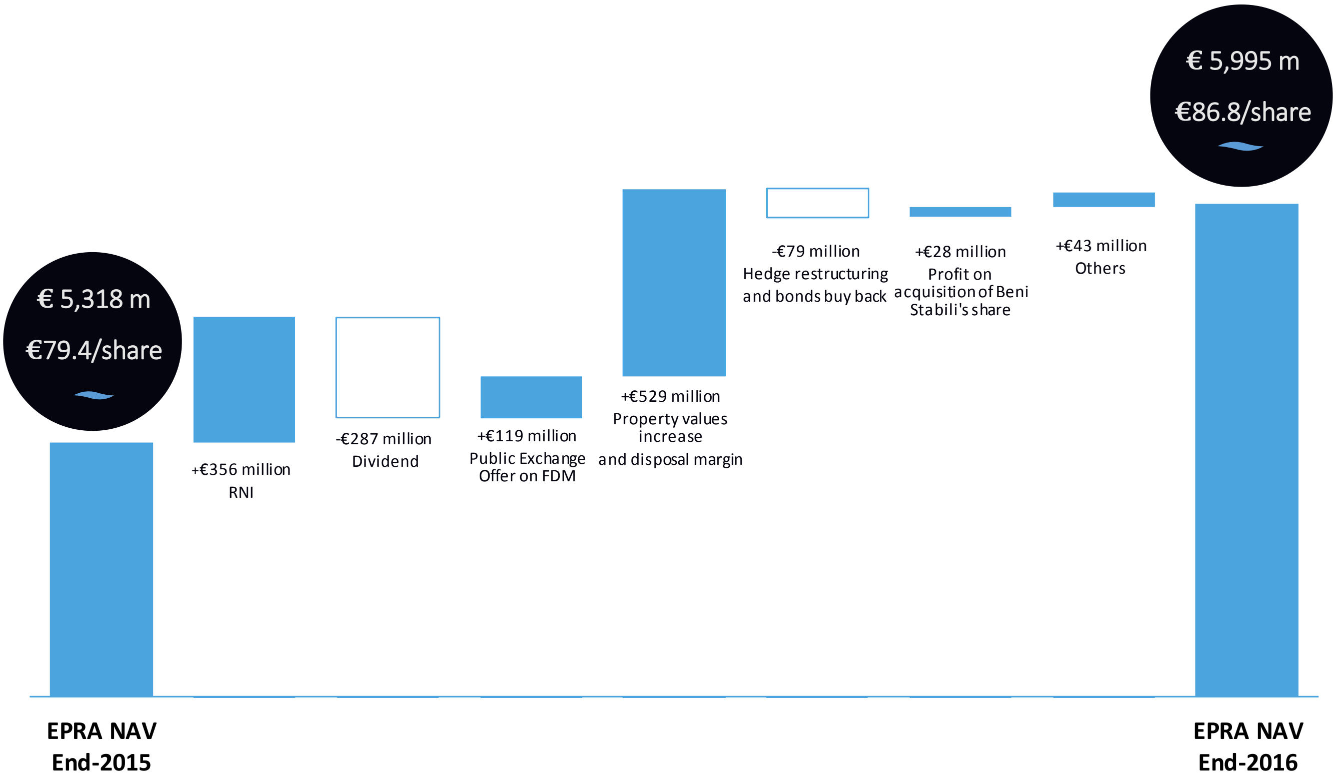
The higher ratio is mainly due to the increase in expenses outstripping the rise in rental income as a result of France Offices developments. A record number of deliveries will take place in 2017, such as the Art&Co projects in the 12th arrondissement of Paris and EDO in Issy-les-Moulineaux, both of which will generate rental income next year and will have a positive Impact on the ratio in 2017. For Hotels and Germany, the ratios have improved significantly, with Germany in particular recording a decrease of 2.5 points.

