

## **Contemplated merger with Beni Stabili: A major step forward in European strategy and Group simplification**

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*Foncière des Régions and Beni Stabili, its 52.4% owned subsidiary and leading office REIT in Milan, have initiated discussions regarding a potential business combination.*

Foncière des Régions has submitted a merger proposal to the Board of Directors of Beni Stabili, on the basis of an exchange ratio of 8.5 Foncière des Régions shares per 1,000 Beni Stabili shares (ex-2017 dividend distribution).

Foncière des Régions intends to pursue discussions with Beni Stabili in order to review the terms and conditions of such potential merger. This contemplated merger would be subject to, in particular, the approval of Beni Stabili's independent board members committee nominated in the context of a related party transaction, then by the approval of both companies' Board of Directors, and the approval by both companies' Extraordinary General Meetings<sup>1</sup>.

Depending on status of discussions between Foncière des Régions and Beni Stabili, the contemplated merger could be completed by the end of 2018.

### **A new step in the implementation of the strategic plan for Italy initiated in 2015**

The merger would be in direct continuation with Beni Stabili's transformation plan initiated two years ago, and further reinforce Foncière des Régions investment strategy in Italy, articulated around:

- Refocusing on Milan: exposure to Milan increased by c. 15 points since 2015, reaching 64% of portfolio value<sup>2</sup>, while exposure to Telecom Italia halved to 23%<sup>2</sup>,
- Improvement of profitability: financial occupancy rate (excluding Telecom Italia) increased to 95.1% as of year-end 2017 from 87.5% as of year-end 2015,
- Acceleration of development pipeline: with the committed pipeline more than doubling since 2015 to reach €317 M as of year-end 2017, while total pipeline amounts to €777 M.

### **Increased exposure to prime office in Milan, supported by rental market regained momentum**

The office real estate market in Milan has shown regained momentum since last year (take-up increased by almost 20% between 2015 and 2017 to 347,000 m<sup>2</sup> while prime rents increased by

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<sup>1</sup> In case the Merger Plan is accepted by the EGMs of both companies, Beni Stabili shareholders who did not vote in favour of the merger resolution are entitled to a cash withdrawal right in accordance with applicable law in Italy

<sup>2</sup> Based on Group Share portfolio value pro-forma for the disposal of 9% stake in the SICAF owning the Telecom Italia portfolio  
Sources : C&W, BNP Real Estate

10%). In addition, change in work habits, as well as the need to attract and retain talents have incentivised companies to base their activities in qualitative buildings in terms of location, performance and services. Thus, more than 2/3 of the take-up was focused on new and refurbished assets in 2017.

With a unique portfolio of €3.5 Bn<sup>3</sup> of which €2.1 Bn in Milan, Beni Stabili is best positioned to take advantage of this growing and evolving demand.

### **Simplification as a growth driver**

The contemplated merger would be a new step towards Group simplification and would increase ties between its different divisions. Foncière des Régions will enhance its position as a leading Pan-European integrated real estate player, by further strengthening its three strategic pillars:

- **Focus on large European capital cities:** with an additional €1.7 Bn Group Share portfolio mainly located in Milan, Foncière des Régions portfolio would reach c. €15 Bn<sup>4</sup> Group Share (€21 Bn at 100%),
- **Property developer:** capitalizing on the success of its development projects and on its €690 M pipeline in Milan as of year-end 2017, the group intends to further intensify the current dynamic. After the launch of Fastweb headquarters project in 2016 (19,000 m<sup>2</sup>), the delivery of Amundi headquarters in 2017 (8,300 m<sup>2</sup>), and the launch of AON headquarters project in 2018 (9,500 m<sup>2</sup>), more than 5 new development projects are expected to be launched in 2018-2019, representing 55,000 m<sup>2</sup> and €275 M of capex,
- **Client centric:** while the synergies between Foncière des Régions products and activities (Offices, Hotels, Residential) are stronger than ever, the merger would help to integrate the teams and share know-how to best serve its clients. To this extent, Wellio, the new co-working offer will be rolled-out in Milan by 2019, while Italy is also a target for expansion of the Group' hotel business, in particular with the upcoming opening of the Meininger Hotel in Milan.

Through the contemplated merger, Beni Stabili would become even more proactive and would benefit directly from Foncière des Régions' financial resources with a view to accelerate the implementation of its portfolio rotation and real estate strategy, focusing on prime offices in Milan. The group would remain actively involved in the regeneration and development of new tertiary zones in Milan, including for example through the Reinventing Cities project.

### **Positive financial impacts and further enhanced Capital Markets profile**

On the basis of the proposed merger terms and taking into account estimated synergies of c. €5 M, the merger would have a slightly accretive impact of c. +1% on EPRA Earnings and NAV per share. No material impact is expected on Foncière des Régions financial structure which would remain solid.

Through the merger, Foncière des Régions market capitalization would increase by c. €700 M<sup>5</sup> to reach over €7Bn<sup>5</sup>, while the company's free float would increase by €500 M<sup>5</sup> to c. €4 Bn<sup>5</sup>.