5.8 EPRA earnings

	2015	2016
Net income Group share (Financial data § 3.3)	**481,5**	**782,8**
Change in asset values	-347,6	-465,2
Income from disposal	-0,2	-45,8
Acquisition costs for shares of consolidated companies	7,0	11,2
Changes in the values of financial instruments	105,3	-31,4
Deferred tax liabilities	19,2	32,6
Taxes on disposals	2,9	1,7
Adjustment to amortisation, depreciation and provisions	25,6	1,8
Adjustments from early repayments of financial instruments	16,8	48,3
RNI adjustments for associates	-32,1	-12,1
Profits or losses on discontinued operations	22,9	4,6
EPRA earnings	**301,3**	**328,4**
EPRA earnings/€-shares	**4,59**	**4,86**
Specific FDR adjustments:		
Non-recurring operating income (loss)	2,4	1,6
Neutralisation of depreciation and borrowings costs and discounting effects	12,5	10,0
Neutralisation of amortisation and provisions	12,0	11,6
Impact of free shares and actualisation	4,6	4,6
FDR recurring net income (Financial data § 3.3)	**332,8**	**356,2**

5.9 EPRA NAV and EPRA NNNAV

	2015	2016	Var.	Var. (%)
EPRA NAV (€ m)	5 318,2	**5 994,8**	676,6	12,7%
EPRA NAV / share (€)	79,4	**86,8**	7,4	9,3%
EPRA NNNAV (€ m)	4 609,3	**5 331,9**	722,6	15,7%
EPRA NNNAV / share (€)	68,8	**77,2**	8,3	12,1%
Number of shares	66 947 020	**69 099 587**	2 152 567	3,2%



	M€	€/action
Shareholders' equity	**5 302,4**	**76,7**
Fair value assessment of goodwill	51,2	
Fair value assessment of parking facilities	12,5	
Fixed debt	18,4	
Additional 2016 duties	-78,2	
Restatement of value Excluding Duties	25,6	
EPRA NNNAV	**5 331,9**	**77,2**
Financial instruments and fixed rate debt	347,0	
Deferred tax liabilities	252,9	
ORNANE	63,0	
EPRA NAV	**5 994,8**	**86,8**
IFRS NAV	**5 302,4**	**76,7**

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

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

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

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

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

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

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

Fair value assessment of operating properties

In accordance with IFRS, operating properties are valued at historical cost. To take into account the appraisal value, a value adjustment is recognised in EPRA NNNAV for a total of €51.2 million.

Fair value adjustment for the car parks

Car parks are valued at historical cost in the consolidated financial statements. NAV is restated to take into account the appraisal value of these assets net of tax. The impact on EPRA NNNAV was €12.5 million at 31 December 2016.

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

FDM Management owns and operates hotels. In accordance with IAS 40, these assets are not recognised at fair value in the consolidated financial statements. In line with EPRA principles, EPRA NNNAV is adjusted for the difference resulting from the fair value appraisal of the assets for €18.4 million. The market value of these assets is determined by independent experts.

Fair value adjustment for fixed-rate debts

The Group has taken out fixed-rate loans (secured bond and private placement). In accordance with EPRA principles, EPRA NNNAV is adjusted for the fair value of fixed-rate debt, with an impact of -€78.2 million at 31 December 2016.

Recalculation of the base cost excluding duties of certain assets

When a company, rather than the asset that it holds, can be sold off, transfer duties are recalculated based on the company's NAV. The difference between these recalculated duties and the transfer duties already deducted from the value of the assets generates a restatement of €25.6 million at 31 December 2016.

5.10 Capex statement

€ million	2015		2016	
	100%	Group share	100%	Group share
Acquisitions [1]	75	47	358	255
Renovation on portfolio excl. developments [2]	114	75	131	90
Developments [3]	236	176	219	127
Capitalized expenses on development portfolio (except under equity method) [4]	26	19	27	19
Total	**451**	**318**	**735**	**492**

1 : Acquisitions including duties
2 : Renovation on portfolio excluding developments
3 : Total renovation expenses (excl under equity method) on development projects
4 : Commercialization fees, financial expenses capitalized and other capitalized expenses

5.11 EPRA performance indicator reference table

EPRA information	Section	Amount in %	Amount in €	Amount in €/share
EPRA Earnings	5.8		328,4	4,9
EPRA NAV	5.9		5 994,8	86,8
EPRA NNNAV	5.9		5 331,9	77,2
EPRA NAV/IFRS NAV reconciliation	5.9			
EPRA net initial yield	5.6	4,6%		
EPRA topped-up net initial yield	5.6	4,8%		
EPRA vacancy rate at year-end	5.2	3,4%		
EPRA costs ratio (including vacancy costs)	5.7	18,4%		
EPRA costs ratio (excluding vacancy costs)	5.7	16,9%		
EPRA indicators of main subsidiaries	5.6			