Foncière des Régions intends to shortly mandate an investment service provider to acquire Beni Stabili shares on the market up to a 60% Foncière des Régions participation in Beni Stabili share

<sup>3</sup> At year end 2017 group share, pro-forma for the disposal of a 9% stake in the SICAF owning the Telecom Italia portfolio

<sup>4</sup> Estimated at mid-year 2018, including secured investments and disposals in H1 2018

<sup>5</sup> Based on (i) share price as of 19/04/2018 (FDR: €88.30, Beni Stabili: €0.730), (ii) acquisition on the market of Beni Stabili shares by FDR before the completion to reach 60% of Beni Stabili share capital, and (iii) 100% straight merger

capital (representing a maximum amount of 171,816,509 Beni Stabili shares), under terms in accordance with applicable law.

### **Attractive contemplated merger for Beni Stabili shareholders**

In case of a potential merger with Foncière des Régions, Beni Stabili shareholders would benefit from a diversified exposure to the main European real estate markets. In addition, the contemplated merger exchange ratio would translate into a c. +8% premium to the 3-month VWAP share price exchange ratio<sup>6</sup> as of 19/04/2018.

The contemplated merger would also translate for Beni Stabili shareholders into a significantly increased liquidity (free float almost more than six times larger<sup>5</sup>) and a dividend per share 16%<sup>7</sup> higher than current Beni Stabili dividend. Foncière des Régions would also seek a dual-listing in Paris and Milan.

Foncière des Régions will keep the market informed on status of discussions with Beni Stabili as well as progress made with respect to contemplated merger.

### **A New Step for Foncière des Régions**

In addition to simplifying the group structure, this transaction is a new step forward in Foncière des Régions European strategy.

In order to fully reflect its Pan-European footprint and be gathered under the same banner, Foncière des Régions will adopt a new name before summer and will deploy a new brand in the various countries where it operates.

**A conference call for investors and analysts will be held  
on April 20<sup>th</sup> at 2:30 PM CET**

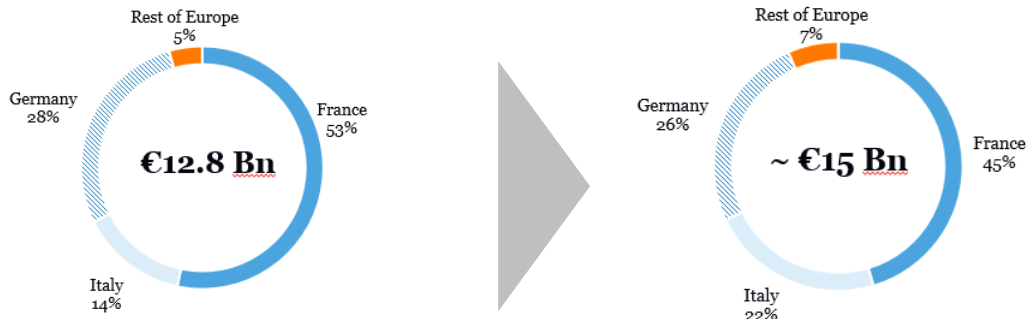
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<sup>6</sup> Based on 3-month VWAP as of 19/04/2018 of €88.19 per share for FDR and €0.693 per share for Beni Stabili, adjusted for 2017 ordinary dividend distribution of €4.50 for FDR and €0.033 for Beni Stabili

<sup>7</sup> Based on 2017 dividends of €4.50 for FDR and €0.033 for Beni Stabili

## Appendix 1: Geographic breakdown of GAV Portfolio Group Share – Pre and Post Transaction<sup>8</sup>

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## Appendix 2 : Contemplated Timeline

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Approval of the Merger Agreement	-----	End of May 2018
Beni Stabili Half Year Results	-----	18 July 2018
Foncière des Régions Half Year Results	-----	19 July 2018
Extraordinary General Meetings	-----	September 2018
Capital Markets Day in Milan	-----	18 October 2018
Merger Completion	-----	End of 2018

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<sup>8</sup> Estimated at mid-year 2018, including secured investments and disposals in H1 2018

## Foncière des Régions, co-author of real estate stories

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

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

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

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

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This press release does not constitute and shall not be construed as an offer or the solicitation of an offer to purchase, sell or exchange any securities of Foncière des Régions and Beni Stabili. It does not constitute an offer or the solicitation of an offer to purchase, sell or exchange securities in any jurisdiction in which it would be unlawful or subject to registration or qualification under the laws of such jurisdiction. This announcement is not an offer for sale of securities in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended.

Foncière des Régions is advised by Morgan Stanley & Co International plc on this transaction. Morgan Stanley is acting exclusively for Foncière des Régions and no one else in connection with the transactions described in this press release. It will not regard any other person as its client and will not be responsible to anyone other than Foncière des Régions for providing the protections afforded to its clients.

Pursuant to the Commission implementing regulation (EU) No 2016/1055 of 29 June 2016 laying down implementing technical standards with regard to the technical means for appropriate public disclosure of inside information and for delaying the public disclosure of inside information in accordance with regulation (EU) No 596/2014 of the European Parliament and of the Council, this press release may contain inside information and has been sent to the authorized broadcaster of Foncière des Régions on 20 April 2018 at 9.45 AM.

Foncière des Régions asked that the trading of its shares on Compartment A of Euronext Paris be reopened following publication of this press release.