6. Financial indicators of the main activities

	Foncière des Murs			Beni Stabili		
	2015	**2016**	**Var. (%)**	**2015**	**2016**	**Var. (%)**
Recurring net income (€ million)	133,0	**137,9**	3,7%	99,4	**106,0**	6,6%
EPRA NAV (€ million)	1965,0	**2097,2**	6,8%	1870,00	**1924,30**	2,9%
EPRA NNNAV (€ million)	1765,0	**1872,5**	6,1%	1715,00	**1834,81**	7,0%
% of capital held by FDR	43,1%	**49,9%**	+6,8 pts	48,3%	**52,2%**	+3,9 pts
LTV Including Duties	31,3%	**32,5%**	+1,2 pts	50,9%	**51,6%**	+0,7 pts
ICR	3,87	**4,60**	+0,73	2,30	**2,60**	+0,30

	Immeo		
	2015	**2016**	**Var. (%)**
Recurring net income (€ million)	86,2	**102,1**	18,4%
EPRA NAV (€ million)	1657,0	**2020,0**	21,9%
EPRA NNNAV (€ million)	1314,0	**1640,0**	24,8%
% of capital held by FDR	61,0%	**61,0%**	-0,1 pts
LTV Including Duties	45,0%	**42,0%**	-3,0 pts
ICR	2,91	**3,53**	+0,62

7. GLOSSARY

- EPRA NAV per share and EPRA NNNAV per share

EPRA NAV per share (EPRA NNNAV) is calculated pursuant to the EPRA recommendations, based on the shares outstanding as at year-end (excluding treasury shares) and adjusted for the effect of dilution.

- Operating assets

Properties leased or available for rent and actively marketed.

- Rental activity

Rental activity includes mention of the total surface areas and the annualised rental income for renewed leases, vacated premises and new lettings during the period under review.

For renewed leases and new lettings, the figures provided take into account all contracts signed in the period so as to reflect the transactions completed, even if the start of the leases is subsequent to the period.

Lettings relating to assets under development (becoming effective at the delivery of the project) are identified under the heading “Pre-lets".

- Cost of development projects

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

- Definition of the acronyms and abbreviations used:

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

- Firm residual term of leases

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

- ### Green Assets

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

- ### Unpaid rent (%)

Unpaid rent corresponds to the net difference between charges, reversals and unrecoverable loss of income divided by rent invoiced. These appear directly in the income statement under net cost of unrecoverable income (except in Italy where unpaid amounts not relating to rents were restated).

- ### Loan To Value (LTV)

The LTV calculation is detailed in Part 5 "Financial Resources"

- ### Rental income

Recorded rent corresponds to gross rental income accounted for over the year by taking into account deferment of any relief granted to tenants, in accordance with IFRS standards.

The like-for-like rental income posted allows comparisons to be made between rental income from one year to the next, before taking changes to the portfolio (e.g. acquisitions, disposals, building works and development deliveries) into account. This indicator is based on assets in operation, i.e. properties leased or available for rent and actively marketed.

Annualised "topped-up" rental income corresponds to the gross amount of guaranteed rent for the full year based on existing assets at the period end, excluding any relief.

- ### Portfolio

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

- ### Projects

- Committed projects: these are projects for which promotion or construction contracts have been signed and/or work has begun and has not yet been completed at the closing date. The delivery date for the relevant asset has already been scheduled. They might pertain to VEFA (pre-construction) projects or to the repositioning of existing assets.

- Controlled projects: These are projects that might be undertaken and that have no scheduled delivery date. In other words, projects for which the decision to launch operations has not been finalised.

Recurring Net Income

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

Calculation :

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

Yields/return

The portfolio returns are calculated according to the following formula:

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

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

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

Surface

SHON: Gross surface
SUB: Gross used surface

Debt interest rate

Average cost:

$$\frac{\text{Financial Cost of Financial net Debt for the period} + \text{Financial Cost of Hedges for the period}}{\text{Average used financial net debt outstanding in the year}}$$

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

Occupancy rate

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

1 - <u>Loss of rental income through vacancies (calculated at MRV)</u>
rental income of occupied assets + loss of rental income

This indicator is calculated solely for properties on which asset management work has been done and therefore does not include assets available under pre-leasing agreements. Occupancy rate are calculated using annualised data solely on the strategic activities portfolio.

The indicator "Occupancy rate" includes all portfolio assets except assets under development.

- Like-for-like change in rent

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

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

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

- Like-for-like change in value

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

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